

ICICI Securities Limited
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distributor of this report

Company update and
target price revision

Financial Services

Target price: Rs943

Target price revision

Rs943 from Rs900

Shareholding pattern

	Sep '22	Dec '22	Mar '23
Promoters	69.6	69.5	69.5
Institutional investors	13.9	13.4	13.4
MFs and others	5.0	6.0	6.0
FI/Banks	0.0	0.0	0.0
FII	8.9	7.4	7.4
Others	16.5	17.1	17.1

Source: NSE

ESG disclosure score

Year	2020	2021	Chg
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

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Motilal Oswal Financial Services

BUY

Maintain

Capital market play; improvement levers exist in
all segments

Rs722

Motilal Oswal's (MOFSL) business performance improved in FY23 as seen from: (1) steady market share in derivatives, (2) improved mutual fund (MF) performance in select schemes, and (3) consistent growth with stable asset quality in the housing finance business, which also has a new MD now. Capital market momentum is likely to boost earnings and MTM value of investments. We maintain BUY on MOFSL with a revised target price of Rs943 (earlier Rs900) based on FY25E SoTP valuations (earlier FY24E). We assign 12/15/15/5/5x P/E on core PAT for broking and distribution/AMC/wealth management/PE&RE/investment banking respectively. We assign 0.7/1.2x P/B for capital market/affordable housing lending, respectively, and 1x on fund-based FY23 AUM. We apply an overall holding company discount of 20%.

- **Broking yields dipped on account of higher option mix in Q4/FY23; market share stabilization is playing out.** Within broking revenues, (1) cash/derivatives/other segment shares were 32/55/13% in FY23; (2) ADTO market share in cash and derivatives stood at 5.6/3.9% in FY23 and 5.1/3.9% in Q4FY23. NSE-active client market share was 2.5% as of Mar'23 and remained broadly same in May'23; (3) total yields stood at 21/27bps Q4FY23/FY23. Despite the drop in yields, options ARPU will still be high compared to peers. Growth in options help stabilise brokerage revenues as this segment is less sensitive to downfall in market levels. However, cash volumes can revive with market recovery as seen in Q1FY24.
- **Fall in active clients by 1% QoQ in Q4FY23 for MOSL was small compared to industry's 6% QoQ –possible market share stabilization playing out.** Management expects to focus more on quality customer acquisition in broking as well as distribution. Cross-sell opportunity remains large considering that penetration currently stands at only 16% (where only one product is cross-sold on a 3.5mn client base).
- **Concerns on upcoming regulations in broking/AMC unlikely to have any near term material impact.** ASBA regulation impacting float income, and upstreaming of funds, is unlikely to have much impact on the overall business. FY23 float income stood at Rs1.5bn and is expected to continue as ASBA remains optional. This is because ASBA-like facility through UPI currently has a cap of Rs0.5mn ([Link](#)), which may not be conducive to the HNI clientele franchise where MOSL has higher presence. Upstreaming of funds can have an impact of Rs50mn annually as bank guarantees won't be allowed to be parked with clearing corporation. As regards mutual fund regulations, MOSL's MF TER is unlikely to be impacted given its smaller size.
- **Margin funding book has grown but spreads are lower. Segment will benefit from capital market momentum.** Margin funding book was up 50% QoQ in Q4FY23 but NIMs were impacted by 100bps. Nevertheless, strong growth in the book led to 25% YoY NII growth in FY23. There are a total 8,000 clients in the margin funding book with an average ticket size of ~Rs5mn-10mn.

Market Cap	Rs107bn/US\$1.3bn	Year to Mar (Cons.)	FY22	FY23	FY24E	FY25E
Reuters/Bloomberg	MOFS.BO / MOSF IN	Core op. revenue (Rs bn)	36.4	39.6	47.6	53.1
Shares Outstanding (mn)	148.0	Core EBITDA (Rs bn)	9.9	10.7	12.1	13.5
52-week Range (Rs)	812/554	EPS (Rs)	87.8	63.0	88.4	96.7
Free Float (%)	30.5	% Chg YoY	3%	-28%	40%	9%
FII (%)	7.4	P/E (x)	8.3	11.5	8.2	7.5
Daily Volume (US\$/'000)	968	P/BV (x)	1.9	1.7	1.4	1.2
Absolute Return 3m (%)	14.4	Net broking yield (bps)	0.37	0.15	0.14	0.14
Absolute Return 12m (%)	(4.8)	AMC yield	1.3%	1.2%	1.2%	1.2%
Sensex Return 3m (%)	9.8	WM yield	0.51%	0.35%	0.35%	0.37%
Sensex Return 12m (%)	22.0	HFC RoE	9.9%	12.7%	13.0%	13.2%

- ▶ **Wealth business margins to stabilise with the increase in vintage of RMs.** MOSL will continue its investment in the wealth business by: 1) hiring RMs, 2) growing the customer base, and 3) technology. Margins are likely to remain stable in this business for the medium term. Total RM count stands at 182 in FY23 while 63 RMs were added in FY23. The hiring momentum is expected to continue. Currently MOSL wealth segment has 38% RMs with a vintage of more than 3 yrs.
- ▶ **Asset management outflows in PMS business offset by growth in AIF; MF fund performance can play a turnaround:** Q4FY23 net flows in the MF segment stood at Rs5.2bn as against overall net outflows of Rs2.2bn on the alternatives front. AIF saw positive flows implying more than Rs2.2bn outflows for PMS in Q4FY23. As of Jun'23, there has been a meaningful steady/ improved performance in Motilal Oswal Large & Midcap Fund (AUM of Rs14bn), Motilal Oswal Long Term Equity Fund (AUM of Rs22bn) and Motilal Oswal Midcap Fund (AUM Rs37bn). Motilal Oswal Flexi Cap Fund (AUM Rs84bn) has been on slow improving trends (Refer table 3 for movement of ranks within MF schemes).
- ▶ **Home Finance AUM growth outlook remains at 15% for FY24:** Despite strong growth in disbursements (up ~80% on both QoQ and YoY basis), AUM growth has been relatively slow (9% YoY to Rs38.4bn). FY23 prepayment rate stood at 18-19%, which was high largely on account of CLSS subsidy which came in FY23. Funding cost was down YoY in FY23 due to higher share of NHB borrowing mix (16% mix in FY23 vs 7% in FY22) and impact of MCLR repricing (which was averaged out during the financial year). Cost of funds may increase with repricing of MCLR going forward. However, the company has increased its rates cumulatively by 100bps (60bps in Jan'23 and 40bps in Apr'23), which should help maintain margins. 'Cost to income' ratio may remain elevated as the company is investing in hiring employees for growth. PPOP/PAT stood at Rs491mn/321mn for Q4FY23, which changed by +3.3% / (-)31% on YoY basis. We expect PPOP/PAT of Rs2.4bn/Rs1.6 and Rs2.8bn/Rs1.8 for FY24 and FY25 respectively.

MOSL – Key financial highlights

Table 1: MOSL – key segmental financial highlights

Rs mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
CAPITAL MARKET BUSINESS							
Broking and Distribution							
ADTO	1,97,000	2,64,000	4,76,000	9,21,000	25,22,072	29,00,383	33,06,436
Distribution AUM	95,720	90,340	1,27,850	1,67,640	2,13,000	2,44,950	2,74,344
MTF Book	4,756	1,985	7,731	8,854	13,292	15,410	17,567
Net brokerage revenue	3,576	4,354	6,743	8,450	9,178	10,409	11,491
Net broking yield (bps)	0.73	0.67	0.57	0.37	0.15	0.14	0.14
Distribution income yield	1.3%	1.2%	0.9%	1.3%	1.0%	0.9%	0.9%
Net depository income per avg. client (Rs)	178	164	205	221	183	222	222
Net interest margin (incl. treasury)	3.5%	2.1%	1.9%	3.4%	3.4%	2.9%	2.9%
EBITDA (post interest expense)	2,139	2,198	3,810	5,429	5,711	6,297	7,134
EBITDA Margin	20.4%	19.2%	23.7%	24.1%	23.0%	21.6%	22.1%
Core PAT	1,465	1,421	2,575	3,771	3,897	4,320	4,941
Motilal Finvest							
Gross loans	1,868	2,602	3,038	5,898	21,474	23,621	25,983
NII to avg. gross loans	3.8%	3.9%	7.7%	16.7%	5.2%	6.2%	5.9%
Other income (excl. fund-based) to avg. gross loans	1.1%	1.3%	5.5%	4.5%	1.9%	1.2%	1.3%
Opex to avg. gross loans	1.7%	10.0%	9.7%	5.7%	2.2%	3.0%	3.0%
Credit cost to avg. gross loans	1.6%	0.0%	0.2%	0.2%	0.6%	0.7%	0.4%
RoA	0.8%	-1.6%	2.9%	6.6%	1.7%	2.3%	2.3%
RoE	1.3%	-2.5%	5.3%	14.8%	5.7%	9.5%	8.9%
Core PAT	20	(105)	70	513	442	636	712
IB							
Net operating revenue	366	119	26	374	314	377	414
EBITDA Margin	29.6%	-84.3%	-534.1%	48.1%	48.0%	48.0%	48.0%
EBITDA	110	(100)	(140)	180	151	181	199
Core PAT	72	(87)	(93)	134	112	135	148
AMC and WEALTH MANAGEMENT BUSINESS							
AMC							
AUM	3,88,930	2,94,000	4,34,030	4,90,200	4,56,000	5,24,400	5,87,328
Yield on avg. AUM	1.5%	1.6%	1.4%	1.3%	1.16%	1.18%	1.16%
Fees & comm. On avg. AUM	0.7%	0.7%	0.6%	0.5%	0.41%	0.40%	0.42%
EBITDA Margin	40.0%	37.9%	36.8%	38.7%	38.4%	40.7%	38.5%
EBITDA	2,298	2,086	1,880	2,308	2,133	2,377	2,504
Core PAT	1,500	1,529	1,392	1,714	1,559	1,765	1,857
Wealth management							
AUM	1,75,000	1,56,000	2,53,000	3,44,000	5,20,000	6,34,286	7,41,629
Net yield on avg. AUM	0.6%	0.5%	0.5%	0.5%	0.5%	0.3%	0.4%
EBITDA Margin	18.1%	7.9%	25.9%	43.3%	31.1%	31.3%	27.8%
EBITDA	195	78	311	1,009	694	877	892
Core PAT	134	40	225	745	495	646	655
PE & RE							
Fee earning AUM		49,800	47,900	1,00,300	1,03,000	1,11,957	1,19,462
Yield on avg. AUM (mgmt. fee)			1.9%	1.8%	1.4%	1.5%	1.5%
Carry income			21	968	100	300	400
EBITDA Margin			38.5%	46.0%	41.7%	43.4%	44.4%
EBITDA			420	1,161	730	951	1,082
Core PAT			328	1,106	528	733	857
HFC							
AUM	43,570	36,670	35,120	34,850	38,400	46,780	57,438
NIM	4.9%	5.5%	6.7%	7.7%	8.0%	8.4%	8.3%
Other income to avg. AUM'	0.4%	0.3%	0.5%	0.8%	0.5%	0.6%	0.6%
Opex to AUM	2.2%	2.4%	2.4%	3.0%	3.2%	3.3%	3.2%
Credit cost to AUM	7.6%	1.9%	2.2%	2.1%	0.5%	0.8%	0.7%
RoA	-2.9%	0.9%	1.0%	2.5%	3.4%	3.5%	3.6%
RoE	-17.2%	4.6%	4.5%	9.9%	12.7%	13.0%	14.0%
PAT	(1,369)	391	402	949	1,364	1,596	1,965
FUND BASED BUSINESS							
AUM	17,900	17,500	31,000	40,500	42,800	45,368	48,090
Yield on avg. AUM	3.3%	-14.6%	37.5%	13.6%	3.5%	9.0%	9.0%
Revenue	591	(2,585)	9,103	4,879	1,451	3,968	4,206

