

## Operational momentum continues

BFSI - NBFCs ▶ Company Update ▶ May 7, 2024

TARGET PRICE (Rs): 2,700

MOFS reported a robust operational and financial performance in Q4FY24, leading to a strong finish to the fiscal. While performance of the Capital Markets segment was sturdy, the Asset and Wealth Management segment delivered a solid turnaround with the Housing Finance business gradually coming back on track. Overall, the Q4 performance endorses our thesis on MOFS (Read: [Perfect vehicle to ride India's wealth creation journey](#)), and we maintain that MOFS is well positioned to capitalize on the favorable macros around its key business segments, along with strength to navigate any short-term volatility that may arise in the capital market-linked cyclical business. To reflect the Q4 developments, we adjust our estimates and reiterate our BUY rating on MOFS, with revised up Mar-25E TP of Rs2,700 (from Rs2,200 earlier). The PCG business was transferred into Wealth Management (WM), which has hence gained scale and created a sizable value in terms of SOTP. Though the operational momentum remains strong, the recent strong run limits the upside.

## Motilal Oswal Financial Services: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating PAT	11,140	15,350	18,046	20,739	24,706
Net Profit	9,317	24,411	20,887	23,155	26,801
Adj. EPS	75.2	103.6	121.8	140.0	166.8
Adj. EPS YoY		37.8	17.6	14.9	19.1
Networth	62,522	87,318	106,221	127,243	151,762
BVPS	422.0	587.9	717.0	858.9	1024.4
Adjusted P/E	26.7	19.4	16.5	14.4	12.0
P/B	5.7	4.1	3.3	2.8	2.3

Source: Company, Emkay Research

## Robust operating performance across Capital Markets, AMC, and Wealth

MOFS reported a strong performance during Q4FY24, with the Operating PAT growing 66% YoY to Rs4.95bn driven by robust performance across the Capital Markets, AMC, and Wealth segments. Capital Markets clocked a robust 68% PAT growth, backed by 69%/82% YoY growth in Broking/Distribution revenue during Q4. The AMC business delivered 72% growth in revenue, with total AUM increasing to Rs718bn and resulting in 111% YoY growth in PAT to Rs988mn, led by operating leverage. With PCG clients being classified into the wealth segment, the Wealth Management business saw 53% growth in revenue during Q4FY24 and 55% growth in PAT YoY. With RM strength increasing to 584 (including PCG RMs), the Wealth+PCG AUM increased to Rs1.23trn, up 72% YoY. The Housing Finance business saw a muted quarter, with a lackluster YoY growth of ~6% in AUM and of 4% in NII during Q4FY24. However, PAT declined 18% YoY during Q4, due to 53% growth in expenses on account of continued addition of sales-force. The board has announced the first ever bonus issue of 3 shares for every share held.

## Continued momentum across businesses

Increased retail participation, evidenced in the strong momentum in Demat account additions, signals a significant growth runway of at least 20% in the medium term which is expected to further drive strong growth in broking volumes. Also, robust growth in Equity AUM for the MF industry reaching Rs24trn, led by continued momentum in SIP flows, underscores the potential for sustainable growth in AUM in the equity segment. Further turnaround in performance across funds will drive growth in AMC gross flows across schemes. Continued addition of RMs in the Wealth segment (177 RMs added during FY24) and improvement in RM productivity is likely to drive more growth in AUM, whereas operating leverage will lead to an uptick in margins.

## We raise TP to Rs2,700/sh; retain BUY

To reflect the Q4 developments, we adjust our FY25-26 estimates and reiterate our BUY rating on the stock, with revised up Mar-25E TP of Rs2,700/share (Rs2,200 earlier). Transfer of the Private Clients Group (PCG) business to Wealth Management (WM) from the Broking business provides the much-needed scale to the WM business as well as better value in the SOTP. Owing to the changes in segmental reporting by the company, our new segmental estimates are not comparable with our earlier estimates.

