

Motilal Oswal Financial

Tough Year Ahead

For 4QFY20, broking segment PAT was hit by expansion costs and declined 7.8% QoQ, while steep MTM hit on AUMs hit the AMC as PAT declined 12.9% QoQ. Management sold bad loans to reduce NPLs, while slippages remained low resulting in the housing finance business delivering a PAT growth of 117.3/9.3% YoY/QoQ. Large MTM loss of Rs 3.5bn on the firm's treasury, however resulted in a consolidated (ex. MOHL) net loss of Rs 2.7bn. We reduce our estimates but retain BUY with a 5.2% lower TP of Rs 633, as core (broking and AMC) profit growth outlook weakens for FY21E.

- **AMC (ex. WM):** Revs/EBITDA/PAT were below est. at Rs 1,316/456/357mn (-5.7/-14.3/+0.6% YoY). Despite the sharp drawdown seen in equity markets, net inflows were positive at Rs 2.8bn (-90.0/+25.0% YoY/QoQ). Management clarified that drop in PMS assets was more as a result of higher concentration in mid and small cap stocks. Management stated that PMS new account acquisition has been hit due to lockdown and outlook for incremental flows remains uncertain. We have reduced our FY21/22E APAT forecast to Rs 1.5/1.8bn (-7.7/-10.0 %).
 - **Capital Markets (in. WM)** reported an in-line Revs/EBITDA/PAT of Rs 3,645/1,161/428mn (+13.4/17.2/-3.4% YoY). Uptick in broking is visible with a 58.1/9.6% YoY/QoQ increase in ADTV and with cash share in mix at 9.0% (5 qtr high). Cal. yields were at 1.5bps (-24.2/2.9% YoY/QoQ). Lending book declined to Rs 8bn, -26.1% QoQ. Mgt. has added 1,000 employees and 25 branches in 4QFY20 as it took over franchisees and manpower of beleaguered competition. We have reduced our FY21/22E APAT forecast to Rs 1.6/2.0bn (-0.4/-0.1%).
 - **Commodity trading:** Due to the negative price settlement of the crude contract on MCX in Apr-20, MOFS had to fund its customers by of Rs 810mn on settlement. This amount is now a recoverable and has not been provided for. Recoverability is doubtful. The company and clients have filed for arbitration. Mgt. stated that the same may be provided for in 1QFY21E.
- Treasury:** MTM hit on investments (mainly equity MFs) resulted in a loss of Rs 3.5bn vs. profit of Rs 547mn in 3QFY20.
- **The AMC business is showing traction despite a difficult environment.** While MOFS is expanding its broking business, we remain wary of lower ADTVs over FY21E and increased competition. We maintain a BUY with a TP of 633 i.e. P/E of 12/25x Broking/AMC business Mar-22E EPS. Stock is trading at MOFS (ex. MOHL) FY21/22E P/E of 11.4/13.0. **Key Risks:** prolonged lackluster markets, and any sharp decline in fund raising.

Financial Summary: MOFS (ex-MOHL)

| (Rs mn) | 4QFY20 | 4QFY19 | YoY(%) | 3QFY20 | QoQ(%) | FY18 | FY19 | FY20 | FY21E | FY22E |
|-------------------|---------|--------|-----------|--------|-----------|--------|--------|--------|--------|--------|
| Revenue | 996 | 4,733 | -79.0 | 5,038 | (80.2) | 19,837 | 17,186 | 13,943 | 18,791 | 19,493 |
| EBITDA | -2,033 | 1,916 | -206.1 | 2,249 | (190.4) | 7,762 | 6,131 | 2,271 | 7,400 | 6,950 |
| EBITDA Margin (%) | (204.1) | 40.5 | -24460bps | 44.6 | -24876bps | 39.1 | 35.7 | 16.3 | 39.4 | 35.7 |
| PAT | -2,713 | 1,384 | -296.0 | 1,493 | (281.7) | 5,543 | 4,101 | 1,142 | 5,854 | 5,125 |
| EPS | (18.3) | 9.3 | -296.0 | 10.1 | (281.7) | 38.3 | 28.3 | 7.9 | 40.5 | 35.4 |
| P/E (x) | | | | | | 11.9 | 16.3 | 58.4 | 11.4 | 13.0 |
| ROIC (%) | | | | | | 25.7 | 14.8 | 5.2 | 20.5 | 16.2 |

Source: Company, HSIE Research estimates

BUY

| | |
|-------------------------|--------|
| CMP (as on 12 May 2020) | Rs 502 |
| Target Price | Rs 633 |
| NIFTY | 9,197 |

| KEY CHANGES | OLD | NEW |
|--------------|--------|--------|
| Rating | BUY | BUY |
| Price Target | Rs 668 | Rs 633 |
| | FY21E | FY22E |
| EPS % | 26% | -8.9% |

KEY STOCK DATA

| | |
|-----------------------------|------------|
| Bloomberg code | MOFS IN |
| No. of Shares (mn) | 148 |
| MCap (Rs bn) / (\$ mn) | 74/987 |
| 6m avg traded value (Rs mn) | 125 |
| 52 Week high / low | Rs 905/426 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|--------|--------|--------|
| Absolute (%) | (35.3) | (25.3) | (24.8) |
| Relative (%) | (10.8) | (3.1) | (8.5) |

SHAREHOLDING PATTERN (%)

| | Dec-19 | Mar-20 |
|-----------------|--------|--------|
| Promoters | 69.6 | 69.8 |
| FIs & Local MFs | 1.7 | 4.6 |
| FPIs | 13.2 | 9.8 |
| Public & Others | 15.2 | 15.9 |
| Pledged Shares | 0.00 | 0.00 |

Source : BSE

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Contd.

- **MOHL:** Loan book declined to Rs 36.7bn (7th consecutive qtr. decline) as disbursements, impacted by lockdown, remained muted at just Rs 0.5bn/qtr. GNPA/NNPA reduced to 1.8% (-120bps QoQ) and 2.4% (-90bps QoQ) as management sold addnl. GNPLs of ~Rs 550mn to ARC. Mgt. highlighted that NPAs sold to ARC are showing improved recoveries. We expect the lock down to have a bearing on the growth and profitability of the business over 1HFY21. We will watch for slippages over the next 2-3 quarters. Focus has to be on collection.

