

Motilal Oswal Financial Services Limited

Q2 & H1FY26 Earnings Call Transcript

This document is a transcription of the conference call conducted on 31st October 2025.

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Manish Kayal- Head Investor Relations

Good afternoon, everyone. I'm Manish Kayal, Head - Investor Relations. I welcome all the participants on behalf of Motilal Oswal Financial Services Limited for you to take time out to attend our Q2 & H1FY26 earnings conference call. We hope that you had an opportunity to go through our investor deck and press release, which was uploaded yesterday on stock exchanges and on our website. We also have uploaded the Excel data book on our website, which has detailed operational and financial numbers. Please note that today's discussion may include some forward-looking statements, and these forward-looking statements are based on our macro assessment and actual outcome may vary.

With that, I'll introduce our management participating on this call:

- Mr. Raamdeo Agarwal, Chairman
- Mr. Motilal Oswal, Managing Director and CEO
- Mr. Navin Agarwal, Group Managing Director
- Mr. Ajay Menon, CEO, Wealth Management
- Mr. Prateek Agrawal, MD and CEO, Asset Management
- Mr. Ashish Shanker, CEO, Private Wealth Management
- Mr. Sukesh Bhowal, CEO, Housing Finance
- Mr. Sanchit Suneja, Group Chief Strategy Officer
- Mr. Shalibhadra Shah, Chief Financial Officer

We'll start this call with an opening remark by Navin Agarwal, and then we'll have a Q&A session.

Over to you, Navin.

Navin Agarwal, Group Managing Director

Good afternoon, everyone. It is my pleasure to welcome all of you to our earnings call for 2Q & H1FY26

Key Financial and Operational Highlights

Let me start by sharing some key highlights

Q2FY26 Performance

- Q2FY26 continues to witness the trending of most of our businesses. It was a resilient quarter led by our annuity businesses.

- Our operating profit after tax grew by 2% to ₹ 554 crores. This was led by strong growth in our Asset and Private Wealth businesses that grew by 36% YoY. This is the 4th consecutive quarter of strong growth in these businesses.
- During the quarter, our customer count rose to 14.5mn+ comprising 9.4mn+ unique MF folios and 5.1mn+ unique broking accounts and Assets under Advice (AUA) crossed ₹ 6.7 lakh crore mark. This customer and asset base is significant given that India is only at the early stages of accumulating USD 100 Tn in savings by 2047 as well as financialization of savings.
- Importantly, Annual Recurring Revenue (ARR) now stands at 61% of total net revenues with fee-based revenue alone contribution 45% of total revenues.
- AMC business continued to gain market share. MF AUM market share has increased to 2.6% and it still has huge headroom to gain market share given that our Net flow market share is strong at 8.2%. Our SIP flow Market share at 4.8% is the highest ever.
- On Alternates, we did first close of ₹ 6,900 Crs out of total ₹ 8,350 Cr for fund "IBEF V" in Private Equity Growth Capital Business, nearly 2x of last fund raise.
- PWM business is on strong growth path with Net Sales growing 3x in Q2FY26 to ₹ 7,358 Crs, taking the total AUM to ₹ 1.87 Lakh Cr. serving 7000+ relevant families.
- Investment Banking continues to witness higher deal executions, propelling MO Group to Rank #1 in IPO, QIP and Rights Issue led by 39 deals worth ~₹ 49,000 Cr executed in IHFY26.
- During the quarter, our long-term credit rating was upgraded to AA+ with stable outlook. This is the highest rating ever granted to any non-bank domestic capital market player in India. The upgrade reflects strength of our diversified business model, increasing share of predictable annual recurring revenue, strong balance sheet and net worth and disciplined financial management. The upgrade is expected to improve access to institutional capital & reduce our cost of funds.
- Our Board strength has also increased from 10 to 14 members. We are glad to appoint Pratik Oswal & Vaibhav Agarwal as Directors. We are also glad to have Mr Joseph Conrad Agnelo D'Souza, a senior HDFC Group veteran for 4 decades and Mr Ashok Kumar P. Kothari, a senior IRS officer with 3 decades of distinguished career join the board as Independent Directors, enhancing the Board's diversity, oversight capability, and strategic depth.