Target Price – 12M	Mar-25
Change in TP (%)	22.7
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	12.5
CMP (06-May-24) (Rs)	2,399.1

Stock Data	Ticker
52-week High (Rs)	2,678
52-week Low (Rs)	583
Shares outstanding (mn)	149.0
Market-cap (Rs bn)	357
Market-cap (USD mn)	4,281
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	528.7
ADTV-3M (USD mn)	6.3
Free float (%)	-
Nifty-50	22,443
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	69.2
FPIs/MFs (%)	6.7/6.9

## Price Performance

(%)	1M	3M	12M
Absolute	31.0	35.5	298.9
Rel. to Nifty	31.4	32.4	221.2

## 1-Year share price trend (Rs)



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**Exhibit 1: Q4FY24/FY24 Consolidated Financial Performance**

PARTICULARS (Rs mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ	FY24	FY23	YoY
Capital Markets (Broking, Distribution, and IB)	9,820	5,860	68%	7,700	28%	32,350	23,570	37%
Asset and Wealth Management	5,890	3,720	58%	4,290	37%	17,740	13,590	31%
Housing Finance	780	750	4%	800	-3%	3,120	2,960	5%
<b>Total Revenue</b>	<b>16,490</b>	<b>10,330</b>	<b>60%</b>	<b>12,790</b>	<b>29%</b>	<b>53,210</b>	<b>40,120</b>	<b>33%</b>
<b>Total Revenue after Intercompany adj.</b>	<b>15,690</b>	<b>9,810</b>	<b>60%</b>	<b>12,200</b>	<b>29%</b>	<b>50,750</b>	<b>38,080</b>	<b>33%</b>
Operating Expense	3,620	2,030	78%	2,780	30%	11,370	8,610	32%
Employee Expense	3,840	2,680	43%	2,990	28%	13,010	9,890	32%
Other Expense	1,600	1,160	38%	1,340	19%	5,890	4,700	25%
<b>Total Expense</b>	<b>9,060</b>	<b>5,870</b>	<b>54%</b>	<b>7,120</b>	<b>27%</b>	<b>30,270</b>	<b>23,200</b>	<b>30%</b>
PBT	6,620	3,940	68%	5,080	30%	20,480	14,880	38%
<b>Operating PAT</b>	<b>4,950</b>	<b>2,980</b>	<b>66%</b>	<b>3,800</b>	<b>30%</b>	<b>15,350</b>	<b>11,140</b>	<b>38%</b>
Capital Markets (Broking, Distribution, and IB)	2,510	1,500	67%	2,050	22%	8,030	5,470	47%
Asset and Wealth Management	2,100	1,180	78%	1,440	46%	6,070	4,520	34%
Housing Finance	310	310	0%	360	-14%	1,290	1,330	-3%
Treasury Investments PAT (1)	2,280	-1340	NM	2,800	-19%	9,060	-1,820	NM
PAT	7,230	1,650	338%	6,600	10%	24,410	9,320	162%
Treasury Investments PAT through OCI (OCI)1	-980	-510	NM	1140	NM	1,850	-460	NM
PAT (incl. OCI)	6,250	1,140	448%	7,740	-19%	26,260	8,850	197%
PBT Margin on Net Revenue	55%	51%		54%		52%	50%	