MOFS (ex-MOHL) Results Summary: 4QFY20

| (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | 3QFY20 | QoQ (%) |
|---------------------------|---------|--------|---------|--------|---------|
| Adj. Revenues | 996 | 4,733 | (79.0) | 5,038 | (80.2) |
| Total costs | 3,553 | 3,293 | 7.9 | 3,337 | 6.5 |
| EBITDA | (2,033) | 1,916 | (206.1) | 2,249 | (190.4) |
| PAT | (2,691) | 1,401 | (292.1) | 1,525 | (276.5) |
| Less: interco adjustments | (22) | (17) | 29.4 | (32) | (31.3) |
| APAT | (2,713) | 1,384 | (296.0) | 1,493 | (281.7) |
| EPS | (18.3) | 9.3 | (296.0) | 10.1 | (281.7) |

Source: Company, HSIE Research

Adj. Revenues were hit by MTM loss on treasury book of Rs 3.5bn.

PAT Break-up (segment wise)

| Business segment (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | 3QFY20 | QoQ (%) |
|---------------------------------------|--------------|--------------|----------------|--------------|----------------|
| Broking | 451 | 362 | 24.6 | 489 | (7.8) |
| Investment banking | (37) | 55 | (167.3) | (23) | NM |
| Wealth management | 14 | 29 | (51.7) | 34 | (58.8) |
| Total capital market | 428 | 446 | (4.0) | 500 | (14.4) |
| Asset management | 357 | 344 | 3.8 | 410 | (12.9) |
| Private equity | 44 | 77 | (42.9) | 68 | (35.3) |
| Total asset management | 401 | 421 | (4.8) | 478 | (16.1) |
| Fund based business | (3,520) | 528 | (766.7) | 547 | (743.5) |
| Con. APAT ex. MOHL before interco adj | (2,691) | 1,395 | (292.9) | 1,525 | (276.5) |
| Less: intercompany adjustments | 2,508 | (11) | NM | (32) | NM |
| Con. APAT ex. MOHL | (183) | 1,384 | (113.2) | 1,493 | (112.3) |
| MOHL | 176 | 81 | 117.3 | 161 | 9.3 |
| Consolidated APAT | (7) | 1,465 | (100.5) | 1,654 | (100.4) |

Source: Company, HSIE Research

Higher ADTVs (+24.6/-7.8% YoY/QoQ), and higher cash share drove performance of broking segment.

Performance in the AMC businesses was hit by lower AAUMs due to the sharp market correction.

MTM loss of Rs 3.5bn in Fund based segment hurt profitability.

Core businesses PBT has declined over FY20

| PBT (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | FY20 | FY19 | YoY (%) |
|-------------------------|------------|------------|---------------|--------------|--------------|---------------|
| Capital markets | | | | | | |
| Broking & distribution | 629 | 571 | 10.2 | 2,532 | 2,485 | 1.9 |
| IB | -48 | 70 | (168.6) | -113 | 110 | (202.7) |
| Wealth management | 20 | 43 | (53.5) | 83 | 199 | (58.3) |
| Total | 601 | 684 | (12.1) | 2,502 | 2,794 | (10.5) |
| Asset management | | | | | | |
| Public equities | 453 | 531 | (14.7) | 2,079 | 2,305 | (9.8) |
| Private equities | 104 | 138 | (24.6) | 387 | 462 | (16.2) |
| Total | 557 | 669 | (16.7) | 2,466 | 2,767 | (10.9) |

Source: Company, HSIE Research

Core business profits declined in FY20.

Segment wise financial highlights

Asset Management (Includes Private equity)

| Particulars (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | 3QFY20 | QoQ (%) |
|---------------------|--------|--------|---------|--------|---------|
| Revenues | 1,629 | 1,752 | (7.0) | 1,700 | (4.2) |
| Total costs | 1,069 | 1,080 | (1.0) | 1,030 | 3.8 |
| EBITDA | 560 | 672 | (16.7) | 670 | (16.4) |
| PBT | 557 | 669 | (16.7) | 662 | (15.9) |
| PAT | 401 | 430 | (6.7) | 478 | (16.1) |

Source: Company, HSIE Research

*Revenue was hit by lower
AAUMs in 4QFY20.*

*AUM declined 23.7% YoY
led by decline in PMA
AUM (26.9% YoY) while
MF AUM declined 20.0%
YoY.*

5 Quarters at a glance: Asset Management

| (Rs bn) | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | YoY (%) | QoQ (%) |
|-----------------------------|--------|--------|--------|--------|--------|---------|---------|
| Total AUM | 388 | 388 | 383 | 401 | 296 | (23.7) | (26.1) |
| MF AUM | 200 | 199 | 199 | 211 | 160 | (20.0) | (24.0) |
| PMS AUM | 160 | 161 | 158 | 164 | 117 | (26.9) | (28.4) |
| AIF AUM | 28 | 28 | 26 | 27 | 19 | (32.1) | (28.3) |
| Total Net inflows | 2.0 | (4.0) | 0.6 | 0.8 | NA | NA | NA |
| Monthly SIP Inflows (Rs bn) | 1.6 | 1.4 | 1.4 | 1.3 | 1.3 | (17.1) | (0.3) |
| SIP market share (%) | 2.0 | 1.8 | 1.6 | 1.6 | 1.5 | -43bps | -4bps |

*Calculated

Source: Company, HSIE Research

Expansion costs- co hired ~1K employees and added ~25 branches, hit bottomline.

Broking market share remained stable at 2.6%.

Growth in Broking ADTV resulted in 19.8/12.8% YoY/QoQ growth in broking revenues.

MTM hit on investments (mainly equity MFs) resulted in a loss of Rs 3.5bn vs. profit of Rs 567mn in 3QFY20.

Disbursements continue to remain muted at Rs 0.5bn (-42.5/-24.6% YoY/QoQ).

Loan book declined to Rs 36.7bn (7th consecutive qtr. decline) as disbursements were impacted by lockdown.

We believe the scaling up of MOHL will take time and disbursements are expected to remain muted over 1HFY21.

