Motilal Oswal Financial Services

Con-Call Summary & Earnings Release

Q2FY24

02nd November, 2023

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 Motilal Oswal

Managing Director & CEO

Mr Navin Agarwal

Director & CEO- AMC

Mr Ajay Menon

CEO- Broking

Mr Ashish Shanker

CEO- Wealth Management

Mr Sukesh Bhowal

CEO- Housing Finance

Mr Shalibhadra Shah

Chief Financial Officer

Mr Chetan Parmar

Head- Investor Relations

– **Mrs. Michelle - Moderator:**

– Good afternoon, ladies and gentlemen. I'm Michelle, the moderator for this conference. Welcome to the Q2FY24 Earnings Conference Call for Motilal Oswal Financial Services Limited. We have with us today, Mr. Raamdeo Agrawal, Chairman; Mr. Motilal Oswal, Managing Director; Mr. Navin Agarwal, Director and CEO, AMC, Mr. Ajay Menon, CEO, Broking; Mr. Ashish Shanker, CEO, Wealth Management; Mr. Sukesh Bhowal, CEO, Housing Finance; Mr. Shalibhadra Shah, Chief Financial Officer; Mr. Chetan Parmar, Head Investor Relations.

– As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

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

– Good afternoon, friends. It is my pleasure to welcome all of you again to the Q2FY24 conference call. I want to take this opportunity to wish all of you a very happy upcoming Diwali season and a fabulous New Year. Let me now take you through the key highlights of our performance.

– We reported an overall half yearly profit, including OCI of Rs. 12.27 billion, which is up by 130% YoY. Our consolidated revenues for the second quarter stood at Rs. 14.16 billion, up by 30% YoY. Consolidated operating profit after tax during the second quarter was at Rs. 2.88 billion, up by 26% YoY. Net worth stood at Rs. 74.6 billion, up by 25% YoY. And our fund-based investment book stood at Rs. 54.7 billion with XIRR of 17.5% since inception.

Capital Market Business

– Turning to our segmental performance, starting with the capital markets. We have the highest ever quarterly capital market business profit after tax at INR1.8 billion in the quarter, up by 33%, led by continued traction and improvement in our market share across the cash and the Future and Options segment.

– Our retail cash, ADTO market share grew by 121 bps YoY, and nearly 90 bps QoQ to 7.1% now. Our retail F&O premium market share stood at 7.5%, up by 30 bps QoQ. Retail F&O, ADTO market share grew by 74 basis points YoY, and by 26 basis points QoQ to 4.6%. And our overall ADTO grew by 137% YoY and 27% QoQ.

– NSE active clients stood at 7.98 lakh as of September 2023, and the market share was 2.4%. We acquired 191,000 odd clients during the second quarter. Our distribution AUM grew by 24% Y-o-Y to nearly Rs. 25,000 crores and our distribution net sales were about Rs. 6.19 billion during the quarter.

– Our Investment Banking business has completed 8 deals during the first half of the year.

Asset & Wealth Management Business

- Turning to Asset & Wealth business, our profit after tax was flat at Rs. 682 million, mainly due to low AIF upfront income because of changing AIF regulations in April '23 and also increase in employee cost on account of continued RM hiring in the wealth management business.

- Our asset management business across mutual funds, PMS and AIF stood at Rs. 551 billion, up by 18% YoY. Our revenues for the quarter stood at Rs. 1.5 billion, up by 5% YoY. Mutual fund AUM stood at Rs. 358 billion. Strong performance across our active mutual fund schemes resulted in 110% Y-o-Y growth in our gross sales. We added 210,000 new SIPs during the second quarter. This was up nearly 3x YoY and by over 60% QoQ. And our SIP flow market share improved by about 0.5% on a YoY basis.

- Wealth Management AUM grew by 91% YoY to Rs. 734 billion as on September. Strong net sales of Rs. 23 billion in the second quarter was up by 66% YoY. Our Wealth business revenues grew by 11% YoY to Rs. 571 million.

