



**Motilal Oswal Financial Services Limited**

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August 02, 2023

**To,**  
**BSE Limited**  
P. J. Towers,  
Dalal Street, Fort,  
Mumbai - 400001  
**Security Code: 532892**

**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400051  
**Symbol: MOTILALOFS**

**Sub.: Transcript of Earnings Conference Call with Investor(s)/Analyst(s)**

Dear Sir/Madam,

This is with reference to our earlier letter dated July 21, 2023 regarding intimation of Earnings Conference Call (“Con-call”) with Investor(s)/Analyst(s) on July 28, 2023 to discuss financial performance for Q1 FY 2023-24.

In this regard, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (as amended from time to time), please find enclosed herewith the transcript of the said Con-call for your reference.

The said transcript of the said Con-call is made available on the Company’s website i.e. [https://www.motilaloswalgroup.com/Downloads/IR/1611626449MOFSL\\_ConCall\\_Transcript\\_Q1FY24.pdf](https://www.motilaloswalgroup.com/Downloads/IR/1611626449MOFSL_ConCall_Transcript_Q1FY24.pdf).

Further, we hereby confirm that no unpublished price sensitive information was shared or discussed during the said Con-call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

**For Motilal Oswal Financial Services Limited**

**Kailash Purohit**  
**Company Secretary & Compliance Officer**  
Encl.: As above



# Motilal Oswal Financial Services

## Con-Call Summary & Earnings Release

Q1FY24

28<sup>th</sup> July, 2023

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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)

### Corporate Participants

Mr Raamdeo Agrawal

*Chairman*

Mr Motilal Oswal

*Managing Director*

Mr Navin Agarwal

*Director & CEO- AMC*

Mr Ajay Menon

*CEO- Broking*

Mr Ashish Shanker

*CEO- Wealth Management*

Mr Shalibhadra Shah

*Chief Financial Officer*

Mr Chetan Parmar

*Head- 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.

**Mrs. Carol- Moderator: -**

- Good afternoon, ladies and gentlemen. I'm Carol, the moderator for this conference. Welcome to the Q1FY24 Earnings Conference Call for Motilal Oswal Financial Services Limited. We have with us today, Mr. Raamdeo Agrawal, Chairman; Mr. Motilal Oswal, Managing Director; Mr. Navin Agarwal, Director and CEO, AMC; Mr. Ajay Menon, CEO, Broking; Mr. Ashish Shanker, CEO, Wealth Management; Mr. Shalibhadra Shah, Chief Financial Officer; and Mr. Chetan Parmar, Head, Investor Relations.
- As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.
- I would now like to invite Mr. Navin Agarwal to make his opening remarks. Thank you, and over to you, Mr. Agarwal.

**Mr. Navin Agarwal - Director & CEO- AMC:**

- Good afternoon, everybody, and welcome to the Q1FY24 Earnings Call of Motilal Oswal Financial Services. I'll start by taking you through the highlights of the operation and the financial performance
- Our consolidated revenues stood at Rs. 12.6 billion during the quarter, up by 32% year-on-year and up by 11% sequentially. Our consolidated operating profit after tax during the quarter was at Rs. 2.4 billion, up by 28% year-on-year and up by 3% quarter-on-quarter. We reported one of the highest consolidated quarterly PAT at Rs. 5.27 billion, which including the OCI profit was at Rs. 6.72 billion.
- As we've discussed in the past, the large part of the net worth, which is allocated to fund-based activities as per the Ind AS needs to be mark-to-market on a quarterly basis and this is usually lumpy and not accruing equally in each of the quarters. I'll talk a little bit more about this later in the call.

**Capital Market Business**

- Our core businesses were quite robust this quarter. We reported the highest ever quarterly capital markets business profit of Rs. 1.55 billion during the quarter, driven by growth in our retail cash ADTO market share by 46 basis points year-on-year and 110 basis points on a quarter-on-quarter basis to 6.2%. Retail F&O premium market share stood at 7.2%. You may be aware that this disclosure by the exchanges started in the last quarter. And so we now report in our presentation, both the F&O premium market share as well as the F&O ADTO market share. So the premium market share stands at 7.2% and the F&O ADTO market share for retail business stands at 4.3%. The F&O ADTO market share is also up by 111 basis points year-on-year and 44 basis points quarter-on-quarter, resulting in an overall average daily turnover increase of 171% year-on-year and a very strong 28% on a quarter-on-quarter basis.
- NSE active clients for us stood at 761,000 numbers as of June of '23, and our market share has been stable at 2.5%. We acquired an additional 100,000 clients during the first quarter

- The distribution AUM within the Retail Broking & Distribution business increased to Rs. 223 billion, up by 20% year-on-year and our incremental distribution net sales were at Rs. 3.2 billion during the quarter here. Again, we have made additional disclosures in our presentation. I'll cover that later in the con call.
- Our currency market share improved meaningfully by over 400 bps quarter-on-quarter to 22.7%. Our institutional equity business ADTO also grew by 67% year-on-year, 62% quarter-on-quarter. And the investment banking business saw 6 successful completion of transactions aggregating Rs. 37 billion, and we continue to have a strong pipeline of ECM mandates to be executed in the rest of the year.