Capital Markets (Includes Broking, IB, distribution and wealth management)

| Particulars (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | 3QFY20 | QoQ (%) |
|---------------------|--------|--------|---------|--------|---------|
| Revenues | 3,645 | 3,213 | 13.4 | 3,341 | 9.1 |
| Total costs | 2,484 | 2,213 | 12.2 | 2,307 | 7.7 |
| EBITDA | 1,161 | 991 | 17.2 | 1,034 | 12.3 |
| PBT | 601 | 684 | (12.1) | 667 | (9.9) |
| PAT | 428 | 443 | (3.4) | 500 | (14.4) |

Source: Company, HSIE Research

5 Quarters at a glance

| Particulars | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | YoY (%) | QoQ (%) |
|--------------------------------|--------|--------|--------|--------|--------|---------|---------|
| Broking revenues (Rs mn)* | 2,104 | 2,067 | 2,182 | 2,235 | 2,520 | 19.8 | 12.8 |
| Broking ADTV (Rs bn) (ex prop) | 174 | 189 | 222 | 251 | 275 | 58.1 | 9.6 |
| Market share (%) * | 2.6 | 2.2 | 2.3 | 2.6 | 2.6 | 5bps | 0bps |
| Blended yield (bps)* | 2.0 | 1.8 | 1.6 | 1.5 | 1.5 | (0.5) | 0.0 |

Distribution

| | | | | | | | |
|----------------------------|-------|-------|-------|-------|-------|--------|---------|
| Distribution revs. (Rs mn) | 252.0 | 216.0 | 293.0 | 311.0 | 273.0 | 8.3 | (12.2) |
| Distribution AUM (Rs bn) | 96.0 | 97.0 | 99.0 | 104.0 | 90.0 | 16.1 | 5.1 |
| Yield (bps)* | 109 | 90 | 120 | 123 | 113 | 396bps | -998bps |
| Net inflows (Rs bn) | 2.0 | 2.0 | 2.0 | 3.0 | 2.0 | (0.0) | (33.3) |

Wealth Management

| | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|--------|--------|
| Revenues (Rs mn) | 258 | 221 | 279 | 252 | 255 | (1.2) | 1.2 |
| AUM (Rs bn) | 175 | 180 | 181 | 189 | 156 | (10.9) | (17.5) |
| Yield (bps) | 75 | 62 | 62 | 60 | 60 | -15bps | 0bps |
| Net inflows (Rs bn) | 2.0 | 4.6 | 1.5 | 1.3 | NA | NA | NA |

*Calculated Source: Company, HSIE Research

Treasury (Fund based)

| Particulars (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | 3QFY20 | QoQ (%) |
|---------------------|---------|--------|---------|--------|---------|
| Revenues | (3,754) | 535 | (801.7) | 545 | (788.8) |
| PAT | (3,520) | 528 | (766.7) | 547 | (743.5) |

Source: Company, HSIE Research

MOHL

| Particulars (Rs mn) | 4QFY20 | 4QFY19 | YoY (%) | 3QFY20 | QoQ (%) |
|-----------------------|--------|--------|---------|--------|---------|
| NII | 579 | 514 | 12.6 | 526 | 10.1 |
| Other income | 53 | 39 | 35.9 | 14 | 278.6 |
| Total income | 632 | 553 | 14.3 | 540 | 17.0 |
| Expenses | 231 | 237 | (2.5) | 237 | (2.5) |
| PPoP | 401 | 316 | 26.9 | 302 | 32.8 |
| Provisions/write offs | 120 | 223 | (46.2) | 49 | 144.9 |
| PBT | 281 | 93 | NM | 253 | 11.1 |
| PAT | 176 | 81 | NM | 161 | 9.3 |

Source: Company, HSIE Research

5 Quarters at a glance: MOHL

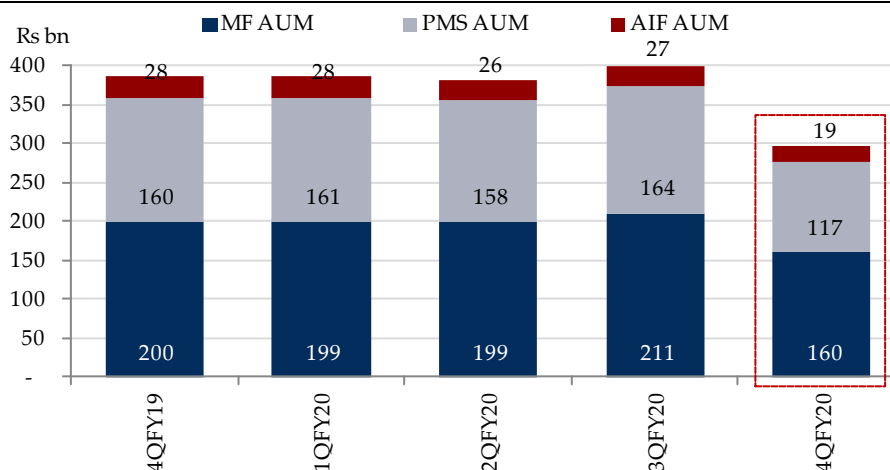
| | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | YoY (%) | QoQ (%) |
|------------------------------|--------|--------|--------|--------|--------|---------|---------|
| Loan Book (Rs Bn) | 43.6 | 43.0 | 38.5 | 37.8 | 36.7 | (15.9) | (3.0) |
| Disbursement (Rs Bn) | 0.8 | 0.3 | 0.5 | 0.6 | 0.5 | (42.5) | (24.6) |
| GNPL (%) | 9.3 | 10.4 | 2.4 | 3.0 | 1.8 | -750bps | -120bps |
| NNPL (%) | 7.2 | 7.8 | 1.8 | 2.3 | 1.4 | -578bps | -90bps |
| Provision Coverage Ratio (%) | 43.0 | 42.0 | 62.0 | 53.0 | 66.0 | 2300bps | 1300bps |

Source: Company, HSIE Research

MF/PMS/AIF AUMs declined 20.0/26.9/30.1% YoY

AUM dropped ~25% as equity prices declined in Mar-20.

Fall was despite a net inflow of Rs 2.8bn in 4QFY20.

