


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 Q1FY20 PAT of Rs 129 crore, +25% YoY.

Mumbai 31-Jul-2019

Motilal Oswal Financial Services reports Q1FY20 PAT of Rs 129 crore, +25% YoY.

Mumbai, July 31, 2019: Motilal Oswal Financial Services Ltd. announced its results for the quarter ended June 30, 2019 post approval by the Board of Directors at a meeting held in Mumbai on July 31, 2019.

Performance for the quarter ended June 30, 2019

Consolidated revenues stood at Rs 655 cr in Q1FY20. Consolidated PAT was at Rs 129 crore, +25% YoY in Q1FY20. Asset & Wealth management business contributed to 32% of the profit for the quarter, followed by Capital market business at 28%, fund based investment 27% and Housing finance at 13%.

Some of the key highlights for the quarter include 25% YoY growth in PE AUM, 18% YoY growth in Wealth AUM, 17% YoY growth in Distribution business AUM, 3% YoY growth in AMC AUM, name change of home finance business to "Motilal Oswal Home Finance" (MOHFL) with improvement in profitability and ROE along with minimal credit costs. CRISIL has also upgraded long term rating of MOHFL to AA- (Stable) from A+ earlier.

Consolidated net worth stood at Rs 3,232 crore, gross borrowing was Rs 4,783 crore and net borrowing was Rs 4,089 crore (including MOHFL). Excluding MOHFL, gross and net borrowings were Rs 1,415 crore and Rs 796 crore respectively and this is less than the market value of quoted investments at ~Rs 1,600 crore. Overall gearing remains conservative at 1.5x; ex-MOHFL it is at 0.43x and considering market value quoted investments, we are effectively net cash balance sheet.

Asset and wealth business was highest contributor to profit, ahead of capital market business.

Besides financial performance, the last quarter has been very eventful in terms of our successes in brand building, advertising and several other fronts. In Q1FY20, MOFSL gets inducted in "Hall of Fame" at 10th Financial Advisory Awards 2019. MOFSL wins "Broking House of the year" at MCX awards 2019. MOFSL wins "Best 360 Degree Marketing Campaign" at Masters of Modern Marketing Conference and 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. Asset & Wealth businesses are now the largest contributors to profits and ahead of the Capital market businesses. Our Housing finance business is contributing to consolidated profits and likely to scale up further in near future under the new leadership team. Explore businesses offers significant headroom for growth and

operating leverage as they scale up. Prestigious awards like “Hall of fame”, Broking House of the year and several others have made all associated with the group immensely proud”.

Performance of Business Segments for the quarter ended June 30, 2019

• Asset Management businesses

- **Asset Management** business across MF, PMS & AIF stood at Rs 38,809 crores AUM, +3% YoY. Our AMC ranks 12 by total equity assets, PMS ranks #1 while AIF assets are growing rapidly. Revenues and PAT for the quarter stood at Rs 144 crore and Rs 36 crore, respectively. Asset management business offers highest scalability and operating leverage among all businesses.
- Our Equity MF AUM of Rs 19,855 crore is just 1.9% of the Industry Equity AUM of Rs 10.4 lakh crore.
- Our share of Alternate assets, comprising of PMS & AIF, is the highest among AMC's at ~49% and continues to rise. Yields and profitability of Alternates is higher. As of June 2019, ~19% of Alternates AUM is performance-fee linked and our endeavor is to increase this further. We have been able to maintain our net yields despite challenging regulatory environment.
- **Private Equity** manages an AUM of Rs 6,370 crore (+25% YoY) across 3 growth capital PE funds and 4 real estate funds. This business has delivered on profitability and scalability fronts. In Q1FY20, revenues grew by 24% YoY at Rs 24 crore and PAT grew by 10% YoY at Rs 4.9 crore. The 1st growth fund (IBEF 1) has delivered an XIRR of 27%, and alpha of 10% and is expected to return nearly 6x MoC (Multiple of Cost). Strong performance and positioning has also aided new fund raise. We have launched IREF IV in FY19 with a target size of Rs. 1200 crore has achieved 2nd close at ~Rs. 850 crore.
- **Wealth Management** business AUM grew by 18% YoY at Rs 18,008 crore in Q1FY20 with net sales of Rs 455 crore. RM count of this business has reached 130 with average RM addition up +5% YoY in Q1FY20. Our trail revenues predominantly cover our fixed costs. 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 190 crore in Q1FY20 and contributed 29% of consolidated revenues. Profits were Rs 40 crore and contribute 32% of consolidated profits, with highest scalability and with least capital employed among our portfolio of businesses.