- Private equity fee earning AUM stood at about Rs. 98 billion across our private equity growth and real estate funds.

- In second quarter, revenues grew by 18% YoY at Rs. 461 million. We are pleased to share also the launch of our sixth real estate fund, adding to our diverse investment product suite.

Home Finance Business

- Turning to the Home Finance business. Our focus continues to be to meaningfully ramp up our sales force and also simultaneously improve the productivity of the sales force. During the second quarter, we've expanded our sales team by onboarding 187 net sales RM, taking the total count to 629. We would like to grow this RM count to 1,000 from 629 by March '24, in another 5 months' time. Our efforts to boost productivity has started yielding results. 80% of our log-ins are now approved within a span of 2 days. Additionally, our log-in to sanction ratio has improved to 42% in second quarter compared to 36% in the first quarter.

- Moreover, we've taken significant steps to ramp up our sales distribution framework. This includes setting up of a dedicated team catering to small and large distributors, our direct sales ensuring more efficient approach to our overall sales process.

- The housing finance business profit stood at Rs. 328 million in the second quarter, and disbursements during the quarter were at Rs. 2 billion, up by 112% QoQ. Our objective is, as we grow the sales team meaningfully to 1,000 count by March '24 on a QoQ basis, this Rs. 2 billion disbursement number in the coming quarters should meaningfully ramp up.

- Our AUM stood at Rs. 37.2 billion and with the growth in disbursement after staying flat for a few years, we hope to grow the AUMs also strongly.

Industry Opportunities

- I'll spend the last few minutes on how we look at the larger opportunity for the Motilal Oswal Financial Services firm, what choices we are making to tap this opportunity and the milestones we are setting for ourselves for the foreseeable future. The big picture, as we see, it is very exciting for the overall financial services business and specifically for each of our businesses.

- Over the last 25 years, India generated gross savings of about $13 trillion. As per a study done by us, we expect this to rise meaningfully to over $100 trillion in the next 25 years, led by various factors, including an ascend in India's rank to top 3 with a GDP of nearly 10x of the current size. We expect this to throw up exponential opportunities for our capital market, asset and wealth businesses, in fact each of our businesses.

- By the context, retail participation has increased immensely over the last decade with a strong addition in demat accounts, which have grown nearly 3x in the last 3 years itself. This has led to a strong growth in retail broking ADTO, which has grown by nearly 12x in the last 3 years.

- Motilal Oswal with its digital strategy provides the best of both the worlds to its customers. During this 3-year period of strong 12x growth in the market ADTO, we have, in fact, been able to grow our market share by 1/3 from 3.6% 3 years ago in September '20 to 4.6% now in September '23. Our retail market -- cash market share during this time period has gone up from 5.4% to 7.1%.

- In FY23, Motilal Oswal has ranked among the top 3 in terms of gross brokerage revenue after Zerodha and Angel. Our focus remains with all the initiatives that we are taking to further improve our market share in this fast growing market. With over 2,500 experienced advisers on our own roles who apart from broking offer a bouquet of financial services solutions, our distribution AUM has also grown strongly at a 30% CAGR in the last 3 years from Rs. 11,000 crores in September '20 to over Rs. 25,000 crores in September '23.

- On a large client base of over 4 million clients, the current cross-sell ratio stands at under 6% and is a focus area for us. We are in the process of strengthening our team meaningfully here to, with an objective of ramping up the AUM from the Rs. 25,000 crores number in the coming years.

- The persistent efforts of the Indian distribution community and AMFI, we have witnessed strong growth in industry SIP flows and mutual fund AUM too. In the last 7 years, the monthly SIP flows have grown at a compounded 23% per annum and at a record high of Rs. 16,300 crores in the last month of September compared to a mere Rs. 3,000 crores 7 years back. We believe our asset management business is well positioned to tap into this opportunity.

