



# Motilal Oswal Financial Services

## ConCall Summary & Earnings Release

Quarter & Half Year ended September, 2021

29<sup>th</sup> October, 2021

Motilal Oswal Financial Services Limited (MOFSL) posted consolidated revenues of Rs 10.94 bn for Q2FY22, up 46% YoY and Rs 19.53 bn for H1FY22, up 42% YoY. Consolidated PAT grew by 81% YoY at Rs 5.4 bn for Q2FY22 and by 63% YoY at Rs 7.6 bn for H1FY22. Consolidated PAT ex- gain on investments for the quarter and for the half year was highest ever at Rs 2.7 bn and Rs 4 bn respectively. Capital Market profit was Rs 1.2 bn in Q2FY22 and Rs 2 bn in H1FY22. Asset and Wealth Management profits were Rs 1.4 bn in Q2FY22 and Rs 2 bn in H1FY22. Housing finance profit was Rs 201 mn in Q2FY22 and Rs 285 mn in H1FY22.

For a deeper insight into the company's performance and the management's expectations, we present extracts from the post-results conference call. We have edited and rearranged the transcript for greater lucidity. This presentation is available at

[www.motilaloswalgroup.com](http://www.motilaloswalgroup.com)

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### Corporate Participants

Mr Raamdeo Agrawal

*Chairman*

Mr Navin Agarwal

*Director*

Mr Ajay Menon

*CEO- Broking*

Mr Arvind Hali

*CEO- Home Finance*

Mr Shalibhadra Shah

*Chief Financial Officer*

Mr Rakesh Shinde

*Investor Relations*

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This document includes forward looking statements, including discussions about the management's plans and objectives and about expected changes in revenues and financial conditions. Forward-looking statements about the financial condition, results of operations, plans and business are subject to various risks and uncertainties that could cause actual results to differ materially from those set forth in this document. You should not construe any of these statements as assurances of financial performance or as promises of particular courses of action.

Welcome to the Q2FY22 and H1FY22 Earnings Conference call for Motilal Oswal Financial Services Limited. We have with us today Mr. Raamdeo Agrawal - Chairman; Mr. Navin Agarwal - Director; Mr. Ajay Menon- CEO, Broking; Mr. Arvind Hali- CEO, Home Finance; Mr. Shalibhadra Shah - Chief Financial Officer and Mr. Rakesh Shinde - Investor Relations. For the duration of this presentation all participant lines will be in the listen-only mode. I will be standing by for the question-answer session. I would now like to invite Mr. Navin Agarwal to make his opening remarks. Thank you and over to you, sir.

#### MOFSL CONSOLIDATED FINANCIALS (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
<b>Total Revenues (ex-MTM)</b>	<b>10,938</b>	<b>7,472</b>	<b>46%</b>	<b>8,595</b>	<b>27%</b>	<b>19,532</b>	<b>13,800</b>	<b>42%</b>
EBITDA	4,813	3,005	60%	3,000	60%	7,813	5,627	39%
PBT	3,556	1,800	98%	1,826	95%	5,382	3,228	67%
<b>Operating PAT</b>	<b>2,693</b>	<b>1,233</b>	<b>118%</b>	<b>1,291</b>	<b>109%</b>	<b>3,985</b>	<b>2,263</b>	<b>76%</b>
<b>PAT</b>	<b>5,365</b>	<b>2,965</b>	<b>81%</b>	<b>2,211</b>	<b>143%</b>	<b>7,576</b>	<b>4,634</b>	<b>63%</b>

#### REVENUE COMPOSITION (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Capital Market	6,084	4,236	44%	5,132	19%	11,216	7,674	46%
Asset Management	1,472	1,162	27%	1,381	7%	2,853	2,198	30%
Private Equity	1,510	268	463%	257	487%	1,767	487	263%
Wealth Management	476	349	36%	396	20%	872	570	53%
Housing Finance	1,328	1,360	-2%	1,369	-3%	2,696	2,693	0%
Fund Based (ex-MTM)	68	96	-29%	59	15%	127	178	-28%
<b>Total Revenues</b>	<b>10,938</b>	<b>7,472</b>	<b>46%</b>	<b>8,595</b>	<b>27%</b>	<b>19,532</b>	<b>13,800</b>	<b>42%</b>

#### Opening remarks

Good morning everybody. It is pleasure to welcome all of you once again to the Motilal Oswal Financial Services Earnings Call for the Q2 and Half Year ended September 30, 2021. We hope that each one of you and your families are safe and in good health.