Segmental Performance

Turning now to our segmental performance, starting with Asset and Private Wealth Management business.

Asset and Private Wealth Management Business

Asset Management Business

- The Asset Management business (AMC + PE) continued its momentum during the year with strong market share gains driven by continued strong investment performance. Net flows in Q2FY26 increase 56% on YoY basis to ₹ 20,011 cr.
- AMC AUM stood at ₹ 1.6 Lakh Crs as on 30th Sept 2025, up 46% YoY which has now further increase now to ₹ 1.7 Lakh Crs as of yesterday. Even as we continue to invest heavily in talent, distribution reach, marketing, the operating leverage from share gain led AUM growth should be a strong driver of our profit growth in the coming quarters too.
- 91% of the AMC AUM outperformed respective benchmarks in past 3 Years.
- Our MF AUM market share is 2.6%, highest ever. Our MF Net sales market share at 8.2% improved from 7.7% on QoQ basis. Our SIP flow Market share at 4.8% is the highest ever.

- We added ~17 Lakh SIPs in Q2FY26, SIP flow for Q2FY26 stands at ₹ 4,172 cr, resulting in a SIP AUM book of ₹ 28,432 cr as on Sep'25.
- Our alternates AUM grew to ₹ 33,872 cr.
- Net flows of the AMC Business grew to ₹ 14,008 cr in Q2FY26.
- In our Private Equity Business, during the quarter, we executed the first close our fifth Private Equity fund IBEF V with fund raise of ₹ 6,900 Crs and expect the final close soon with a target size of ₹ 8,350 cr, nearly 2x of our last fund raise.
- Right from the series I that we raised about 18 years back to today, every single series has witnessed a doubling of AUM from IBEF-II to III to IV and now a raise of \$950 million for IBEF-V
- Private Equity Business currently has fee earning AUM of ₹ 16,942 cr across growth capital funds and Real Estate funds. We expect a substantial amount of carry which will be realized at the fund close.
- We are planning to launch a fund in Private Credit vertical soon. This is a new segment within Alternates that we have entered recently to tap into the large TAM. This will boost recurring base of Alternates business at a very early stage of evolution of this business.
- All the above initiatives in Asset Management will increase its share in group operating PAT further.

Private Wealth Management

- Turning to our Private Wealth Management business, AUM stood at ₹ 1.87 Tn serving more than 7,000 relevant families with ₹ 1+ Crs of AUM.
- Q2FY26 witnessed revenue growth of 20% and PAT growth of 22% on YoY basis.
- Our current RM strength is 386 and we expect improvement in RM productivity as 48% of RMs have a vintage of 3+ years.
- Share of Private Wealth business in group PAT increased as a result of operating leverage and comprehensive proposition straddling HNI & UHNI segment and we expect the share to continue to rise in the future.

Wealth Management Business

- Our broking business continues to retain its leadership position as a full-service broker. Our retail cash broking volumes (ADTO) stood at ₹ 2,776 cr in Q2FY26. Our cash volume market share was robust at 7.1% and F&O Premium market share stands at 8.7%. Total blended ADTO market share stands at 8%. We believe, we are the largest broker in India in cash segment when measured by revenue market share.
- Share of broking revenues in the Wealth Management segment revenue has declined from 60% in FY21 to 33% in Q2FY26, led by sharp focus on growing our distribution business, reflected in net flows rising to ₹ 3,079 cr in Q2FY26. Consequently, the distribution book grew at 36% CAGR from ₹ 11,032 cr as of March'21 to ₹ 40,544 cr in Sept'25 and contribution to total segment revenue increased from 12% in FY21 to 17% in Q2FY26. We intend to increase the revenue share of distribution business within Wealth Management and we are well-positioned to achieve this.
- Net Interest Income (NII) Income from the lending book grew by 13% YoY due to book growth and improvement of spreads. Total loan-book AUM stands at ₹ 6,305 Crs.

Capital Market Business

- 2QFY26 is another strong quarter for IE & IB business.
- Within IB business, we have successfully completed 39 deals in H1FY26 with cumulative issue size of around ₹ 49,000 cr and our fees income delivered a robust 65% revenue growth on YoY

basis to ₹ 120 Crs. We continue to be ranked #1 on the QIP, IPO and Rights Issue league table for HIFY26 in terms of number of issues.