- Our QGLP investment philosophy with clear focus on high-quality, high-growth investments has been reoriented to deliver sustainable performance from highest performances earlier. This has resulted in improved fund performance across the board, in turn driving the strong flows and market share in both the mutual fund and the alternate side.

- The net sales of our mutual fund business turned positive backed by top quartile performances across the schemes like mid-cap, large and mid-cap, balanced advantage fund. Our market share for the month of September for our large and mid-cap fund was at nearly 4% and for a mid-cap fund was nearly 8%. The overall market share of the firm stands at a tad under 1%. As you may have seen through the presentation, we look to at least double this market share in the coming quarters.

- This will be supported by a strong recovery in our flagship scheme, Flexi Cap, on a 1-year basis now is generating positive alpha. Also in our SIP side, we have seen our market share grow from 0.9% to 1.4%, and thereto, the drive is to take this market share up meaningfully higher.

- On the Alternate side, 16 out of the 19 products that we manage for clients have outperformed the benchmark. And here again, our aim is to get back to the leadership position in the Alternate space. Our volumes for AIF has picked up in the second quarter post the regulatory changes where there was a ban on upfront revenue in the first quarter. Our thematic fund founder strategy was launched just 2 quarters ago has already garnered an AUM of over Rs. 1,000 crores and has been onboarded by various retail and wealth platforms.

- Further, we've seen onboarding by the top 3 retail banks of India for our AMC products in the recent past and hoping to meaningfully ramp up our AUMs in the coming quarters with these banks.

- Turning to our private wealth business, we have clearly laid down our strategy to strengthen the relationship manager base in FY '21 to reach 300 RMs by March '26. We are on course for that plan and have added 39 RMs over the last 6 months to reach an RM count of 221 as of September '23. This number was 128 three years back. Investment in RM has brought down our operating profit margins of 25% compared to the historical trend. We expect to recoup these margins in the coming years as we newly onboarded RMs turn are profitable.

- The net worth of the Motilal Oswal Financial Services firm has grown at a 23% compounded rate over the last 8 years and this is after an average dividend payout during this 8-year period of 26%. Our focus to increase the net worth compounding led by the turnaround in the asset management business performance, the home finance business performance, the private wealth improvement in margins and the investment banking business performance, coupled with the improving IRR that we hope to achieve in our investment book through the reallocation that we've proposed make us very excited about continued growth in net worth at a similar, if not higher pace than the 23% compounding in the last 8 years. We remain excited overall about all our businesses, and we are now open for Q&A. Thank you.

- **Mrs. Michelle- Moderator: -**

- Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Namit Arora from Indgrowth Capital.

- **Mr. Namit Arora – Participant:**

- Thank you for a very detailed presentation and the very helpful detailed remarks. So I had 2 questions. One was around private wealth, which is the sunrise sector. So we are given to understand that there's a very attractive private wealth opportunity even in Tier 2, Tier 3, Tier 4 towns in India. So would be grateful for your thoughts on your strategy, if that's a priority for you, Tier 2, Tier 3, Tier 4? What's your strategy in private wealth to capture that opportunity?

- And sir, my second question was around the broking business. Would be grateful for your thoughts on the discount broking opportunity, and given that your institution has had a very razor-sharp focus on equity over many decades, if there is a plan to leverage that and the way you intend to approach the broking opportunity, if at all, discount broking is of interest?

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

- As Navin mentioned in his opening remarks, we are adding bench strength in terms of RMs in the private wealth business. Now these RMs are also being added in Tier 2 towns. Like you rightly mentioned, there is a lot of liquidity events and wealth creation happening in towns outside of the major metros. So we've added Mysore this year. We've added offices in 3 other locations in Gujarat. We will be adding offices in UP very soon. Similarly, we will be adding an office in Indore. We are looking to onboard somebody in Raipur. So whilst we're adding bench strength, some of that bench strength is being added in Tier 2 towns. So we are cognizant of the opportunity, and we'll be looking to capitalize on it.