## Financial performance

- We have reported PAT growth of 81% YoY at Rs 5.4 bn for Q2FY22. Profit (ex-gains on investment) grew 118% YoY to Rs 2.7 bn, this was highest ever quarterly operating profit for us.
- For H1FY22, we have reported PAT growth of 63% YoY at Rs 7.6 bn. Profit (ex-gains on investment) grew 76% YoY to Rs 4 bn, this was highest ever half yearly operating profit for us.
- Core business was robust with Capital market business PAT +52%/55% YoY/QoQ respectively and Asset & Wealth +226% YoY led by +44% AMC, +88% YoY for Wealth and 12x growth in Private Equity business driven by strong profit on exit of investment.
- Consolidated net worth touched all time high and stood at Rs 51.7 bn, net debt is Rs 40.5 bn. Excluding Home finance debt, we are a net cash company net of our equity investments.
- RoE for H1FY22 stands at 37%.
- We are happy to inform that during this half year we have seen positives from all three rating agencies. India Ratings has assigned AA rating to the Group and its subsidiaries including Housing finance. CRISIL Ratings has upgraded outlook on the group to Positive/AA- and ICRA ratings has upgraded our Housing finance subsidiary to AA-/Stable.

## Key highlights for the Q2FY22 and H1FY22

- **Broking**– business continues to report strong growth of 44% YoY and 19% QoQ in revenues, continued traction in client addition, 96% growth in ADTO with mix favour in high yielding cash delivery, we witnessed strong growth in active clients and traction in distribution business. We continue to make investments in augmenting our talent pool & distribution network and also continue to benefit from consolidation in the broking biz.
- **Asset Management**– witnessed life time high markets have lifted AUM to its highest ever, MF gross sales and SIP's gained traction and AIFs are receiving very encouraging response among HNI's. IREF V has achieved its 2<sup>nd</sup> close at Rs 8.1 bn. We have launched largest ever PE growth IBEF IV fund with target size of Rs 40 bn, we received huge response to the fund and expected to achieve its 1<sup>st</sup> close soon with more than half fund raised target achieved.
- **Home Finance**- Strong pick-up in disbursements, traction in login/sanction pipeline, and meaningful expansion in sales force since H2FY22 to ramp up disbursements in the coming quarters. Sharp reduction in cost of funds drove

margin expansion in home finance. Ratings upgrade received will further benefit our liability franchisee.

**I will now deep dive into individual businesses.**

### Capital market business:

**KEY FINANCIALS: Capital Markets (Retail Broking & Distribution, Institutional Broking, Investment Banking) (Rs mn)**

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Total Revenues	6,084	4,236	44%	5,132	19%	11,216	7,674	46%
EBITDA	2,318	1,499	55%	1,610	44%	3,928	2,662	48%
PBT	1,624	1,095	48%	1,070	52%	2,693	1,856	45%
<b>PAT</b>	<b>1,213</b>	<b>797</b>	<b>52%</b>	<b>782</b>	<b>55%</b>	<b>1,995</b>	<b>1,370</b>	<b>46%</b>

Capital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues for this segment were Rs 6.1 bn, +44% YoY in Q2FY22 and Rs 11.2 bn, +46% YoY in H1FY22. Capital market businesses have contributed ~48% of consolidated revenues. Profit grew by 52% YoY / 55% QoQ at Rs 1.2 bn in Q2FY22 and 46% YoY to Rs 2 bn in H1FY22 led by healthy volume growth of 96% YoY.

### Broking and Distribution

In **Retail Broking & Distribution**, we witnessed strong traction in new client addition driven by Franchisee and retail channel, total ~440,000 clients acquired in H1FY22, +114% YoY. NSE Active clients have registered 62% YoY growth at 7.2 lacs as of Sept 2021.

Distribution AUM was Rs.159 bn, +43% YoY with 13% of 2.4 million broking client base tapped and we expect 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.

### Institutional Broking

In **Institutional Broking**, team wins big in Asiamoney poll 2020. Ranked #1 Best local brokerage House, Best research team, Best sales and sales trading and Best Corporate access. Strong improvement in domestic client rankings with top 3 rank retained in most clients. This has been the result of focus driven differentiated research products with 250+ companies covering 21 sectors.

