


NIFTY 9,979.10


152.95 (1.56%)

02-Jun-2020 | EOD

SENSEX 33,825.53


522.01 (1.57%)

02-Jun-2020 | EOD

MOFSL 550.20


24.20 (4.60%)

02-Jun-2020 | EOD

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Motilal Oswal Financial Services reports Q1FY19 Revenues of Rs 712 crores and PAT of Rs 115 crores.

Mumbai 21-Aug-2018

Motilal Oswal Financial Services reports Q1FY19 Revenues of Rs 712 crores and PAT of Rs 115 crores.

Mumbai, August 21, 2018: Motilal Oswal Financial Services Ltd. announced its results for the quarter ended June 30, 2018 post approval by the Board of Directors at a meeting held in Mumbai on August 21, 2018.

Performance for the quarter ended June 30, 2018

Consolidated revenues were Rs 712 crores in Q1FY19, +8% YoY. Asset & Wealth Management business top-line was +44% YoY and Capital Market business was +17% YoY. Broking business has registered 22% growth in revenues; its distribution arm clocked 59% YoY growth in AUM. Notwithstanding this strong performance in Capital Markets, the share of annuity revenue streams went up to 55%, also led by AMC's AUM growth of 55% YoY.

Consolidated PBT was Rs 146 crores and PAT was Rs 115 crores in Q1FY19. PAT growth excluding fair valuation of unrealised gains on fund based investments was -2% and 13% as per IGAAP. PAT growth was contributed by 66% YoY growth in PAT of Asset & Wealth businesses and 54% YoY growth in Capital Market businesses.

Consolidated net worth stood at Rs 3,022 cr, gross borrowing was Rs 5267 cr and net borrowing was Rs 4963 cr (including Aspire). Excluding Aspire, gross and net borrowings were Rs 1,423 cr and Rs 1,120 cr respectively and this is less than the market value of quoted investments at Rs 1,572 cr.

Besides financial performance, the last few quarters have been very eventful in terms of our successes in brand building, advertising and several other fronts. CNBC-IBLA awarded Motilal Oswal Financial Services as the "Brand of the Year". The ABBY awards are the Oscars of India ad awards and honor creative excellence in advertising. Motilal Oswal TV Ad - "Think Equity Think Motilal Oswal", won 3 ABBY awards. MOFSL was awarded Top-15 Best Places to Work in the BFSI space. Mr Oswal was awarded Outstanding Institution Builder at the All India Management Association awards. These, and several other awards, are recognition of Motilal Oswal as a preferred consumer and employee brand in the financial services space.

Speaking on the performance of the company, Mr. Motilal Oswal, CMD said "Our strategy to diversify our business model towards linear sources of earnings continues to show results, with bulk of the revenue pie now coming from these new businesses. Each of these business

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cant headroom for growth and operating leverage as

Prestigious awards like Brand of the Year from CNBC-IBLA, Top-15 Best Places to Work, 3 awards at ABBY and several others have made all associated with the group immensely proud”.

Performance of Business Segments for the quarter ended June 30, 2018

• Capital markets Businesses (Broking & Investment banking)

- Capital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues were Rs 303 cr in Q1FY19, +17% YoY for this segment and contributed ~43% of consolidated revenues. Profits grew much faster at 54% YoY and contributed ~54% of consolidated PAT.
- In **Retail Broking & Distribution**, our Market share in high-yield cash segment has improved on YoY basis. Overall market share stood at 1.8% in Q1FY19 despite higher F&O volumes.
- Our strategy to bring in linearity through the trail-based distribution business is showing results. Distribution Net Sales were Rs 534 cr in Q1FY19 and AUM was Rs 8,270 crores, +59% YoY. With only 11% of the near 10 lakhs client base tapped, Distribution income is already at 17% of retail broking gross revenues. We expect a meaningful increase in AUM and fee income as number of clients to whom we have cross sold and number of products per client cross sold rises.
- In **Institutional Broking**, rankings with existing clients improved, domestic institutions contribution improved and new client additions were encouraging. Every aspect of the business, research, sales, sales trading and corporate access is being strengthened. Tailwinds for local firms remain strong.
- **Investment Banking** business has continued to engage and conclude some significant transactions in this period. We have completed 2 ECM transactions in Q1FY19. Overall transaction pipeline remains encouraging.