- IE business continues to increase research coverage as it continues to remain the fulcrum of the group. We have a strong team of 150+ employees, covering 332 companies across 26 sectors, 73% of the Market Cap and servicing 890+ domestic and overseas institutional clients.
- We continue to strengthen both the institutional equities and the investment banking teams and the business will continue to be leader in its segment.

Housing Finance Business

- Housing Finance business continues with its growth momentum with disbursement growth of 48% to ₹ 544 Crs on YoY basis, led by Sales RM force increasing to 1,575 RMs (up 50% YoY).
- GNPA/NNPA as on Sept'25 stands at 1.4%/0.8% respectively.
- We expect Housing Finance AUM to double in 2-3 years. Business has a strong Capital Adequacy Ratio (CAR) and low leverage, giving us enough growth levers without external equity capital dependency.

Treasury Investments Business

- Our treasury book serves as a strong backbone to all the operating businesses that have delivered a decadal operating profit CAGR of 31% without the need to raise a penny of external equity since our IPO back in 2007 while doing 3 buybacks and consistently paying about 20% of our operating profits as dividends, making us quite unique in the Indian financial services space.
- Total equity investments including alts grew to ₹ 8,957 cr as of Sept'25, up 14% YoY. The book delivered healthy XIRR of 18.7% since inception and including reinvestment of cash flows, treasury investments have grown at over 42% CAGR since inception, implying that the book doubles every 2 years and is up 55x since inception.
- We expect similar multiplier impact on the current book over next decade given the strong ROE, consistent payout policy and expected investment IRR.

Outlook and Concluding Remarks

We expect savings pool of USD126Tn in 25yrs ending 2047 and this compares with USD 14Tn in the preceding 25yrs. Importantly, financialisation and equitization of the large savings pool is a megatrend that will provide tailwinds to all our businesses in future to continue delivering strong earnings growth.

There is also a large headroom available to gain market share vis-a-vis market leaders in our key businesses, as the leaders are nearly 5x – 10x our profits or AUM in some of these businesses. Our twin-engine business model should enable us to drive continued growth above market without the need to raise any capital even as we continue to make meaningful investments in our businesses.

We believe that our franchise is among the strongest in our business, also validated by the highest ever credit rating assigned to us by ICRA among all non-bank domestic capital market players in India. MOFSL's net worth has grown nearly 10x from Mar'15 to Sept'25 to ₹ 12,871 Crs led by an Operating PAT CAGR of 31% in last decade, average ROE of 22% and an average payout of 20%.

We'll now open the floor for Q&A. Thank you.

Moderator: Thank you very much. The first question is from Sukrit Patil from Eyesight Fintrade Private Limited Please go ahead.

Sukrit D Patil – Participant:

Good afternoon to the team. I have one specific question for Mr. Raamdeo Agarawal sir. As the financial services space gets more competitive, how is Motilal Oswal planning to build a long-term differentiation, not just through product variety, but through deeper client engagement or from platform strength?

Raamdeo Agarawal, Chairman:

We have tried to build a complete Capital Market powerhouse. When the individual savings enter the market, they enter through two routes. One is the broking route, for direct stock and one comes through the mutual funds. We have tried to enter both the businesses. Our HNIs clients have options like Private Equity like products as well.

We have positioned ourselves across all the products and we are trying to build to the best of our capability. Since 2020, the Demat revolution has started and about 30 to 40 million customers are added every year. There is a vertical expansion of the market and in that, every business has different dynamics. Our Asset Management, Private Wealth Management, and Private Equity we are doing well. In Investment banking, we had the largest number of deals that we have done in the last 12 months. In Institutional Equities, we are number 3 or 4. In Asset Management, we are in top 10.

We are trying to build excellence in all the businesses which are related to the Capital Market and helping individuals save and deploy the money into the right kind of stocks. The thought has been very simple, but we have remained focused around Think Equity, Think Motilal Oswal, bringing all the prowess into understanding what it takes to make money in the equities and build a corporate around that. That's what has been the thought process all along our journey. I hope that answers your question.