- **Mr. Shalibhadra Shah – CFO:**

- To answer on the discount question, so our strength is on advisory side of the business, we have built the business for advising to our customers and we're one of the largest number of advisors in our retail broking business.

- So we don't have any plans to go because discount way, because there's a lot of focus to improve our distribution and overall NII along with the brokerage revenues, where advisors would not only do broking, but even do cross-selling of all the third-party distribution products, where we are actually ramping with a lot of team. So there is no plan of us to go on the discount side of the broking.

- **Mrs. Michelle- Moderator:**

- We'll take the next question from the line of Vivek Ramakrishnan from DSP Asset Managers.

- **Mr. Vivek Ramakrishnan – Participant:**

- This is Vivek Ramakrishnan. I had a couple of questions. First, on your housing finance business. Where you're hiring, but the AUM if you see QoQ has been pretty stable. In fact, if you take it from the March quarter, it seems to be lower only, and you can see that. So how does the cost-to-income and when does the business become a greater scale? And any commentary on the GNPA and NPA numbers? That will be question number one, on the housing finance.

- I'll also ask a question on the other business. In the capital market business, we see that your interest income has gone up a lot. Is it because of growth in loan size, because if we subtract it from the total loan size, if you see, there seems to be a big large portfolio. So could you tell us any color on how big it's going to get. And I mean, where do you expect that end?

- **Mr. Shalibhadra Shah – CFO:**

- So on the housing finance side, so overall, as we said at the start of the call, so actually, the idea is to ramp up our sales engine. And actually, in quarter 2, we've added 187 sales RM, and there's a strong plan to add RMs, which would improve our throughput of disbursements. So far, if you see overall QoQ, our disbursements have gone up from almost Rs. 93 crores in Q1 to Rs. 197 crores in Q2. So there is certainly improvement in our monthly run rate of disbursements.

- The corresponding AUM would also tend to grow up in line with that. On the cost-to-income side, it would marginally go up, given that we are in hiring phase and investment mode in this business. However, if you see our other revenues have also started increasing, which would more than compensate this proportion once our investment completes in the next few months. So to that extent, you will see the overall ROA getting stabilized

- Coming to the asset quality on a QoQ basis, there is improvement in the overall collection efficiency. Quarter 1 starts at a lower efficiency and quarter 2, we have catched up with the efficiencies and the asset quality is very stable, and we expect to maintain the gross NPA levels below 2% and net NPA levels below 1.5%. That is on the overall housing side.

- And coming to the question on the NII on our capital market side of the business. So there is certainly, a ramp-up of our lending book that has happened on a YoY basis and which has led to improvement in the NII and the overall activity improving at the overall active client's level as well.

- The plan is to keep this overall; as our equity has also been growing, if you see YoY at 25%, on YoY basis and even 23% CAGR over the last 8 years. So that gives us a headroom to actually leverage and take the opportunity of those HNI clients where we can lend this money and that's one of the reasons where we are focused to ramp up this number. So we would be maintaining this overall leverage within the overall 2x ex-housing covered. So accordingly, we'll be growing with that number in mind.

- **Mr. Vivek Ramakrishnan – Participant:**

- So just on the home finance, your AUM has not increased despite the fact that you think the disbursements have increased. Is it that the runoffs and disbursements are just matched with each other? Or are you seeing some business transfer out? So when do you see the jump in AUM, I mean, you're hiring people. So I mean, like I don't know whether you give guidance, but if you look at March '24, where would you see the AUM housing finance business?

- **Mr. Shalibhadra Shah – CFO:**

- So firstly, I think March '22 to March '23, if you see last financial year, the AUM has grown by 10%. Coming to the current financial year, so we have a component of almost 14% of the construction finance book on our portfolio. And in quarter 2 of this year, there is more prepayments of that part of the loan because of the faster inventory sell down and to that extent, there is almost Rs. 50 crores of higher prepayment happened on the construction finance side of the book. That is one of the reason. However, retail book has actually grown on a QoQ basis.