### **Asset & Wealth Management Business**

- Turning to the Asset & Wealth businesses. The cumulative profits of the Asset & Wealth business (AMC, Wealth and Private Equity) stood at Rs. 641 million during the first quarter
- The Asset Management business, AUM crossed Rs. 500 billion. We closed the quarter at Rs. 515 billion across our mutual funds, PMS and AIF assets. This number was up 19% year-on-year, mainly led by the mark-to-market gains and 13% quarter-on-quarter. Our revenues for the quarter stood at Rs. 1.38 billion, which is up by 5% quarter-on-quarter. Mutual fund AUM stood at Rs. 335 billion, and we are hopeful of growing this mutual fund AUM led by strong performances and turnaround in our active mutual fund schemes.
- This quarter, while our net sales continue to be negative on the back of redemptions, I'm happy to report that our gross sales for active mutual funds were up by 90% year-on-year. This is also reflected in the SIPs. New SIPs during the quarter were 130,000, up by 170% year-on-year and 42% quarter-on-quarter and we also saw an improvement in our SIP flow market share.
- Our Wealth Management business AUM grew very sharply by 90% year-on-year, 28% quarter-on-quarter at Rs. 664 billion. This also includes certain DP assets, and some lumpy additions is causing this 93% year-on-year growth. Our Private Equity business fee earning AUM touched nearly Rs. 10,000 crores across 3 growth capital funds and 4 real estate funds.
- In the first quarter, our PE& RE revenues grew by 22% year-on-year to Rs. 388 million. We are happy to announce the launch of our sixth real estate fund during the quarter with a target to raise about Rs. 20 billion as compared to the fifth series real estate fund that raised Rs. 12 billion. So this is a substantial ramp up and should add to our AUM during the course of the coming quarters.
- Our fund based profit, including OCI stood at Rs. 4.3 billion during the first quarter. And as a result of the strong market and the mark-to-market, our consolidated net worth rose to Rs. 69.3 billion at the end of the quarter. Our debt equity stood at 1.5x.
- In terms of an additional slide that we have added to our presentation this quarter, we have reported our net worth since FY '15 and the Rs. 69.3 billion marks a compounded growth of 23% during this 8-year plus period. After a 28% average dividend payout and after all the buybacks that we've done, on the back of the twin model of strong operating business return on equity, combined with the 17% post-tax XIRR on our fund-based investments. Our

operating profit after tax contributed to 70% of this net worth augmentation over the last 8 years, and the balance 30% was contributed by our fund-based investments.

- Turning to a few more insights on our Wealth Management business. In our Private Wealth business, we have clearly laid down our strategy to strengthen our relationship manager base in FY '21 and we had guided for a 300-member relationship manager base by March 2026. We are tracking well on that plan and have added a net 74 relationship managers over the last couple of years to reach a total RM count of 197, which is up by 60% during this time period by the end of this quarter.
- Further, we've strengthened our regional leadership positions across key geographies in West and South India and have also on boarded Ultra-HNI client vertical head last year. These investments in relationship manager and strengthening the leadership is expected to continue in the coming quarters as well and will have a short-term impact on our profit margins for the Wealth Management business.
- However, we believe once the vintage of RMs improve, the operating margin should move back to the 45% to 50% range. Another disclosure that we made during the current quarter in our investor presentation is the disclosure on revenues and profits from businesses catering to Wealth clients hitherto we've been reporting our Private Wealth business separately.
- The Private Wealth entity offers products and services across platforms and asset classes to 5,650 families. There are another 8,000 HNI families house in our Broking and Distribution entity service to a dedicated private client group, which offers not just broking products, but some of the financial products curated by the wealth business and has a DP balance of Rs. 45,000 crores.
- This group supplements the Private Wealth Business and jointly covers a wide spectrum of clients from mass affluent to HNI to Ultra HNI families.

### **Home Finance Business**

- Turning to our Home Finance business. We've strengthened our senior management team through key hiring in leadership positions. Sukesh Bhowal has joined as the Chief Executive Officer of the company and brings in 27 years of rich experience in the mortgage industry. In the previous stint, he has been associated with Citibank for over a decade and DCB again for over a decade, where he headed the Mortgages, Micro-Mortgages, Construction Finance and Gold Loans segments.
- Shobhit Doru has been appointed as the Chief Operating Officer. Shobhit has 25 years of experience across Product, Strategy and Analytics for over a decade at Bajaj Finance. Rajesh Maiya has come in as the Chief Business Officer. Rajesh brings over 25 years of experience in Sales & Distribution, Channel Management and Customer Service. He served in organizations like Nestle and ICICI Bank for a large part of his career and spend the most recent years as the National Sales Manager at Aavas Finance.
- With senior management team onboarded, our next priority is to strengthen our sales force in the next 6 to 9 months, and all of this should help us drive growth in the AUM from the next financial year.