Sukrit D Patil – Participant:

It's fair enough. My second question and final question is to the CFO. Looking ahead, what internal steps or cost management planning do you think are most important to protect the margin, especially if market volumes or fee structures keep on changing?

Shalibhadra Shah – CFO:

I believe when you are correlating with market volumes, it is about our retail broking in wealth management segment. At an overall level, majority of our cost structure is variable wherein about one third of our costs are fixed and two third of the costs are variable in this segment. The business has two channels consisting of branch channel and our external wealth managers channel and costs are variable in the latter channel. Our fixed costs are very lean and in times when volume growth is lesser in the market, you will still see our operating margins and cost to income ratio pretty stable and that is our strength. As a group, our PBT margin is 50% plus, which is best in class in the industry.

Moderator: The Next question is from the line of Mehak from Emkay. Please go ahead.

Mehak – Participant:

My first question would be basically on the SEBI consultation paper. So, just wanted to hear management's thoughts on the same. And how would it be impacting the Asset Management and the Capital Market segments if the final regulations were to mirror the draft ones? Secondly, on the distribution income for the Wealth Management segment that has declined on a sequential and Yoy basis. So, what would be the reason for that? Thirdly, if I look at the sequential movement in the brokerage income across Wealth Management and the Private Wealth Management businesses, the Wealth Management segment has witnessed a decline while the PWM segment has seen strong sequential growth. So, what would explain the improvement in the Private Wealth Management business? And third would be just to understand your deal pipeline in the Capital Market segment. I mean, just from an understanding perspective, like, how would the revenue look for Q3 and Q4? So, these are my four questions

Shalibhadra Shah – CFO:

Coming to your question on the consultation paper. It is early days and impact would be on the Asset Management business and the Capital Market business. Broadly, at this juncture, preliminary impact should be between 1% to 2% on Group Operating PAT. Also, since it is a consultation paper there will be representations from the industry in this respect.

Moving on to the distribution segment of our Wealth Management business, the distribution revenues include annual recurring revenue and transaction revenue. If you look at our annual recurring revenue in the distribution business, they have been growing by almost 37% – 38% YoY% in the first half of current year. The transaction revenues could be volatile as it includes secondary transactions, unlisted transactions, co-investments, and these are lumpier on a quarterly basis, however on a yearly basis they continue to grow. Also, if you compare H1FY26 and H1FY25, we are up 50% on our distribution income (both ARR/TBR) in the Wealth Management business.

On the brokerage revenues for the wealth segment vs the private wealth segment – in the wealth segment, the impact is sharper due to impact of the F&O regulations change. The impact on a sequential basis, has now flattened out. Whereas, on the private wealth side, revenue is more from the ultra HNI & family office segments where the relative impact on brokerage revenues is lesser. This is the reason you will see some bit of difference between both the segments.

On the question with respect to the Capital Market deal pipeline. We carry a very healthy deal pipeline going into second half of the year, and if market conditions remain pretty sound, we believe, we will be able to have similar quarters of growth and profitability.

Moderator:

Next question is from the line of Mohit Surana from HDFC AMC. Please go ahead

Mohit Surana – Participant:

Hi. Just two questions from my side. Not sure if it's been already addressed, but I wanted to understand the trend in the brokerage revenue for the Capital Market business. It showed a sort of a bump up last quarter, post which it is normalized. So, just wanted to understand the trend there. And also on the Asset Management business, if you could just ballpark, indicate what is the contribution of the income received from the Treasury segment. I understand that there is an inter-segment revenue that is being derived for the quarter or even generally, if you could quantify what part of the top line it will be. That's it.

Shalibhadra Shah – CFO:

On the trend in the brokerage revenue on our Capital Market segments, this is a multi-product business like equity blocks, Investment banking fee income, Institutional brokerage etc. Q1FY26 had higher revenue from block deals, while Q2FY26 saw the higher fee-based revenue from Investment banking. Overall, we need to look at the business as a whole which is showing robust.

Our Asset Management segment includes Net interest income from our Alternates business. It is not intersegment revenue. This is revenue from origination of high-quality credit paper in our Real estate fund management (part of our alternates) a portion of which are also co-invested or lent from our balance sheet in addition to the fund investments. We have strong track record of our Alternate funds and there is lot of investor appetite also to subscribe to this paper which we also down-sell to the clients and going forward it would be replicated for our Private Credit Segment as well in alternates.

