Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Quarter ended June, 2022

29th July, 2022

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

Corporate Participants

Mr Raamdeo Agrawal

Chairman

Mr Navin Agarwal

CEO- AMC

Mr Ajay Menon

CEO- Broking

Mr Shalibhadra Shah

Chief Financial Officer

Mr Chetan Parmar

Head- Investor Relations

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.

Moderator: Good afternoon ladies and gentlemen. Welcome to the 1st quarter FY23 earnings conference call for Motilal Oswal Financial Services Limited. We have with us today Mr. Raamdeo Agarwal – Chairman; Mr. Navin Agarwal – Director and CEO, AMC; Mr. Ajay Menon – CEO, Broking; Mr. Shalibhadra Shah – Chief Financial Officer; and Mr. Chetan Parmar – Head of Investor Relations.

I would now like to invite Mr. Navin Agarwal to make his opening remarks. Thank you and over to you, sir.

Navin Agarwal: Good morning friends. It is my pleasure to welcome all of you to the Motilal Oswal Financial Services call for the first quarter of the financial year ending March '23. We hope that all of you and your families are safe and in good health.

Let me take you through the key highlights of the operation and the financial performance for this quarter:

In the first quarter, we have reported an operating profit after tax of Rs. 182 crores which is a growth of 40% year-on-year. This is being driven by Capital Market business profit after tax growth of 16% year-on-year.

Asset and Wealth business profit growth is muted at 6% year-on-year on the back of the mark-to-market in the AUM that we saw during the first half of this calendar year, which had its full impact in the first quarter for the financial year.

And finally, the Housing Finance business reported a very strong near 3.7x in profits year-on-year at Rs. 32.1 crore on the back of COVID provisions that were there in base of the last year and so this is a more normalized run rate of the profitability of the Home Finance business.

Our consolidated net worth stood at Rs. 56.5 billion. Net debt is at Rs. 41.6 billion and net of all the investments that we have made in various products of the firm, we have a net cash balance sheet. We have also successfully completed the third buyback of the firm since its listing of 14.5 lakh shares aggregating to Rs. 200 crores. Ever since our listing back in 2007, we have never issued shares in either the parent company or the subsidiary and have only engaged in buybacks effectively completing the third such buyback.

The key highlights for the first quarter include:

The Capital Markets business delivered consistent growth in various business parameters. We had a very strong growth of 160% year-on-year in the average yearly turnovers; meaningful improvement in market share, particularly in the very significant F&O segment; growth in active clients and client addition led by meaningful traction in the digital acquisition channel; robust net sales in the distribution part of the business; growth in the funding book; and investment banking mandate pipeline.

Turning to the Asset and Wealth Management businesses:

We saw good traction of flows towards the alternate assets. Our net revenue yield was intact at about 75 basis points during the first quarter. We launched newer products during this quarter in the asset management business. As far as the Wealth Management business is concerned, our net sales was Rs. 19.9 billion, up by almost 88% year-on-year. Our largest ever private equity fund raise – India Business

Excellence IV – with a target size of 45 billion completed raise of 40 billion till date and we expect to close the balance fund in the coming quarters. As far as Home Finance is concerned, we saw a pickup in our disbursements to Rs. 170 crores, up by 84% year-on-year. We saw traction in login and sanction pipeline, expansion in our sales force and collection team, and continued diversification of the strong liability franchise that this business enjoys.

Doing a little bit of a deep dive in the individual businesses:

The Capital Market business comprises of retail broking, institutional equities, and investment banking business. Revenues for all these three businesses combined stood at 608 crores, up by 19% year-on-year. Capital Market businesses accounted for 63% of the total revenues.

Profit was up by 16% to Rs. 909 million in the first quarter led by healthy volume growth of almost 160% year over year and 24% quarter on quarter and an improvement in our retail futures & options market share by 34 basis points on a quarter-on-quarter basis. In this business, we had a total of 210,000 new clients acquired in this quarter with traction witnessed in the online channel and active clients have registered a 43% year-on-year growth at 930,000 number at the end of June of 2022.