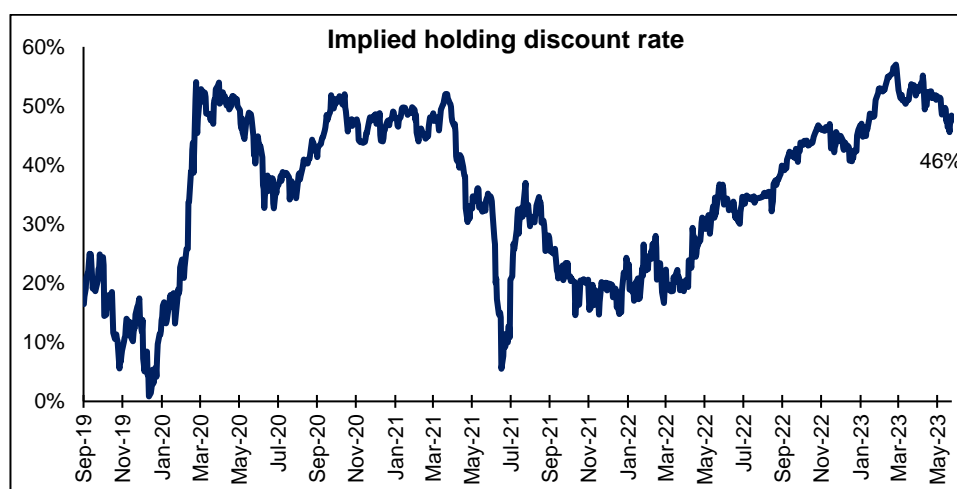
Source:

Valuations

MOSL holding company discount as measured by methodology mentioned below suggest that although the discount has been on a declining trend, it still continues to remain higher.

Methodology: Implied holding discount = Market cap – Implied total valuation. Implied valuation = 12/15/15/5/5 times P/E on 1-year forward core PAT for broking and distribution/AMC/wealth management/PE&RE/investment banking, respectively, 0.7/1.2 times 1-year forward P/B for capital market/ affordable housing lending, respectively, and 1 time on current fund-based AUM (this has been done historically as well).

Chart 1: MOSL's implied holding company discount is high with room for contraction



Source: Company data, I-Sec research.

Table 2: SoTP valuation

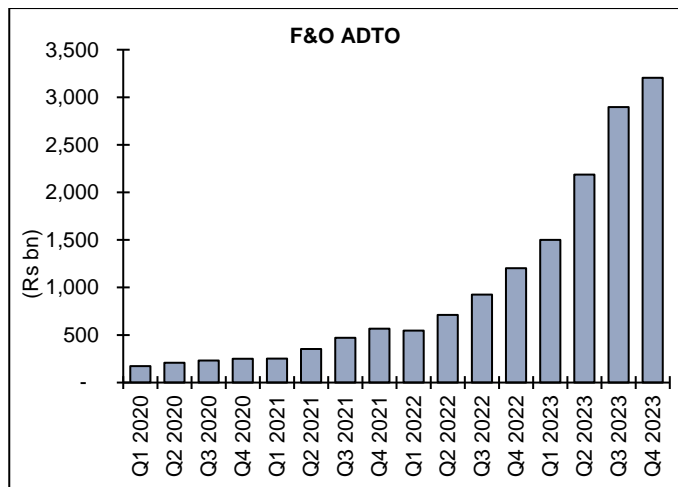
Business	Base	Metric (Rs mn)	Multiple	Value	Share
Broking and Distribution	FY25 Core PAT	4,941	12.0	59,297	34%
AMC	FY25 Core PAT	2,051	15.0	30,766	18%
HFC	FY25 Book value	14,921	1.2	17,905	10%
Wealth	FY25 Core PAT	577	15.0	8,652	5%
Motilal Finvest	FY25 Book value	15,549	0.7	10,884	6%
PE/RE	FY25 Core PAT	674	5.0	3,372	2%
Investment Banking	FY25 Core PAT	144	5.0	720	0%
Fund-based	FY23 AUM	42,800	1.0	42,800	25%
Total				1,74,395	
Holding discount				20%	
Final value				1,39,516	
No. of shares				148	
Value per share				943	

Source: AMFI, I-Sec research

Broking and distribution – Improvement in capital markets bodes well for the broking space

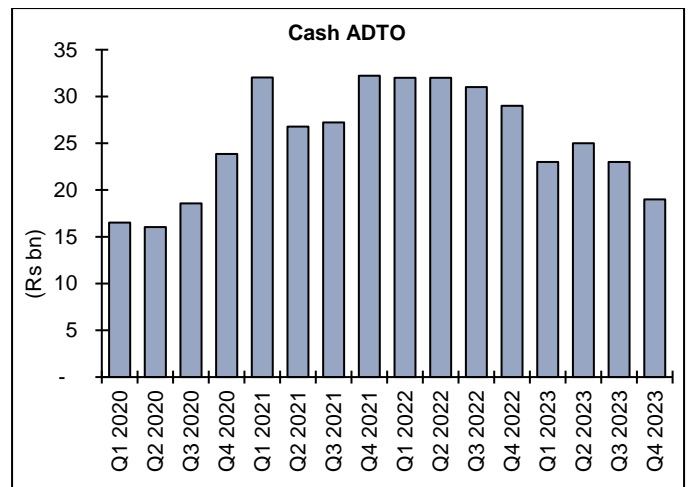
Capital market players typically outperform with improving market sentiment. There are signs of the same with rising NSE cash market volumes post a decline (between Apr'22-Mar'23), increasing SIP flows and rising demat account additions while derivatives continue to reach new highs every month. Within the pack, flow-based businesses like exchanges, brokerages and depositories could outperform stock-based businesses such as AMC, RTA and distributors.

Chart 2: MOSL F&O ADTO has been growing in line with markets and has been able to maintain a 3.9% market share



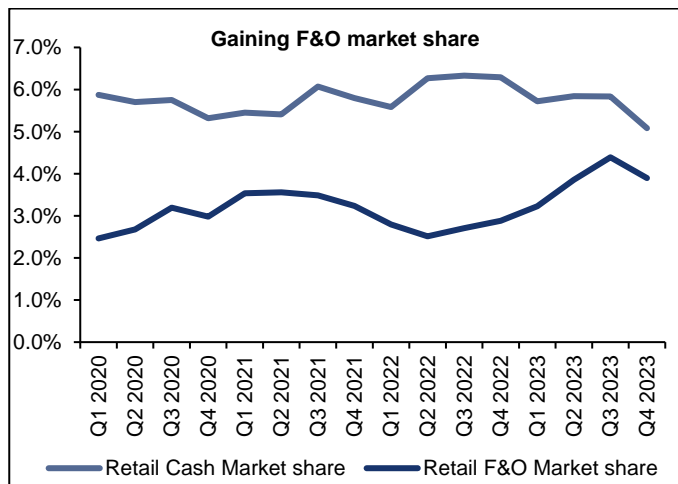
Source: Company data, I-Sec research

Chart 3: Cash volumes declined in line with market, but there is scope for improvement with increasing industry volumes