Mohit Surana – Participant:

Sure. I just wanted to understand what will be the contribution from the treasury segment to the Asset Management. If you could generally give a directional sense.

Shalibhadra Shah – CFO:

Contribution from the Treasury segment is a function of the way in which we have allocated capital from each business. Basis that Asset Management segment has a net worth allocation of around ₹ 1,800 crores and that net worth allocation includes the ₹ 800 crores of capital deployed in the lending assets which I explained in my earlier answer and the rest capital generates interest income (included in NII), which is from the allocation of the capital across businesses. Going forward, the operating cash flows will continue to deploy out of the Asset Management segment into such kind of opportunities.

Moderator:

Next question is from the line of Neil John from B&K Securities. Please go ahead.

Neil John – Participant:

Hello, sir. Thank you for the opportunity. I have a couple of questions, one on the Wealth Management business and one on the Private Wealth Management business. So, firstly, on the wealth side, we have seen that the distribution assets earning real fees has decreased sequentially, which is also reflected in the distribution income coming lower. So, I would want some commentary on that. And secondly, on the private wealth side, there seems to be some change in the reporting of the RMs and the number of families. And this is kind of has an impact on the cost base also for the quarter, which has come down sequentially around 12%. So, some commentary on that also.

Shalibhadra Shah – CFO:

On the first question in terms of the distribution business in the wealth segment, I will reiterate that our ARR revenues have grown strong. However, overall distribution revenue is sequentially lower because of transaction revenues. On YoY basis for first half, our ARR revenue growth is pretty

strong at 38% in line with the growth in the ARR assets wherein we continue to expand our ARR base of assets. As Navin highlighted at the start of the call, we are fast growing our distribution revenue mix in this segment. Even Our distribution asset base has been outgrowing in the overall mix of our assets. The transaction revenue is the line item, which has led to the volatility in the overall distribution revenues.

Coming to the second question on our RM and family base. On the family side, we have considered the relevant families. Earlier, we used to report all the families, but looking at the best industry practices, we have realigned our families to make it look comparable in line with industry. We have reported families having about ₹ 1 crore of AUM with us. So, to that extent, we have restated the family count. On the RM side, we were considering the broking-related advisors as well. Again, here to align with the industry best practices, now we are considering only the RM base, whereas cost includes both RMs as well as advisors. We have restated our numbers for all our earlier periods as well for comparison.

Neil John – Participant:

So, what would explain the cost-base decline sequentially in the private wealth business?

The OPEX cost has declined 12% sequentially.

Shalibhadra Shah – CFO:

If you look at the overall distribution revenues in Private wealth business, Q1FY26 had higher chunk of transaction-based revenues. Q2FY26 was slightly moderated in terms of the transaction revenues on distribution, that is one of the reasons you will see that the variable cost also gets adjusted in line with our revenues. That is why you would see that the cost-to-income has marginally come down. Also, RMs having productivity of more than 3 years are at 48% in the mix. Gradually, if you look at YoY, our productivity is improving as the vintage is growing. So, as the Vintage of RMs improve, the productivity will keep on rising. So, you will see better margins in this business going forward, as over the last 3 years, we have invested heavily on the RM side and gave away almost about 900 basis points on the margins for these investments.

Moderator:

Next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh – Participant:

Thanks for the opportunity. Sir, first question is in terms of broking revenue and distribution revenue, how do we distribute the revenue between Wealth Management business and Private Wealth Management business? Are there different entities who are working in these segments and how we allocate the revenue to these two businesses?

Shalibhadra Shah – CFO:

Our Wealth Management segment includes the channels which are our retail branch channel and our external wealth managers. The revenue generated by both of these channels are included in our Wealth Management segment, which is mainly the retail, affluent customers.

Whereas in our private wealth business, this represents our HNI, ultra HNI & family office channels and clients that are mapped under these channels are included in our Private Wealth segment.

Nidhesh – Participant:

Is there a possibility that Wealth Management client can transition to Private Wealth Management client over a period of time or that is not possible at all?