Source: Company

**Exhibit 2: Operating Metrics for Q4FY24 – Operating businesses**

Operating Metrics	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
<b>Capital Markets</b>					
Active Clients (mn)	0.88	0.81	9%	0.82	7%
Total Clients (mn)	4.21	3.50	20%	4.03	4%
F&O ADTO (Rs bn)	7,104	3,205	122%	5,647	26%
Cash (Rs bn)	52	19	172%	37	41%
Overall ADTO (Rs bn)	7,156	3,224	122%	5,683	26%
Distribution AUM (Rs bn)	270	213	27%	253	7%
F&O Premium market share	8.70%	6.50%	220 bps	8.10%	60 bps
Retail Cash Market Share	6.70%	5.00%	170 bps	6.30%	40 bps
<b>Asset Management</b>					
AUM (Rs bn)	718.1	457.12	57%	648.57	11%
AMC Gross Sales (Rs bn)	61.22			50.38	22%
AMC Folio (mn)	2.96	1.93	53%	2.5	18%
AMC MF SIP Flow (Rs bn)	9.67	5.07	91%	7.69	26%
AMC MF SIP Flow Market Share	1.60%	0.90%	70 bps	1.40%	20 bps
<b>Wealth Management</b>					
WM +PCG AUM (Rs bn)	1239.89	721.33	72%	1115.65	11%
RMs (no. of)	584	407	43%	474	23%
Families (no. of)	11877	9164	30%	10785	10%
<b>Housing Finance</b>					
AUM (Rs bn)	40.74	38.35	6%	37.81	8%
Disbursements (Rs bn)	4.8	3.61	33%	2.47	94%

Source: Company

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**Exhibit 3: SOTP-based Mar-25E Valuation**

Entity	Metrics	Mar-26E	Multiple (x)	Valuation (Rs mn)	Ownership	Value (Rs mn)	Rs per share
Capital Markets (Broking and Distribution)	Earnings	10,093	14	141,298	100%	141,298	951
Asset Management	Earnings	4,125	20	82,491	100%	82,491	555
Wealth Management	Earnings	4,125	25	103,121	100%	103,121	694
Private Equity and Real Estate	DCF	-	-	34,641	100%	34,641	233
Housing Finance	Networth	16,322	1.50	23,895	98%	23,322	157
Operating Businesses						384,873	2,591
Funds Based Business	20% Discount on Dec-23					16,608	112
Mar-25E Fair Value						401,481	2,703
Number of shares (mn)						149	
<b>Mar-25E Target Price (Rs/share)</b>							<b>2,700</b>

Source: Company, Emkay Research

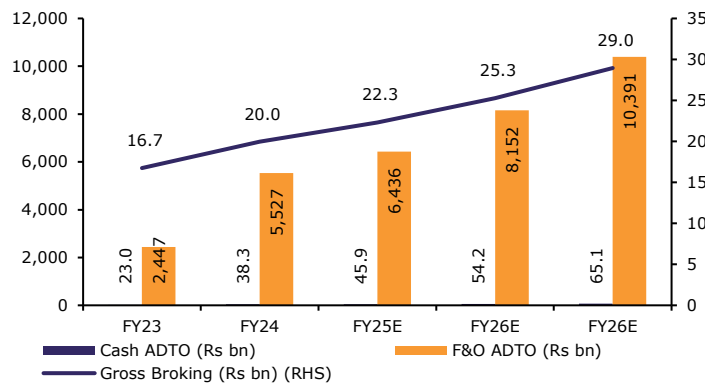
## Exhibit 4: Consolidated Business Summary