## Investment Banking

**Investment Banking** business has participated in 3 IPOs and 1 OFS. Further, there is a strong pipeline of signed IPO mandates which will start entering the markets from H2FY22 onwards, as a result revenue traction can be witnessed in coming quarters.

## Asset and Wealth management businesses

### KEY FINANCIALS: ASSET MANAGEMENT (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Total Revenues	1,472	1,162	27%	1,381	7%	2,853	2,198	30%
EBITDA	571	411	39%	497	15%	1,068	746	43%
PBT	565	399	42%	491	15%	1,056	729	45%
<b>PAT</b>	<b>417</b>	<b>290</b>	<b>44%</b>	<b>356</b>	<b>17%</b>	<b>773</b>	<b>530</b>	<b>46%</b>

Asset Management business AUM across MF, PMS & AIF stood at Rs 496 bn, +32% YoY. PAT for the quarter grew 44% YoY to Rs 417 mn and 46% YoY at Rs 773 mn in H1FY22.

Our Equity MF AUM of Rs 300 bn i.e.1.5% of the Industry MF Equity AUM of Rs 20 tn. We have seen improvement in performance of several products. Our gross and net sales started improving and redemption declined on a sequential basis.

We have witnessed favorable response towards alternate offerings under AIF strategy and expect continued flows in AIF strategies which are in pipeline.

Our share of Alternate assets, comprising of PMS & AIF, at ~38% is the highest among AMC's. We have added around 220k SIPs in H1FY22, +62% YoY. New SIP count market share stood at 1.7% in H1FY22.

## Private Equity

### KEY FINANCIALS: PRIVATE EQUITY (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Total Revenues	1,510	268	463%	257	487%	1,767	487	263%
EBITDA	1,035	110	-	88	-	1,123	185	-
PBT	1,034	107	-	88	-	1,122	181	-
<b>PAT</b>	<b>864</b>	<b>68</b>	<b>-</b>	<b>62</b>	<b>-</b>	<b>926</b>	<b>121</b>	<b>-</b>

Private Equity has committed investment AUM of Rs 69 bn across 3 growth capital PE funds and 5 real estate funds. In Q2FY22, revenues and PAT grew 12x at Rs 1.5 bn /Rs 864 mn respectively including profit on exit of investments of Rs 827 mn in Q2FY22. The 1st growth fund (IBEF 1) has delivered an XIRR of 26%+. Average IRR on exited investments in Real estate funds is 21%+. IREF V achieved its 2nd close at Rs 8.1 bn. PE biggest fund launched with IBEF IV with a target size of Rs 40 bn.

## Wealth Management business:

### KEY FINANCIALS: PRIVATE WEALTH MANAGEMENT (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Total Revenues	476	349	36%	396	20%	872	570	53%
EBITDA	208	113	84%	171	21%	379	118	222%
PBT	204	110	86%	163	26%	367	111	229%
<b>PAT</b>	<b>154</b>	<b>82</b>	<b>88%</b>	<b>117</b>	<b>32%</b>	<b>271</b>	<b>82</b>	<b>230%</b>

Wealth Management business AUM grew by 57% YoY at Rs 315 bn in Q2FY22. Wealth business revenue grew by 36% YoY to Rs 476 mn in Q2FY22 led by strong net sales at Rs 19.9 bn. Yield improved by 7 bps to 63 bps. RM count of this business stood at 123. Our trail revenues predominantly cover our fixed costs. Strong operating leverage is visible led by improvement in RM productivity. We continue to invest in this business by adding RMs.

Overall Asset and Wealth Management revenues were Rs 3.46 bn, +94% YoY in Q2FY22 and Rs 5.49 bn, +69% YoY in H1FY22. Asset & Wealth contributes 23% of consolidated revenues. Profits were Rs 1.44 bn, +226% YoY in Q2FY22 and Rs 1.97 bn, +169% YoY in H1FY22 and contributed 25% of consolidated profits.

## Home Finance business:

### KEY FINANCIALS: MOTILAL OSWAL HOME FINANCE (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Net Interest Income	694	558	24%	615	13%	1,309	1,126	16%
Total Income	733	563	30%	734	0%	1,467	1,141	29%
Operating Profit	479	360	33%	484	-1%	964	728	32%
PBT	277	167	66%	112	147%	390	408	-4%
<b>PAT</b>	<b>201</b>	<b>57</b>	<b>253%</b>	<b>85</b>	<b>137%</b>	<b>285</b>	<b>168</b>	<b>70%</b>

Home finance business reported profit of Rs 201 mn in Q2FY22, +253% YoY and Rs 285 mn in H1FY22, +70% YoY.

