MOTILAL OSWAL

Q4FY24 Earnings Call – Motilal Oswal Financial Services

- **Mr. Rayo - Moderator:**

- Good evening, ladies and gentlemen. I am Rayo, the moderator for this conference. Welcome to the Q4FY24 and FY24 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 – Managing Director; Mr. Ajay Menon – CEO, Broking & Distribution; Mr. Ashish Shanker – CEO, Wealth Management; Mr. Sukesh Bhowal – CEO, Housing Finance; Mr. Shalibhadra Shah – Chief Financial Officer; and Mr. Chetan Parmar – Head (Investor Relations).

- A short disclaimer before we start this call. This call will contain some forward-looking statements that are completely based upon the beliefs, opinions, and expectations of the company as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties.

- As a reminder, all participant lines will be in 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 evening, everyone. It is my pleasure to welcome all of you once again to the Motilal Oswal Financial Services Earnings Call for the quarter and the year ending March 2024. Let me start by providing you with a very quick snapshot of the quarter and the year ending March 2024

  Key Financial and Operational Highlights

- The consolidated PAT including other comprehensive income (OCI) for FY24, stood at Rs. 2,626 crores and for Q4FY24, it stood at Rs. 625 crores. The consolidated ROE was 35%.

- The consolidated operating revenue for FY24 was at Rs. 5,075 crores, up 33% YoY and for the Q4FY24, it was at Rs. 1,569 crores, up 60% YoY and 29% QoQ.

- Our consolidated operating profit after tax for Q4FY24 grew to Rs. 495 crores, up 66% YoY and 30% QoQ, and the operating profit after tax for the FY24 grew to Rs. 1,535 crores, up 38% YoY. Our Operating Return on Equity (RoE) was 25% and consolidated RoE was 35%.

- We delivered the highest ever quarterly and yearly Capital Market business profit after tax of Rs. 251 crores, up 68% YoY and 23% QoQ, and Rs. 803 crores, up 47% YoY.

- The Asset and Wealth business reported a strong growth in profit after tax in Q4FY24 at Rs. 210 crores, up 79% YoY and 46% QoQ, and for FY24, it was Rs. 607 crores, up 34% YoY.

- Housing Finance profit after tax stood at Rs. 31 crores for Q4FY24 and Rs. 129 crores for FY24.

- Our net worth at the end of the year was Rs. 8,732 crores, up 40% YoY. Our 10-year net worth has compounded at 22% per annum.

- In light of the strong performance for the last five years and the encouraging outlook for our businesses, the Board has announced the first ever, since listing in 2007, bonus issue of three equity shares for every share held.

- Based on the feedback received from investors and analysts over the last several quarters, we have made some changes in our segmental reporting.

- **Firstly**, the operating profit line of Capital Market and Asset & Wealth Management Segment had a capital charge.

- Basically, the operating businesses have distributed all the capital to the Treasury Investments segment, as the group follows the double engine model, where the operating business is the first engine and the treasury investment is the second engine. The operating business profits post-payouts are deployed in treasury investment.

- So far, operating businesses were operating with zero net worth, and their working capital requirement was charged full borrowing costs without credit for their past accumulated profits. In the new scheme of things, the accumulated profits post-payouts of the respective businesses are treated as their net worth. Any surpluses from the operating businesses can be lent to the treasury at the actual cost of borrowings, which is known as the capital charge. This capital charge is the income for operating businesses and expenses for the treasury segment.

- This appropriately reflects the capital deployed in each of our businesses and the RoE for these businesses.

- **The second** change pertains to the grouping of the two HNI businesses, which are the Private Client Group (PCG) and the Private Wealth Management (PWM). In the previous quarter, we were presenting both of these businesses separately. Our private wealth business caters to HNI and Ultra HNI clients.

- We have the PCG segment within our broking and distribution business, which also caters to HNI clients. Like the PWM business, which has 251 RMs, we have another 330 RMs in the PCG segment. The PCG segment also offered wealth solutions such as mutual funds, AIF, PMS, etc. besides offering broking services. Given the identical HNI client base of both of these businesses, we have reclassified the PCG segment under the wealth vertical for reporting purpose in the presentation.

Industry Opportunities

- Let me now quickly run you through the industry landscape and some of the key trends that we see.

- The increased retail participation in Indian Capital Markets has been remarkable, with Demat accounts experiencing a three-fold growth in the last three years. This surge has translated into a robust growth in broking volumes, which have expanded almost 13x during this time period. The addition of 3.69 crores Demat accounts this year on a base of 15 crores Demat accounts signal a significant runway for sustained growth, with projections indicating a trajectory of at least 20% for the medium term.

- Likewise, the mutual fund industry has witnessed substantial growth driven by persistent efforts from the distribution community and AMFI. Monthly SIP flows have surged by a remarkable 24% compounded per annum for the last seven years, reaching a record Rs. 19,271 crores in the recent months from Rs. 4,335 crores seven years ago. This momentum, combined with active equity mutual fund base of approximately Rs. 24 lakh crores as of March '24, underscores the potential for sustained growth particularly for equity-focused Asset Management companies like ours.