- **Mr. Vivek Ramakrishnan – Participant:**

- Well, that's great. And wish you all the best, and festive season greetings to you all.

- **Mrs. Michelle- Moderator: -**

- We'll take the next question from the line of Namit Arora from Indgrowth Capital.

- **Mr. Namit Arora – Participant:**

- I had just 1 more question. This was to Sukesh. Given that Sukesh and Shobhit and Rajesh and the team are building the business probably as a sort of fresh charter, new charter. I'm interested in Sukesh's thoughts on positioning in terms of your focus, let's say, ticket sizes, products, geographies, given that housing finance is a very large opportunity. So some thoughts on strategy and how you're prioritizing your time management bandwidth and capital given that it's also a very competitive space?

- **Mr. Sukesh Bhowal - CEO- Housing Finance:**

- Thanks, Namit. The strategy right now is to improve our sales and distribution bandwidth and, we have right now an average sales FOS of only about 500, which is very small compared to the competitors, and we are focusing on ramping that up to reach a level of 1,000 FOS by the end of the year. And currently, the strategy is to ramp up this FOS only in the existing branches, which is about 111 branches that's spread across the country.

- The focus remains on the affordable housing space at the moment because that's where the larger opportunity is existing. The focus of all the major banks is on the salary segment, where the yields and the NIMs are much lesser, so our focus remains on the affordable segment where the NIMs are higher and the opportunity is much larger and the competition is also less intense. So we expect to thrive in that segment for the moment and grow our disbursement run rate to a much higher level in line with the growth in our team size. That's the short-term and near-term plan as of now.

- **Mrs. Michelle- Moderator: -**

- We'll take the next question from the line of Kajal Gandhi from ICICI Securities.

- **Mrs. Kajal Gandhi – Participant:**

- Congratulations on a good set of numbers. Sir, a couple of things. So right now, we are seeing ASBA earlier was planned on only UPI platform, and now is expected to be in a different fashion. So you see any impact there? And my second question on recently, SEBI has spoken about exchanges pass back, which is getting passed on to the brokers. So what is the amount that we get as a pass back? And what can be the impact of this in future?

- **Mr. Ajay Menon- CEO- Broking:**

- So coming to the first point, I think the implementation is going to be very slow, and it is not going to be compulsory to start off with and with the RBI implications on UPI, I think the impact will be comparatively very low as far as what we feel and for the clients which we are managing, I don't think we'll have a big impact on that.

- Coming to the discount on the transaction charges. I think it's still a discussion thing which we see the SEBI has to come back on. But if you look at our overall number of orders, that will be comparatively lower for us because we are looking at much high-value clients. So the impact on that will be much lower compared to the discount brokers to that extent.

- **Mrs. Kajal Gandhi – Participant:**

- And sir, how does this pass back work for broker generally? It is basically a number of orders, value?

- **Mr. Ajay Menon- CEO- Broking:**

- So basically, what happens is that there is a slab system from the exchanges. So the client is charged at the highest slab, whereas the broker gets charged at the lowest slab, the moment he crosses the x-volume. So the difference is to the credit of the broker. So typically, for discount brokers, this number becomes very high. So they are getting the benefit of it from being charged at the lowest slab, whereas they charge a client at the highest slab.

- **Mrs. Michelle- Moderator: -**

- The next question is from the line of Hitesh Gulati from Haitong Securities.

- **Mr. Hitesh Gulati- Participant:**

- Sir, my question is on the capital market segment. So if you look at the operating expenses here, especially employee expenses and commission expenses for the quarter, they are up by more than 30%, almost in line with brokerage revenue, which is also up by 30%. So can you throw some light on what we are exactly trying to do here because we are adding a lot of employees in this segment and commission expenses maybe linked to brokerage revenue. The second question, sir, is on the interest income, again, our interest income is up by 90%. So is this mainly due to the margin funding book accretion. And if you can throw some light on this as well?