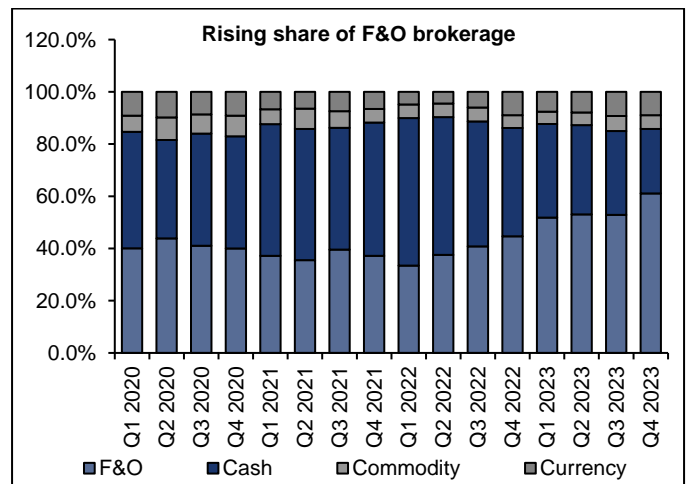
Source: Company data, I-Sec research

Chart 4: Cash market share declined, but that for F&O improved in FY23



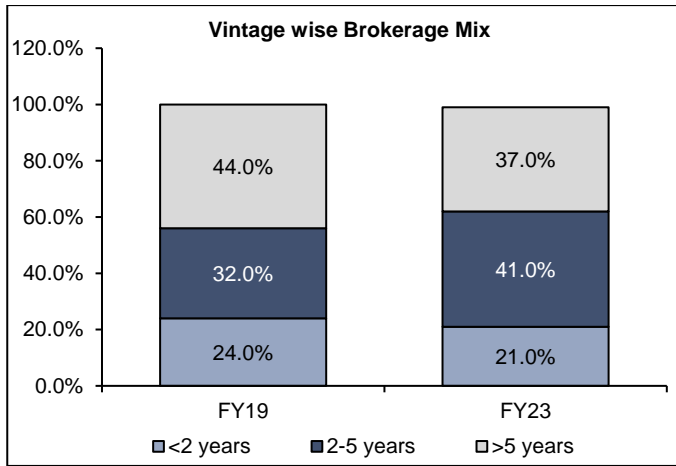
Source: Company data, I-Sec research

Chart 5: F&O mix in brokerage revenue increased in FY23



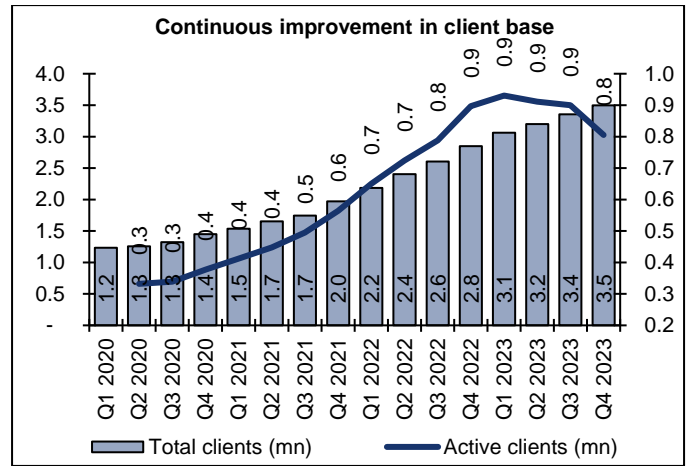
Source: Company data, I-Sec research

Chart 6: Brokerage income from investors invested for 2-5 years increased in FY23



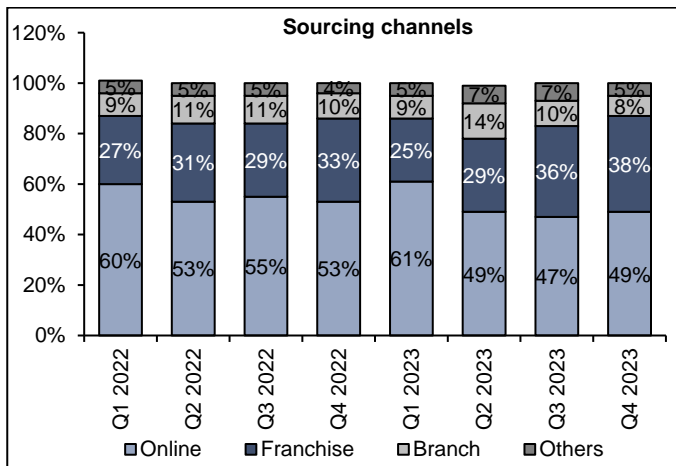
Source: Company data, I-Sec research

Chart 7: There has been a continuous improvement in the client base; activation dipped in Q4 in line with industry trends



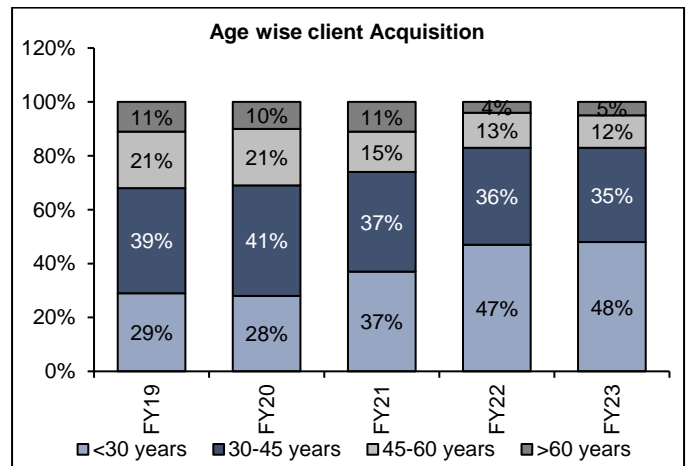
Source: Company data, I-Sec research

Chart 8: Online and franchise remain key sourcing channels for the broking business



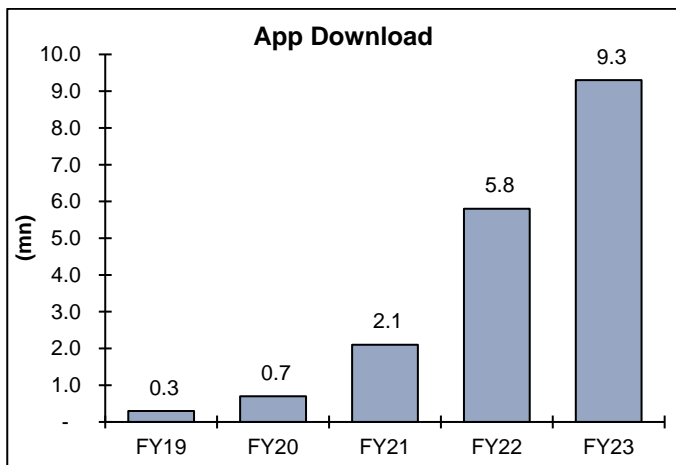
Source: Company data, I-Sec research

Chart 9: Age-wise client acquisition increased sharply in FY22/FY23 in below-30 age group



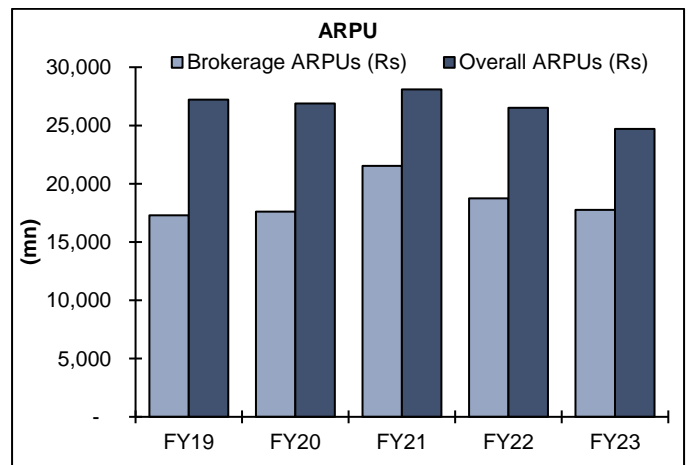
Source: Company data, I-Sec research

Chart 10: App downloads increased



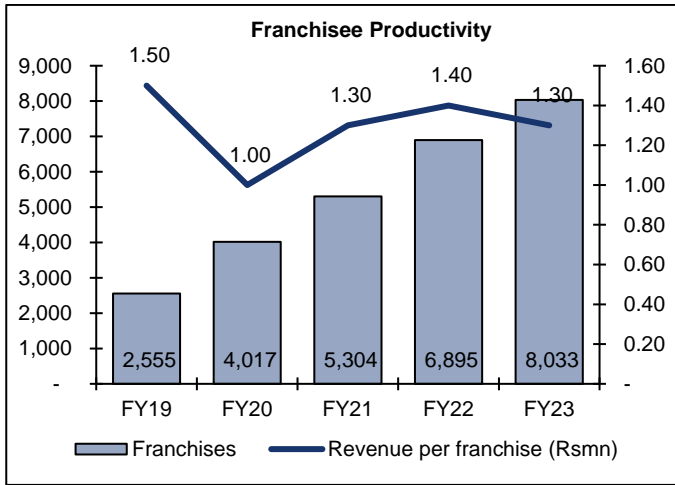
Source: Company data, I-Sec research

Chart 11: Brokerage ARPU is stable at Rs18k



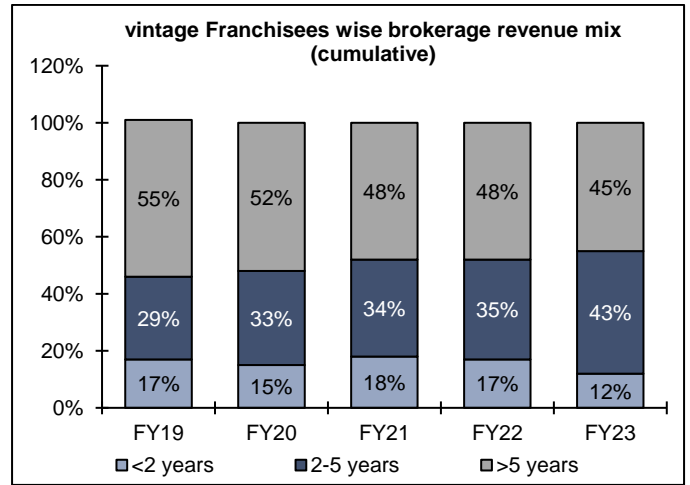
Source: Company data, I-Sec research

Chart 12: Despite increase in franchises, productivity has remained stable



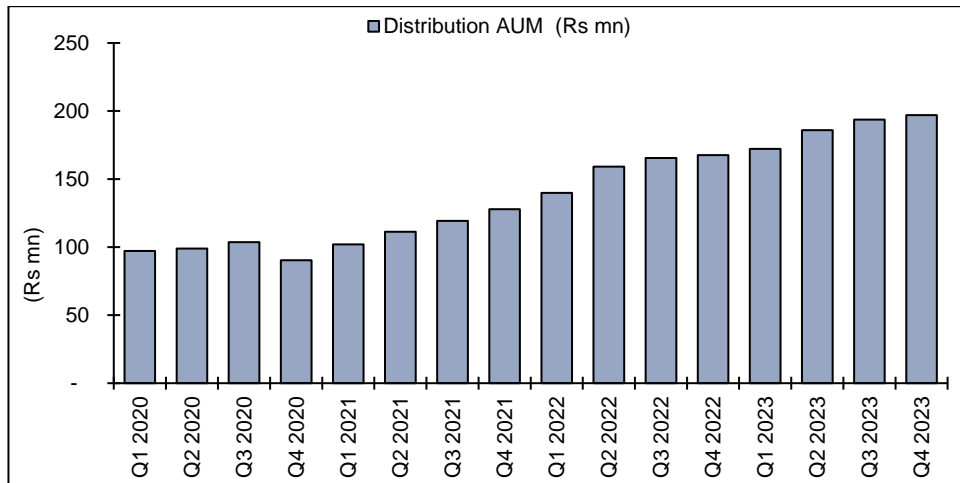
Source: Company data, I-Sec research

Chart 13: Increasing brokerage revenue mix from franchisees of 2-5 years vintage is a positive sign