- To sum up, we have delivered strong performance in the first quarter. Our Capital Markets business has demonstrated remarkable performance, reporting all-time high profits and strengthening our retail market position in cash as well as F&O segment with shares of 6.2% and 7.2%.
- Our Asset & Wealth business AUM has crossed Rs. 1.25 lakh crores. Asset Management business has seen improvement in performances across multiple products and is seeing traction in gross sales. Wealth Management business continues to strongly march towards the 300 RM base besides strengthening leadership.
- Recent appointments in the Home Finance business should drive the second phase of AUM growth for the Home Finance business. With the strengthening of each of our businesses and the tailwind provided by rising savings and financialization of those savings, we hope to continue compounding our net worth on a bigger scale at similar rates as we have reported in the past.
- We've also filed with the exchanges an expression of interest from our 2 co-founders, Mr. Motilal Oswal and Mr. Raamdeo Agrawal, both promoters of the company, co-founders of the group along with their family members, each of them will be donating 5% of the equity shares of the company, aggregating to 10% of the outstanding shares of the company towards charitable purposes, either in a single contribution or through a staggered approach within a period of 10 years. Mr. Agrawal can elaborate on this during the course of the Q&A. Over to you, operator, for the Q&A.
- **Mrs. Carol- Moderator: -**
- Thank you very much. Ladies and gentlemen, we will now begin the question and answer session...
- **Mr. Vinod Chandra Agarwal – Participant:**
- First of all, congratulations for a good and a very good set of numbers and would like to thank you for giving me the opportunity. By listening is that the promoters are giving 10% to the charity cause, that's really a great novel cause. For that also, I would like to say thank you. I don't know what matter, but the cause is good. So that really makes a believe that the promoter's honesty and responsibility towards the society. So again, thank you for taking that decision and going towards that and one request I would like to make, which like in our Annual General Meeting, I did send an email to represent myself as a speaker well before on the time, but I didn't get a response, and I couldn't be a speaker. So if you can just make our investor relationship officials a little bit more, I would say, responsive, that will be good. It's not as a complaint, but just a request.
- **Mr. Shalibhadra Shah – CFO:**
- So we had actually given opportunity to all the investors who had come in the queue. However, in case if, unfortunately, we would have missed, then we will certainly take care of that.

– **Mr. Vinod Chandra Agarwal – Participant:**

- I wanted some understanding in the Home Finance business. I'm an individual investor, so my questions would not be related to the analysis, but kind of understanding of the business. The main concern is over return on equity on our Home Finance business. If you look at the ROE, even though it has been more than 5-7 years, our return on equity of Home Finance business is the lowest amongst the all other business.
- All other businesses are doing well, even our fund-based investment is doing a 17% XIRR, but Home Finance businesses just last year has done with only 13%, that too taking a 2.3x leverage, so that is something of concern that why are we doing this business instead of looking for any other opportunity where we can put this money? If you can elaborate.
- Another thought is that why we are not going with some higher leverage if we want to increase our ROE. Another thought which I was having in mind is that even though our real estate fund, who is giving a 20% IRR and our Home Finance business is giving just a 13% ROE. So just a thought if something we can do there. If you can just explain, that's like what is our target to reach this ROE in the Home Finance business and why we are investing in the Home Finance business even though we have some other avenues where the return on equity is high?

– **Mr. Shalibhadra Shah – CFO:**

- With respect to Home Finance business, we are into actually lending into affordable home segment and this business certainly is being build brick by brick. If you actually look at our total loan book, then we are at 3,770 crores of book. We have been adding a lot of talent in this business over the last few years and the idea is that we would be improving more talent on the sales side to actually improve the throughput of the disbursements of this business.
- So last financial year, we did Rs. 1,000 crores of disbursements. The idea is to grow the book and as our book growth improves in this business, the overall leverage will improve and would translate into a better return on equity to the shareholders. Currently, our return on assets stands at 3%. The idea is to improve the overall ROA to 3.5% and also, at the same time, have a strong asset quality of the business, which will help us to improve the overall ROA and ROE in the business.

– **Mrs. Carol- Moderator:**

- The next question is from the line of Ansuman Deb from ICICI Securities.

– **Mr. Ansuman Deb – Participant:**

- My first question is on the Capital Markets segment. Obviously, we have done good, but what I wanted to understand was that is it as an ex of investment banking, the core retail business? How is profitability shaping up in terms of the business, in terms of whether we are kind of decreasing the yields for the market share because we have done very good in the market share gain perspective? So that's the first question.
- The second question pertains to the Asset Management business. You said that the net flows remain negative, but we have shown very good growth on the gross side. So any initial trends on the distribution side in terms of the flow share over there, our discussions with the

distributors and the reflection of improving fund performance? If you can give some color on that.

– **Mr. Shalibhadra Shah – CFO:**

- So overall, on the Capital Markets side of the business, as far as our Retail Broking business is concerned, that has grown in terms of profitability by 19% on a Y-o-Y basis. Even on a quarter-on-quarter basis, if you look at our Retail Broking business, while it is looking flattish but overall it has increased, since Q4 includes also the impact of the insurance revenue. So in that, if you actually look at it sequentially, even the retail broking part is up 20%.
- In terms of the yield, cash yields have been actually stable and in fact, improved in Q1 of this year. So apart from volume growth in the market, our market share has improved as well as the yields have also marginally improved. As far as the F&O yields are concerned, certainly, the yields are marginally down. So year-on-year, the yield has been coming down, but volume has been more than compensating for the yield loss. Again, in this quarter, the mix of the brokerage towards cash has improved. The overall mix of our yield is also better on Q-o-Q and Y-o-Y as well.