(Rs mn)	FY2023	FY 2024	FY 2025E	FY 2026E	FY 2027E
<b>Capital Market Business</b>					
Broking Revenue	14,867	19,952	22,325	25,269	28,951
Distribution Income	1,675	2,139	2,957	3,427	4,015
Net Interest Income	4,679	6,622	8,929	10,452	12,105
Investment Banking	314	1,040	524	605	698
Other Income	2,028	2,595	2,953	3,437	3,931
<b>Total Revenue</b>	<b>23,563</b>	<b>32,348</b>	<b>37,688</b>	<b>43,190</b>	<b>49,700</b>
Employee Expense	5,564	7,340	8,955	10,746	12,680
Commission Expense	7,442	10,148	11,640	13,115	14,918
Other Expenses	3,310	4,103	4,924	5,810	6,856
<b>Total Expenses</b>	<b>16,316</b>	<b>21,592</b>	<b>25,519</b>	<b>29,671</b>	<b>34,454</b>
PBT	7,247	10,756	12,169	13,519	15,246
<b>PAT</b>	<b>5,467</b>	<b>8,030</b>	<b>9,085</b>	<b>10,093</b>	<b>11,382</b>
ADTO (Rs bn)	2,470	5,566	6,482	8,206	10,456
Distribution AUM (Rs bn)	213	270	338	406	487
Active Clients (mn)	0.8	0.9	1.1	1.2	1.4
Total Clients (mn)	3.5	4.2	5.1	6.3	7.5
<b>AMC, Wealth Management, PE &amp; RE</b>					
AMC Revenue	6,268	7,840	9,467	11,191	13,688
Wealth Management Revenue	5,476	7,724	10,220	12,251	14,680
PE RE Revenue	1,847	2,175	2,345	1,838	1,565
Other Income	-	-	-	-	-
<b>Total Revenue</b>	<b>13,591</b>	<b>17,739</b>	<b>22,032</b>	<b>25,280</b>	<b>29,933</b>
Employee Expense	3,426	4,465	5,411	5,963	6,709
Fees and Commission Expense	2,594	3,271	4,151	4,892	5,799
Other Expenses	1,459	1,939	2,332	2,631	2,939
<b>Total Expenses</b>	<b>7,479</b>	<b>9,675</b>	<b>11,894</b>	<b>13,485</b>	<b>15,448</b>
PBT	6,112	8,064	10,138	11,794	14,485
<b>PAT</b>	<b>4,518</b>	<b>6,067</b>	<b>7,624</b>	<b>8,862</b>	<b>10,880</b>
AMC AUM (Rs bn)	454	718	887	1,094	1,328
Wealth Management AUM (Rs bn)	721	1,240	1,550	1,937	2,364
<b>Housing Finance</b>					
Net Interest Income	2,961	3,122	3,619	4,413	5,561
Other Income	172	265	407	508	608
Operating Expenses	1,189	1,554	1,848	2,125	2,444
<b>PPOP</b>	<b>1,945</b>	<b>1,832</b>	<b>2,178</b>	<b>2,796</b>	<b>3,725</b>
Provision Cost	189	120	176	192	233
PBT	1,756	1,712	2,002	2,603	3,492
<b>PAT</b>	<b>1,333</b>	<b>1,292</b>	<b>1,487</b>	<b>1,934</b>	<b>2,594</b>
AUM (Rs bn)	38,350	40,470	48,789	60,448	75,115
ROA	4%	3%	3%	4%	4%
ROE	12%	11%	11%	13%	15%
<b>Operating Business</b>					
<b>Operating PAT</b>	<b>11,140</b>	<b>15,350</b>	<b>18,046</b>	<b>20,739</b>	<b>24,706</b>
--Capital Markets	5,467	8,030	9,085	10,093	11,382
--AMC	2,095	2,855	3,478	4,125	5,205
--Wealth Management	1,864	2,500	3,337	4,125	5,182
--PE and RE	559	712	808	613	494
--Housing Finance	1,333	1,292	1,487	1,934	2,594
Adjustment	(178)	(39)	(150)	(150)	(150)
<b>Operating PAT, including PE Profit Share</b>	<b>11,140</b>	<b>15,350</b>	<b>18,046</b>	<b>23,042</b>	<b>27,848</b>
<b>Fund Based Business</b>					
Revenue	1,390	14,510	4,540	5,230	5,989
PAT	(1,823)	9,061	2,841	113	(1,048)
<b>Total PAT</b>	<b>9,317</b>	<b>24,411</b>	<b>20,887</b>	<b>23,155</b>	<b>26,801</b>
Networth	62,522	87,318	1,06,221	1,27,243	1,51,762
Treasury Investments	43,260	61,122	74,354	89,070	1,06,234
No. of Shares o/s (mn)	149	149	149	149	149
Weighted Average number of shares	148	148	148	148	148
Adjusted EPS (Rs)	75.2	103.6	121.8	140.0	166.8
BVPS (Rs)	419.4	585.8	712.6	853.6	1,018.1
Operating ROE (%)	18.4	21.7	18.6	17.8	17.7