Our Incremental Demat Account market share improved by 40 basis points quarter on quarter to 3.1%. Our trailing 12-month overall ARPU was at 24,000 which is among the highest in the broking business. Our strategy to bring in linearity to trail-based distribution business continues. The distribution AUM grew by 23% year-on-year to 17,200 crores at the end of this quarter.

Our distribution net sales are up meaningfully year-on-year at Rs. 380 crores with only 16% of our 31-lakh retail client base tapped for single cross sell, we expect continued increase in the AUM and fee income over the coming quarters.

Our interest income increased by 64% year-on-year to Rs. 140 crores due to increase in the margin funding book to Rs. 2,030 crores at the end of this quarter. We have strengthened our digital ecosystem with focus on revamping the entire digital infrastructure and set up a data science team. We have reoriented the digital business unit and launched multiple digital products to this business. Impact of some of these should come through in the coming quarters.

In the Institutional Broking business, we have continued to see improvement in domestic client rankings. This has been a result of differentiated research products wide coverage. Investment banking continues to enjoy a reasonably strong pipeline, although execution has been extremely weak. As you know, there have been hardly any IPOs in the market during the current quarter.

Turning to the Asset and Wealth Management business:

Our AUM across mutual funds, PMS, and AIF stood at Rs. 43,400 crores. This was lower on a quarter-on-quarter basis because of mark to market. In fact, as I speak to you, our AUMs are now at about Rs. 46,000 crores before the end of July. Revenues for this business stood at Rs. 140 crores in the first quarter.

Our Equity Mutual Fund AUM stood at Rs. 27,400 crores based on this Rs. 434 billion end-of-quarter number. We have seen improvement in performance of some of our flagship products. We added

47,000 new SIPs in the first quarter with traction witnessed in active funds which saw a growth of double digit on a year-on-year basis.

Our share of alternate assets continues to be at the higher end of the spectrum at about over 35% of our total AUM. Our private equity business AUM stood at Rs. 11,400 crores across the three growth capital PE funds and 4 real estate funds. In the first quarter, revenues grew by 35% year-on-year to Rs. 31.8 crores. Our first private equity fund had delivered an XIRR of 26%. Track record of the past funds' performance both on the private equity growth capital as well as the real estate side has led to the largest fundraise IBEF-IV where out of the target size of Rs. 4,500 crores, we have already raised Rs. 4,000 crores and expect to close the balance in the coming quarters.

As far as the Wealth Management business is concerned, the AUM grew by 20% year-on-year to Rs. 34,400 crores. This obviously excludes the distribution business wealth AUM of Rs. 17,000 plus crores that I spoke about earlier. The wealth business revenues grew by 20% year-on-year to Rs. 47.3 crores led by net sales of about Rs. 2,000 crores which are up meaningfully year-on-year.

Our RM count of the business is at 143 and our trail revenues predominantly cover our fixed costs. Strong operating leverage is visible led by improvement in the productivity of RMs and we continue to invest in this business and are hoping to add between 40 and 50 RMs to this denominator of 143 number during the course of the current year ending March 2023. So, the overall asset and wealth business revenues stood at Rs. 219 crores, up by 9% year-on-year, accounted for 23% of the consolidated revenues; profits were at Rs. 58 crores, up by 6% year-on-year.

Finally, turning to the Home Finance business, this business reported a profit of Rs. 32.1 crores, meaningfully up year-on-year. NII grew by 15%. Net interest margins expanded to 7.7%. Yield on Advances stood at 13.7%. Cost of Funds was down by 69 basis points year-on-year to 7.9%. And as a result, our spreads improved by 64 basis points to 5.9%. Our disbursements were up strongly on a year-on-year basis to Rs. 167 crores and we are obviously looking to build on these disbursement numbers in the coming quarter very strongly. We will keep you posted in terms of how the traction continues.