Source: Company data, I-Sec research

Chart 14: Distribution AUM has been on a rising trend



Source: Company data, I-Sec research

Asset management segment: There is improvement in performance except PMS

New additions to management team include: Mr. Prateek Agrawal has 28 years of experience in fund management and equity research. He has joined MOAMC from ASK Investment Managers, where he served as business head and chief investment officer

Table 3: AMC returns ranking have improved sharply for large and midcap categories, ELSS and Flexi

Type	Fund	AUM (Rs bn)	Return (1Yr)	Number of Funds	Rank - Jun'23	Rank - Jan23	Rank - Jun22
Equity Linked Savings Scheme	Motilal Oswal Long Term Equity Fund-Reg(G)	22	34	37	1	24	34
Flexi Cap Fund	Motilal Oswal Flexi Cap Fund-Reg(G)	84	22	30	19	24	25
Focused Fund	Motilal Oswal Focused Fund-Reg(G)	17	23	25	13	12	22
Large & Mid Cap	Motilal Oswal Large & Midcap Fund-Reg(G)	14	38	26	1	16	24
Mid Cap Fund	Motilal Oswal Midcap Fund-Reg(G)	37	43	25	2	3	1

Source: AMFI, I-Sec research

MOSL's performance in ELSS, large & mid cap, and mid cap funds, has improved since Jan'23. However, performance of funds with large AUM is pending improvement though it is showing signs towards that direction.

Top 15 holding mix in key MF equity schemes

Table 4: Motilal Oswal long-term equity funds

May-23		Dec-22	
Trent Limited	6.5%	Axis Bank Limited	7.7%
Infosys Limited	6.5%	ICICI Bank Limited	5.5%
Global Health Limited	6.0%	Housing Development Finance Corporation Ltd	5.5%
Titan Company Limited	5.1%	UltraTech Cement Limited	5.4%
ICICI Bank Limited	5.0%	Global Health Limited	4.8%
Housing Development Finance Corporation Ltd	4.7%	Fortis Healthcare Limited	4.6%
Fortis Healthcare Limited	4.4%	State Bank of India	4.5%
Mankind Pharma Limited	4.1%	Infosys Limited	4.2%
Axis Bank Limited	4.1%	Trent Limited	3.8%
Page Industries Limited	3.9%	Titan Company Limited	3.7%
The Federal Bank Limited	3.8%	Jubilant Foodworks Limited	3.7%
IndusInd Bank Limited	3.4%	HDFC Bank Limited	3.3%
Carborundum Universal Limited	3.3%	JB Chemicals & Pharmaceuticals Limited	3.0%
Cummins India Limited	3.1%	The Federal Bank Limited	3.0%
Cholamandalam Investment and Finance Company Ltd	3.1%	Gujarat Gas Limited	2.9%
Share of Top 15	66.82%	Share of Top 15	65.57%

Source: Company disclosures, I-Sec research

Table 5: Motilal Oswal flexi cap fund

May-23		Dec-22	
ICICI Bank Limited	8.7%	ICICI Bank Limited	8.0%
Zomato Limited	8.2%	Reliance Industries Limited	7.1%
Tube Investments of India Limited	8.0%	Bajaj Finance Limited	6.6%
Housing Development Finance Corporation Limited	6.7%	Tube Investments of India Limited	6.5%
Persistent Systems Limited	6.4%	HDFC Bank Limited	5.9%
Coforge Limited	4.9%	Ambuja Cements Limited	5.9%
Deepak Nitrite Limited	4.2%	State Bank of India	5.9%
Tech Mahindra Limited	4.0%	Bajaj Finserv Limited	4.3%
Balkrishna Industries Limited	3.6%	Housing Development Finance Corporation Limited	4.1%
Vaibhav Global Limited	3.2%	Eicher Motors Limited	3.6%
Vedant Fashions Limited	2.9%	Max Healthcare Institute Limited	3.3%
ABB India Limited	2.8%	Vaibhav Global Limited	3.2%
CG Power and Industrial Solutions Limited	2.7%	Larsen & Toubro Limited	2.9%
Cholamandalam Investment and Finance Company Ltd	2.6%	Maruti Suzuki India Limited	2.8%
Larsen & Toubro Limited	2.2%	ABB India Limited	2.7%
Share of Top 15	71.08%	Share of Top 15	72.98%

Source: Company disclosures, I-Sec research

Table 6: Motilal Oswal mid-cap funds

May-23		Dec-22	
Tube Investments of India Limited	9.8%	CG Power and Industrial Solutions Limited	10.6%
Zomato Limited	9.0%	The Phoenix Mills Limited	10.5%
Persistent Systems Limited	6.8%	Tube Investments of India Limited	10.3%
Coforge Limited	6.6%	Campus Activewear Limited	6.3%
KPIT Technologies Limited	6.5%	Ambuja Cements Limited	4.8%
Deepak Nitrite Limited	5.5%	Max Financial Services Limited	4.1%
CG Power and Industrial Solutions Limited	5.4%	Gujarat Gas Limited	3.7%
Balkrishna Industries Limited	5.0%	Voltas Limited	3.1%
Cholamandalam Investment and Finance Company Ltd	4.7%	AU Small Finance Bank Limited	3.1%
Max Financial Services Limited	3.9%	Deepak Nitrite Limited	2.9%
Navin Fluorine International Limited	3.1%	Trent Limited	2.6%
Campus Activewear Limited	3.0%	Max Healthcare Institute Limited	2.6%
Voltas Limited	2.6%	Cholamandalam Investment and Finance Company Ltd	2.5%
Vedant Fashions Limited	2.5%	Navin Fluorine International Limited	1.7%
Globus Spirits Limited	2.2%	Vedant Fashions Limited	1.7%
Share of Top 15	76.89%	Share of Top 15	70.47%

Source: Company disclosures, I-Sec research

Table 7: Motilal Oswal large-cap and mid-cap funds

May-23		Dec-22	
Global Health Limited	5.6%	Axis Bank Limited	6.1%
Trent Limited	5.6%	Global Health Limited	5.3%
Fortis Healthcare Limited	4.8%	ICICI Bank Limited	4.9%
Infosys Limited	4.6%	Fortis Healthcare Limited	4.9%
Titan Company Limited	4.4%	UltraTech Cement Limited	4.0%
Mankind Pharma Limited	4.2%	State Bank of India	3.9%
ICICI Bank Limited	4.2%	Religare Enterprises Limited	3.9%
The Federal Bank Limited	4.1%	Trent Limited	3.8%
Page Industries Limited	3.7%	The Federal Bank Limited	3.5%
Housing Development Finance Corporation Limited	3.4%	Titan Company Limited	3.5%
Axis Bank Limited	3.4%	Housing Development Finance Corporation Limited	3.4%
IndusInd Bank Limited	3.3%	Jubilant Foodworks Limited	3.2%
Carborundum Universal Limited	3.3%	Carborundum Universal Limited	3.0%
Religare Enterprises Limited	3.2%	Crompton Greaves Consumer Electricals Limited	2.9%
Cholamandalam Investment and Finance Company Ltd	2.9%	Gujarat Gas Limited	2.8%
Share of Top 15	60.64%	Share of Top 15	58.95%

Source: Company disclosures, I-Sec research

Table 8: Top 5 holdings of key PMS schemes

Motilal Focused Midcap				
AUM Rs bn	1-yr return	Benchmark	Top Holdings	% of holding
3	5.78%	12.85%	TVS motor	7.55%
			IDFC First Bank	6.72%
			One 97	5.10%
			Angel One	5.02%
			Tata Consumer	5%
Motilal Oswal IOP V2				
2.7	4.79%	12.85%	IDFC First	7.04%
			KPIT Technologies	6.07%
			TVS motor	5.84%
			Global Health Ltd	5.38%
			Cash	5%
Motilal Oswal IOP				
6.7	5.05%	12.85%	ICICI Bank	7.04%
			L&T Technology	6.09%
			Kotak Mahindra	5.82%
			ITC	5.38%
			Cash	5%
Motilal Oswal Ethical Energy				
0.3	13.81%	12.85%	Cash	11.68%
			CG Power and Industries Solutions Ltd	7.85%
			CG Power and Industries Solutions	7.31%
			KEI Industries	6.77%
			Tube	6%
Motilal Oswal Founders				
Undisclosed	NA	NA	AU Small Finance	5.41%
			eMudhra	5.29%
			IDFC	5.20%
			Zomato	5.04%
			Cholamandalam	5%
Motilal Oswal Value Migration				
16.52	11.22%	12.85%	IndusInd Bank	4.76%
			Zomato	4.64%
			Cholamandalam	4.60%
			Global Health	4.34%
			IDFC	4%
Motilal Oswal BOP				
11.98	17.47%	12.85%	ICICI Bank	9.39%
			HDFC Bank	9.06%
			Max Financial Services	8.47%
			Phoenix Mills	7.50%
			Eicher Motors	7%
Motilal Oswal Multifactor Equity				
Undisclosed	9.01%	12.94%	Abbott	6.88%
			Cummins	6.59%
			Indraprastha	5.85%
			Gujarat State	5.63%
			MRF Ltd	6%
Motilal Oswal NTDOP				
61.72	3.18%	12.94%	ICICI Bank	9.25%
			L&T Technology	6.83%
			Kotak Mahindra Bank	6.15%
			ITC	5.99%
			Eicher Motors	6%