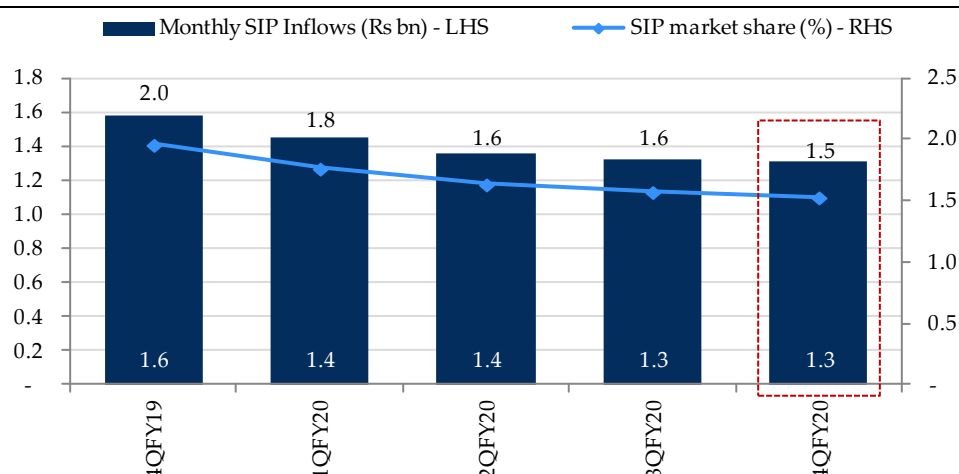


Source: Company, HSIE Research

SIP book size remained stable for MOAMC, however Industry SIP inflows have declined leading to increase in market share.

Yields continue to remain much higher than that of ISEC (3QFY20: 0.44bps).

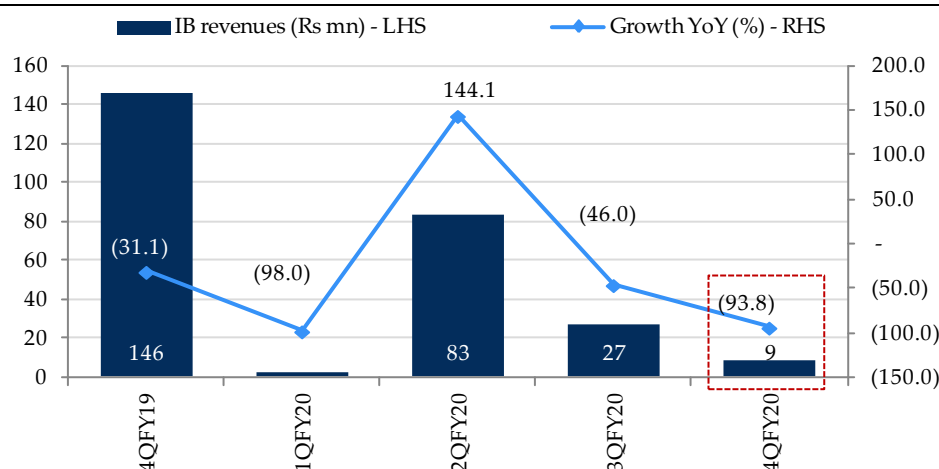
SIP market share



Source: Company, HSIE Research

IB revs and profits continue to remain weak, dragging overall capital markets profitability.

IB revenues remained soft

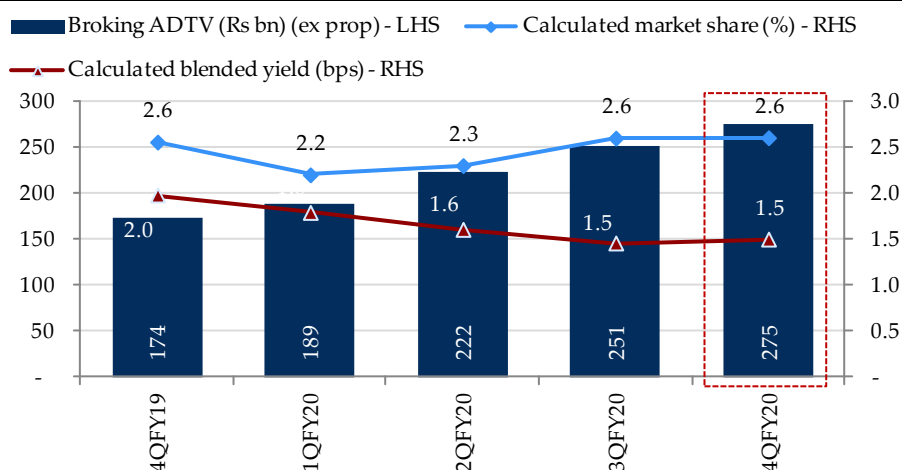


Source: Company, HSIE Research

Broking: Yield remains low

Share of cash improved within the mix to 9.0% (+132bps QoQ).

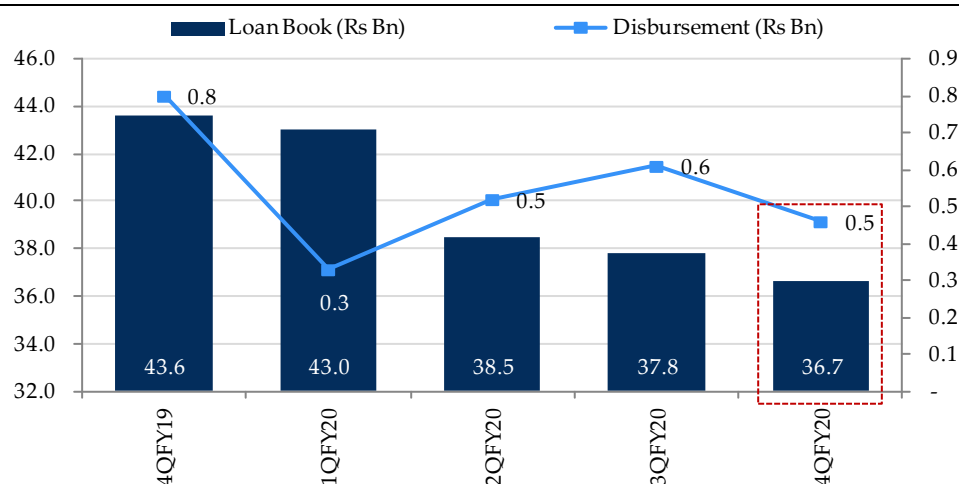
Calculated broking yields were stable at 1.5bps.



Source: Company, HSIE Research

MOHL: Disbursements remain muted

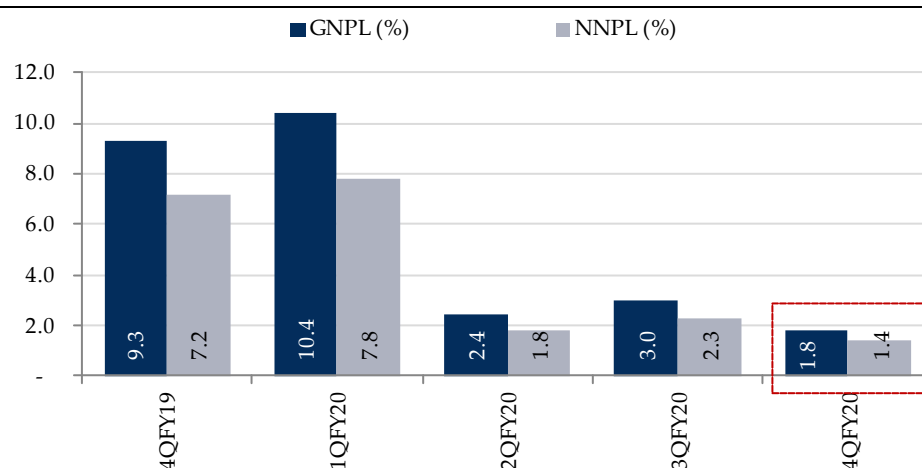
Lockdown impacted disbursements.