Shalibhadra Shah – CFO:

If the size of his asset increases, then certainly he would be transferred to Private Wealth segment as they will be serviced with more Senior RMs.

Nidhesh – Participant:

Second question is, what is the reason to move certain real estate assets from Treasury to the Asset Management Business? What is the rationale behind that?

Shalibhadra Shah – CFO:

As answered earlier in this call, this is revenue from origination of high-quality credit paper in our Real estate fund management (part of our alternates) a portion of which are also co-invested or lent from our balance sheet in addition to the fund investments. This is, part of our operating engine, which at the start, it was classified under Treasury Investment, but rightfully now we have reclassified this under the operating segment of our alternate business under Asset management segment.

Nidhesh – Participant:

Third question is on the cash ADTO market share. There, we have been losing market share for some time. So, what are the reasons behind that and what is the strategy to, to gain market share or maintain market share from here onward?

Ajay Menon, CEO, Wealth Management:

From the overall cash market perspective, we have lost market share because we have research and advisory based model where we advise the customers based on the market situation. In current market scenario, we have been a little cautious on the overall market which reflects in our overall client relationships and the overall external wealth managers and their advice. We are very cautious about the market situations. Typically, in the past years, we have seen that in a flat to downward market, our market share is comparatively impacted on the lower side. At the same time, when the markets are booming, the overall positioning on the advisory and research comes in where the market share goes up. It's more to do with the market situations that the market share is little falling in current markets scenario.

Shalibhadra Shah – CFO:

We also need to look at the revenue market share, we are leaders in the cash revenue market share. Only volume market share will not correlate to our business model.

Nidhesh – Participant:

Sure. And lastly, there is a request that the please don't make any changes to the data sheet, because our models are linked to your data sheet and it creates a lot of confusion for us and becomes very difficult to model if there is a change in the data sheet. So, there is a request don't make any changes in the data sheet, sir.

Shalibhadra Shah – CFO:

We take this feedback. But to highlight, we don't delete any rows, so that the models don't change. We only add more rows or if there is any reclassification or regrouping, as per the auditors or our business modalities, we highlight them clearly and restate even the earlier periods to get the entire trends assessment even for earlier periods. we would work on the same in future to the best possible extent to reduce changes.

Moderator:

Next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh – Participant:

First, in terms of the deal pipeline on the transactional side of the business, both on private wealth and your overall wealth, how is the deal pipeline stacking up? And for ex of the normal course of business, is there any lumpy transaction that you kind of envisage over the next two quarters? My second question is on the overall alternate business and maybe not pertaining to exactly you guys, but more from an industry perspective. I mean, we are seeing multiple asset managers also or rather, incumbent asset managers also increasing their focus on the alternate business. Do you see a case where the market might get a little bit more crowded over the next few years? And my last question is on the client additions that you are seeing on your private wealth business and your PCG business inclusive of that, in terms of incremental flows, what proportion of the coming from your existing ones versus new ones? And in terms of the quality of clients that you are getting incrementally, I mean, this would be like taking from competition or first-generation entrepreneurs or if you can give some color on that.

Ashish Shanker, CEO, Private Wealth Management:

Given the kind of deals that we have executed over the last 12 months, our pipeline for deals is quite healthy. This pipeline does not include only the unlisted equity side, but also now on the fixed income side, we have invested a lot in capabilities, that will make our deal pipeline more resilient and smoother, and not dependent too much on markets. Typically, in terms of flows from new clients versus existing clients, what tends to happen is that clients who sign up, they normally sign up with a smaller allocation initially, and then they tend to scale up over time. Broadly, you will see that about 75% of the flows coming from existing clients, which are acquired in the previous year or the years before that, and about 25% of the flows coming from newer clients, and then the clients who get acquired in this financial year get scaled up over time.

Prateek Agrawal, MD and CEO, Asset Management:

On new competition coming into alternates, it's positive because alternates as a category is not very well understood in the intellect. To give you an example, a few years back, on a monthly basis, the maximum a house would be doing was between ₹ 500 crores and ₹ 700 crores, and now while competition has come in, and one of the largest mutual funds in the country has been focusing

on this business, multiple houses are doing numbers close to ₹ 1,000 crores a month. When a large house comes in, the awareness across the country increases, number of clients who were earlier only mutual fund clients also open up to alternates. It results in widening up of the marketplace and with us present across the country, market share of entity like ours could actually go up. Because in these spaces, the new entrants will find a market and we will also ramp-up our presence and gain market share.