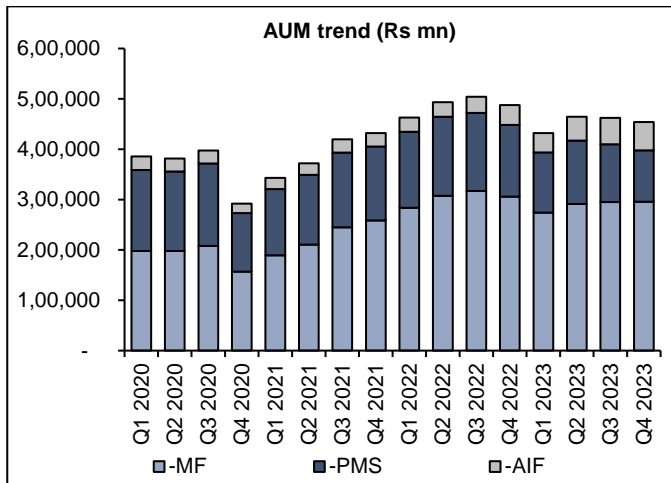
Source: AMFI, I-Sec research

Table 9: Motilal Oswal AMC market share movement (%)

	Mar-21	Mar-22	Mar-23	May-23
Equity	1.57	1.22	1.12	1.11
Debt	0.03	0.03	0.03	0.03
Liquid	0.16	0.11	0.07	0.06
Passive	1.09	1.36	1.11	1.14
Total	0.81	0.78	0.74	0.73

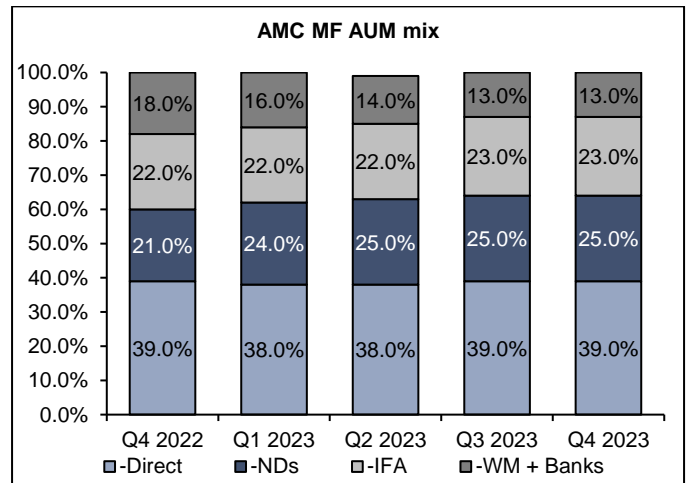
Source: AMFI, I-Sec research

Chart 15: PMS saw a sharp decline in Q4FY23



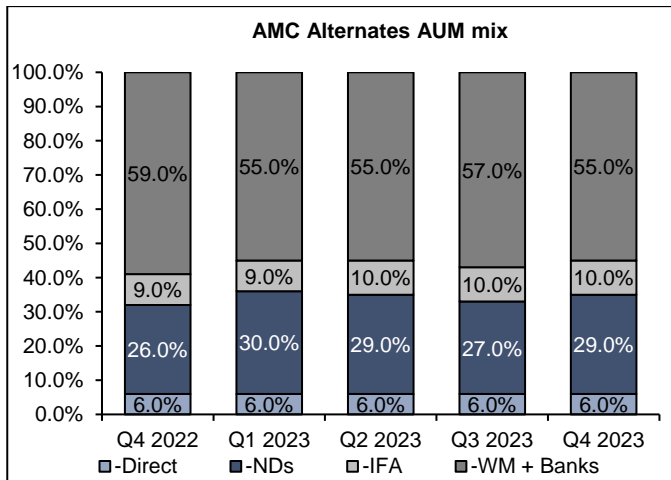
Source: Company data, I-Sec research.

Chart 16: Sourcing mix of MF AUM has largely remained stable...



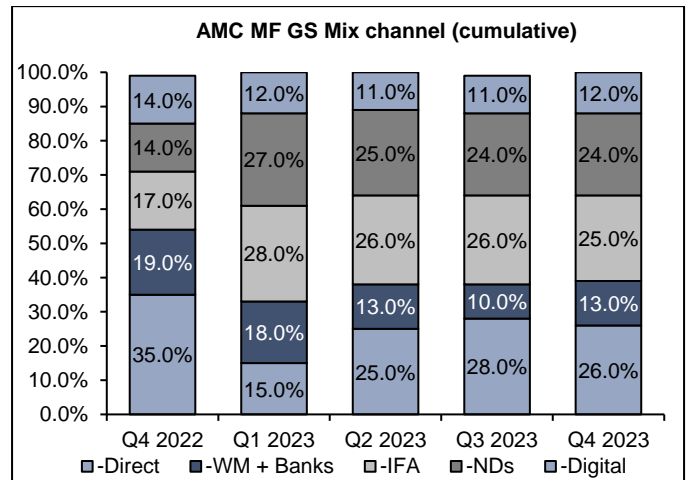
Source: Company data, I-Sec research.

Chart 17: ... so has it for alternative segments



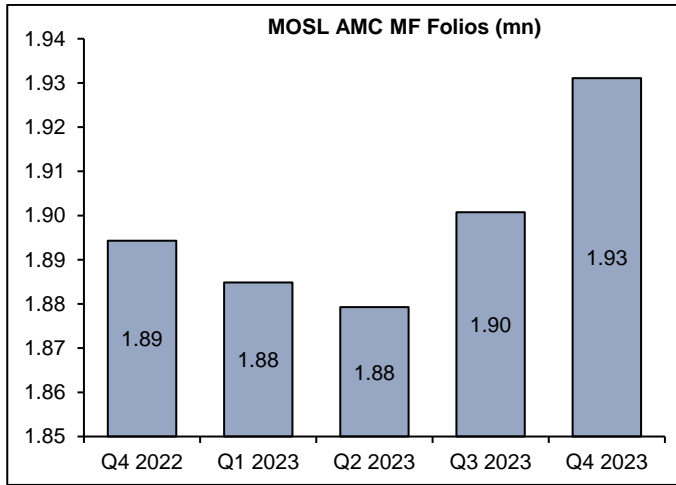
Source: Company data, I-Sec research

Chart 18: Mix of IFAs and NDs in MF gross sales



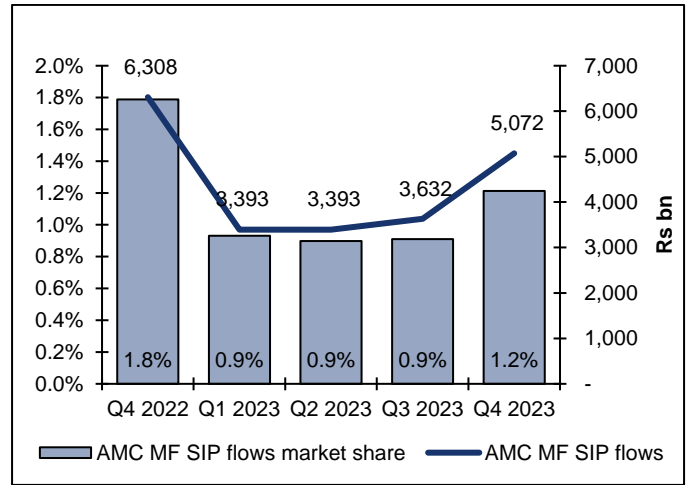
Source: Company data, I-Sec research

Chart 19: MF folios have remained largely stable



Source: Company data, I-Sec research

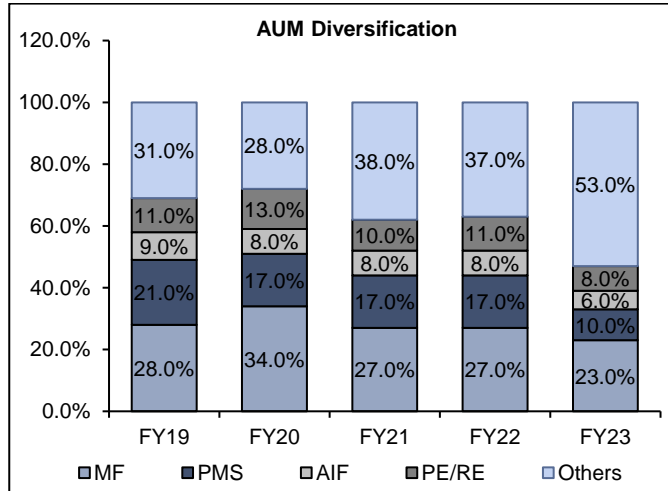
Chart 20: Market share of AMC SIP flows has largely remained near 1% for past 4 quarters



Source: Company data, I-Sec research

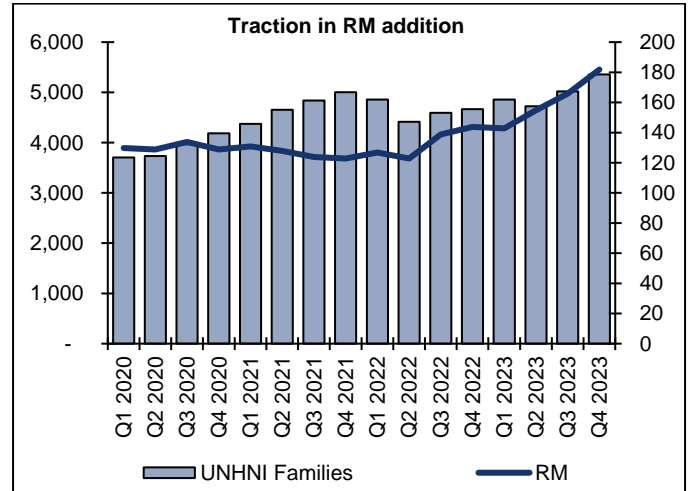
Wealth segment growth to reflect in earnings with stabilisation of RM/AUM ratio

