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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 Q2FY20 PAT of Rs 142 cr and H1FY20 PAT of Rs 272 cr, +152% YoY.**

Mumbai 24-Oct-2019

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**Motilal Oswal Financial Services reports Q2FY20 PAT of Rs 142 cr and H1FY20 PAT of Rs 272 cr, +152% YoY.**

**Mumbai, October 24, 2019:** Motilal Oswal Financial Services Ltd. announced its results for the quarter ended and half year ended September 30, 2019 post approval by the Board of Directors at a meeting held in Mumbai on October 24, 2019.

#### Performance for the quarter and half year ended September 30, 2019

- Consolidated revenues stood at Rs 673 cr, +8% YoY in Q2FY20. Consolidated PAT was at Rs 142 cr in Q2FY20 vs Rs 4.2 cr in last year same period. Consolidated revenues for H1FY20 was at 1,328 cr, +3% YoY and consolidated PAT for H1FY20 was at Rs 272 cr, +152% YoY.
- **Some of the key highlights** for the H1FY20 include 17% YoY growth in Wealth AUM, 16% YoY growth in Distribution business AUM, 8% YoY growth in PE & RE AUM, 6% YoY growth in AMC AUM, significant improvement in product performance leads to positive MF net flows in Q2FY20, name change of home finance business to “Motilal Oswal Home Finance” (MOHFL), CRISIL has upgraded long term rating of MOHFL to AA- (Stable) from A+ earlier and MOHFL’s NPA pool sale to ARC for upfront cash realization (with minimal impact to P&L) resulting in net NPA of 1.8%.
- Consolidated net worth stood at Rs 3,309 cr, gross borrowing was Rs 4,717 cr and net borrowing was Rs 4,170 cr (including MOHFL). Excluding MOHFL, gross and net borrowings were at Rs 1,499 cr and Rs 1,260 cr respectively and considering market value of quoted investments, we are effectively net cash balance sheet. Overall gearing remains conservative at 1.4x; ex-MOHFL gearing is at 0.4x. ROE stands at 18%.
- Besides financial performance, the last quarter has been very eventful in terms of our successes in brand building, advertising and several other fronts. In H1FY20, MOFSL got inducted in “**Hall of Fame**” at 10<sup>th</sup> Financial Advisory Awards 2019. MOFSL won “**Broking House of the year**” at MCX awards 2019. MOPWM won “**Best Boutique Wealth Manager India**” 2<sup>nd</sup> consecutive year by the Asset Triple A Awards 2019. MOFSL won “**Best Data Analytics of the year Award**” at the India NBFC excellence Awards 2019 by Synnex. These, and several other awards, are recognition of Motilal Oswal as a preferred consumer and employee brand in financial services space.

Speaking on the performance of the company, Mr. Motilal Oswal, MD and CEO said *“Our strategy to diversify our business model towards linear sources of earnings continues to show results. Our Housing finance business is set for new beginning as all legacy issues are behind with incremental focus on profitable growth. Each of our 7 businesses offer headroom for growth. 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 and half year ended September 30, 2019

##### • Asset Management businesses (AMC, PE and PWM)

- **Asset Management** business AUM across MF, PMS & AIF stood at Rs 38,501 cr, +6% 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 136 cr and Rs 48 cr (+22% YoY), respectively. Asset management business offers highest scalability among all businesses.
- Our Equity MF AUM of Rs 19,861 cr is just 1.9% of the Industry Equity AUM of Rs 10.3 lakh cr. We have seen significant improvement in performance of all of our flagship schemes in MF as well as in alternate funds. Most of our schemes are in top 5 amongst their peer set category in 1 year period. This has resulted in traction in our gross as well as net flows.
- Further, MOAMC has also launched Large & Mid-Cap fund under active category and also launched 4 index funds under passive category.
- Our share of Alternate assets, comprising of PMS & AIF, is the highest among AMC’s at ~48% and continues to rise.

- **Private Equity** manages an AUM of Rs 6,556 cr (+8%YoY) across 3 growth capital PE funds and 4 real estate funds. In H1FY20, revenues grew by 8% YoY at Rs 49.5 cr and PAT stood at Rs 10.7 cr. The 1<sup>st</sup> growth fund (IBEF 1) has delivered an XIRR of ~27%. Strong performance and positioning has also aided new fund raise. We have launched IREF IV in FY19 with a target size of Rs. 1,200cr and have achieved 3<sup>rd</sup> close at ~Rs. 1060 cr.
- **Wealth Management** business AUM grew by 17% YoY at Rs 18,141 cr in H1FY20 with net sales of Rs 611 cr. RM count of this business has reached 129. 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. New MD & CEO has joined us with over 17 years of experience in Wealth Management Industry.
- Overall **Asset and Wealth Management** revenues were Rs 380 cr in H1FY20 and contributed 29% of consolidated revenues. Profits were Rs 96 cr and contributed 35% of consolidated profits.

#### Capital markets Businesses (Broking & Investment banking)

- Capital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues for this segment were Rs 588 cr in H1FY20 and contributed ~44% of consolidated revenues. Profits were Rs 93 cr in H1FY20 and contributed ~34% of consolidated PAT. Broking and distribution business profit stood at Rs 96 cr in H1FY20 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 2.3% (ex-prop) in H1FY20 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 9,890 cr, +16% YoY in Q2FY20. With only 17% 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 reported improvement in 2Q performance and the overall transaction pipeline remains encouraging.

#### Housing finance business

- Motilal Oswal Home Finance (MOHFL) reported profit of Rs 5.3 cr in H1FY20 against loss in a same period last year.
- During the quarter, MOHFL has sold pool of NPA's of Rs 540 cr (having Net Outstanding book value of Rs 345cr) to Phoenix ARC Private Ltd and realised full cash consideration of Rs 260 cr. This has resulted in significant reduction of the GNPA & NNPA ratios to 2.39% and 1.82% respectively. This lower NPL will help us in further adding to lenders' confidence and bringing down incremental cost of funds
- MOHFL has received credit rating upgrade amid challenging environment based on several positive changes undertaken including name change. CRISIL has upgraded MOHFL's rating to AA- (stable outlook) from earlier A+ (stable). This will further benefit MOHFL in bringing down cost of funds and improve spreads.
- 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, locations and business associates.

- Loan book stood at Rs 3,845 cr as of H1FY20. Disbursements in H1FY20 were Rs 85 cr.
  - New book sourced from April '18 has encouraging performance, with only 6 cases in NPA out of ~4000 loan cases.
  - Margins remained stable at 5.1% in H1FY20, on account of improvement in yield coupled with equity infusion in CY19. Our spreads have remained stable in an environment of higher cost of funds.
  - Strong traction in legal recourse coupled with improvement in collection efficiency will result in faster resolution of delinquent cases.
  - With likely pick-up in disbursements coupled with improved collection efficiency, augur well for future asset quality and profitability outlook.
  - Strong support from parent continues with capital infusion of Rs 200 cr in CY19 taking total capital infusion to Rs 850 cr. Gearing remains conservative at 3.9x.
  - 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 cash flow; during H1FY20 we have invested Rs 1,100 cr in quoted equity investments.
    - Total quoted equity investment including MTM gains was Rs 1550 cr as of Q2FY20. MTM on these gains are now part of reported earnings under Ind-AS reporting. Cumulative XIRR of these investments is ~17%.

### 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 TV18. Motilal Oswal Securities won the 'Best Performing National Financial Advisor Equity Broker' award at the CNBC TV18 Financial Advisor Awards for the 6<sup>th</sup> 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.

### For further details contact:

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