Our gross NPAs were at 2.2% in the first quarter. Collection efficiency was 100% in the month of June. Our net gearing for this business is quite modest at 2.3x and our tier-1 capital adequacy remains quite robust at 51%. So, this business has obviously well capitalized and was also earning a recurring profit of Rs. 32 crores to be able to self-finance its growth at rates potentially higher than the industry growth given the small base that we have.

Fund-Based businesses include the sponsor commitments to our asset management, public market products, private equity products, real estate products, and other strategic equity investments. The total investments including unrealized gains stood at Rs. 4,440 crores as of June 30th.

Our total equity investments including alternate funds stood at Rs. 3,840 crores. The IRRs on our private equity and real estate investments are a particular standout at about 23%. However, our cumulative XIRR on all these investments that we have made till date since inception is at about 18%. We think of this like the Return on Equity of this money which is also quite liquid and is available as dry gunpowder for converting to operating assets as and when we have an opportunity.

To sum up:

All of our businesses have delivered robust and sustainable performance in the first quarter amidst a challenging environment. Our retail broking business, which is our cash cow, has improved its market share and is benefiting from market expansion and industry consolidation. Our strategy is to diversify our business model towards linear sources of earning continues.

Asset Management business should gain because of some improvement in the performance of our products. Wealth management business has a lot of headroom to grow given the small size in the context of the very strong brand that we enjoy. The private equity business, as I mentioned earlier, raised the biggest fundraise on the back of very strong performances of the past funds.

The Home Finance business has witnessed a solid run-in terms of disbursements improving, asset quality being under control, cost to income being reasonable, and is very well geared for building up from here given the low gearing and profitability of the business.

We will now open the floor for questions and answers.

Moderator: We will now begin the question & answer session. We have our first question from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: My questions are all on the Home Finance business. I will just ask the questions sequentially. There has been a small pickup in GNPA, so wanted to understand why. Secondly, I wanted to also understand your strategy in terms of construction finance where you said you will be tied up with Motilal Oswal Real Estate and what proportion of the book will be in such funding? And the third question was on the yield or interest rates charged to the customers. Given the higher rates that are there in the market, have you been able to pass on hikes and is it being done with higher EMI or did you need to lengthen tenure?

Shalibhadra Shah: On the first point, in terms of the asset quality, asset quality if you look at it from the new RBI circular perspective, from a quarter-on-quarter basis, the GNPA increase is only 19 basis points because we are still under the old method, and as of 30th September, this will get realigned. So, the focus is on actually collecting the complete overdue EMIs and that's why we are getting catched up with the new circular impact. Even in quarter 1, the collection efficiencies have been improving month on month. So, generally the whole industry stats had a lower efficiency in April-May, which starts getting catched up in the month of June and onwards. We are now almost over 100% collection efficiency. So, that should help us to better have the collections on the 90+ book. Even in terms of the asset quality, the increase in the NPA is also from a part of a restructured book. So, as we move ahead the curve, I think the overall collection efficiencies have been improving on the restructured book as well.

On the construction finance strategy, we have a very strong track record of investing in CAT A developers from a real estate fund management team. We already have about Rs. 5,000 crore assets under management in our real estate funds in our private equity business where we have done almost 110 investments and they have a very successful track record of exiting those investments at more than 20% IRR. So, we will be leveraging internal synergies to create a very strong good quality construction finance book in our housing finance business as well. While we have a good proportion of the retail housing finance book, the idea is to create a meaningful non-housing book through funding the CAT A developers and there we believe that this book will be close to 20% of our overall loan book.

In terms of the yields, while cost of funds for us, all our loans are driven by MCLR. So, as of now, the average bank MCLR increases 35 basis points and that impact would also actually come to us over the next period of 9 to 12 months. As the whole MCLR increase is mixed in our cost of funds, accordingly then we would take a call to increase the RPLR. At this juncture, there is no increase in the RPLR. Even across the industry, only one of the players in the affordable segment has actually increased the RPLR. Rest of the industry has not yet increased. We expect to maintain spreads over 5.5% in this business on a consistent basis.