- **Mr. Shalibhadra Shah – CFO:**

- So addressing to your first question, so actually, revenues in the business have actually grown by 41% on a YoY basis, while broking revenue has grown by 32%. and with this revenue increase of 41%, the people cost has actually grown by 39% in our business.

- Now this 39% growth also includes upfronting of the provision for our variable payouts, which we have actually embedded in quarter 1 and quarter 2 of this financial year given the strong performance of this year. So that is also one of the reasons where you would see a bit of a higher proportion of the people costs coming in because of the higher revenues on our investment banking business as well as institutional equity revenues on the broking side.

- Also, we continue to invest in talent especially on distribution side of the business and on our PGC channel because of which we have been adding more senior talent also overall on a last 12-month basis. That is also one of the reasons for our increase.

- But overall, operating leverage-wise, it is up by almost 300 bps on a YoY business. So if you look at our capital markets segment, if you calculate the operating leverage, on the net revenue basis, that is up by 300 bps YoY. So despite investing, we are continuing to improve our operating leverage as well.

- Coming to the interest point, interest income is up 90% mainly due to increase in the NIMs, so we have passed on impact of our interest increase in the last 2 quarters, we have been passing on that impact. And in Q2, we have actually improved our NIM by almost 65 to 70 bps on our interest lending book.

- The lending book comprised of certainly the margin trade financing book, basically, where there is increase in the growth of this book. The book has almost doubled, given that earlier we were doing IPO financing and that opportunity is not there now.

- So given our strong balance sheet and net worth growth, again, this gives us an opportunity to leverage, and that is one of the reasons why we have increased our lending to HNI clients, especially on our private client group channel and the franchise channel, that is resulting in increasing in our interest income.

- **Mrs. Michelle- Moderator:**

- We'll take the next question from the line of Vignesh Iyer from Sequent Investments.

- **Mr. Vignesh Iyer – Participant:**

- Two questions from my side. First is on the Home Finance side of the business. Just wanted to know, we seem to be stabilizing in this year, but the sector we cater to, affordable housing is showing lot of traction. So what kind of AUM can we expect from FY '25 onwards? The second question is on the balance sheet which shows cash of around INR13,500 crores roughly. Can you tell me how much of that cash actually belongs to the company? And what is the cash that belongs to our customers?

- **Mr. Sukesh Bhowal - CEO- Housing Finance:**

- Yes. Thanks, Vignesh, for your question. As we mentioned earlier, we are ramping up our sales force from around 500 at the start of the year to end at 1,000 by the end of the year and despite the fact that we've added a lot of people, we have been able to maintain our productivity.

- And we are, of course, in Q2 itself, we have seen our disbursement grow in line with the added investment. And with the further maturing of our sales team, we expect the productivity to further improve. So our disbursement run rate on the retail side should continue to grow in line with the addition of sales capacity, and we expect the AUM to grow accordingly on the retail side for the next year.

- **Mr. Shalibhadra Shah – CFO:**

- Coming to the question on the cash and cash equivalents. So as the overall consolidated balance sheet level, Rs. 2,900 crores of cash and cash equivalent pertains to our own surplus cash on the balance sheet. Rest belongs to our basically creditors and the business.

- **Mr. Vignesh Iyer – Participant:**

- Okay. Sir, but if you could just give a ballpark number of what AUM growth is possible, like 20%, 25% AUM growth possible in FY '25?

- **Mr. Sukesh Bhowal - CEO- Housing Finance:**

- While we are not giving a guidance right now, but with the expected growth in our disbursement numbers, we expect a healthy trajectory of growth of AUM in the next year.

- **Mrs. Michelle- Moderator:**

- The next question is from the line of Namit Arora from Indgrowth Capital.

- **Mr. Namit Arora – Participant:**

- My question was to Navin ji, on MO AMC. Would be grateful for your thoughts on efforts to enhance market share besides the growth of the market itself and your thoughts on how you are focused on trying to enhance market share for MO AMC?