Source: Company, HSIE Research

MOHL: NNPL declined to 1.4%

Sale of bad loans and release of provisions resulted in lower NNPLs.



Source: Company, HSIE Research

Valuation

Base Case: Sum of the parts valuation

| Business segments | Metric | FY21E | FY22E | Multiple (x) | Valuation (Rs mn) | | Valuation (Rs/share) | |
|--------------------------|-----------|--------|--------|--------------|-------------------|---------------|----------------------|------------|
| | | | | | FY21E | FY22E | FY21E | FY22E |
| Broking and distribution | PAT | 1,641 | 2,012 | 12.0 | 19,686 | 24,149 | 133 | 163 |
| AMC (Public and private) | PAT | 1,510 | 1,918 | 25.0 | 37,754 | 47,953 | 255 | 324 |
| Investments/Treasury | MTM value | 22,777 | 23,531 | 0.7 | 15,944 | 16,471 | 108 | 111 |
| Housing finance | ABV | 8,912 | 9,737 | 0.8 | 7,129 | 7,789 | 48 | 53 |
| Total | | | | | 80,513 | 96,363 | 544 | 651 |
| Less: intersegment | | -164 | -141 | 18.5 | -3,035 | -2,606 | -20 | -18 |
| Total | | | | | 77,478 | 93,757 | 523 | 633 |

Source: Company, HSIE Research

Our Mar-21TP works out to be Rs 633/share.

Assumptions

Financial summary: Broking, IB and distribution (Includes wealth management)

| (Rs mn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|---------------------------------|---------------|---------------|--------------|--------------|---------------|
| Total revenue | 12,218 | 11,665 | 11,815 | 12,527 | 13,534 |
| EBITDA | 3,899 | 3,023 | 2,659 | 2,376 | 2,882 |
| PAT | 2,581 | 1,750 | 1,849 | 1,641 | 2,012 |
| Broking revenues | 7,963 | 8,278 | 8,985 | 9,623 | 9,665 |
| Growth (%) | 56.1 | 4.0 | 8.5 | 7.1 | 0.4 |
| Broking yields (bps) calculated | 2.3 | 1.9 | 1.5 | 1.4 | 1.3 |
| Broking ADTV (Rs bn) | 137 | 174 | 235 | 280 | 302 |
| Growth (%) | 60.4 | 27.2 | 35.1 | 19.0 | 8.0 |
| Distribution revenues | 1,430 | 1,084 | 1,093 | 1,226 | 1,472 |
| Growth (%) | 47.4 | (24.2) | 0.9 | 12.1 | 20.1 |
| Distribution AUM (Rs bn) | 75 | 96 | 90 | 113 | 126 |
| Growth (%) | 71.4 | 27.5 | (6.3) | 25.0 | 12.0 |
| Yield (%) | 2.4 | 1.3 | 1.2 | 1.2 | 1.2 |
| Spread income | 678 | 821 | 580 | 417 | 691 |
| Growth (%) | 22.1 | 21.0 | (29.3) | (28.1) | 65.7 |
| Spreads on funding (%) | 4.8 | 4.2 | 2.3 | 6.8 | 7.0 |
| Interest income | | | | | |
| -T+5+LAS+MTF book | 1,567 | 1,770 | 1,631 | 1,318 | 1,490 |
| -Liened investments | 40 | 178 | 511 | 476 | 544 |
| Book Size (T+5+LAS+MTF) | 11,500 | 15,270 | 8,000 | 9,570 | 10,294 |
| Liened investments | 9,019 | 7,021 | 7,588 | 8,753 | 10,010 |
| Yield (%) | 4.8 | 3.8 | 3.1 | 2.5 | 3.6 |
| Wealth Management | | | | | |
| Revenue | 992 | 1,088 | 1,007 | 1,094 | 1,397 |
| Growth (%) | 37.6 | 9.7 | (7.4) | 8.6 | 27.8 |
| Wealth AUM (Rs bn) | 147 | 175 | 156 | 203 | 245 |
| Growth (%) | 45.7 | 18.9 | (10.9) | 29.8 | 20.7 |
| Net Sales (Rs bn) | 27 | 24 | 19 | 15 | 18 |
| Yield (%) | 0.80 | 0.68 | 0.58 | 0.61 | 0.63 |
| Investment banking | | | | | |
| Revenue | 1,135 | 371 | 121 | 133 | 266 |
| Growth (%) | 30.1 | (67.3) | (67.4) | 10.0 | 100.0 |
| Other revenues | 20 | 24 | 29 | 35 | 41 |