NII grew by 16% YoY and NIM expanded 6.9% in H1FY22.

Yield on Advances stood at 13.9% in H1FY22 while Cost of Funds was down by 110 bps YoY to 8.4%, resulting in expansion in Spread by 70 bps YoY to 5.5%.

We have raised Rs 3.8 bn in H1FY22 at an average cost of 7.07% vs overall CoF of 8.4% and this number to trend lower in coming quarters also aided by the latest rating upgrades on the company.

Disbursements in H1FY22 were Rs 2.5 bn. Business is geared up for growth in disbursements led by Sales force expansion that is currently underway.

Covid 2nd wave and subsequent lockdown in the states where we have a presence had impacted our business operations and collections in April and May month. As a result, our collection efficiency was down to 90% in Q1FY22 and GNPA/NNPA increased to 4.7%/3.3% respectively.

In Q2FY22 business has come back strongly led by revival in demand and customers confidence. Our collection efficiency in September has reached to ~100% and with better resolutions we are able to bring down GNPA/NNPA to 2.2%/1.4% respectively.

Total capital infusion to Rs 8.5 bn. Net Gearing stands at 2.5x and Tier 1 CAR remains robust at 48%.

## Fund-based activities

### KEY FINANCIALS: (Rs Mn)

Particulars	Q2	Q2	CHG.	Q1	CHG.	H1	H1	CHG.
	FY22	FY21	YoY	FY22	QoQ	FY22	FY21	YoY
Total Revenues	3,091	2,035	52%	1,108	179%	4,200	3,521	19%
PAT	2,654	1,728	54%	913	191%	3,567	3,031	18%

Fund Based activities include commitments to our asset management products. Fund based investments have registered gains in a quarter of Rs 2.7 bn in Q2FY22. Total quoted equity investment including unrealised gains was Rs 25.3 bn as of Q2FY22. Cumulative XIRR of these investments is ~19% since inception. Total equity investment including alternate funds was at Rs 36.1 bn as of Sept-21. XIRR is 33% on PE/RE investments.

**Outlook:** To sum up, last financial year was a landmark year for us with highest ever revenues and profits. This year also we are witnessing similar trend and we delivered highest ever quarterly & half yearly operating profit. Our retail broking business which is our cash cow business has achieved new highs on various parameters benefitting from industry consolidation and the knowledge driven phygital offerings. Our Institutional Broking business has been ranked #1 as local brokerage house in Asiamoney poll 2020. Our strategy to invest business profits in our own funds have yielding rich dividends, resulting in Net worth touching new highs. Moreover, our strategy to diversify our business model towards linear sources of earnings continues to deliver results. Our Asset Management business is likely to gain from process driven investing and turnaround in performances on alternate side. Our Housing finance business is geared up for profitable growth too. Each of our 7 businesses offer headroom for growth.



## **Q&A**

**Performance of broking business has been much better in this quarter, and we've seen good momentum even on a QoQ basis. Is it because of growth in cash market share or is it more driven by our acquisition strategy or some other factors?**

One reason is increase in the cash market share, which is advisory driven business, where we were able to improve our share by 70 basis points on a sequential basis. Secondly, the volume growth which has led to growth in broking revenues and coupled with that there is a strong traction in the distribution side of the business where we have been able to garner new money and the AUM now is about Rs. 16,000 crores. All of these put together plus the higher level of funding book has added to the overall delta in this quarter. Last year we had invested in manpower and this year too we continue to do that. We have seen operating leverage clearly coming out of this and the new channel that we have created last year has also turned profitable. All of these put together has driven the strong growth on quarter-on-quarter basis.

**How profitable is digital acquisition channel, how much are you spending to acquire a customer and what is the ARPU of this channel?**

The cost of acquisition is about Rs 1700 on the digital channel. ARPU of the digital channel is five times the cost, because we are in to the high-yielding segment. We have an advisory model attached to the digital channel because of which we are able to bid a much better ARPU. We also do distribution on the digital channel. We are seeing strong traction in this as more than 50% of the account are being acquired by the digital channel.