Moderator: We have our next question from the line of Raj Jha from Edelweiss Financial Services. Please go ahead.

Dharmesh: My question is more towards the retail broking business, as was mentioned by Navinji that this is a cash cow business. I would like to understand it in three parts. One is, how the business was fairing pre-COVID? Obviously, during the COVID time, there was a huge traction or aberration happened and how the business is faring as of now? If you can break it on the run rate basis the type of traction which was there, both from industry perspective and from Motilal Oswal perspective. If Mr. Ajay can answer that this is Dharmesh here.

Navin Agarwal: As you know that the addition to the retail investor base has been quite dramatic in the last 3-4 years. If you have attended any of our earlier calls, we have always cited that given the under-penetration of equities in India, you will have phases of 5-6 years when this base will multiply at least a few times over. That happened if you go back in time in the decade of 2000 to 2010 which also coincided with very strong corporate profit growth. And we were of the belief that this can again repeat itself in the current decade and we also expect a very strong profit growth. If you look at the ADTO numbers, the ADTO numbers used to be Rs. 24,000 crores odd in the year ending March 2020 which is the pre-COVID year, rose to Rs. 44,000 crores in the year ending March 2021, was Rs. 88,000 crores in the year ending March 2022. And in the first quarter, it has already doubled to Rs. 1.5 lakh crores. So, I think typically there is a multiplication of the investor base and we believe that this number still will multiply from the current number as of 30th of June and even bigger increase in the ADTO. And with fewer and fewer players or the market consolidating in the hands of fewer players, those who are on the right side of consolidation will see disproportionate capture of its strong growth in ADTO. Our own model is slightly different. As you know that we believe in cross selling the more sustainable high quality investment products to these customers, this funnel really has been exploited to the tune of 16% as I mentioned in my opening remarks, and we believe that there is a long runway to convert many of these trading accounts or customers into a more holistic investment oriented customers. Usually that leads to increasing the life of the customer. Usually, a pure trading customer's life would be much smaller or shorter.

Dharmesh: I totally agree on that count, but do you see a drop in the run rate of new client acquisition and how much of the basket is going in for the funding route or are they pure cash cow?

Shalibhadra Shah: If you see, our overall incremental Demat market share has only improved in this quarter. While the total Incremental Demat Accounts opened have fallen on a Q-o-Q basis, but our market share on that had actually improved. By virtue of that, we have been able to acquire 2.1 lakh clients in this quarter. What was your second question on this?

Dharmesh: The new clients who are coming in the last 2 to 3 years of phenomena, are they going for NBFC funding routes for broking business or they are just pure cash which is coming in?

Shalibhadra Shah: It is the function of both. The clients are having their own money as well as they are taking the funding through the margin funding route. As far as the regulatory framework is concerned, the client has to bring his own upfront margin, but over and above that if he needs funding with a specified LTV, he exercises the margin funding route.

Dharmesh: That I understand. I just wanted to know whether there is a traction in the other route, I mean margin funding route?

Shalibhadra Shah: That's right, because year-on-year, there is an increase in the total funding book by 20% from Q1 of last year to Q1 of this year. While sequentially the book has remained flat, but if you see over many years, there has been a meaningful improvement in the funding book. Our funding book stands at Rs. 2,039 crores.

Moderator: We have our next question from the line of Samip Bhansali from Tata AMC. Please go ahead.

Samip Bhansali: The breakup that you have shown in the presentation, what was the 11% Others part in the book?

Shalibhadra Shah: That portion actually consists of loan against property.

Samip Bhansali: In the construction finance book, what would be your typical average ticket size?

Shalibhadra Shah: Average ticket size here is almost 20 to 25 crores.

Samip Bhansali: The NPA which has increased sequentially is more due to slippages from your restructured book. Any color on restructured book on where it stands and what amount has slipped from the restructured book?

Shalibhadra Shah: Restructured book if you see, there has been an overall improvement. As of now, the collection efficiency of that book stands at 82% versus the overall collection efficiency that we report. So, there is marginal slippage from that book which is arising in this last couple of quarters from that book. Overall, we expect the slippage to be around 25% of that total book.