Source: Company, HSIE Research

Financial summary: Asset management & Private equity

| (Rs mn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|--|--------------|--------------|--------------|--------------|--------------|
| Total revenue | 6,498 | 6,851 | 6,630 | 5,508 | 6,949 |
| EBITDA | 2,420 | 2,873 | 2,497 | 2,124 | 2,688 |
| PAT | 1,650 | 1,799 | 1,820 | 1,510 | 1,918 |
| 1) Asset management (public equities) | | | | | |
| Revenue | 5,175 | 5,747 | 5,561 | 4,501 | 5,665 |
| Growth (%) | 52.0 | 11.1 | (3.2) | (19.1) | 25.9 |
| AUM (Rs bn) | | | | | |
| Mutual fund | 182 | 200 | 160 | 203 | 253 |
| PMS | 150 | 160 | 117 | 151 | 170 |
| AIF | 24 | 28 | 19 | 23 | 13 |
| AUM growth (%) | | | | | |
| MF | 95.5 | 10.1 | (20.0) | 27.2 | 24.2 |
| PMS | 42.8 | 7.0 | (26.9) | 28.8 | 12.7 |
| AIF | 347.8 | 15.8 | (32.1) | 19.0 | (42.2) |
| As % of AAUM (bps) | | | | | |
| Revenues | 185 | 155 | 146 | 145 | 144 |
| Staff expenses | 19 | 13 | 13 | 13 | 12 |
| Brokerage expenses | 92 | 66 | 62 | 63 | 62 |
| Admin and other opex | 14 | 11 | 12 | 12 | 11 |
| Total exp | 125 | 90 | 87 | 87 | 85 |
| EBITDA | 61 | 65 | 59 | 58 | 59 |
| EBIT | 60 | 62 | 59 | 57 | 59 |
| NOPLAT | 39 | 40 | 44 | 42 | 43 |
| PBT | 60 | 62 | 59 | 57 | 59 |
| PAT | 39 | 40 | 44 | 42 | 43 |
| 2) Private equity & Real estate funds | | | | | |
| Revenue | 1,323 | 1,104 | 1,069 | 1,008 | 1,284 |
| Growth (%) | 10.9 | (16.5) | (3.2) | (5.8) | 27.4 |
| Fee income | 549 | 1,016 | 1,069 | 998 | 1,184 |
| % of AuM | 1.8 | 1.8 | 1.7 | 1.5 | 1.6 |
| Carry income | 1,107 | 88 | - | 10 | 100 |
| AUM (Rs bn) | 47 | 64 | 65 | 68 | 80 |
| Growth (%) | 52.7 | 36.3 | 1.6 | 4.6 | 17.6 |

Source: Company, HSIE Research Note: Post 22nd October circular, the company reports MF revenues net of distributor commissions. We have restated FY18 MF revenues to net of distributor commissions. Thus FY18 revenues and cost are not directly comparable.

Treasury (Fund based)

| (Rs mn) | FY18 | FY19 | FY20 | FY21E | FY22E |
|-------------|-------|------|--------|-------|-------|
| Revenue | 2,270 | 702 | -2,585 | 3,564 | 1,923 |
| EBITDA | 2,048 | 724 | -2,605 | 3,544 | 1,903 |
| PAT | 1,584 | 723 | -2,121 | 3,295 | 1,749 |
| | | | | | |
| AUM (Rs bn) | 19.8 | 25.1 | 38.1 | 22.8 | 23.5 |
| Yield (%) | 14.4 | 3.1 | (8.2) | 11.7 | 8.3 |

Source: Company, HSIE Research

Estimate Change

| Rs bn | FY21E | | | FY22E | | |
|-------------------|--------|--------|--------|--------|--------|---------|
| | Old | New | Change | Old | New | Change |
| Revenues | 16,633 | 18,791 | 13.0 | 18,981 | 19,493 | 2.7 |
| EBITDA | 6,019 | 7,400 | 22.9 | 7,298 | 6,950 | -4.8 |
| EBITDA margin (%) | 36.2 | 39.4 | 319bps | 38.5 | 35.7 | -280bps |
| PAT | 4,645 | 5,854 | 26.0 | 5,625 | 5,125 | -8.9 |
| RoE (%) | 14.6 | 19.4 | 486bps | 16.0 | 15.3 | -76bps |

Source: Company, HSIE Research

Financials

Income statement (ex-MOHL)

| (Rs mn) | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|-----------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenues | 7,225 | 7,944 | 12,555 | 19,837 | 17,186 | 13,943 | 18,791 | 19,493 |
| <i>Growth (%)</i> | <i>56.7</i> | <i>9.9</i> | <i>58.1</i> | <i>58.0</i> | <i>(13.4)</i> | <i>(18.9)</i> | <i>34.8</i> | <i>3.7</i> |
| Employee Benefits Expenses | 1,818 | 2,277 | 3,129 | 4,129 | 4,380 | 4,771 | 5,105 | 5,871 |
| Operating Expenses | 3,187 | 3,711 | 5,101 | 7,945 | 6,675 | 6,901 | 6,287 | 6,672 |
| EBITDA | 2,221 | 1,956 | 4,325 | 7,762 | 6,131 | 2,271 | 7,400 | 6,950 |
| EBITDA Margin (%) | 30.7 | 24.6 | 34.5 | 39.1 | 35.7 | 16.3 | 39.4 | 35.7 |
| EBITDA Growth (%) | 63.4 | (11.9) | 121.2 | 79.5 | (21.0) | (63.0) | 225.8 | (6.1) |
| Depreciation | 304 | 339 | 295 | 311 | 195 | 330 | 395 | 474 |
| EBIT | 1,917 | 1,616 | 4,030 | 7,452 | 5,936 | 1,942 | 7,005 | 6,476 |
| Other Income (includes treasury) | 24 | 15 | (232) | (271) | - | - | - | - |
| Interest & Financial Charges | - | - | - | - | - | - | - | - |
| PBT | 1,940 | 1,632 | 3,798 | 7,180 | 5,936 | 1,942 | 7,005 | 6,476 |
| Tax | 506 | 399 | 975 | 1,872 | 1,872 | 480 | 824 | 1,027 |
| RPAT | 1,434 | 1,233 | 2,823 | 5,308 | 4,064 | 1,462 | 6,181 | 5,449 |
| APAT | 1,415 | 1,290 | 2,984 | 5,543 | 4,101 | 1,142 | 5,854 | 5,125 |
| <i>APAT Growth (%)</i> | <i>78.4</i> | <i>(8.8)</i> | <i>131.3</i> | <i>85.7</i> | <i>(26.0)</i> | <i>(72.1)</i> | <i>412.6</i> | <i>(12.5)</i> |
| AEPS | 10.0 | 9.0 | 20.6 | 37.7 | 27.6 | 7.7 | 39.5 | 34.6 |
| <i>EPS Growth (%)</i> | <i>76.7</i> | <i>(10.0)</i> | <i>129.5</i> | <i>83.4</i> | <i>(26.7)</i> | <i>(72.1)</i> | <i>412.6</i> | <i>(12.5)</i> |