Chart 21: Wealth AUM mix increased the ‘others’ segment, which includes DP assets, bonds, structured product and custody assets



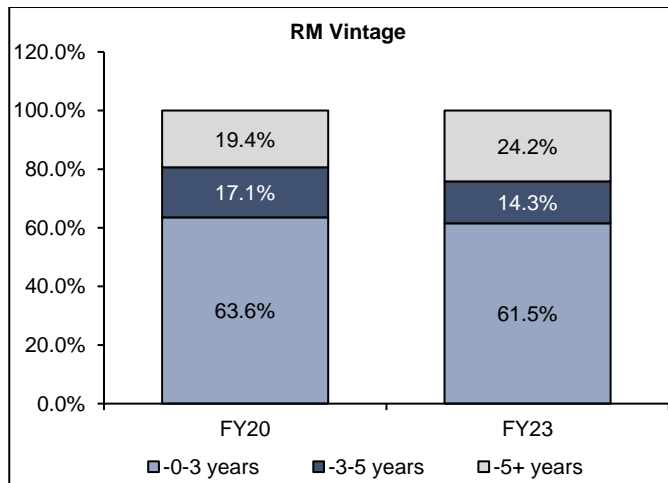
Source: Company data, I-Sec research

Chart 22: Motilal Oswal added 62 RMs in FY23 and expects additions to remain healthy in FY24 too



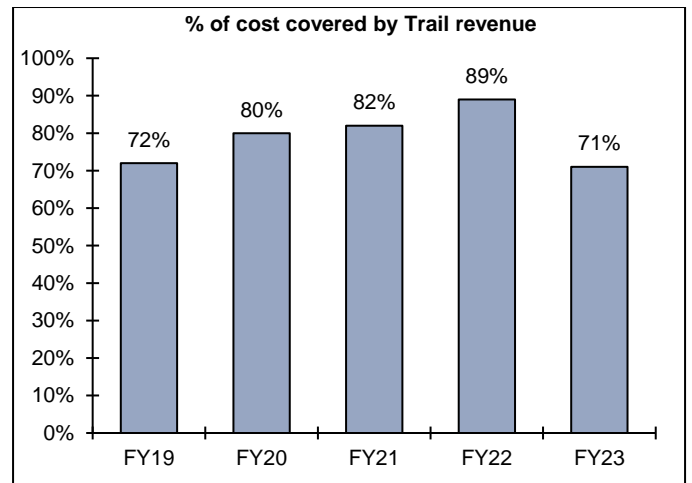
Source: Company data, I-Sec research

Chart 23: RM vintage of less than 3 years remains high as the company has been on a hiring spree



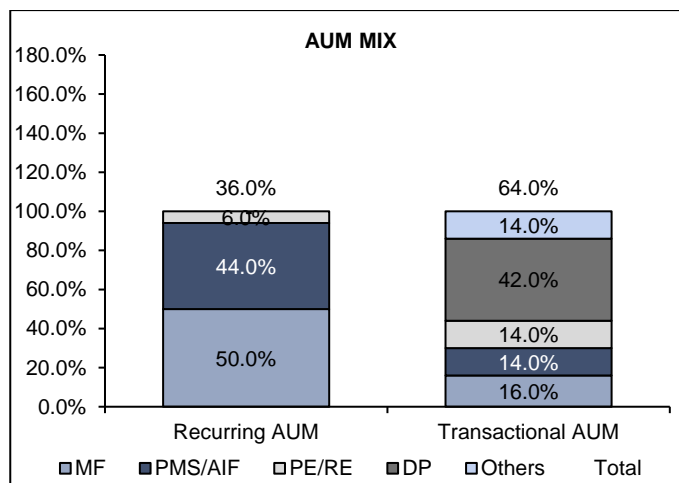
Source: Company data, I-Sec research

Chart 24: Higher portion of the fixed costs is covered by trail revenues in the wealth segment



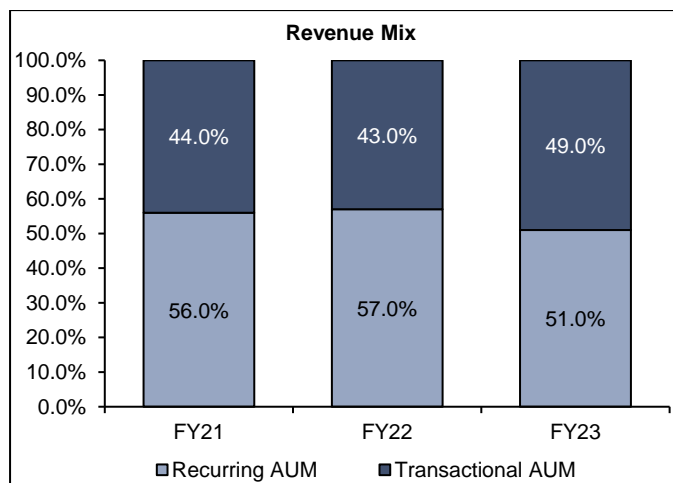
Source: Company data, I-Sec research

Chart 25: Recurring AUM is driven largely by MF and PMS revenues while transactions AUM is dominated by DP AUM



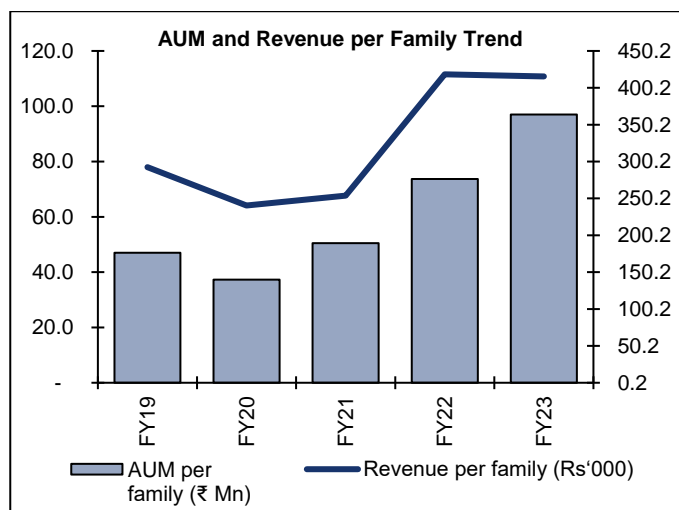
Source: Company data, I-Sec research

Chart 26: Recurring AUM at 51% in FY23 can improve



Source: Company data, I-Sec research

Chart 27: AUM and 'revenue per family' trend remained stable in FY23



Source: Company data, I-Sec research

Table 10: Motilal Oswal has been successful in PE and RE funds over the years.

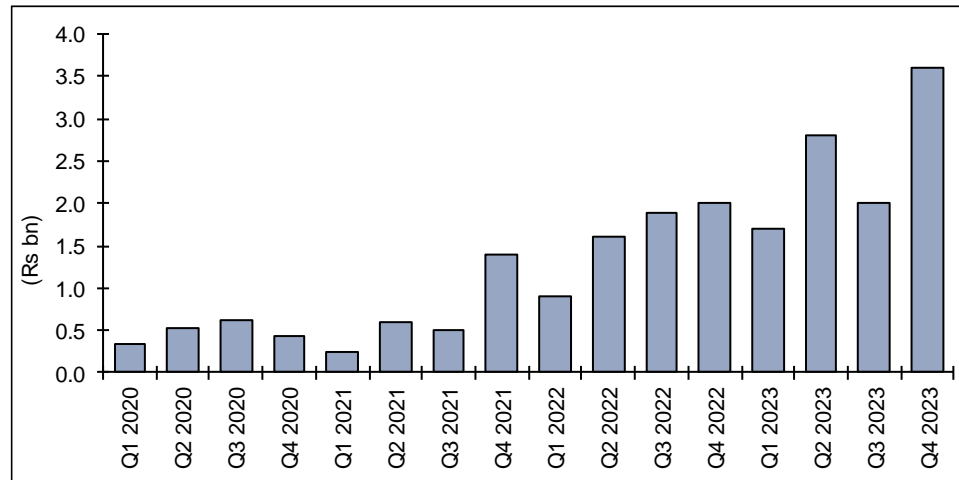
Fund	Year Started	Amount (in Rs bn)	Exit
IBEF 1	FY07	5.5	FY22
IBEF 2	FY12	9.5	FY25
IBEF 2	FY14	4.9	FY24
IBEF 3	FY17	10.3	FY26
IBEF 3	FY19	23.0	
IBEF 4	FY18	11.5	
IBEF 5	FY21	12.0	
IBEF 4	FY22	45.0	

Source: AMFI, I-Sec research

Housing segment – Change of guard is notable

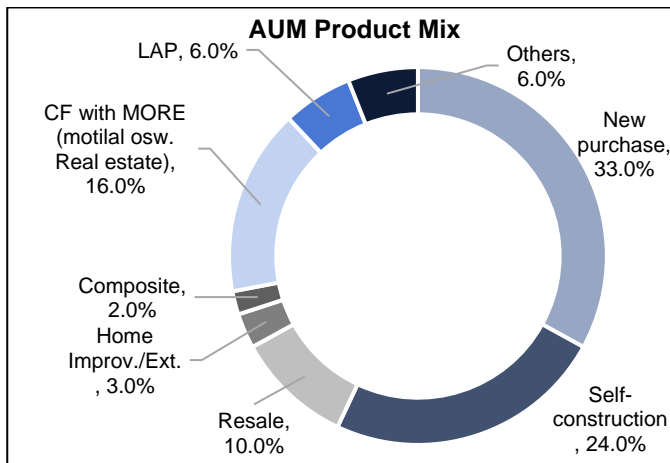
MOSL has appointed Mr Sukesh Bhowal as CEO of housing segment (wef from 14th Jun'23). Mr. Sukesh Bhowal has an experience of over 27 years in business management, sales & distribution, retail lending, mortgage lending, real estate lending and retail banking