– **Mr. Navin Agarwal - Director & CEO- AMC:**

- Turning to your second question on the traction with distribution on the back of the turnaround in the Asset Management business performance, I'm happy to share that across 6 channels that we track, the banks, we've seen onboarding of some of our performing products by the largest of the banks in India. The same has been the case with the Wealth platforms in terms of our new founders, AIF, PMS.
- In fact, in our presentation, we've highlighted that very early into the launch of this product in the first quarter itself, it crossed Rs. 500 crores of AUM for that product. So we're seeing traction on both the alternate side as well as the mutual fund side. During the quarter, we also launched an NFO of the Microcap Fund, which raised over Rs. 100 crores. This is an innovative first-of-its-kind passive product that we see headroom to grow.
- Turning to the retail channels. We've also seen onboarding by some of the large national distributors of our performing products. IFAs, we've seen a very strong uptick as well. The digital channels, again, we have seen very strong traction in the last quarter and lastly, in terms of the direct flows also, we've seen an uptick. I've also shared the SIP numbers, which are up almost 2.7x on a year-on-year basis. So at least the gross flow traction is strong. We are hoping to convert this into a stronger net flow traction also.
- This quarter, I must highlight that on the back of the turnaround in the performances, we saw some of the long-standing institutional investors in the mutual fund see some part redemption to take some profits partly also because of the market scaling to a new high which is what is muting the AUM growth. That is now stopped, and we are hoping that the second quarter should see stronger traction as far as the net flows are also concerned, while you will continue to see uptick in the gross flows of our Asset Management Company.

– **Mr. Ansuman Deb – Participant:**

- Great. One last question is on the Housing Finance side. So we have a new team over there. and as you said, we want to kind of capitalize on that going ahead. So any kind of target in



terms of AUM growth or the ROA trajectory for the next 2 years would be helpful, considering that in this quarter, we have not seen a meaningful growth but an increase in provisioning. So any color on that?

– **Mr. Navin Agarwal - Director & CEO- AMC:**

– As I covered in my opening remarks, the purpose of hiring veterans with over 2 decades of experience in prestigious organizations like Citibank, Bajaj Finance, Aavas, DCB is to ramp this AUM up to the second phase of growth. We are hoping to increase the size of the sales team from 700 to nearly 1,000 over the next 2 to 3 quarters. While keeping the branch network the same. So you will see some benefit of cost to income as the control functions across collections, operations, credit may not need a proportionate enhancement.

– So increasing the sales team with the same branch network and the same control functions, we are hoping that in the coming quarters, you should see a meaningful quarter-on-quarter disbursement traction. Let's say, definitely, the fourth quarter, the exiting quarter of this year should see pretty good numbers according to us. But we are not giving any guidance hoping that when we report the full year numbers, we'll most likely present to you a 3- to 5-year plan for this business as well in terms of AUM, ROA, ROE targets.

– **Mrs. Carol- Moderator:**

– The next question is from the line of Bhuvnesh Garg from Investec Capital.

– **Mr. Bhuvnesh Garg – Participant:**

– Sir, just I wanted some color on our Wealth business and our HNI business. If you can just explain that between our Wealth Management and Broking and Distribution, so how is our customer divided? what profile of customer is considered under Wealth Management? What profile of customers comes under Broking? and how are the products offer different between two divisions? and why do we have two separate divisions and not one combined division?

– **Mr. Navin Agarwal - Director & CEO- AMC:**

– I think the point of acquisition of the customer is really different. The Broking and Distribution customers may have predominantly been a broking-first customer and over a period of time have seen cross-sales of mutual funds, AIF, PMS, real estate funds, debt product, etc. In the case of the Wealth Management business, necessarily the first point of contact may not be the Broking business in all likelihood, it may be a financial product. Also the cutoff, so you may see a much smaller starting cutoff of AUM as far as the Broking business is concerned or it may even be 0, you may just start with broking and bring your DP balances to the firm. On the other hand, there will be a cutoff as far as the Wealth Management business of a minimum of Rs. 2.5 crores.

– **Mr. Bhuvnesh Garg – Participant:**

– Got it. Sir, the difference in products offer between Wealth Management and Broking?

- **Mr. Navin Agarwal - Director & CEO- AMC:**
- The Wealth Management team is obviously more sophisticated to be able to handle financial planning, estate planning, many other services. Some of them may not be offered, a subset of those services may be offered by the Private Client Group within the Retail Broking & Distribution business. However, our endeavor is like we are growing the relationship manager base in the Private Wealth Management business we spoke about, trebling that by March '26. We're looking at equally strong increase in the relationship manager base of the Distribution business and also to increase the coverage of products that the Private Client Group offers based on the curation by the Private Wealth business.
- **Mr. Bhuvnesh Garg – Participant:**
- Okay, sir. And sir, what's the definition of HNI clients in terms of Net Worth?
- **Mr. Navin Agarwal - Director & CEO- AMC:**
- As I said, the onboarding has to be a minimum of Rs. 2.5 crores of AUM for the Private Wealth business. We don't have any such definition I mentioned to you earlier for the Private Client Group because they could be a broking-first customer.
- **Mr. Bhuvnesh Garg – Participant:**
- Fine and sir, just in terms of financials. So we are now on trail model on most of the products. So in that scenario, have we adjusted the compensation for RMs accordingly or RMs are still - their compensation is still what it used to be?
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- So right that most of the products now are on a trail basis but we consider the Broking revenues accruing from Private Wealth customers under transactional revenues and there are certain other products like bonds, etc., which also help us accrue transaction revenues.
- Second question was the RM compensation. The RM compensation continues to remain same.
- **Mr. Bhuvnesh Garg – Participant:**
- Okay. So in that case, so do we expect that higher cost to income since our now revenue would accrue later on, but our RM compensation would all be upfront. So in fact, how do you see our cost ratios moving?
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- So I think whatever we've seen over the last couple of months, the productivity numbers are moving as per earlier numbers itself because there is still broking, which is part of transactional revenues and there are other revenues like bonds, etc., which kind of compensate.
- **Mr. Bhuvnesh Garg – Participant:**