Source: Company, Emkay Research

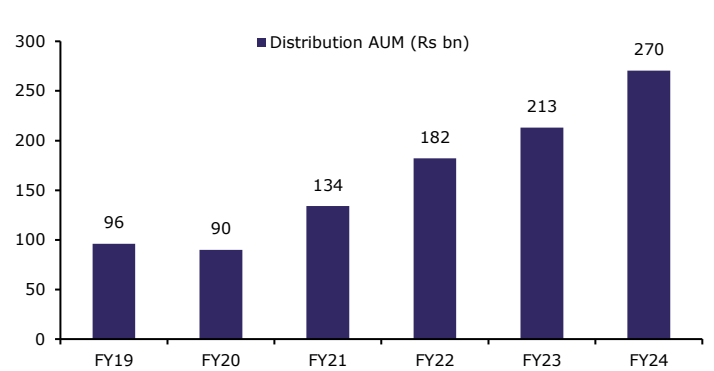
# Story in Charts

**Exhibit 5: Brokerage income to consistently increase, with rise in ADTO**



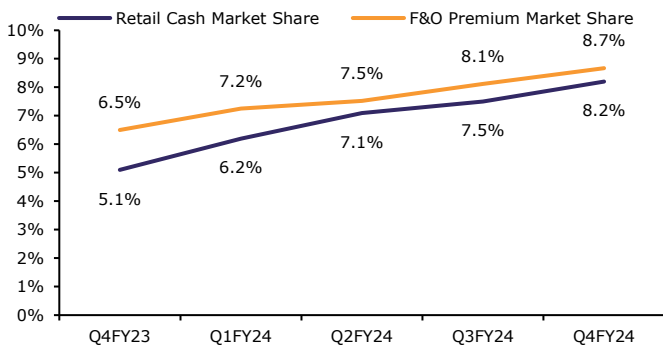
Source: Company, Emkay Research

**Exhibit 6: Distribution AUM rises to Rs270bn**



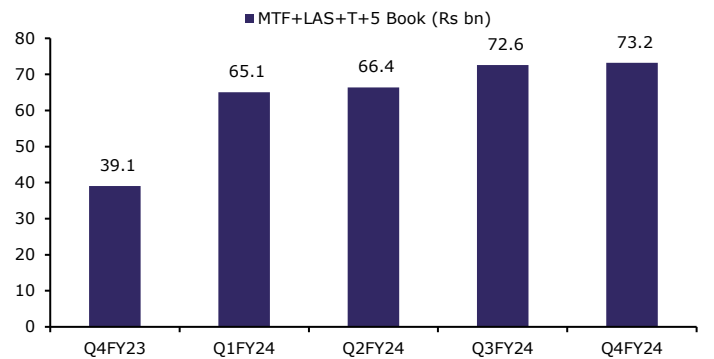
Source: Company, Emkay Research

**Exhibit 7: MOFS has gained significant market share**



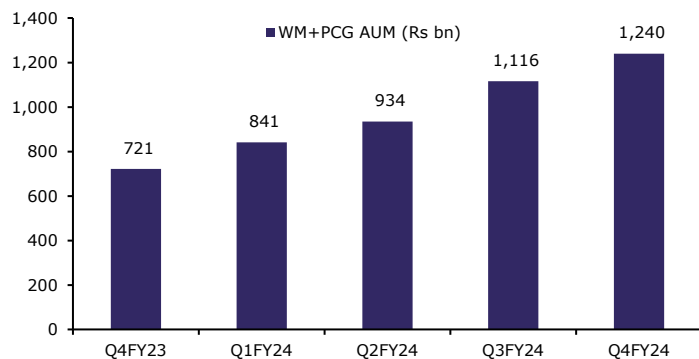
Source: Company, Emkay Research

**Exhibit 8: MTF book rises to Rs73bn during Q4FY24**



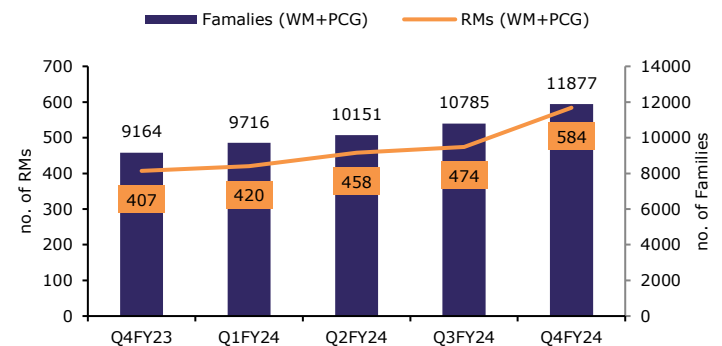
Source: Company, Emkay Research

**Exhibit 9: Wealth + PCG AUM increases to Rs1.2trn**



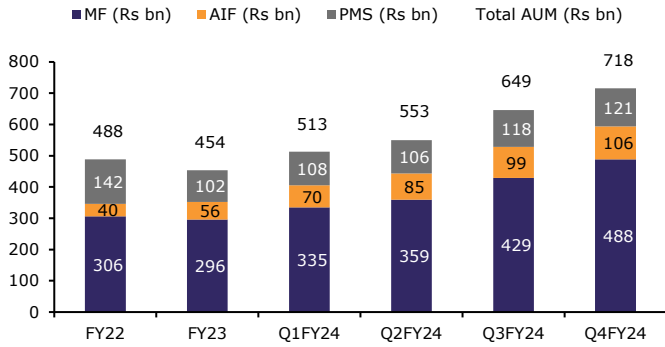
Source: Company, Emkay Research

**Exhibit 10: With 584 RMs across Wealth and PCG verticals, MOFS manages ~12k families**



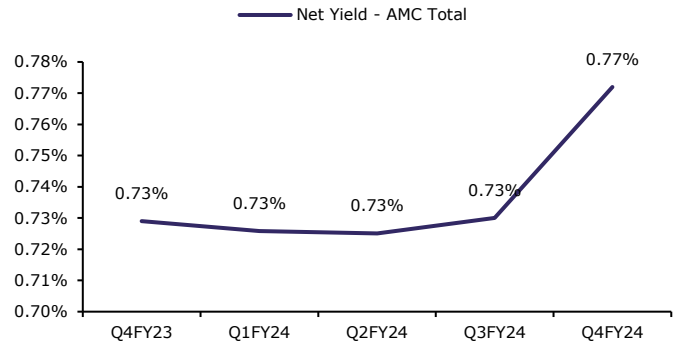
Source: Company, Emkay Research

**Exhibit 11: AMC AUM grows to Rs718bn during Q4FY24**



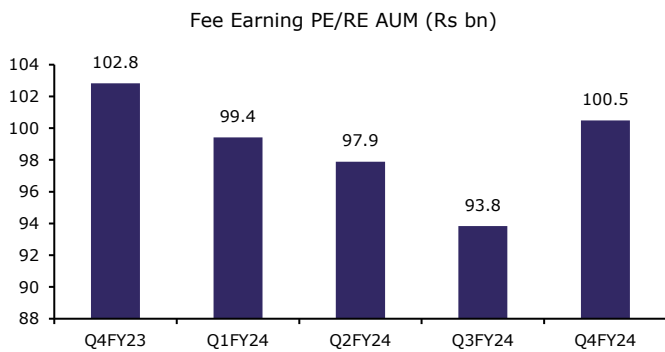
Source: Company, Emkay Research

**Exhibit 12: AMC Net Yields (Reported) have increased significantly during Q4FY24**



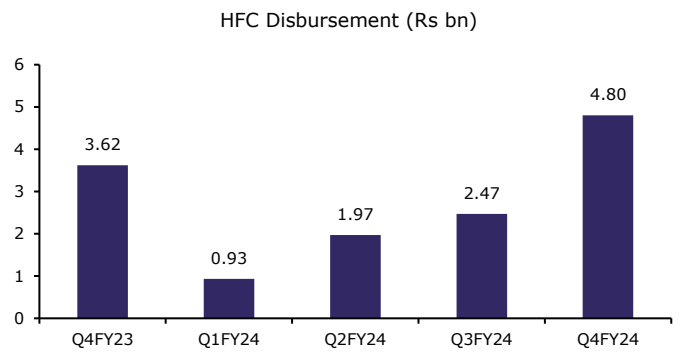
Source: Company, Emkay Research

**Exhibit 13: PE and RE AUM rises to Rs100.5bn during Q4FY24**



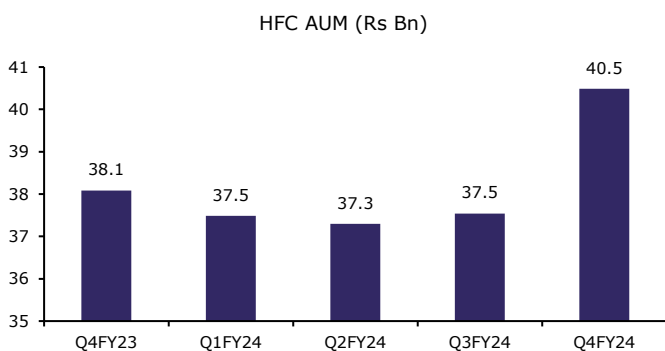