Samip Bhansali: Can you share the quantum – what is the amount of restructured book?

Shalibhadra Shah: The restructured book stands at Rs. 322 crores.

Samip Bhansali: Lastly, as per the new norms, your NPA would have been around 2.8%. If I have to compare it sequentially last quarter, would you have a similar number?

Shalibhadra Shah: Yes. Actually, that number is 2.75% as per the new norms. If you were to compare it sequentially, it is 2.56% at March end.

Samip Bhansali: Any further higher impact on credit cost do you see due to transition to the new norms or recognition as per the new RBI norms in our P&L?

Shalibhadra Shah: No, we have fully provided for that in quarter 3 and quarter 4 of the last financial year. We have fully digged in the new norms provisioning because even if you see our Stage 2 assets, they are provided higher as if the Stage 2 assets are Stage 3 assets itself.

Samip Bhansali: How is the book which you would have originated with the Motilal Oswal Real Estate team? How is it performing? Any initial trends that you are seeing there?

Shalibhadra Shah: No, not at all. There is no overdue on that book. It is fully performing.

Moderator: We have a question from Kajal Gandhi from ISec. Please go ahead.

Kajal Gandhi: I wanted to understand, in your brokerage, you have mentioned that your ARPU is one of the highest. In that, what will be the share of sub-brokers that may be coming to you? And what is the formula that you are using for your ARPU calculation – basically the underlying?

Shalibhadra Shah: Formula used is trailing 12 months revenue divided by the active customers. And as far as the ARPU mix is concerned, almost half of our business comes through the franchisee channel. So, it's a blend of that which gets accounted in the overall assets.

Kajal Gandhi: Any color on your brokerage in terms of retail and institutional?

Shalibhadra Shah: We don't give that out separately.

Kajal Gandhi: The second question is, in the new customers who are coming on the platform, how much are purely digitally acquired or other modes? And when we say digitally, it is like 100% on their own or it's online and we assist? How is the client acquisition happening in the new customers? And whether most of them are coming under your flat brokerage or the discount plan?

Shalibhadra Shah: First, we do not have any discount plan or a flat brokerage. We completely have an ad valorem structure. As far as the client acquisition is concerned from any channel, whether it is acquired through our digital channel or through our franchisee channel or through our PCG channel or through the branch, all have an ad valorem model. As far as the acquisition mix is concerned, almost 60% of the new clients are coming through the digital acquisition channel.

Kajal Gandhi: There is no assistance across in this thoroughly fully digital or there is some assistance?

Shalibhadra Shah: These are fully digital channels through the online lead generation route. It is a fully digital route of acquiring customers.

Kajal Gandhi: Have you seen any impact of this 50% cash margin for the intraday and all?

Shalibhadra Shah: That is something which is a 50:50 rule which has come from 1st May. If there is an ineffective client, in the sense that if he brings in a higher non-cash portion, to that extent the broker can meet the margin requirements. We have not seen any impact because of that. In fact, it would only add to our funding revenue because the inefficiency would be passed on to the customer.

Moderator: We have our next question from the line of Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha: The first question is just on this rule change from 1st May. Can you elaborate exactly what the change is and what sort of impact it could have? Second, I see your funding book has stayed quite strong. I would have expected it to be more volatile, especially given what is happening in the markets. What do you think is the reason for this resilience and do you think it can sustain if markets continue to be the way they have been in Q1? Would you expect it to drop? Or the nature is something else? Maybe you can comment a little bit on that. And what is the net sales in the listed AMC business for the quarter? Finally, I am not sure whether you have given the SIP numbers or maybe I have missed them in the presentation. So, maybe you can give that out as well. Those would be my questions.