- Got it and sir, if you can share some data on AUM client attrition and employee attrition in our Wealth business. How it has been for the last couple of years?
- **Mr. Shalibhadra Shah – CFO:**
- Yes, we can share that separately with you.
- **Mrs. Carol- Moderator:**
- The next question is from the line of Supratim Datta from Ambit Capital.
- **Mr. Supratim Datta – Participant:**
- So I have a follow on from previous question. So on the wealth side, you have grown around 35%. Just wanted to understand that what would be your customer mix here when I'm saying customer mix, I wanted to understand what would be the ultra-high net worth customer proportion versus the high net worth customer proportion and how are you planning to go beyond the Tier 2, Tier 3 strategy on wealth side? If you could give some color on that, that would be very helpful.
- The second question was on the investment front in the wealth business. So you have indicated that you have onboarded 74 RMs. How are you planning to continue this investment going forward? So how much more investment needs to get into the business means to get to a stable basis, if you could give some color on that would be also very helpful.
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- Yes. So on your first question, in terms of mix of clients. Currently, about 10% of our clients would be ultra-high net worth family office type of clients, otherwise, bulk of our clients would fall in the HNI category. I'm defining the ultra-high net worth family office clients is Rs. 100 crores+ AUM with us, but in terms of assets under management, the ultra-HNI segment will comprise about 37% of our assets currently.
- Your question on RM addition, I think we had mentioned earlier that we are committed to ensuring that we reach the number of 300 by 2026, but at the current rate of growth, my sense is that we will reach it much earlier.
- **Mr. Supratim Datta – Participant:**
- And if I could just add one follow-up question to that. So typically, how long does an RM take to full maturity?
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- Typically, our RMs breakeven between the second and the third year. The way it works is that first year, the RM productivity is normally 1 to 1.5x of their cost. Second year, it moves to 2, 2.5x and by the third, fourth year, it moves to greater than 3x, and that's when the RM breaks even and becomes profitable for the company.

- **Mrs. Carol- Moderator:**
- The next question is from the line of Pujan Shah from Congruence Advisers.
- **Mr. Pujan Shah – Participant:**
- First question from my side will be if you look at the home finance side, on the NPA and GNPA have also been driving from FY '20 to FY '23 basis, if we look at the specific target, we have been focusing AUM ticket size has been specifically for Rs. 5 lakhs to Rs. 15 lakhs, the ticket size. Now in that segment, I not able to understand why the spread, the NIM, cost to income has been increasing even in this specifically the banking cycle?
- My second question would be on the diversified liability mix. If you look at the FY '20 mix, it would be more of the NCD and then we have started to mainly focus on term specific. So NCDs has been reduced from that part. So can you just explain how that's possible?
- **Mr. Shalibhadra Shah – CFO:**
- So answering your second question first, actually, on the overall liability mix, we have now NHB refinance which is almost 21% of our liability mix, which is a low-cost finance, and that is one of the reasons where that has taken the seat of NCDs. So NCD are generally 3-year tenure and NHB refinance comes with 8 years to 10 years' tenure. So we have actually replaced a longer-term tenure liability mix at a lower cost to spend. That is the reason for reduction in the NCDs.
- In terms of the overall spreads, the spreads have been healthy for us. The total spread of Q1 stands at 6.1% and is marginally up Y-o-Y. In terms of the cost to income, as highlighted earlier in the call, actually, we have been adding a lot of senior talent for our next phase of growth. Also, we are investing in the manpower and especially on the sales side. So that is one of the reasons our cost-to-income would marginally go up in the current financial year and in the next financial year, but you would also see the throughput of the run rate of the disbursements improving, which would then bring down the overall opex. Our current ROA is at 3%, and we expect to maintain above that.
- **Mr. Pujan Shah – Participant:**
- Okay, sir and I just wanted to add a question on specific as we are hiring to senior guys out there in home finance, so what was the lag we found in our core business and these are the persons who can add on to this value and can change the trajectory of this business. So what are the lags we have found out in the initial phase and then how we are visioning to change all this? What is the first focus for this specific things?
- **Mr. Navin Agarwal - Director & CEO- AMC:**
- So as you know that this business was being driven by Mr. Oswal as an interim arrangement until we strengthened our digital platform, our underwriting processes, put the collection in order. I think all of that is behind and I think from setting the house in order, getting the credit rating upgrade, bringing down the cost of funds, improving the efficiency, all that is done. I think in the next phase of growth; we are looking at growing the AUM meaningfully with the kind of distribution state presence that we have. I think we are embarking on that journey and as may be aware, as co-founders we have professional CEOs and management teams for all

the 7 businesses that we are in and the co-founders do not directly run any of these businesses. There's a lot more bandwidth that is required for the capital allocation strategy, business reviews of the firm across these businesses and so well then goes back to his original role.