Chart 28: Disbursement trend in the housing segment has been strong



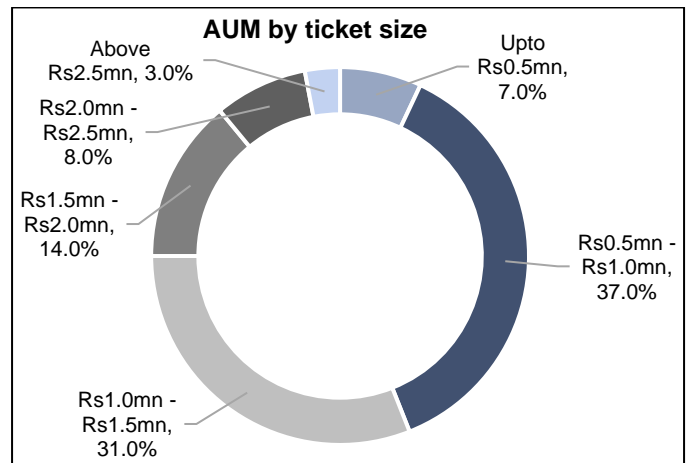
Source: Company data, I-Sec research

Chart 29: FY23 AUM mix



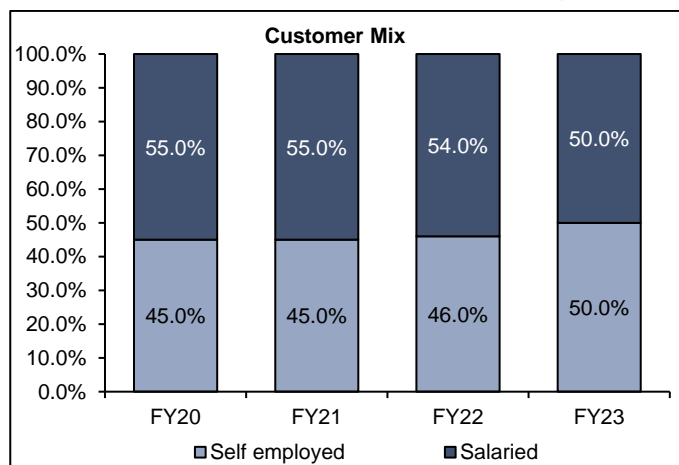
Source: Company data, I-Sec research

Chart 30: FY23 AUM by ticket size



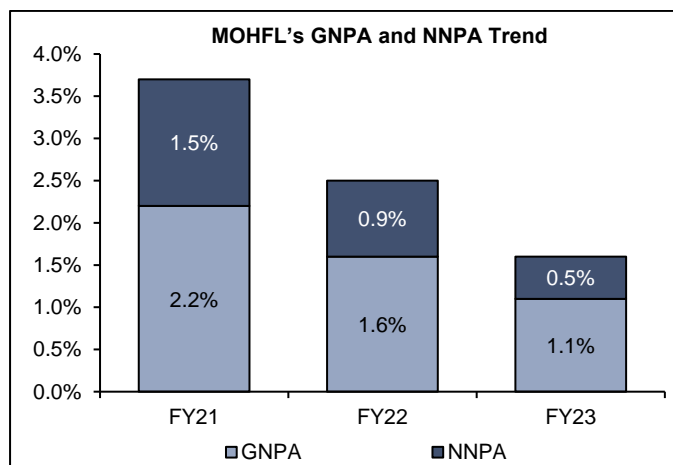
Source: Company data, I-Sec research

Chart 31: Customer mix has been balanced between salaried and self-employed categories



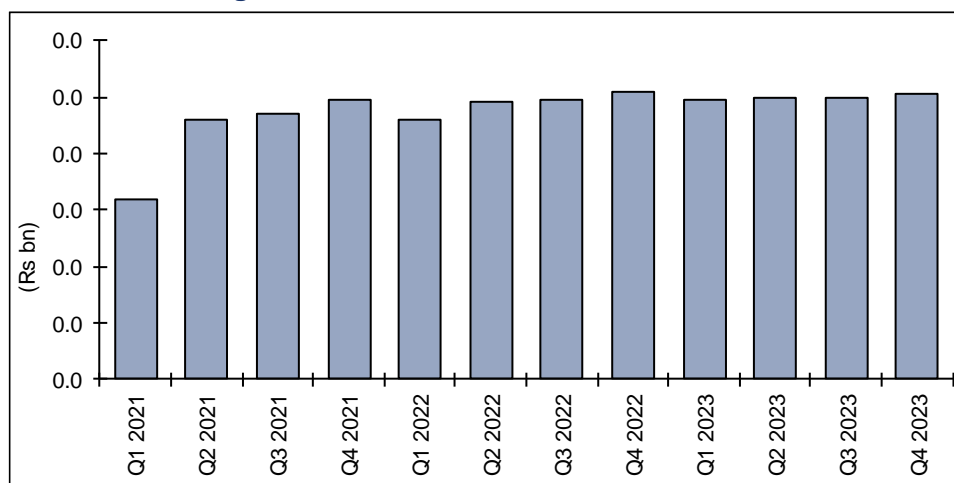
Source: Company data, I-Sec research

Chart 32: Asset quality improved sharply in FY23



Source: Company data, I-Sec research

Chart 33: Housing AUM trend has been stable



Source: Company data, I-Sec research

Table 11: ECL provisioning details

PARTICULARS (Rs mn)	FY23
Stage 1 & 2	37,675
% portfolio in stage 1 & 2	98.9%
Stage 3	409
% portfolio in Stage 3	1.1%
ECL Provision % Stage 1 & 2	1.3%
Total Assets	38,084
ECL Provision	708
ECL Provision %	1.86%
Stage 3 Provision Coverage Ratio	49%
Total Provision Coverage Ratio	173%

Source: AMFI, I-Sec research

Table 12: DuPont analysis

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	13.2%	13.3%	13.6%	13.0%	12.9%	13.6%	13.8%
Interest Expense	8.5%	8.1%	7.4%	6.0%	5.5%	5.7%	5.8%
Net Interest Income	4.7%	5.2%	6.1%	7.0%	7.4%	7.9%	8.0%
Other Income	0.4%	0.3%	0.4%	0.7%	0.6%	0.6%	0.6%
Total Net Income	5.1%	5.5%	6.6%	7.8%	7.9%	8.5%	8.7%
Operating Expenses	2.2%	2.3%	2.2%	2.8%	3.0%	3.1%	3.1%
Pre Provision Operating Profit	3.0%	3.3%	4.4%	5.0%	4.9%	5.4%	5.6%
Provisions	7.4%	1.8%	2.1%	1.9%	0.5%	0.8%	0.7%
PBT	-4.4%	1.4%	2.3%	3.1%	4.4%	4.6%	4.9%
Tax	-1.6%	0.5%	1.3%	0.6%	1.0%	1.1%	1.2%
Reported PAT	-2.9%	0.9%	1.0%	2.5%	3.4%	3.5%	3.6%
Extraordinary items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reported PAT after extraordinary items	-2.9%	0.9%	1.0%	2.5%	3.4%	3.5%	3.6%
Leverage (average assets/average equity)	6.0	5.0	4.4	4.0	3.7	3.7	3.8
RoE	-17.2%	4.6%	4.5%	9.9%	12.7%	13.0%	14.0%

Source: Company data, I-Sec research

Board of directors – MOFS

- Mr. Raamdeo Agarawal – Non-Executive Chairman
- Mr. Motilal Oswal - Managing Director (MD) & Chief Executive Officer (CEO)
- Mr. Navin Agarwal - Non-Executive Director, MOFSL (MD & CEO, MOAMC)
- Mr. Ajay Menon - CEO, Broking & Distribution Business, Whole-time Director, MOFSL
- Mr. Rajat Rajgarhia - CEO, Institutional Equities Business, Whole-time Director, MOFSL
- Mr. C. N. Murthy - Independent Director
- Mr. Chandrashekhar Karnik - Independent Director
- Mr. Pankaj Bhansali - Independent Director
- Mrs. Divya Momaya - Independent Director
- Mrs. Swanubhuti Jain - Independent Director

Table 13: Audit committee

Name of the Member	Category	Designation
Mr. Pankaj Bhansali	ID	Chairperson
Mr. C.N. Murthy	ID	Member
Mr. Chandrashekhar Karnik	ID	Member
Mrs. Divya Momaya	ID	Member

Source: Company data, I-Sec research

Table 14: Nomination committee

Name of the Member	Category	Designation
Mr. C.N. Murthy	ID	Chairperson
Mr. Chandrashekhar Karnik	ID	Member
Mr. Pankaj Bhansali	ID	Member
Mrs. Divya Momaya	ID	Member

Source: Company data, I-Sec research

Table 15: Stakeholder relationship committee

Name of the Member	Category	Designation
Mr. Raamdeo Agarawal	ID	Chairperson
Mr. Motilal Oswal	ID	Member
Mr. Navin Agarwal	ID	Member
Mr. Chandrashekhar Karnik	ID	Member

Source: Company data, I-Sec research

Table 16: CSR committee

Name of the Member	Category	Designation
Mr. Motilal Oswal	MD & CEO	Chairperson
Mr. Raamdeo Agarawal	C & NED	Member
Mr. C.N. Murthy	ID	Member

Source: Company data, I-Sec research

Table 17: Risk management committee

Name of the Member	Category	Designation
Mr. Motilal Oswal	MD & CEO	Chairman
Mr. Navin Agarwal	NED	Member
Mr. Ajay Menon	WTD	Member
Mr. Pankaj Bhansali	ID	Member
Mr. Shalibhadra Shah	CFO	Member
Mr. Nilesh Gokral	CRO	Member

Source: Company data, I-Sec research

Table 18: Finance committee

Name of the Member	Category	Designation
Mr. Motilal Oswal	MD & CEO	Chairperson
Mr. Raamdeo Agarawal	C & NED	Member
Mr. Navin Agarwal	NED	Member
Mr. Ajay Menon	WTD	Member