Segmental Performance

- Turning to our segmental performance for the quarter.

- **Capital Market Business**

- Our capital market businesses, which comprise the retail broking, institutional broking, and investment banking businesses. The revenue for this business grew to Rs. 982 crores, up 68% YoY in the Q4FY24, and was Rs. 3,235 crores for FY24, up 37% YoY. Profit for this business in Q4FY24 was Rs. 251 crores, up 68% YoY, and for FY24, it was Rs. 803 crores, up 47% YoY.

- The overall ADTO grew by 122% YoY to 7.2 lakh crores in Q4FY24. Our retail cash market share in the Q4FY24 grew to 8.2%, up 307 bps YoY, up 68 bps QoQ. Our retail F&O premium market share in the Q4FY24 grew to 8.7%, up 214 bps YoY and up 55 bps QoQ. The trend of increasing market share across both of these segments continues, like we have seen in the last several years.

- The NSE active clients grew to 8.8 lakhs at the end of this year. We acquired 1.8 lakh clients in Q4FY24 and 6.2 lakh clients in FY24.

- Our distribution AUM grew by 27% YoY to Rs. 27,000 crores. Our distribution net sales for Q4FY24 grew to Rs. 1,336 crores, up 169% YoY and for FY24, it grew to Rs. 3,046 crores, up 138% YoY. Our focus is on ramping up the distribution team’s strength to improve our currently low cross-sell ratio of 6%. We are aiming to grow this distribution team 3x in three years’ time.

- Our net interest income for Q4FY24 was Rs. 200 crores, up 67% YoY and for FY24, it was Rs. 662 crores, up 42% YoY.

- The Investment Banking business executed 17 deals worth Rs. 19,100 crores during FY24. Revenue stood at Rs. 104 crores, up nearly 3x on a YoY basis. The pipeline of signed mandates provides a strong visibility of growth for the next year as well.

- The overall Capital Market profit before tax margin improved to 48% from 45% last year.

Asset & Wealth Management Business

- Turning to the Asset and Wealth Businesses, the revenues for Q4FY24 was Rs. 589 crores, up 58% YoY and at Rs. 1,774 crores for FY24, up 31% YoY. The profit for Q4FY24 was Rs. 210 crores, up 79% YoY, and for FY24 was Rs. 607 crores, up 34% YoY.

- Our Asset Management business AUM across Mutual Funds, PMS, AIF grew by 57% YoY to Rs. 71,810 crores. Our revenues were Rs. 784 crores, up 25% YoY for FY24 and for Q4FY24 were Rs. 258 crores, up 72% YoY.

- Over 95% of all our strategies based on AUM are outperforming the benchmark quite strongly, and this turnaround in performance has led to a visible improvement in gross sales. Gross sales of Rs. 17,400 crores in FY24, up 116% YoY, and exit quarter gross sales of Rs. 6,100 crores. Our target is to double the gross sales in the next financial year, led by the strong traction that we are witnessing in our existing product as well as a slew of new products that we propose to launch in the next financial year.

- Our Mutual Fund AUM grew 65% to Rs. 48,800 crores. Alternates AUM grew 41% to nearly Rs. 23,000 crores. AIF AUM surpassed the Rs. 10,000 crores mark. We added 10 lakh new SIPs during FY24.

- The SIP flows grew very strongly from Rs. 507 crores in Q4FY23 to Rs. 967 crores in the Q4FY24. We expect a similar traction over the coming quarters as well. Our overall SIP AUM was Rs. 11,900 crores.

- The Private Equity business fee-earning AUM stood at over Rs. 10,000 crores across our equity growth capital funds as well as real estate funds. Revenue for this business was at Rs. 217 crores for FY24, up 18% YoY and was Rs. 83 crores for Q4FY24, up 39% YoY.

- We have launched the sixth series of real estate fund in FY24. We have already done the first close and we are looking at a final close of Rs. 2,000 crores during the course of FY25. Our fifth series of equity growth capital fund is expected to be launched in the second half of FY25. We raised Rs. 4,500 crores in our fourth series and are looking at a substantially bigger sum for the fifth series equity growth capital fund.

- Our Wealth and PCG AUM stood at Rs. 1.23 lakh crores, up 78% YoY. Revenue for FY24 was Rs. 772 crores, up 41% YoY and for Q4FY24, it was Rs. 248 crores, up 53% YoY.

- We added 110 RMs during Q4FY24 and a total of 177 RMs during FY24. Our incremental RM growth will be more measured and strategic. Incrementally, the focus will also be on improving RM productivity and margins.

Home Finance Business

- Turning to our Housing Finance business, we reported a profit of Rs. 31 crores for the Q4FY24 and Rs. 129 crores for FY24. Our AUM stood at Rs. 4,074 crores, up 6% YoY.

- Disbursements grew sharply to Rs. 480 crores in the Q4FY24, up 94% QoQ and 33% YoY, and Rs. 1,018 crores for FY24.