Source: Company, HSIE Research

Balance Sheet (ex-MOHL)

| (Rs mn) | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| SOURCES OF FUNDS | | | | | | | | |
| Share Capital | 140 | 142 | 145 | 145 | 146 | 148 | 148 | 148 |
| Reserves | 12,789 | 13,791 | 16,213 | 26,323 | 28,131 | 28,054 | 31,863 | 35,024 |
| Minority Interest | 63 | 162 | 285 | 354 | 408 | 366 | 422 | 460 |
| Total Shareholders Funds | 12,992 | 14,094 | 16,643 | 26,822 | 28,685 | 28,568 | 32,433 | 35,632 |
| Long-term Debt | 1,500 | 1,000 | 2,500 | 2,000 | 15,283 | 16,786 | 16,786 | 16,786 |
| Short-term Debt | 4,631 | 6,950 | 10,187 | 12,283 | - | - | - | - |
| Total Debt | 6,131 | 7,950 | 12,687 | 14,282 | 15,283 | 16,786 | 16,786 | 16,786 |
| Other Financial Liabilities & Provisions | 842 | 691 | 1,092 | 1,749 | 1,167 | 1,228 | 1,545 | 1,602 |
| Other Non Current Liabilities | 26 | 32 | 17 | 17 | - | - | - | - |
| Net Deferred Tax Liability | 123 | 65 | 334 | 1,434 | 1,007 | 88 | 93 | 99 |
| TOTAL SOURCES OF FUNDS | 20,115 | 22,831 | 30,772 | 44,304 | 46,141 | 46,670 | 50,856 | 54,119 |
| APPLICATION OF FUNDS | | | | | | | | |
| Net Block | 2,992 | 2,885 | 2,791 | 2,864 | 2,528 | 2,828 | 2,463 | 2,184 |
| Non current Investments | 9,441 | 13,612 | 18,080 | 29,827 | 32,868 | 36,898 | 34,617 | 37,655 |
| Loans & Deposits | 427 | 463 | 1,269 | 1,342 | 6,655 | 4,519 | 5,148 | 5,341 |
| Other Non Current Assets | 11 | 1,032 | 36 | 185 | - | - | - | - |
| Total Non-current Assets | 12,870 | 17,992 | 22,177 | 34,218 | 42,051 | 44,245 | 42,228 | 45,179 |
| Current Investments | - | 16 | 1,650 | 3,466 | (155) | 347 | - | - |
| Debtors | 5,883 | 7,055 | 12,511 | 10,358 | 15,704 | 7,457 | 9,010 | 10,147 |
| Inventories | - | 0 | 2 | 3 | - | - | - | - |
| Cash & Equivalents | 2,554 | 2,673 | 2,981 | 3,619 | 6,065 | 12,618 | 2,655 | 1,343 |
| Loans & Advances | 5,579 | 3,097 | 3,150 | 8,772 | 2,102 | 3,601 | 11,893 | 12,938 |
| Other Current Assets | 71 | 35 | 103 | 120 | (831) | (204) | - | - |
| Total Current Assets | 14,087 | 12,877 | 20,398 | 26,338 | 22,886 | 23,818 | 23,558 | 24,427 |
| Creditors | 6,192 | 5,862 | 10,087 | 13,185 | 13,872 | 17,974 | 10,297 | 10,681 |
| Other Current Liabilities | 650 | 2,174 | 1,715 | 3,067 | 4,925 | 3,419 | 4,634 | 4,806 |
| Total Current Liabilities | 6,842 | 8,036 | 11,802 | 16,252 | 18,796 | 21,393 | 14,930 | 15,488 |
| Net Current Assets | 7,245 | 4,841 | 8,595 | 10,086 | 4,090 | 2,425 | 8,628 | 8,940 |
| TOTAL APPLICATION OF FUNDS | 20,114 | 22,833 | 30,772 | 44,304 | 46,141 | 46,670 | 50,856 | 54,119 |

Source: Company, HSIE Research

Cash Flow (ex-MOHL)

| (Rs mn) | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| Reported PBT | 1,940 | 1,632 | 4,076 | 7,508 | 5,936 | 1,942 | 7,005 | 6,476 |
| Non-operating & EO Items | (24) | 273 | (527) | (1,002) | (40) | - | - | - |
| Interest Expenses | - | - | - | - | - | - | - | - |
| Depreciation | 304 | 339 | 295 | 311 | 195 | 330 | 395 | 474 |
| Working Capital Change | 4,567 | 3,597 | 2,332 | 4,628 | (13,500) | 9,997 | (16,819) | (1,753) |
| Tax Paid | (506) | (399) | (975) | (1,872) | (1,872) | (480) | (824) | (1,027) |
| OPERATING CASH FLOW (a) | 6,281 | 5,442 | 5,201 | 9,571 | (9,282) | 11,788 | (10,243) | 4,170 |
| Net Capex | (225) | (232) | (201) | (384) | 141 | (629) | (30) | (195) |
| (Purchase)/sale of net operating financial assets | (6,510) | (4,188) | (6,102) | (7,067) | 660 | (4,789) | 2,357 | (3,323) |
| Free Cash Flow (FCF) | (455) | 1,021 | (1,102) | 2,120 | (8,481) | 6,370 | (7,917) | 652 |
| Investments | - | - | - | - | - | - | - | - |
| Non-operating Income | | | | | | | | |
| INVESTING CASH FLOW (b) | (6,736) | (4,420) | (6,303) | (7,451) | 801 | (5,418) | 2,327 | (3,517) |
| Debt Issuance/(Repaid) | 1,500 | (500) | 1,500 | (500) | 13,283 | 1,503 | - | - |
| Interest Expenses | - | - | - | - | - | - | - | - |
| FCFE | 1,045 | 521 | 398 | 1,620 | 4,802 | 7,873 | (7,917) | 652 |
| Proceeds From Issue of Share Capital | 333 | 362 | 429 | 208 | 183 | - | - | - |
| Dividend | (501) | (766) | (518) | (1,190) | (1,524) | (826) | (2,358) | (2,190) |
| Others | - | - | - | - | (1,014) | (495) | 313 | 225 |
| FINANCING CASH FLOW (c) | 1,332 | (904) | 1,411 | (1,483) | 10,928 | 182 | (2,046) | (1,965) |
| NET CASH FLOW (a+b+c) | 877 | 117 | 310 | 637 | 2,447 | 6,553 | (9,962) | (1,312) |
| Opening Cash & Equivalents | 1,677 | 2,554 | 2,673 | 2,981 | 3,619 | 6,065 | 12,618 | 2,655 |
| Closing Cash & Equivalents | 2,554 | 2,671 | 2,982 | 3,619 | 6,065 | 12,618 | 2,655 | 1,343 |