**On the broking business side, do we see our numbers sustainable going forward? Or was there any one off this quarter?**

We are witnessing traction in broking industry. We have done significant investments over the years in terms of people, branches and digital offerings. Our distribution business, which is aligned with broking is around Rs 16,000 crores of AUM. We have a holistic model in place, which we feel is surely scalable as we go ahead, be in terms of the advisory capabilities and the research capabilities which we bring to the table, plus the physical model, where we are available at the franchise locations and the branch locations. At the same time, we have the digital offering for all our products. Having said that, it is also known that the broking industry is subject to market volatility and to that extent, there can be some impact in the revenues, but we surely have built the model for scalability going forward.

**We are one of the primary brokers with a long history and a good heritage. What is stopping us from having a platform with similar to likes of our new age players, which can actually heighten further client addition?**

Our proposition is very clearly aligned towards the advisory model, where we feel that the research and advisory is very important for our customers. Our model is much scalable with our franchisee network, as well as our branch network. We are not looking at it only from broking revenue perspective. The holistic wealth management, where the distribution business also plays a big role, will help in the overall growth of the business from a long-term perspective. We have been doing this for the last 30 years and we are very confident of our model, where we give value delivery to the customer, rather than just giving them a platform. We feel that the proposition is well aligned to our growth strategy in the overall scheme of things.

**Just a minor tweak you can share on the user interface and the platform side, which I believe is not much capital-intensive.**

We are surely working on the digital side, and we are building on to the digital platform in a big way, be it in terms of UI/UX or products. To be at par with the discount broking by reducing yield will only cannibalize our existing customers for the new ones.

**On the asset management side, what was the net sales for Q2FY22?**

Net sales for the quarter was Rs. 8.2 bn, and for H1 it was Rs 15 bn. In first quarter, we shared net sales figure for AIF as Rs 4.8 bn, but some AIF money came in later part. That's the reason, we restated it to Rs 6.7 bn. In H1, we have returned around Rs 6 bn to investors as one AIF was closed. This is not reflected in net sales. We also have Rs. 17 bn commitment lying in AIF for which draw down will happen in coming quarters.

**Can you please share the net flows for mutual fund, PMS, and the AUM for passive funds?**

Mutual fund side we have seen net flows of almost Rs 8 billion in this quarter and at alternate side there is a net positive inflows. AUM of passive funds was around Rs. 8,700 crores.

**PMS AUM growth still looks a little anemic with just 4% quarter over quarter growth, are we still seeing redemption pressures over there?**

The way one has to look at it is to add the alternate assets together. Regulatory changes from 1st October last year drove up difference of distributors for AIF compared to PMS, so it's better off just clubbing those two numbers and look at overall alternate assets. We have seen strong uptick in PMS gross sales on quarter-on-quarter basis.

**How many banks are we empaneled with and how do we aim to scale up our mutual fund business if the empanelment are low with the banks, because banks offer a large distribution network. That's the first question. The second question is on the EBITDA margin of the AMC business. When I compare it versus some of the industry leaders or even slightly lower rung AMCs, we are fairly low, so just wanted to understand the EBITDA margin, bank empanelment and the scale-up strategy, if we do not have so many banks empanelment at AMC?**

We are empaneled with all the banks. Everybody from HDFC, ICICI, Kotak, Axis, IndusInd, Federal, SBI etc. distribute our products. Traditionally we have been quite strong on the retail channels, whether it is IFAs or NDs, followed by wealth and relatively less with banks. Banks also had their own requirement of a three to five years history of the fund. Our oldest funds in the mutual fund space are less than eight years old. We don't have that legacy of 2-3 decades that you are probably comparing us with the other asset management companies who've been around for a lot longer and have gradually accumulated that AUM with the banking customers over a period of time. Also, some of the mutual funds, which are bank subsidiaries enjoy the benefit of very large AUM from their parent company. We enjoy that benefit in terms of a larger AUM from our own captive customers, besides having one of the highest share of direct among all the asset management companies. There are about 45 asset management companies in India and we don't rank in the top 10 in terms of AUM but we are the 8<sup>th</sup> or the 9<sup>th</sup> most profitable asset management company in India. EBITDA margins for this quarter was at 39%.