Moderator:

We will take the next question from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo – Participant:

You mentioned in your remarks that the overall impact because of the consultation paper could be in the range of around 1% to 2%. So, if you could just break it up between, what could be the impact on the mutual fund business and as well as on what could be the impact on the institutional equities business? Second, during this particular quarter, we have seen that MF yields have increased from around 42 basis points to 45 basis points. So, going ahead, how should one see this? And lastly, we have seen a decent growth in the lending book, both in the Wealth Management as well as in the Private Wealth Management business. So, over the next couple of years, what could be the overall lending book in both of these segments?

Shalibhadra Shah – CFO:

On the first point, it's preliminary stage. If you look at its impact on the Asset Management Business, in terms of 5 basis points, some impact which will be passed on to the distributors. The rest impact is coming out of Capital Market business. Our Capital Market business revenues generates about ₹ 700 to ₹ 800 crores of revenues on an annualised basis, this impact could be about 5% to 6% of the revenues of the Capital Market business.

On the MF yield, our yields have gone up on a YoY basis. It is moderation of OPEX, as well as more yield coming to our favor. Broadly, we expect to maintain the current run-rate of yields, bearing the impact, if at all it comes, out of the consultation paper. Otherwise, we expect the yields to be pretty stable. These are also driven by the mix of the assets of active & passive. If the passive AUM outgrows, in line with what is happening globally, yields will moderate, but otherwise on the active side, we expect to maintain yields.

On the lending book, we have been growing pretty strong. We have a pretty strong balance sheet to leverage and we are looking to grow this book by almost about 25% CAGR, both on our Wealth segment as well as even our Housing Finance segment, over the next few years.

Moderator:

We will take our next question from the line of Vikram Raghavan from Moon Capital. Please go ahead.

Vikram Raghavan – Participant:

Congratulations on a strong operating performance and thank you for the opportunity. Pardon me for the question. It may seem very petty. I just wanted to understand why we have such volatile treasury losses. We are down 6% today in the market because of this. Regarding the treasury loss,

we had a treasury loss in 4Q, we had a gain in 1Q, now again a loss in 2Q. All our peers actually have reported very strong PAT for this quarter. Thank you.

Navin Agarwal, Group Managing Director

This is a part of our design of the firm. If you look at our presentation, we have a twin-engine model where our operating businesses have very high return on equity, require very little capital and then the rest of the free cash flow that we generate serves as our skin in the game in all the products that we offer to our clients, whether it is Mutual Fund, PMS, AIF, PE, RE and now private credit, basically the whole bunch of products that we offer. That's why we report the operating profit. Markets may choose to look at the reported profit after tax. Media may choose to report only the change in the reported profit after tax. There could be short-term volatility due to this.

The important number that any analyst or investor needs to focus on is that ever since we started doing this, which is for a decade, our treasury book has grown at 42% per annum, 18.7% XIRR since inception and rest is post 20% dividend payout of the operating profit, the balance 80% getting rechannelized. When you have a return on equity of over 20%, then you have substantial free cash flows being available to be added to that treasury book apart from the 18.7% XIRR that you have seen.

By design, the treasury book has grown 55x. You may have also seen that this quarter we became the first of our kind in India to be rated AA+ with a stable outlook. What is left now is a positive outlook on AA+ and a AAA rating, which is unprecedented. There is a strong balance sheet and also, when you are talking about comparison with our peers. Nearly every single peer of ours, routinely raises capital every second or third year. We launched our IPO in 2007, 18 years into our journey after three buybacks, after paying out 20% of our profits as dividends, we have not raised one rupee of capital in the Holding Company or any of our subsidiaries. So, if you see the growth rate of our earnings available to our investors, our EPS growth has in fact been higher than our profit after tax growth.