Shalibhadra Shah: As far as the new 50:50 rule is concerned which is effective from 1st May, what it means is that the form of margin was earlier required by the broker at an overall level to be kept at 50:50. It was not required by the clients to be brought in the 50:50 fashion; 50% cash component 50% non-cash component. For example, if the customer brings 100% margin in the form of shares, which is typically the case in our derivatives, now the customer has to bring in 50% in the form of cash and 50% in the form of shares. But if he doesn't do that, still we as a broker can actually fund that exposure to that extent. In fact, as I highlighted in the earlier question, that would improve our overall funding and the interest income on the book. That is the impact of the 1st change. To that extent, today we have almost around Rs. 6 billion of that mismatch which we have funded through bank guarantees in the exchange.

Madhukar Ladha: When you fund this 50%, you would charge interest to the customer on that Rs. 6 billion additional in a way you have given to the exchanges, right? So, it is almost like margin funding in a way, right? Or again, for shares, sort of a T+5 or margin funding whatever you want to call it, the money can be used anywhere. He has the 100% shares with you for which you have given 50% funding for him through a limit.

Shalibhadra Shah: As far as the pricing is concerned, because as the circular came in the month of May, we had evaluated the whole impact and actually from Q2 onwards, we will see the pricing implication to the customers on that. We were just trying to see how the book stabilizes and from Q2, in fact, we have started passing on that cost to the customer. As far as the funding is concerned, this is not exactly like a margin funding because this is given in the form of bank guarantee. So, typically, you don't have to have the whole cash component borrowed for funding the customers.

Madhukar Ladha: Is this amount included in the 20 billion loan book that you have shown?

Shalibhadra Shah: No, it is not included because it is an off-market exposure through the bank guarantees.

Madhukar Ladha: So, this will actually become 26 billion in a way.

Shalibhadra Shah: Yes, that's right. There is a difference in the pricing from the margin funding book to this because the costs are lower for a bank guarantee versus the borrowing.

Coming to the overall funding book, the funding has been flattish on a quarter-on-quarter basis because the cash volumes have been down in the market by almost 23%. We are seeing that impact while there was also some impact of the overall regulatory framework since the last few quarters. Given that on a year-on-year, still our focus has been to improve the margin funding book and that is almost up 20% on a YoY basis. The focus will continue because the new clients that have come in and are becoming active. We are also focusing on funding those customers. We will see a meaningful improvement of the increase in the funding book over the next few quarters as well.

Madhukar Ladha: Despite the market volatility, it has held up well. Actually, I meant it in that way that despite market volatility, it has held up well. And you expect it to continue despite markets not really doing that well?

Shalibhadra Shah: The impact in QoQ was flattish. In fact, otherwise it would have grown if the cash volumes would have been better. That is the overall impact.

Coming to the question on the net sales in the AMC business, the net sales stands negative at 2.7 billion. That also includes the overall impact of the RBI regulations on not allowing the international investing in a couple of large passive funds. To that extent, we have seen the overall flows getting negative because of the impact of the offshore investing. While there is a strong net flow on our alternative funds, that continues to be improving overall. However, because of the MF passive, there was negative net sales of Rs. 2.7billion.

Madhukar Ladha: The outflows were seen more in PMS?

Shalibhadra Shah: PMS side gross sales have been improving in fact year-on-year as well and redemptions have been lowering, but overall net flow is negative.

Madhukar Ladha: SIP numbers, you have not shared.

Navin Agarwal: SIP numbers this quarter were 340 crores. As you know that about 300 crores of quarterly SIP flows into passive funds have been discontinued and so this number is after that impact.

Moderator: We have our next question from the line of Rushab from Guardian Capital. Please go ahead.

Rushab: I had a couple of questions. First, what is the growth guidance we are looking for in the next 2 to 3 years in terms of revenue as well as net profit? Secondly, we had a buyback call last month. I wanted to understand what was the buyback you meant for. These are the two questions I had.