– **Mrs. Carol- Moderator:**

– The next question is from the line of Divyesh Mehta from Dinero Cap. Sir please go ahead.

– **Mr. Divyesh Mehta – Participant:**

– I had one question, simple question. So I was very excited to understand the scheme, which was launched recently by Motilal Oswal, Microcap 250 Index Fund, sir. So it's a kind of a unique fund, which is not there in the industry right now. And what I want to understand is like what was the thought process in launching such kind of scheme? And is there any pipeline of such kind of scheme going forward in the future where we think that we can improve our AUM and we can improve SIP also through the scheme.

– **Mr. Navin Agarwal - Director & CEO- AMC:**

– As you know, we started our journey in passive with international products. We were the first license of NASDAQ well over a decade back. We were also the first license of S&P 500, and we followed that up with our emerging market, IFA, other interesting fund launches after the RBI embargo on further investments overseas and we had maxed out our limit.

– Our next focus was to build an equally strong domestic franchise. I'm happy to tell you that for a lot of our products, we've been the first to launch those products in the industry, and we are the leaders. Aside of the mega products like the NIFTY 50 where we don't have a standing, I think through innovation, through being first to market, to filling the product gaps, our idea is to keep launching more products, offer best-in-class tracking errors and basically provide more financial solutions to the retail investor base.

– I think Microcap is one more such initiative. We also have the largest mid-cap fund and a small cap fund is already in place. So if you see, we are now -- also our focus is the NSE 500 fund also. So I mean we are stranding the entire spectrum, and we have a pipeline of funds that we filed with the regulator, SEBI, and hoping to get approvals. As and when we get those approvals, we will see us launching more and more of these products in the coming years as we believe that the runway for passive asset management is also extremely exciting.

– **Mrs. Carol- Moderator:**

– The next question is from the line of Kartikeya Mohata from B&K Securities.

– **Mr. Kartikeya Mohata – Participant:**

– This is Swarnabha Mukherjee. I had 2-3 questions. I just wanted to understand, first of all, on the Wealth Management business, the disclosures that you have made. So on the Wealth Management side of the business, I was looking at the mix of transactions scheme what I say is that the share of recurring revenue has come down in the mix. So is this a function of just that given how the market activity level has increased and hence, you are seeing more

transactional revenue flowing through that? Or is there anything else to read into that? That would be the first question.

- Secondly, in terms of the disclosure on AUM per family and revenue per family. What I see is that the jump in the AUM per family has been much more pronounced than the revenue per family. So is that the new customers are coming in at a lower yield? Or how -- if you could explain that? So that's the question on the wealth side. I have a couple of other questions, but I'll ask them after your response.

- **Mr. Ashish Shanker- CEO- Wealth Management:**

- Yes. So on the first question, actually, the transaction revenue going up is not a function of the recurring revenue going down, whereas we've had broking revenues move up sharply in the Wealth Management business, which is counted under the transaction revenue head. Secondly, till April 30, upfront revenues were still there on many products. It is from May 1 that the upfront revenues have gone away. So you see that smoothening probably from the next quarter between transaction revenues as well as recurring revenues.

- On the second question, on the AUM front, as explained earlier, there was a sharp addition in terms of AUM and a large part of it also came through DP assets. which we have classified -- if you look at the presentation, we've classified our AUM between custody assets and revenue earning assets. So if you look at just the revenue earning assets, our yields are more or less constant.

- **Mr. Kartikeya Mohata – Participant:**

- Okay. Got it. In terms of the number of live SIPs, that you have mentioned, that number seems to be fairly steady in between FY '22-'23 and also in the current quarter. So how should we look at it? Is this a function of us not really going aggressive on this because we see other players maybe not in your direct customer segment, but maybe on a slightly lower scale, they are seeing very strong growth. So just wanted to understand how to read this?

- **Mr. Navin Agarwal - Director & CEO- AMC:**

- If you look at the SIP flows, we were at Rs. 339 crores for the first quarter of last year and this quarter, the number is Rs. 532 crores. Now a lot of the increase is because of some headroom that has opened up in the passive business. So the passive business, SIPs have grown even faster. However, even on the active side SIPs in terms of the quarterly flows have gone up from about Rs. 280 crores to over Rs. 330 crores. So that's a growth of nearly 20% on a year-on-year basis.

- **Mr. Kartikeya Mohata – Participant:**

- Okay. Understood. Lastly on the broking piece, I just wanted to understand how you are seeing the dynamics playing out on the retail broking part. So discount brokers vis-a-vis the traditional players. How is the market share moving? What are your views? What kind of fees that you are planning to press?

- I mean, from your presentation, one thing that you have highlighted, I think the sizable share of HNI clients in your broking and distribution PBT. So I just wanted to understand how is our

focus on much more granular side of the business and whether we are actually trying to focus more on the HNI bit and big focusing from the retail side of the business?