This strong balance sheet is the reason for the rating upgrade and the cost of funds are among the lowest compared to our peers. In times to come, as I have already guided in my opening remarks, we see nothing changing in terms of the next 10 years compounding of this book. I would only urge you to wait and watch the magic this treasury book can create as it becomes far more colossal in its size. A large part of this treasury book is invested in equities and on a QoQ basis, equity markets could be volatile. I think the important thing is to see what it has done over a 10-15-year period, which is a growth of 42% in the treasury book and an XIRR of 18.7% per annum.

Moderator:

We will take our next question from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.

Sanjay Satpathy – Participant:

My first question is that in your opening remark, you mentioned about margin recovery, margin to be better in second half compared to first half in some of your core business. Can you please touch upon that?

Navin Agarwal, Group Managing Director:

I am not sure if we said margins will be better in the H2FY26 in the opening remark compared to the H1FY26. What we did say is that as far as the Home Finance business is concerned, where we reported our profits for the H1FY26, H2FY26 should see substantially higher profits than H1FY26, given the huge RM addition of more than 50%, which are getting deployed as their vintage crosses 3 months into the system.

Sanjay Satpathy – Participant:

My second question is that you mentioned that you have a very high ROE. But at the same time, from the kind of interaction that I am listening to, some grievances around your market share in some of your businesses are there. Can you just tell us what are your plans to expand market share in many of your businesses, both in terms of talent and technology?

Navin Agarwal, Group Managing Director:

I will just highlight to you that our Asset Management Business market share has gone up meaningfully in Q2FY26, H1FY26 as well as the trailing 12 months. The Private Wealth business has outgrown most of the peers, as you may have seen. Our Private Equity fundraise is 2x of the last fundraise that we have done. Our Home Finance business disbursements growth is one of the highest in the industry. There has been softening of market share in our Wealth Management business. I will let my team talk about the strategies that we are deploying to recoup that market share and even raise that market share. Just one little context I want to leave you with. While you are analysing quarter-on-quarter over the last 5 years, ever since the onset of COVID, our overall market share for this business has gone up at the rate of about 75 to 85 basis points per annum, notwithstanding the rise of discount broking in India.

Shalibhadra Shah – CFO :

On the Wealth Management business, market share has shown marginal blip due to conditions of market volume degrowth and Nifty being flat over the last 12 months. When we see better market volumes in the industry, our market share also grows. That is what Navin also explained that looking at the last 3 years of our journey, our market share is up on cash as well as the F&O business. In tough times, advisors are more conservative and don't tend to invest the client money at times, that's also the reason we will see some bit of its impact on market share. But all in all, over medium to longer term, our market shares are all on the rise and our revenue market share is also an important factor because as we have one of the highest ARPUs in the industry. So that is what is also relevant to examine in terms of the revenue growth and our revenue market share positioning and profitability of the business. we believe we are leaders on the cash revenue market share.

Sanjay Satpathy – Participant:

Thanks sir. If I can just ask last question that you have announced that you will be getting into some private credit fund and a lot of other things. But in that context, somebody pointed out your treasury profit being so much volatile. What are the risk management practices because we heard that you have taken huge exposure to Zepto through credit and so how much is the exposure of your book? Overall, if you can just explain some of the risk mitigation strategy. We know that you have your track record in terms of growing the business without raising capital from the market is commendable and nobody else is there. But still, it will be great to hear your risk management practices.

Navin Agarwal, Group Managing Director:

A large part of our treasury book is invested in our mutual funds, and a small part is invested in the alternate products, including the private equity, real estate, credit funds, and now also the private credit funds. Having invested nearly a billion dollars in the Asset Management Company and being the largest investor in every single fund that we have offered to our client base, we have now also made some small direct investments, which are extremely small in the context of the size of the book. As far as the risk management is concerned, there will be no single security which will be sizable exposure. Your point about taking credit exposure to some unlisted that is a wrong media report. So, you can ignore that.

Moderator:

Thank you. Ladies and gentlemen, due to time constraints, we will take that as the last question for today. I now hand the conference back to Mr. Shalibhadra Shah – Group Chief Financial Officer for closing comments. Over to you, sir.

Shalibhadra Shah – CFO:

On behalf of Motilal Oswal Financial Services, we thank every participant for attending the Q2 FY26 con-call. In case you have any further questions or clarifications, please do get in touch with our investor relations desk. Thank you and have a great day.

Please contact ir@motilaloswal.com for any queries.

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