**The PE business did very well this quarter because of the profits on exit of investments. What sort of exits are we looking at over the next two, three years and what sort of profits should we be building in over from these exits?**

After this exit from GR Infra and the closure of IBEF fund, the initial exits of IBEF 2 will go towards principal return. You may not want to model in any profits on exit of investments for the next four quarters at the very least.

**The new fundraise on the private equity side, what is the fee structure over there?**

There's no change in the fee structure. It remains at 2% management fee and 20% performance fee and this money is accrued on a commitment basis and not on withdrawal basis and any subsequent collections after the first close will have to pay the management fees right from the first close. We are looking at a first close sometime in the next week or 10 days and effectively for the entire fund the booking of the management fees on it may be on the basis of the collections, but accrual will happen right from the first close on the entire corpus of the fund.

**For how long can we charge management fees?**

It's for the life of the fund. The life of the first fund post extension was 14 years. We launched it in 2007 and we exited the last investment in 2021. One should assume at least a decade life at the bare minimum for the new fund. But there's an option to increase that by two years and further extend beyond that too.

**On the fund based business side, we have seen a very sharp increase in profits this quarter. Can you split it between listed equity and private equity?**

In H1, private equity is Rs. 120 crores, rest are all listed equities. Actually, there are three buckets, Mark to market which has been disclosed, mark to market below the line and then mark to market which has not been recognized. Fund based profit for the quarter is Rs 265 crores and OCI (direct equity investments) is Rs 65 crores.

**What was stage 2 and restructuring number for the home finance company?**

Stage 2 is 9% and the restructuring number for Q2 is 1.9%.

**How you've managed to reduce the stage 2 to 9%?**

In Q2, we have seen improvement in roll back and collection efficiency. We have also done some degree of restructuring, but primarily the reduction in stage 2 assets was driven by higher collection efficiencies and resolution across all buckets and also significant rollbacks which have happened from higher buckets.

**What is the proportion of new book?**

The new book is about 22% in the overall book.

**What percentage of your book is restructured and how is that book performing?**

1.9% of the book has been restructured in Quarter 2. In terms of the performance of the restructured books, it is performing well, in the sense it is very much correlating to the normal book collection efficiency. These assets continue to be stage one assets.

**Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Shalibhadra Shah for closing comments.**

On behalf of Motilal Oswal Financial Services, I would like to thank every participant for attending the Q2FY22 con call. In case of any further queries please do get in touch with me or our Investor Relations desk. Thank you and have a good day and a Happy Diwali and the prosperous New Year in advance, thank you.

## **PRESS RELEASE**

### **Motilal Oswal Financial Services reports highest ever PAT of Rs 5.36 bn, +81% YoY in Q2FY22 and Rs 7.58 bn, +63% YoY in H1FY22.**

**Mumbai, October 28, 2021:** Motilal Oswal Financial Services Ltd. announced its results for the quarter and half year ended September 30, 2021 post approval by the Board of Directors at a meeting held in Mumbai on October 28, 2021.

#### **Performance for the quarter and half year ended September 30, 2021:**

- In Q2FY22, consolidated revenues grew by 46% YoY at Rs 10.94 bn, Consolidated PAT grew by 81% YoY to Rs 5.36 bn including gains on investments (Rs 2.67 bn). Operating profit (excluding gains on investments) for the quarter was highest ever at Rs 2.7 bn, +118% YoY.
- In H1FY22, Consolidated revenues grew by 42% YoY at Rs 19.53 bn, consolidated PAT grew by 63% YoY at Rs 7.58 bn. Operating profit for the half year was highest ever at Rs 4 bn, +76% YoY.
- Core business fired all cylinders – Capital market business PAT + 52% YoY and Asset & Wealth +226% led by +44% AMC, +88% Wealth Management and 12x growth in Private Equity business driven by strong profit on exit of investment. Further, we have witnessed turnaround in Housing finance business.