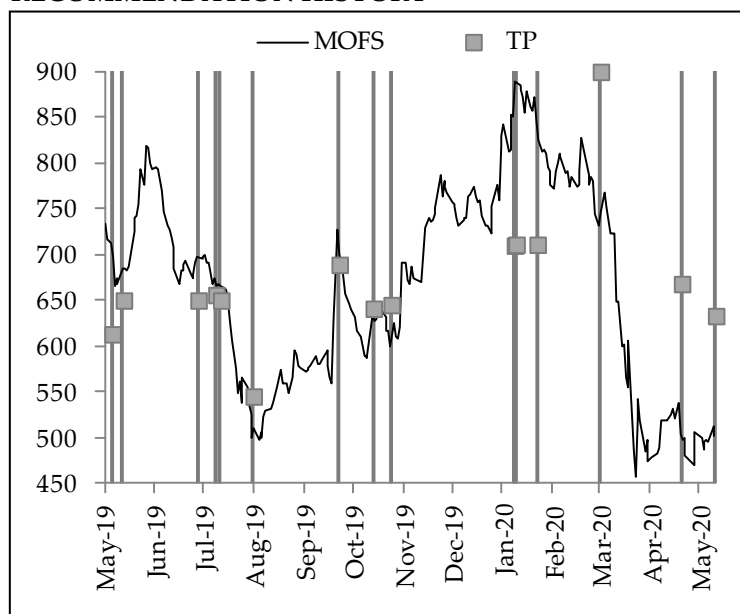
Source: Company, HSIE Research

Key Ratios (ex-MOHL)

| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|----------------------------------|-------|------|-------|-------|--------|-------|--------|-------|
| PROFITABILITY (%) | | | | | | | | |
| EBITDA Margin | 30.7 | 24.6 | 34.5 | 39.1 | 35.7 | 16.3 | 39.4 | 35.7 |
| EBIT Margin | 26.5 | 20.3 | 32.1 | 37.6 | 34.5 | 13.9 | 37.3 | 33.2 |
| APAT Margin | 19.6 | 16.2 | 23.8 | 27.9 | 23.9 | 8.2 | 31.2 | 26.3 |
| RoE | 11.5 | 9.6 | 19.7 | 25.9 | 15.0 | 4.0 | 19.4 | 15.3 |
| Core RoCE | 10.5 | 7.2 | 19.7 | 25.9 | 15.0 | 4.0 | 19.4 | 15.3 |
| RoCE | 11.5 | 9.1 | 19.8 | 25.7 | 14.8 | 5.2 | 20.5 | 16.2 |
| EFFICIENCY | | | | | | | | |
| Tax Rate (%) | 26.1 | 24.5 | 25.7 | 26.1 | 31.5 | 24.7 | 11.8 | 15.9 |
| Asset Turnover (x) | 2.4 | 2.8 | 4.5 | 6.9 | 6.8 | 4.9 | 7.6 | 8.9 |
| Inventory (days) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debtors (days) | 297 | 324 | 364 | 191 | 334 | 195 | 175 | 190 |
| Other Current Assets (days) | 4 | 2 | 3 | 2 | -18 | -5 | 0 | 0 |
| Payables (days) | 313 | 269 | 293 | 243 | 295 | 471 | 200 | 200 |
| Other Current Liab & Prov (days) | 33 | 100 | 50 | 56 | 105 | 90 | 90 | 90 |
| Working Capital (days) | -45 | -43 | 24 | -106 | -83 | -370 | -115 | -100 |
| Debt/EBITDA (x) | 2.76 | 4.07 | 2.93 | 1.84 | 2.49 | 7.39 | 2.27 | 2.42 |
| Net D/E | 0.3 | 0.4 | 0.6 | 0.4 | 0.3 | 0.1 | 0.4 | 0.4 |
| PER SHARE DATA | | | | | | | | |
| AEPS (Rs/sh) | 10.0 | 9.0 | 20.6 | 37.7 | 27.6 | 7.7 | 39.5 | 34.6 |
| CEPS (Rs/sh) | 12.4 | 11.4 | 22.9 | 40.4 | 29.7 | 10.2 | 43.2 | 38.7 |
| DPS (Rs/sh) | 3.0 | 3.5 | 5.5 | 8.5 | 5.7 | 4.1 | 13.5 | 12.6 |
| BV (Rs/sh) | 92.7 | 99.1 | 115.2 | 184.9 | 196.9 | 192.9 | 219.0 | 240.6 |
| VALUATION | | | | | | | | |
| P/E | 45.2 | 50.2 | 21.9 | 11.9 | 16.3 | 58.4 | 11.4 | 13.0 |
| P/BV | 4.9 | 4.7 | 4.0 | 2.5 | 2.4 | 2.4 | 2.1 | 1.9 |
| EV/EBITDA | NM | NM | 8.6 | 10.9 | 29.3 | 9.0 | 9.6 | 0.0 |
| OCF/EV (%) | 8.9 | 7.6 | 7.8 | 14.4 | (13.9) | 17.7 | (15.4) | 6.3 |
| FCF/EV (%) | (0.6) | 1.4 | (1.7) | 3.2 | (12.7) | 9.6 | (11.9) | 1.0 |
| FCFE/MCAP (%) | 1.6 | 0.8 | 0.6 | 2.4 | 7.2 | 11.8 | (11.9) | 1.0 |
| Dividend Yield (%) | 0.6 | 0.7 | 1.1 | 1.7 | 1.1 | 0.8 | 2.7 | 2.5 |

Source: Company, HSIE Research

RECOMMENDATION HISTORY



| Date | CMP | Reco | Target |
|-----------|-----|------|--------|
| 6-May-19 | 713 | SELL | 613 |
| 13-May-19 | 685 | SELL | 650 |
| 14-May-19 | 686 | SELL | 650 |
| 28-Jun-19 | 692 | NEU | 650 |
| 9-Jul-19 | 639 | NEU | 656 |
| 13-Jul-19 | 663 | NEU | 650 |
| 2-Aug-19 | 499 | NEU | 545 |
| 22-Sep-19 | 627 | NEU | 689 |
| 14-Oct-19 | 587 | NEU | 641 |
| 25-Oct-19 | 601 | NEU | 645 |
| 9-Jan-20 | 850 | SELL | 710 |
| 11-Jan-20 | 889 | SELL | 711 |
| 23-Jan-20 | 889 | SELL | 711 |
| 2-Mar-20 | 745 | ADD | 900 |
| 21-Apr-20 | 538 | BUY | 668 |
| 13-May-20 | 502 | BUY | 633 |

From 2nd March 2020, we have moved to new rating system

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

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