Source: Company, Emkay Research

**Exhibit 14: HFC disbursement increases to Rs4.8bn during Q4FY24**



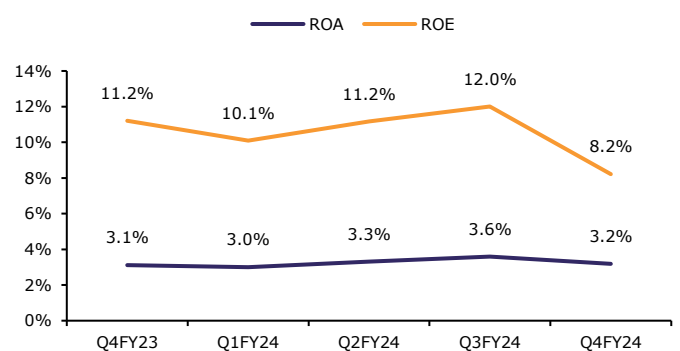
Source: Company, Emkay Research

**Exhibit 15: HFC AUM increases significantly during Q4FY24, driven by strong disbursements in the quarter**



Source: Company, Emkay Research

**Exhibit 16: HFC ROE declines to 8.2% during Q4FY24**



Source: Company, Emkay Research

**Exhibit 17: Consolidated Financial Summary**

<b>Income Statement Y/E March</b>	<b>FY2023</b>	<b>FY 2024</b>	<b>FY 2025E</b>	<b>FY 2026E</b>	<b>FY 2027E</b>
<b>Revenue</b>	<b>41,971</b>	<b>71,305</b>	<b>76,743</b>	<b>86,438</b>	<b>99,241</b>
Interest Income	12,283	18,947	29,513	32,493	36,609
Dividend Income	88	86	148	171	188
Rental Income	3	5	5	5	5
Fees and Commission income	27,334	36,253	40,704	46,455	54,100
Net Gain on Fair Value Change	1,388	14,651	4,540	5,230	5,989
Other Operating income	676	735	1,519	1,739	1,971
Other Income	200	628	314	345	380
<b>Expenses</b>	<b>29,549</b>	<b>40,986</b>	<b>50,800</b>	<b>57,684</b>	<b>65,967</b>
Finance Cost	5,958	10,141	13,769	14,803	16,262
Fees and Commission Expense	8,613	11,378	14,331	16,550	19,266
Impairment on Financial Instruments	428	540	176	192	233
Employee Expense	10,084	13,298	15,939	18,499	21,429
Other Expenses	4,466	5,629	6,584	7,639	8,777