#### **Key highlights for the H1FY22**

- Most of our businesses have delivered strong and sustainable performance in Q2FY22 and H1FY22.
- Our Asset under Advisory (AUA) stood at Rs 2.9 tn mark led by all-time high AUM across AMC, Wealth and Distribution businesses.
- Our organizational talent has reached over 8,600 serving over 3.4 mn clients.
- Our Net worth has crossed Rs 50 bn mark.
- **Capital Markets** – Highest ever broking revenue and profit in Q2 & H1FY22, growth in client addition led by traction in digital acquisition channel, 96% growth in ADTO, 70 bps QoQ rise in cash market share, strong growth in active clients, Investment banking participated in 3 IPOs and 1 OFS.
- **Asset Management**– Highest ever AUM, gross & net sales gaining traction, strong response to AIFs offerings, increase in SIP addition, continued traction in our international passive offerings. IREF V has achieved its 2<sup>nd</sup> close at Rs 8.1 bn. Launch of largest ever PE growth IBEF-IV fund with target size of Rs 40 bn.
- **Home Finance** – India Ratings assigned IND AA rating, outlook upgraded by CRISIL to AA-/ Positive and rating upgraded by ICRA to ICRA AA-/stable, Strong pick-up in disbursements, traction in login/sanction pipeline, expansion in sales force and sharp reduction in cost of funds driving margin expansion.
- Consolidated net worth is at all-time high at Rs 51.7 bn, net debt is Rs 40.5 bn. Excluding Home finance, net debt is Rs 17.1 bn. Total D/E declined to 0.9x. Ex-MOHF D/E stood at 0.5x. Net of investments, we have a net cash balance sheet. RoE for H1FY22 stands at 37%.
- Besides financial performance, recent time has been very eventful in terms of our successes in brand building, advertising and several other fronts. MOFSL rank 1<sup>st</sup> **“Best Local Brokerage”** in Asia Money broker’s poll 2020. MOFSL once again recognized as a **“Great Place to Work”** - India certified organization, Motilal Oswal Wins **“Best PMS in 10 years performance”** across all categories at India’s Smart Money Manager Awards - 2021. Motilal Oswal Private Equity has been awarded as **“Growth Capital Investor of the Decade”** at the Venture Intelligence APEX PE-VC Awards. Our latest Ad on **“Skin in the Game”** has received appreciation in various media. These and several other recognitions

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 & CEO said** “All of our businesses has delivered strong & sustainable performance in H1FY22. Last financial year was a landmark year for us with highest ever revenues and profits. This year also we are witnessing similar trend and we delivered highest ever quarterly & half yearly operating profit. Our retail broking business which is our cash cow business has achieved new highs on various parameters and benefitting from market expansion and industry consolidation with its knowledge driven phygital offerings. Our Institutional Broking business has been ranked #1 as local brokerage house in Asiamoney poll 2020. Our strategy to invest business profits in our own equity investment products has registered highest ever profits and as result our Net worth has touched new high. Moreover, our strategy to diversify our business model towards linear sources of earnings continues to deliver results. Our Asset Management business is likely to gain from process driven investing and its niche offerings. Our Housing finance business is geared up for profitable growth. Each of our 7 businesses offers headroom for growth. “

### **Performance of Business Segments for the quarter and half year ended September 30, 2021**

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

- Capital markets comprises of Retail Broking, Institutional Equities and Investment Banking business. Revenues for this segment were Rs 6.1 bn, +44% YoY in Q2FY22 and Rs 11.2 bn, +46% YoY in H1FY22. Capital market businesses have contributed ~48% of consolidated revenues.
- Profit grew by 52% YoY / 55% QoQ at Rs 1.2 bn in Q2FY22 and 46% YoY to Rs 2 bn in H1FY22 led by healthy volume growth of 96% YoY.
- In **Retail Broking & Distribution**, we have witnessed strong traction in new client addition driven by Franchisee and retail channel, total ~440,000 clients acquired in H1FY22, +114% YoY. NSE active clients have also registered 62% YoY growth at 7.2 lacs as of Sept 2021.
- Our strategy to bring in linearity through the trail-based distribution business is showing results. Distribution AUM grew by 43% YoY at Rs 159 bn as of Q2FY22. With only 13% of the ~2.4 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**, team wins big in Asiamoney poll 2020. Ranked #1 Best local brokerage House, Best research team, Best sales and sales trading and Best Corporate access. Strong improvement in domestic client rankings with top 3 rank retained in most clients. This has been the result of focus driven differentiated research products with 250+ companies covering 21 sectors.
- **Investment Banking** business has participated in 3 IPOs and 1 OFS. Further, there is a strong pipeline of signed IPO mandates which will start entering the markets from H2FY22 onwards, as a result revenue traction can be witnessed in coming quarters.