- And secondly, your thoughts on the entire active versus passive debate? And does the AMC have a strategy to capitalize on that opportunity as well in a fashion in a more aggressive manner, active versus passive as well as ETFs and other products?

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

- Yes. So as far as our mutual funds are concerned, I highlighted to you that our market share in 2 of the MF categories where the funds have been doing well for a while, has already touched a 4% for the large and mid-cap category, 8% for the mid-cap category. This compares with an overall market share of 0.9% in terms of the share of AUM in the total outstanding equity AUM.

- I also highlighted that we have been on-boarded by the top 3 scale banks in the last few months that is in process where the entire banking channel Pan-India starts selling these products. Even the larger category, which is a balanced advantage fund category, our fund is among the highest ranked funds in 1, 2, 3-year time period there. So that's a large category as well.

- And finally, I highlighted that our flagship Flexi Cap Fund, which was market leader in that category at one point in time, has also on a 1-year basis, now started delivering alpha and is in the top quartile of performance. So it is a very broad-based recovery combined with onboarding by both the retail channels, national distributors and IFAs as well as by the banks and wealth channels.

- And so that is reflected in improvement in gross flows reflected in the first quarter of positive net sales. We think that we have a long way to go as far as the ramping up of the market share here. Also, I highlighted that bulk of our Alternate asset products, such as the founder strategy, value migration strategy, the mid-to mega strategy, business opportunity strategy, the India growth funds. I mean across the board, each of the products are performing top quartile, and we are seeing very strong distribution onboarding there too.

- In fact, for the month of September and October, even in the alternate space, we have seen very strong positive net sales when there is a slowdown in the overall market. So the investment philosophy has been pivoted to more sustainable performance than the max performances, which I highlighted earlier. This is reflected in the performance of most of the mutual fund in Alternate products. This is also reflected in the onboarding of the products by the various distribution channels.

- As I said to you, sales team size right now is almost 4x of what this team size was when the AUM was similar 4 years back. So we have meaningfully invested in the sales and distribution infrastructure. Also we've opened a lot newer branches. The digital channels are contributing a lot more this time around as well.

- So just by way of context in the last cycle, you saw the AMC growth from Rs. 1,000 crores AUM to INR50,000 crores led by sustained 5-6 years of performance. We are hoping that this Rs. 55,000 crores amount that we reported for the end of September, is the beginning of this journey of the second phase of growth for the AMC.

- Turning to the passive business, there too, we have a leadership position in the international funds with we being the first to launch in NASDAQ and S&P 500 fund. We've followed that up with a few other interesting international products, but after the RBI embargo on incremental investments, we are nearly capped out as far as that part of the passive business is concerned. And over the course of the last 7 quarters that this embargo has been in place, we have launched a lot of interesting domestic passive funds, including factor funds, sectoral funds and so on.

- We are not really getting into the debate of active versus passive. We believe that there is a lot of headroom to grow both given just how under-penetrated Indian financial savings are in the overall wealth of the Indian family. So equities are currently less than 5% of the wealth in households, and this has a lot of headroom to grow.

- So we are well positioned, whether it's mutual fund or Alternates, whether it is active or passive, with strong performances across the board with much larger sales and distribution infrastructure and onboarding by the distribution partners. And we'll see how this shapes up, but the headroom to grow is very meaningful.

- **Mr. Namit Arora – Participant:**

- Got it. Thank you for your very detailed and candid thoughts. This is most helpful and all the very best to the entire team.

- **Mrs. Michelle- Moderator:**

- Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

- **Mr. Shalibhadra Shah – CFO:**

  On behalf of Motilal Oswal Financial Services Group, I would like to thank every participant for attending the Q2 FY '24 con call. In case of any further queries, please do get in touch with us on our investor relations desk. Thank you, and have a good day.

- **Mrs. Michelle- Moderator:**

- Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.