• Capital markets Businesses (Broking & Investment banking)

- Capital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues for this segment were Rs 278 crore in Q1FY20 and contributed ~42% of consolidated revenues. Profits were Rs 35 crore in Q1FY20 and contributed ~28% of consolidated PAT. Broking and distribution business profit stood at Rs 39 crore in Q1FY20 led by strong margins on account of better operating leverage on the higher and linear revenues.
- In **Retail Broking & Distribution**, our Market share in high-yield cash segment has been improved. Overall market share stood at 2.2% (ex-prop) in Q1FY20 in rising F&O volumes in market.
- Our strategy to bring in linearity through the trail-based distribution business is showing results. Distribution AUM was Rs 9,717 crore, +17% YoY in Q1FY20. With only 16% of the near million client base tapped, we expect a continued 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**, there was improvement in rankings with encouraging domestic institutions' contribution and new client additions. Every aspect of the business, research, sales, sales trading and corporate access is being strengthened.
- **Investment Banking** business has continued to engage some market transactions in this period. Overall transaction pipeline remains encouraging.

• Housing finance business

- Motilal Oswal Home Finance (MOHFL) profit growth (+257% YoY) for the quarter was led by lower credit cost, lower operating cost and improvement in yields during the quarter.
- Name change to “Motilal Oswal Home Finance” to yield multiple benefits like reduction in cost of funds, leveraging on brand, group level synergy across functions and business associates.

(stable). This will further benefit MOHFL in bringing down cost of funds and improve spreads.

- Loan book stood at Rs 4,270 crore as of Q1FY20. Disbursements in Q1FY20 were Rs 33 crore.
- New book sourced from April'18 has encouraging performance, with only 3 cases in NPA out of 3,000 loan cases.
- Margins improved by 60 bps YoY at 5.2% in Q1FY20, on account of improvement in yield coupled with recent equity infusion. Our spreads have remained stable in an environment of higher cost of funds.
- Annualised credit cost in Q1FY20 was at 1%, lower than last 4 quarters. This was on account of comparatively lower slippages and no write offs during the quarter. Further, provision coverage remained robust at 68% including write-offs in Q1FY20.
- Strong traction in legal recourse coupled with improvement in collection efficiency will result into faster resolution of delinquent cases.
- Legacy loan book is now seasoned for over 27 months. Moreover, proactive clean-up of the legacy book, expected positive trends in disbursements in coming quarters along with improvement in collection efficiency, augur well for future asset quality and profitability outlook.
- Strong support from parent continues with capital infusion of Rs 200 crore in FY19 taking total capital infusion to Rs 850 crore. Gearing remains conservative at 4.0x.
- Limited borrowing repayments till March 2020, strong undrawn borrowing lines and ALM place us in comfortable liquidity situation.

- **Fund based investments** includes sponsor commitments to our AMC & PE funds and strategic equity investments.
 - **Fund based** investments 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.
 - Company continues to invest its free cashflow for the quarter, during the quarter we have invested Rs 1100 crore in quoted equity investments.
 - Total quoted equity investment including MTM gains was ~Rs 1,600 crore as of Q1FY20. MTM on these gains are now part of reported earnings under Ind-AS reporting. Cumulative XIRR of these investments is ~18.5%, which is the see-through RoE.

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.

MOFSL's core purpose is to be well respected and preferred global financial services organization enabling wealth creation for customers. Research is the solid foundation and the investment advisory at Motilal Oswal Financial Services is based on the research. MOFSL's research has received wide media coverage and consistently won awards, showcasing company's strong research capabilities. This includes being awarded "Best Performing National Financial Advisor - Equity Broker" for six years at the UTI-CNBC TV18 Financial Advisor Awards, Moneycontrol Wealth Creator Award – Best Broking Business Of The Year -2018. MOFSL won "**Broking House of the year**" at MCX awards 2019.

The company has a diversified client base of ~1.3 million. MOFSL's core purpose is to be a respected and preferred global financial services organization enabling wealth creation for its customers.

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For further details contact:

Mrs. Rohini Kute (Head of Corporate Communication) Motilal Oswal Financial Services Ph- +91-22 -71992340, Mob- +91-9820196838	Mr. Shalibhadra Shah (Chief Financial Officer) Motilal Oswal Financial Services Ph- +91-22-71934917 Mob- +91-9819060032
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