


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

Menu

[Home](#) > [Media Room](#) > [Press Release](#) > [Details](#)

Motilal Oswal Financial Services reports Q4FY19 PAT of Rs 147 crores.

Mumbai 11-May-2019

Motilal Oswal Financial Services reports Q4FY19 PAT of Rs 147crores. Full year dividend maintained at Rs 8.5 per share (50% payout).

Mumbai, May 11, 2019: Motilal Oswal Financial Services Ltd. announced its results for the quarter and year ended March 31, 2019 post approval by the Board of Directors at a meeting held in Mumbai on May 11, 2019.

Performance for the quarter and year ended March 31, 2019

Consolidated revenues stood at Rs 711 crores in Q4FY19 and Rs 2677 crores in FY19. Consolidated PAT was Rs 147 crores in Q4FY19 and Rs 294 crores in FY19. FY19 profit was lower on account of higher provisioning/ write offs taken in Aspire Home Finance and lower MTM on fund based investments. Consolidated adjusted PAT was up 9% YoY to Rs 358 crores. *(Adjusted PAT excludes Aspire Home Finance, fund based investments and lumpy share of profits on the exit of PE investments).*

Some of the key highlights include 36% growth in FY19 PAT of Asset Management business, 18% growth in FY19 PAT of Broking business, 27% growth in Distribution business AUM, no write offs and return to profit in Q4FY19 in Aspire Home Finance, name change of home finance business to "Motilal Oswal Home Finance", dividend maintained and payout increased to 50% of profits despite lower PAT.

Consolidated net worth stood at Rs 3053 crores, gross borrowing was Rs 5114 crores and net borrowing was Rs 4590 crores (including Aspire). Excluding Aspire, gross and net borrowings were Rs 1554 crores and Rs 1113 crores respectively and this is less than the market value of quoted investments at Rs 1440 crores. Overall gearing remains conservative at 1.7x; ex-Aspire it is at 0.5x 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 for the 1st time.

Besides financial performance, the last few quarters have been very eventful in terms of our successes in brand building, advertising and several other fronts. In FY19, MOFSL, yet again listed in top 20 BFSI companies as a '**Great Place to Work**' for 3rd consecutive year. Aspire Home Finance won the '**Digital Excellence in Urban Finance**' award at the Digital Customer Excellence Awards, 2019. MOPWM won the prestigious '**Best Boutique Wealth Manager India**' at the Asset Triple A Award 2018. MORE won '**Best Real Estate Product**' at India Wealth Awards 2018. MOFSL awarded as "**Best Broking Business of the Year**" at the Moneycont

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these, and several other awards, are recognition of

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 for the first time. Each of our 7 businesses offer significant headroom for growth and operating leverage as they scale up. Prestigious awards like Best broking business of the year, Top-20 Best Places to Work, Best boutique wealth manager and several others have made all associated with the group immensely proud".*

Performance of Business Segments for the quarter and year ended March 31, 2019

Capital markets Businesses (Broking & Investment banking)

- Capital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues for this segment were Rs 1171 crores in FY19 and contributed ~44% of consolidated revenues. Profits were Rs 181 crores in FY19 and contributed ~42% of consolidated PAT. Broking and distribution business profit grew by 18% YoY at Rs 173 crores in FY19 led by strong operating margin expansion by 200bps to 34% 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 maintained on sequential basis. Overall market share stood at 2.6% (ex-prop) in Q4 FY19 despite higher F&O volumes.
- Our strategy to bring in linearity through the trail-based distribution business is showing results. Distribution AUM was Rs 9572 crores, +27% YoY in FY19. With only 16% of the near million client base tapped, Distribution income is already at 14.4% 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.
- **Investment Banking** business has continued to engage and conclude some significant transactions in this period. We have completed 6 ECM transactions in FY19. Overall transaction pipeline remains encouraging.

Asset Management businesses are nearing critical mass

- **Asset Management** business across MF, PMS & AIF reached the mark of Rs 38,893 crores AUM, +9% YoY this year. Our AMC now ranks 11 by total equity assets, PMS ranks #1 while AIF assets are growing rapidly. Net Sales is Rs 401 crores in FY19. Revenues are Rs 139.6 crores and Rs 578.6 crores (+11% YoY) in Q4 FY19 and FY19 respectively. PAT is Rs 35.5 crores (+12% YoY) and Rs 149.9 cr (+36% YoY) in Q4 FY19 and FY19 respectively. Asset management business offers highest scalability and operating leverage among all businesses.
- Our Equity MF AUM of Rs 19,979 crores is just 2% of the Industry Equity AUM of Rs 10.2 lakh crore. Our market share in Equity MF Net Sales (including balance) stood at ~2.2% in FY19. The direct AUM is now 35% of total MF AUM.
- Our share of Alternate assets, comprising of PMS & AIF, is the highest among AMC's at ~49% and continues to grow very strongly. Yields and profitability of Alternates is higher. As of March 2019, ~20% of Alternates AUM is performance-fee linked, and our target is to increase this further.
- **Private Equity** manages an AUM of Rs 6,370 crore (+36% YoY) across 3 growth capital PE funds and 4 real estate funds. This business has delivered on profitability and scalability fronts. In FY19, PAT excluding lumpy share of profit on exits was Rs 22.4 cr, +133% YoY. 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 IBEF-3 in FY18 and received phenomenal response by garnering Rs 2300 cr. We have launched IREF IV in FY19 with a target size of Rs. 1200 crore has achieved 2nd close at ~Rs. 850 cr.
- **Wealth Management** business AUM grew by 19% YoY at Rs 17,464 crore in FY19 with net sales of Rs 2,395 cr. In FY19, revenues grew 11% YoY at Rs 109 cr and PAT excluding impact of intergroup transfer pricing was Rs 18.9 cr. RM count of this business has reached 126 with average RM addition was up +30% YoY in FY19. 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** rev

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200 cr in FY19, +2% YoY and contributed 29% of

and with least capitalemployed among our portfolio of businesses.

- **Housing finance business**

- Loan book stood at Rs 4,357 cr as of FY19. NII remained stable at Rs 231 cr in FY19.
- Disbursements in Q4FY19 were Rs80 cr and in FY19 was Rs 290 cr.
- Zero delinquencies in new book generated in FY19. Strong improvement in collection efficiency
- Name change to “Motilal Oswal Home Finance” to yield multiple benefits.
- Asset quality deterioration in FY19 was on account of seasoning of legacy portfolio. However, proactive clean-up of the legacy book, expected positive trends in disbursements in coming quarters along with improvement in collection efficiency in FY19, augur well for future asset quality and profitability outlook.
- Provisions stood at Rs 352 cr in FY19, on account of higher write offs in Q2 and Q3 of FY19 to clean up the legacy book. There were no write-offs in Q4FY19. Further provision coverage has been stepped up to 70% including write-offs in FY19.
- Strong support from parent continues with capital infusion of Rs 200 cr in FY19 taking total capital infusion to Rs 850 cr. Gearing remains conservative at 4.3x.
- Limited borrowing repayments till March 2020, equity infusion, 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** 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.
- Total quoted equity investment including unrealised gains was Rs 1,440 crores as of Q4FY19. MTM on these gains are now part of reported earnings under Ind-AS reporting. Cumulative XIRR of these investments is ~19%, 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. 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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