<b>PBT before exceptional item</b>	<b>12,423</b>	<b>30,319</b>	<b>25,944</b>	<b>28,755</b>	<b>33,275</b>
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>12,423</b>	<b>30,319</b>	<b>25,944</b>	<b>28,755</b>	<b>33,275</b>
Taxes	3,094	5,863	5,017	5,560	6,434
<b>PAT</b>	<b>9,328</b>	<b>24,456</b>	<b>20,927</b>	<b>23,195</b>	<b>26,841</b>
Income from Associates / Joint Ventures	20	(0)	(0)	(0)	(0)
<b>PAT after income from Associates</b>	<b>9,348</b>	<b>24,456</b>	<b>20,927</b>	<b>23,195</b>	<b>26,841</b>
Less: Minority Share	31	46	40	40	40
<b>PAT attributable to owners</b>	<b>9,317</b>	<b>24,411</b>	<b>20,887</b>	<b>23,155</b>	<b>26,801</b>
<b>Balance Sheet</b>	<b>FY2023</b>	<b>FY 2024</b>	<b>FY 2025E</b>	<b>FY 2026E</b>	<b>FY 2027E</b>
Cash and cash equivalents	88,369	120,713	123,600	133,639	1,44,319
Loans and Advances	72,176	100,464	124,030	138,662	1,65,497
Investments	47,870	65,007	69,396	78,755	87,001
Fixed Assets	4,658	6,033	6,794	7,032	7,428
Trade receivables	10,291	19,182	20,814	22,191	24,152
Other assets	6,735	6,894	8,060	8,395	9,364
<b>Total Assets</b>	<b>230,099</b>	<b>318,292</b>	<b>352,694</b>	<b>388,674</b>	<b>437,761</b>
Share Capital	148	149	149	149	149
Reserves and Surplus	62,375	87,169	106,072	127,094	151,613
Non-controlling interest	309	370	370	370	370