• Asset Management businesses are nearing critical mass

- **Asset Management** business across MF, PMS & AIF reached the mark of Rs 37,553 crores AUM, +55% YoY this year. Our AMC now ranks among the Top-10 players by total equity assets, PMS ranks #1 while AIF assets are growing rapidly. Net Sales were Rs 1,923 crores in Q1FY19. Revenues were Rs 184 crores in Q1FY19, +40% YoY and PAT is Rs 40 crores, +71% YoY. Asset management business offers highest scalability and operating leverage among all businesses.
- Our Equity MF AUM of Rs 19,388 cr is just 2% of the Industry Equity AUM of Rs 9,05,582 cr. However, our market share in Equity MF Net Sales (including balance) has scaled up to ~3.3% in Q1FY19. Our endeavor would be to sharpen the QGLP philosophy to sustain alpha generation, to increase our share of Net Sales as funds form part of performance league tables and there is stronger distribution pull. This will aid closing the gap between our share in AUM and Net Sales while improving our share in Net Sales. Our pricing power in MF is improving and the direct AUM is now 36% of total MF AUM. This will help improve net yields.
- Our share of Alternate assets, comprising of PMS & AIF, is the highest among AMC's at ~48% and continues to grow very strongly. Yields and profitability of Alternates is higher. As of June 2018, ~20% of Alternates AUM is performance-fee linked, and our target is to increase this further.
- **Private Equity** manages an AUM of Rs 5,080 cr across 3 growth capital PE funds & 3 real estate funds. This business has delivered on profitability and scalability fronts. The 1st growth fund (IBEF 1) has delivered an XIRR of 28%, and alpha of 10% and is expected to return nearly 6x MoC (Multiple of Cost). Till date, 3.3x MoC has been returned for INR investors and 2.2x for USD investors. Strong performance and positioning has also aided new fund raise. We launched IBEF-3 this year and received phenomenal response by garnering Rs 1,860 cr and expected to achieve targeted size of Rs 2,000 cr by September 2018.
- **Wealth Management** business AUM grew by 35% YoY at Rs 15,311 cr with net sales of Rs 986 cr, +172% YoY, and revenues grew 47% YoY at Rs 26 cr. RM count of this business has reached 126 in Q1FY19, +56% YoY. Investments in strong RM additions suppressed reported profitability. As ratio of new adds to opening RM falls and the vintage of RM improves, both productivity and profitability of the business will scale up.
- Overall **Asset and Wealth Management** revenues were Rs 229 cr in Q1FY19, +44% YoY and contributed 32% of consolidated revenues. Profits grew by 66% YoY and this segment now contributes 41% of consolidated profits, with highest scalability and with least capital employed among our portfolio of businesses.

• Housing finance business

- Loan book grew by +11% YoY at Rs 4,800 cr

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YoY in line with loan book growth. Cost to Income

- Margins stood at 4.6% in Q1FY19 versus 4.2% in Q1FY18. This margin expansion, despite interest reversals, was on account of lower cost of funds.
 - As guided post Q4FY18 results, asset quality deterioration in Q1FY19 was on account of seasoning of legacy portfolio and impact of seasonality.
 - Ramp of collection headcount continued in the quarter. We expect improved collection efficiency due to rising vintage of collection team, technology driving productivity of collection team and contribution of legal team in recovery process. These initiatives are expected to drive stabilisation in asset quality.
 - Management team has been strengthened with additions and changes in Heads of Credit, Technical, Collections, Operations, HR, Business Process & Quality and Compliance.
 - Branch expansion is being pursued in new states where we commenced operations year ago. Five new branches were added during the quarter, taking the total count to 125.
 - Gearing remains conservative at 5x. Cumulative capital infusion from sponsor till date is Rs 650 cr and we remain committed to provide further capital as the business scales up.
- **Fund based business** includes sponsor commitments to our AMC & PE funds and strategic equity investments.
 - **Fund Based** activities like commitments to our asset management products, not only helped seed these new businesses by investing in highly scalable opportunities, but they also represent liquid resources for future opportunities.
 - Investments in quoted equity investments stood at Rs 1,000 cr at cost, while the unrealised gain on these investments stood at Rs 573 cr. These gains are now MTM and reflected in the reported earnings. The post-tax cumulative XIRR of these investments is ~21%. Investment in seeding our PE funds is Rs 270 cr at cost. IBEF-1 is expected to deliver a 6x MoC.
 - Consolidated RoE for the Group for Q1FY19 was 16% under Ind-AS on account of lower MTM gains accrued during the quarter on higher MTM gains included in net worth on opening transition. Asset & Wealth Management RoE was 134% and Capital Markets RoE was 125%.

About Motilal Oswal Financial Services Limited

Motilal Oswal Financial Services Ltd. is a financial services company. Its offerings include capital markets businesses (Retail broking, Institutional broking & Investment banking), Asset & Wealth Management (Asset Management, Private Equity & Wealth Management), Housing Finance & Equity based treasury investments. Motilal Oswal Financial Service won the 'Brand of the Year' award at the IBLA CNBC TV 18. Motilal Oswal Securities won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards for the 6th time. It was ranked the Best in Events/Conferences, ranked amongst Top-2 for Overall Sales Services & Best Roadshows/Company Visits & amongst the Top-3 in Best Local Brokerage, Best Execution & Sales Trading Visits at the Asia Money Awards 2015. Motilal Oswal Private Equity won the 'Best Growth Capital Investor-2012' award at the Awards for PE Excellence 2013. Motilal Oswal Private Wealth Management won at the UTI-MF CNBC Financial Advisor Award in HNI Wealth Management category for 2015. Aspire Housing Finance was awarded 'India's Most Admired & Valuable Housing Finance Company' at India Leadership Conclave 2015.

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