Source: Company data, I-Sec research

Table 19: Business responsibility & sustainability committee

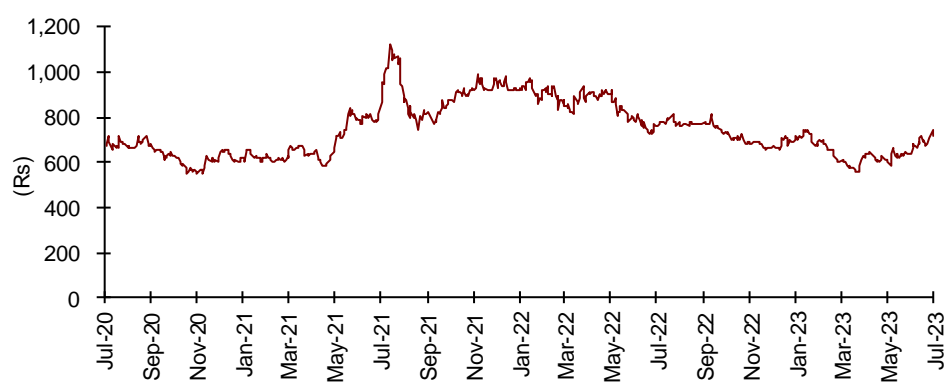
Name of the Member	Category	Designation
Mr. Motilal Oswal	MD & CEO	Chairperson
Mr. Navin Agarwal	NED	Member
Mr. Sudhir Dhar	Group Head — Human Resources and Administration	Member
Mr. Shalibhadra Shah	CFO	Member

Source: Company data, I-Sec research

Table 20: Information technology and cybersecurity committee

Name of the Member	Category	Designation
Mr. Pankaj Purohit	Head - Information Technology	Chairperson
Mr. Sehul Shah	Senior Group Vice President - IT	Member
Mr. Atul Sashittal	Representative- Eduvanz Financing Private Limited	Member
Mr. Chandrashekar Chettiar	Chief Information Security Officer	Member

Source: Company data, I-Sec research

Price chart

Source: Bloomberg

Consolidated financial summary

Table 21: Income statement

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Broking business	7,673	7,451	8,384	12,865	17,462	18,914	21,632	23,960
Gross brokerage income	7,057	6,687	7,601	11,851	15,816	16,825	19,118	21,110
Gross research and advisory fee	130	202	123	152	89	168	88	88
Gross distribution income	263	326	406	416	905	1,212	1,383	1,535
Gross depository income	224	236	254	446	653	710	1,043	1,226
Investment banking fees	1,097	371	119	26	364	291	365	402
Asset management and advisory fees	7,354	7,331	6,990	6,604	8,247	8,130	9,071	10,153
Portfolio management fees	3,738	3,784	3,700	3,512	3,592	4,164	3,065	3,428
Investment management and advisory fees from:	3,253	3,078	2,855	2,587	3,823	2,882	4,804	5,329
-Mutual Fund	1,240	1,605	1,362	1,221	1,747	1,662	1,744	1,842
-AIF	394	442	465	376	699	1,079	1,344	1,641
-PE	1,620	1,031	1,028	991	1,377	141	1,715	1,847
Wealth management	363	470	435	504	832	1,084	1,203	1,396
Gross Interest income	8,003	8,178	7,675	7,531	10,342	12,283	16,510	18,555
Interest on loans	6,404	6,284	5,635	5,217	5,073	5,092	5,945	6,803
-Home Loan	6,326	6,284	5,635	5,173	4,949	4,960	5,945	6,803
-Fund based	78	-	-	44	124	131	-	-
Interest on other activity	1,571	1,834	1,661	1,681	3,957	5,000	7,658	8,402
-Broking activity	-	210	377	475	1,939	2,427	4,510	4,960
-Margin trade funding	-	684	480	436	1,116	1,456	1,987	2,233
-Delayed payment by customers	-	940	804	770	902	1,118	1,162	1,209
Interest on deposit with banks	28	60	380	633	1,312	2,192	2,907	3,351
Core operating Revenue	24,127	23,332	23,168	27,026	36,415	39,617	47,579	53,070
Fees and commission expense	4,907	4,616	4,691	6,358	8,928	8,613	9,956	11,134
Employee benefits expense	4,921	5,018	5,398	6,436	8,676	10,084	11,698	13,191
Other operating expenses	2,965	2,192	2,268	2,328	3,225	3,882	4,787	5,192
Finance cost	5,284	5,169	4,945	4,303	4,782	5,958	8,372	9,308
Impairment on financial instruments	781	3,604	913	976	947	428	624	701
Adjusted EBITDA (after interest expense and excluding other operating income)	5,269	2,733	4,953	6,625	9,858	10,652	12,142	13,543
Other operating income	3,381	1,160	(1,782)	9,225	6,553	2,154	4,985	5,231
-Net gain from fair value changes from fund-based activities	1,837	56	(2,642)	8,076	4,797	1,164	3,968	4,206
-Other operating income	1,544	1,104	859	1,150	1,756	990	1,018	1,026
Other income	16	125	79	90	230	200	197	197
Depreciation and amortization expenses	375	240	397	475	483	584	610	629
PBT before exceptional items	8,291	3,779	2,852	15,465	16,158	12,422	16,714	18,342
Extraordinary income/loss/profit/loss from discontinued op.	-	-	-	881	-	-	-	-
PBT	8,291	3,779	2,852	14,584	16,158	12,422	16,714	18,342
Tax	2,059	927	698	2,555	3,051	3,094	3,617	4,007
PAT	6,232	2,853	2,154	12,030	13,107	9,328	13,097	14,336
Share of profit from associate (net of tax)	91	131	(258)	618	17	20	20	20
Final PAT	6,323	2,983	1,896	12,647	13,124	9,348	13,117	14,355

Source: Company report, I-Sec research

Table 22: Balance sheet

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Shareholder equity and Liabilities								
Networth	28,859	30,534	30,863	44,614	56,744	62,522	74,716	87,646
Minority interest	351	408	366	323	263	309	356	408
Borrowing	53,229	51,577	46,268	56,928	61,515	1,02,759	1,10,303	1,24,154
Trade payables	13,204	13,906	17,980	30,257	37,009	34,484	45,816	52,145
Other	9,229	8,392	5,629	9,046	13,703	30,024	6,996	7,139
Total shareholder equity and liabilities	1,04,872	1,04,818	1,01,106	1,41,168	1,69,233	2,30,099	2,38,188	2,71,491
Assets								
Net loans	55,411	48,784	40,795	45,204	49,045	72,176	83,535	94,835
Trade receivables	10,434	15,173	7,455	9,112	10,031	10,291	22,014	25,114
Investment	28,072	26,859	30,885	39,224	46,849	47,870	52,173	57,708
PP&E	2,501	2,489	3,079	3,159	3,237	4,265	4,654	4,768
Cash & cash equivalents	3,058	3,737	8,435	12,921	21,375	25,763	14,233	19,184
Bank balance other than cash & cash equivalents	1,479	3,154	5,344	22,057	31,777	62,606	53,930	61,537
Other assets	3,918	4,621	5,113	9,492	6,919	7,128	7,649	8,346
Total Assets	1,04,872	1,04,818	1,01,106	1,41,168	1,69,233	2,30,099	2,38,188	2,71,491

Source: Company report, I-Sec research

Table 23: Key ratios

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Broking and Distribution								
Net Broking yields (bps)	1.06	0.83	0.75	0.62	0.39	0.15	0.14	0.14
Distribution yield		1.3%	1.2%	0.9%	1.3%	1.0%	0.9%	0.9%
Net Depository incomer per client (average) (Rs)		178	164	205	221	183	222	222
Yield on MTF		11.9%	13.3%	8.9%	13.4%	13.1%	13.8%	13.5%
Yield on cash and bank balances		1.5%	4.2%	3.2%	3.8%	3.8%	3.8%	4.0%
Cost of funding		7.8%	9.1%	7.3%	7.8%	7.4%	8.0%	8.0%
EBITDA Margin (post interest expense)	19.4%	20.4%	19.2%	23.7%	24.1%	23.0%	21.6%	22.1%
AMC								
Yield		1.5%	1.6%	1.4%	1.3%	1.2%	1.2%	1.2%
Fee & commission expense as %age of avg. AUM		0.7%	0.7%	0.6%	0.5%	0.4%	0.4%	0.4%
EBITDA Margin		40.0%	37.9%	36.8%	38.7%	38.5%	42.3%	40.4%
Wealth Management								
Yield		0.6%	0.5%	0.5%	0.5%	0.3%	0.3%	0.4%
EBITDA Margin		18.1%	7.9%	25.9%	43.3%	27.2%	28.6%	24.9%
PE/RE								
Yield				1.9%	1.8%	1.4%	1.5%	1.5%
Carry income (Rs mn)				-	968	34	200	300
EBITDA Margin				38.5%	46.0%	33.8%	39.5%	40.9%
HFC								
NIMs to AUM	4.9%	4.9%	5.5%	6.7%	7.7%	8.0%	8.4%	8.3%
Other income to AUM	0.9%	0.4%	0.3%	0.5%	0.8%	0.6%	0.6%	0.6%
Opex to AUM	2.2%	2.2%	2.4%	2.4%	3.0%	3.2%	3.2%	3.1%
Cost to income	37.8%	42.4%	41.0%	33.4%	35.6%	37.9%	35.6%	34.7%
Credit cost to AUM	3.0%	7.6%	1.9%	2.2%	2.1%	0.5%	0.7%	0.7%
RoA	0.4%	-2.9%	0.9%	1.0%	2.5%	3.4%	3.6%	3.7%
RoE	2.8%	-17.2%	4.6%	4.5%	9.9%	12.7%	13.0%	13.2%
Fund-based								
Yield on AUM		3.3%	-14.6%	37.5%	13.6%	3.5%	9.0%	9.0%

Source: Company report, I-Sec research

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