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

- **Asset Management** business AUM across MF, PMS & AIF stood at Rs 496 bn, +32% YoY. Strong growth of 44% YoY in PAT at Rs 417 mn in Q2FY22 and 46% YoY at Rs 773 mn in H1FY22.
- Equity MF AUM touched Rs 300 bn i.e. 1.5% of the Industry MF Equity AUM of Rs 20 tn. We have seen improvement in performance of several products. Our Gross sales and Net sales started improving and redemption market share declined on a sequential basis.
- Favourable response to alternate offerings under AIF strategy and international passive offerings.
- We have added around 220,000 SIPs in H1FY22, +62% YoY. New SIP count market share stood at 1.7% in H1FY22.
- Our share of Alternate assets, comprising of PMS & AIF, is the highest among AMC's at ~38%.
- **Private Equity** has committed investment AUM of Rs 69 bn across 3 growth capital PE funds and 5 real estate funds. In Q2FY22, revenues stood at Rs 1.5 bn and PAT stood at Rs 864 mn including profit on exit of investments of Rs 827 mn in Q2FY22. The 1<sup>st</sup> growth fund (IBEF 1) has delivered an

XIRR of 26%+. Average IRR on exited investments in Real estate funds is 21%+. IREF V achieved its 2<sup>nd</sup> close at Rs 8.1 bn. PE biggest fund launched with IBEF IV with a target size of Rs 40 bn.

- **Wealth Management** business AUM grew by 57% YoY at Rs 315 bn in Q2FY22. Wealth business revenue grew by 36% YoY to Rs 476 mn in Q2FY22 led by strong net sales at Rs 19.9 bn in Q2FY22. Yield improved by 7 bps QoQ to ~63 bps. RM count of this business stood at 122. Our trail revenues predominantly cover our fixed costs. Strong operating leverage is visible led by improvement in RM productivity. We continue to invest in this business by adding RMs.
- Overall **Asset and Wealth Management** revenues were Rs 3.46 bn, +94% YoY in Q2FY22 and Rs 5.49 bn, +69% YoY in H1FY22. Asset & Wealth contributes 23% of consolidated revenues. Profits were Rs 1.44 bn, +226% YoY in Q2FY22 and Rs 1.97 bn, +169% YoY in H1FY22 and contributed 25% of consolidated profits.

- **Housing finance business**

- Motilal Oswal Home Finance (MOHFL) reported profit of Rs 201 mn in Q2FY22, +253% YoY and Rs 285 mn in H1FY22, +70% YoY.
- NII grew by 16% YoY and NIM expanded to 6.9% in H1FY22.
- Yield on Advances stood at 13.9% in H1FY22 while Cost of Funds was down by 110 bps YoY to 8.4%, resulting in expansion in Spread by 70 bps YoY to 5.5%.
- We have raised Rs 3.8 bn in H1FY22 at an average cost of 7.07%.
- Disbursements in H1FY22 stood at Rs 2.5 bn, +198% YoY. Business is geared up for stronger growth in disbursements. Sales force expansion is currently underway.
- In Q2FY22 business has come back strongly led by revival in demand and customers confidence. Our collection efficiency in September has reached to ~100% and with better resolutions we are able to bring down GNPA/NNPA to 2.2%/1.4% respectively.
- IND AA rating assignment by India Ratings, outlook upgrade by CRISIL to CRISIL AA-/Positive and rating upgrade by ICRA to ICRA AA-/stable, all restores confidence on company and acknowledge its initiatives taken to revive the business.
- Total capital infusion to Rs 8.5 bn. Net Gearing stands at 2.5x and Tier 1 CAR remains robust at 48%.

- **Fund based investments** includes sponsor commitments to our AMC & PE funds and strategic equity investments.

- Fund based investments have registered gains in a quarter of Rs 2.7 bn in Q2FY22, +54% YoY and Rs 3.6 bn in H1FY22, +18% YoY
- Total quoted equity investment including unrealised gains was Rs 25.3 bn as of H1FY22. Cumulative XIRR of these investments is ~19% (since inception).
- Total equity investment including alternate funds was at Rs 36.1 bn as of Sep-21. XIRR of 33% on PE/RE investments.

### **About Motilal Oswal Financial Services Limited**

MOFSL 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 won the 'Brand of the Year' award at the IBLA CNBC TV 18. MOFSL employs ~8600 employees serving to 3.4 mn clients via distribution reach in 700+ cities. MOFSL has AUA of Rs 2.9 trillion.