– **Mr. Ajay Menon- CEO- Broking:**

- We have been looking at the overall broking business always from a quality perspective and our acquisitions are also based on getting more quality clients on our retail channels. So if you look at the number of clients, comparatively will be lower, but we look at margin clients and where we are able to get the better ARPU in our favor.
- Along with that, the focus has been very clearly on getting the make of broking and distribution together. So the distribution AUM is also growing at the same time to build on the overall broking business. So our focus has always been in building the channel based on quality where we have a good franchise network, who is getting us quality clients, then our PCG channel, which is doing very well with the HNI kind of clients coming in along with the distribution base.
- Finally, on the technology-driven digital clients also, we try to see how we can get the quality of the clients up and we get more and more margin clients who can do much better business on overall scale.

– **Mrs. Carol- Moderator:**

- The next question is from the line of Abhijeet Sakhare from Kotak Securities.

– **Mr. Abhijeet Sakhare – Participant:**

- The first one is just a clarification in terms of like we have some broking activity that happens on the wealth side of the business and then there is the broking activity, which is the other vertical. So I was just wondering if -- I mean, both of the broking activities happen through the same legal entity?
- What are the regulations behind it in terms of having broken between wealth and the usual broking business, whether it's under the same vertical at the back end and from a reporting point of view it's reported differently in the presentation?

– **Mr. Ajay Menon- CEO- Broking:**

- Broking business happens in a single entity, which is the broking entity even for the wealth clients and there is an element of revenue sharing between the wealth and the broking for the business and the reporting.

– **Mr. Abhijeet Sakhare – Participant:**

- So in terms of reporting the way you categorize is basically depending on how the client is acquired and the nature of the client. Is that understanding right?

– **Mr. Ajay Menon- CEO- Broking:**

- Yes, that's right.

- **Mr. Abhijeet Sakhare – Participant:**
- Okay. Sir, second one, just another clarification on the wealth business. In terms of AUM mix, there is the others, which is what I wanted to understand, if you just elaborate what are the products there?
- **Mr. Shalibhadra Shah – CFO:**
- Yes, that product is actually comprised of fixed income and structured products as a part of the overall mix.
- **Mr. Abhijeet Sakhare – Participant:**
- Okay. All right. And the overall yields on the recurring business would be around 75-80 basis points, right, roughly.
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- Yes, the recurring yield is around 75-80 basis points.
- **Mrs. Carol- Moderator:**
- The next question is from the line of Rishikesh Oza from RoboCapital.
- **Mr. Rishikesh Oza – Participant:**
- Could you please also comment on the demerger of our wealth business? What exactly is the thought process there? Why are we demerging that business?
- **Mr. Shalibhadra Shah – CFO:**
- Yes. So actually, this whole internal restructuring is across two businesses, which is broking & distribution and wealth business. So currently, broking & distribution is in the parent entity. By virtue of the regulatory framework, we cannot have housing finance and NBFC businesses below broking business. So that is the reason where actually we are bringing down the broking business from the parent to subsidiary company.
- So broking will continue as a subsidiary of the listed parent company and at the same time, we have Wealth Management business which is actually moving up from the subsidiary to the parent company because at the parent company level, we will continue to have an operating business in the form of Wealth Management business, which is done today in a separate subsidiary. So the swap of business, is pursuant to the regulatory framework of SEBI.
- **Mr. Rishikesh Oza – Participant:**
- So this is more of a regulatory framework?
- **Mr. Shalibhadra Shah – CFO:**
- Yes.



- **Mrs. Carol- Moderator:**
- The next question is from the line of Bhuvnesh Garg from Investec Capital.
- **Mr. Bhuvnesh Garg – Participant:**
- Just have a question on RM productivity. You mentioned that a RM take 2 to 3 years to break even and I'm looking at our presentation. So are nearly 35% of RM are more than 3 years to intake. So in that case how do you see your profitability moving? And what are the hoops we have to retain RM?
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- So typically, what happens is that as the RM vintage grows profitability in the business grows. So as long as we continue to invest, the margins will be on the lower side. But the moment the vintage of the RMs in the business become much bigger. The 3-year plus profitability increases. And like we had indicated earlier, the margin should revert back to close to 40%.
- **Mr. Bhuvnesh Garg – Participant:**
- And what are the steps we are taking to increase the vintage of RM? So if I look at historically, say, in FY '20, we had around 130 RM. Now in FY '23, we have around 190 RM. So we haven't added that many RM, but our 3 plus RM share is around 1/3. I just want to understand that.
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- Total RM count as of quarter end is 197. So effectively, in the last 18 months or so, we've added gross close to 100 RMs.
- **Mr. Bhuvnesh Garg – Participant:**
- And any steps we are taking to increase RM retention, any particular strategy we have in mind?
- **Mr. Ashish Shanker- CEO- Wealth Management:**
- So it's a mix of things that we do on the training front and as RM vintage increases, what happens is the proportion of recurring revenues also increased for the RM which becomes an exit barrier for the RM and in fact, we've had a very, very negligible attrition in the 3-plus year bucket.
- **Mrs. Carol- Moderator:**
- The next question is from the line of Sanjay Ladha from Bastion Research.
- **Mr. Sanjay Ladha – Participant:**
- So sir, I have a couple of questions. First one is, so we have seen increase in market share in cash and F&O business. While on the NSE active client share, we have seen maintained market share on the big growth of -- on NSE-active client, right? So how should you look at the client addition from both in terms of industry and our company? And also going forward, how should

we look at cash and F&O market share improving from hereon. What will be our strategy to improve our growth and market share on that front?