Navin Agarwal: We don't really give out any guidance. As I articulated in the opening remarks, we are very optimistic about how the entire broking business can grow as there is more and more financialization of savings, and within that, the share of equities has gone up and we are a pure play on that across our various businesses. As far as the private equity business and the Wealth Management business is concerned, they have both seen very strong traction. The public market asset management business has consolidated and its performance is improving. We are very hopeful that like in the first round we saw AUM build up from 1,000 to 50,000 crores, our next leg will be equally exciting. As far as the Home Finance business is concerned, I talked about acceleration in our disbursements, very low gearing. So, a strong growth well above the market growth through internal accruals of that business should continue. We see a very strong growth in the Capital Market franchise on the back of our positioning where we are gaining market share. I gave you those numbers of overall gain in market share, also the gain in FNO market share. We spoke about the Asset and Wealth Management businesses and the Home Finance businesses. All three of them, we believe, have a lot of headroom to grow in the coming years.

Buyback has been completed; 200 crores is the amount that was proposed and that amount is fully done and completed during the current quarter.

Rushab: I just wanted to understand what was your buyback for and the buyback price was around 1200 per share whereas the current market price is around 700 if I am not wrong. So, I wanted to understand the differential there.

Shalibhadra Shah: The buyback was done through the tender offer route where typically the buyback price was at Rs. 1,100 which was almost at around 25% premium to the current market price when the buyback was announced. This buyback is typically where promoters have also participated in the whole process. Our total payout includes dividends and also in the form of buyback.

Moderator: We have our next question from the line of Yash from Dante Equity. Please go ahead.

Yash: First question is on your private equity management business, what are the kind of opportunities that you are looking at right now in this current market scenario? Also, as far as the housing finance business is concerned, what is your market view as indexes are going up now? I am not asking for guidance. I am asking for a view, basic commentary.

Navin Agarwal: Basically, as I mentioned to you, we have completed 4,000 crores of raise out of the 4,500 crores of targeted raise. We have received an overwhelming response. So, in the coming quarters, we should close this fund. We will be making about a dozen investments of the order of 400 crores range of size of investments. This business has a 15-year vintage and the first fund had returned money at an IRR of 26.8%. We are very excited about the prospects and the investment opportunities that this business has been offered and we continue to announce in the coming quarters our traction on deployment of these proceeds. As I speak to you, there are almost four transactions that have already been finalized and you will see updates on those in the coming quarters. That's the growth capital side of the business. As far as the real estate side of the business is concerned, that also has had a very spectacular track record. By vintage, it is also 15 years old, and we are in the process of also filing and raising a fund in the second half of this year as far as the real estate funds are also concerned. We have not had any delinquency through the poor real estate cycle in the last decade and the gross IRRs have been of the order of 20% in that business. The net IRR and net of taxation also have been superlative compared to any other alternative avenues that are available out there. Basically, both the businesses are very large in terms of their ability to scale up, but we have chosen to scale them up only gradually so that the performance delivery is not impacted and you will see us announcing fundraises almost on an annual basis. And deployments as and when we do them, you will see us making those announcements on a quarterly basis.

Your second question was about the Home Finance. The outlook of the mortgage finance business continues to be quite positive. You know that the HDFC Limited Affordability Index is at a decadal best as incomes have grown and real estate prices have been stagnating to lower and so we think that volumes will improve. The sentiments have also improved. You must have seen the new house registration data across all the key cities. We believe that the same impact will be reflected in the affordable housing business also, but maybe with a little lag given the impact of COVID on jobs in general. But I think the market itself is very large and we are very tiny in the overall scheme of things. For the mortgage business, overall, we see acceleration notwithstanding the marginal rise in this. We also don't see rates really rising too much. You must have already seen commodity prices come off. We are optimistic on the overall mortgage business growth, affordable housing growth, and our own growth in particular given how small we are and how well positioned we are both in terms of the liability franchise as well as our right distribution network of over 100 branches all over India.

Moderator: As there are no further questions, I now hand the conference over to Mr. Shalibhadra Shah for closing comments.

Shalibhadra Shah: On behalf of Motilal Oswal Financial Services, I would like to thank every participant for attending the Q1 FY23 Con Call. If there are any further queries, please do get in touch with me or our investor relations desk. Thank you and have a good day.