<b>Networth</b>	<b>62,832</b>	<b>87,687</b>	<b>106,590</b>	<b>127,612</b>	<b>152,132</b>
Current Liabilities (incl Payables)	34,484	56,928	59,059	61,739	65,057
Total Borrowings (debt and bank borrowings)	102,759	137,456	171,999	190,558	212,058
Other Liabilities	30,024	36,221	15,046	8,764	8,514
<b>Total Liabilities</b>	<b>167,268</b>	<b>230,605</b>	<b>246,103</b>	<b>261,062</b>	<b>285,629</b>
<b>Total Equity &amp; Liabilities</b>	<b>230,099</b>	<b>318,292</b>	<b>352,694</b>	<b>388,674</b>	<b>437,761</b>
<b>Key Metrics</b>					
No. of shares o/s	149	149	149	149	149
EPS (Rs)	63	165	141	156	181
BVPS (Rs)	422	588	717	859	1,024
<b>Segment-wise Revenue Contribution</b>					
Capital Markets	59%	61%	60%	59%	58%
AMC Wealth PE/RE	34%	33%	35%	35%	35%
Housing Finance	7%	6%	6%	6%	7%
<b>Segment-wise PBT Contribution</b>					
Capital Markets	48%	52%	50%	48%	46%
AMC Wealth PE/RE	40%	39%	42%	42%	44%
Housing Finance	12%	8%	8%	9%	11%

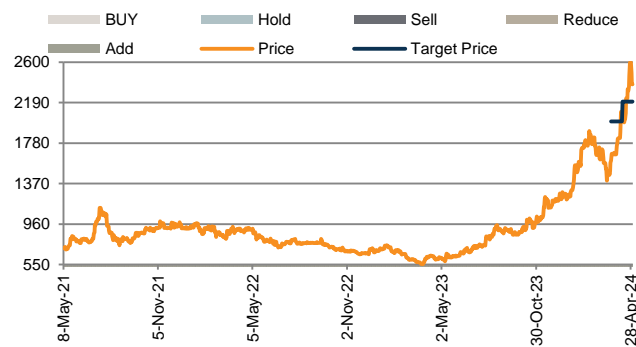
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
12-Apr-24	2,058	2,200	Buy	Avinash Singh
21-Mar-24	1,606	2,000	Buy	Avinash Singh

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Company, Bloomberg, Emkay Research



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<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

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