– **Mr. Ajay Menon- CEO- Broking:**

– So as you have seen that the market share on the overall turnover has improved, whereas on the client side is flat. So as we discussed earlier also, we are very clearly focusing on the more margin clients who are giving us quality business rather than a number of clients where you see the transaction is very less. So our focus is on more high-yielding HNI clients and quality of clients who can give us business on a sustained basis and where we can upsell and cross-sell more products.

– So at the end of the day, the market share and the higher ARPU is what we are very closely tracking. To that extent, we have made our client acquisition much more based on the quality parameters of margin and ARPU. We may not be very much growing on the total number of client based market share, but if you see the cash market share and the F&O market share, we have been consistently growing and in the last quarter, the cash market share has grown much more looking at the market scenarios and where the rally has happened on the mid-cap and the small caps. So to that extent, we are very clearly aligned towards the growth.

– **Mr. Sanjay Ladha – Participant:**

– Sir, another question would be, as we are focusing more on affordable housing business, how is the competition intensity we are seeing more in terms of other players and banks as how you see the housing finance business going forward? and we have seen the growth of home finance company is affected a lot due to the competition from bank. So going forward, over a 3- to 5-year time horizon, how is this industry shape on? and how is the competition you guys are seeing on that side?

– **Mr. Shalibhadra Shah – CFO:**

– Yes. So actually, affordable housing is still a very underpenetrated market and with actually a ticket size between Rs. 10 to Rs. 50 lakhs, and this business is carried out largely through Tier 2, Tier 3 cities and in below basically and the underwriting happens largely on an income assets basis. So overall, we see a lot of potential for this business to grow in terms of the competition. A lot of players are regional players. And however, the size of the market is really large.

– We believe it is not that intense and gives us a sizable opportunity given our brand and our ability to raise resources and the ability to grow the business and again, this is into self-employed segment where banks are shying away from this segment and where we are not seeing competition. So that gives us an opportunity to grow this business.

– **Mrs. Carol- Moderator:**

– We take the next question from the line of Vivek from DSP Mutual Fund.

– **Mr. Vivek – Participant:**

– First, to start with, let us also say our appreciation for the promoter's business towards charity. So the questions I have are on the NPA increase in the home finance business, which increased to 1.9% from 1.1%. Is it because of restructured book or higher interest rates?

- You've also mentioned that construction finance is now 15% of the book, you're going to strengthen further. So I wanted to know what is the cap that you'll have on construction finance? and the last question that I have is on the non-HFC book, which is a retail LAS book, that seems to have increased. I did a calculation on the number seems to be close to Rs. 5,700 crores. I wanted to know whether it's right and where you would cap this number?

– **Mr. Shalibhadra Shah – CFO:**

- So to the first question on the gross NPA slippage during this quarter. So actually, the slippages are in our restructured book predominantly. In Q1, there is a slowdown in collections as compared to Q4 of last year. Typically, in this segment, the clients have other expenses in quarter 1. So that is why we see a marginal fall in the collection efficiency and resultant increase in the headline numbers. However, the overall restructured book is now quite seasoned, we believe and even the Stage 2 on the book now is close to 1%. So we believe that in the coming period, the overall efficiency will improve and bring down the headline numbers.

- Now coming to the question on the non-HFC side of the business. Average book is at Rs. 5,300 crores, this is basically in line with our growth in our overall volumes and the number of clients that we have funded. So we have almost around 9,800 customers who have availed for this LAS funding. If you look at the overall leverage from the balance sheet, the leverage stands at 1.5x, and the intent here is that for X housing finance, this lever would be within 2x number. So to that extent, we will be capping the overall LAS funding business in this. And I think you asked one more question. Could you repeat your second question?

– **Mr. Vivek – Participant:**

- Yes. Okay. So it was on construction finance. You said you're going to cap it at 15%, I mean it's currently 15%. And in the presentation you had mentioned you're going to strengthen that part of the book. So are you going to increase it beyond 15%?

– **Mr. Shalibhadra Shah – CFO:**

- So actually, construction finance, we have capped the maximum limit of 20% on the book and currently, we are at 15% so we would be largely trying to maintain it within this range of 15% to 20% sort of a number and not take it beyond that.
- However, again, it's a very synergistic opportunity that we have because we have a very strong performance done by our real estate fund management team and this book is also underwritten with the experience of that team. So that gives us that opportunity to build a very good quality book on our balance sheet, which we will be keeping in the limits which are specified.

– **Mrs. Carol- Moderator:**

- Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Shalibhadra Shah for closing comments.

- **Mr. Shalibhadra Shah – CFO:**
- On behalf of Motilal Oswal Financial Services, I would like to thank every participant for attending the Q1 FY '24 con call. In case of any further queries, please do get in touch with us on our Investor Relations desk. Thank you, and have a great day.