- Our net interest income stood at Rs. 312 crores for FY24 and Rs. 78 crores for Q4FY24, while NIM for FY24 stood at 7.6%. Our yield on advances stood at 14.2%, up 30 basis points YoY, and our spreads were maintained at 5.9%.

- The Gross NPA and Net NPA was 0.9% and 0.4%, respectively, as on Mar'24. Gearing stood at 2x. Capital Adequacy was at 51% and Return on Assets at 3.2%. We have doubled our salesforce during FY24 to 925 RMs and are looking to double this count once again in the coming financial year. With a new and a strong leadership team in place, we believe that we are geared to double our disbursement in the FY25 compared to FY24.

- To sum up, our Capital Market business has demonstrated remarkable performance, reporting all time high quarterly and yearly profits and market shares both in the cash and the futures and option (F&O) segment at 8.2% and 8.7% respectively. Our Asset and Wealth management business touched an AUM of Rs. 1.95 lakh crores. The Asset Management business, in particular, has seen strong improvement in performances, leading to gross sales of Rs. 17,000 crores, and we are looking to meaningfully scale up the AUM.

- Wealth management is progressing towards scalability with strengthened leadership and ongoing investments in RMs. HFC business sales force is being strengthened and productivity is being optimized to drive doubling of disbursements next year. Overall, we are very excited about the growth prospects offered by each of our core businesses in the next three years.

  With this, we are open for Q&A. Thank you.

- **Mr. Rayo- Moderator: -**

- Thank you very much. We will now begin the question-and-answer session. First question is from Abhishek Nagaraj from Alts Wealth Private Limited. Please go ahead.

- **Mr. Abhishek Nagaraj – Participant:**

- I have a question related to the wealth management business. Wanted to understand the average number of families per RM is kind of lesser than our competitors, but our AUM per RM is higher. Is there something that we fundamentally do differently or target a different segment which is why the RM is able to handle a higher AUM?

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

- So, what we have done is over the last two years, we have capacitated the business and there has been a lot of hiring and capacitized in the RM strength. So, the newer RMs take a little time to scale up their AUMs. So, that is one of the reasons why you see the average, the number of families being lesser. About 60% of our RMs are less than two years vintage at the moment in the wealth management business.

- **Mr. Abhishek Nagaraj – Participant:**

- Is that typically because of the higher hiring that has happened off late or is it because of higher churn? And the other question I had was, what is the typical time taken by an RM to become stable in terms of the full capacity that he can handle in the number of families?

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

- So, it takes roughly between three to four years for the RMs to get fully capacitized in terms of the number of families that they manage.

- **Mr. Abhishek Nagaraj – Participant:**

- The other question I had was on the cost per RM. You know, it typically increases over time. I understand the RM pool right now is 60% of them are less than two years, but over time, the cost increases as well. So, how are we thinking about maintaining the same gross margin? Is it through wallet share increase or increasing the capacity of an RM? And any strategy around that to maintain the yield?

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

- Yes, so typically what happens is, as the vintage of the RM grows, the number of families that he or she manages or the AUM they manage it also grows, and that also results in increased productivity. So, in the first year, typically, an RM delivers 1x, 1.5x productivity. It goes up to 3.5x, 4x by the third to fourth year. So, that typically results in increased margins. So, whenever you hire aggressively, the margins tend to be a little subdued, and as productivity kicks in, the margins tend to improve.

- **Mr. Abhishek Nagaraj – Participant:**

- One last question was on, you know, there is a high increase in the number of RMs that we hired last quarter. Is there something in the business that you are seeing which is why you want to get this capacity in house, or it is more of in the longer term, you would want to have a more stable base with a higher vintage RM, so productivity increases over time?

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

- Like Navin mentioned, the size of opportunity in the wealth management business as well as the PCG business is extremely big. And we are not only increasing the number of RMs, but we were also increasing the number of locations. So, from here on, the hiring will be more measured, and the focus will be more on productivity and margins.

- **Mr. Rayo- Moderator: -**

- Thank you. The next question is from Avinash Singh from Emkay Global. Please go ahead.

- **Mr. Avinash Singh – Participant:**

- Two questions. The first one is again on wealth management. Now that you have started to present your wealth management and PCG together, now looking ahead in terms of a strategy, is there some sort of a focus on cliental segment where in terms of your investable wealth for family in your preferred pick, like, going more towards slightly lower say, a 5crores, 2-5 crores band or like expecting with the few HNI family? So, if you can sort of explain here that with this kind of PCG and putting sort of focus getting together, what sort of a family or what sort of clients' base in terms of the average AUM that we would be targeting and how sort of you is thinking to keep these two businesses together? Because I mean a UHNI versus a PCG will be slightly different strategy. That's the first.

- And second, on the broking side, I am cognizant of the fact that you have a relatively lower sort of a dependency on derivatives. However, if at all the derivative volumes were to sort of a moderate or even temporary, they were to decline, what sort of cost composition in the broking side you have variable and fixing nature and how that will affect profitability, if there is any sort of a concern around F&O volume moderation?

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

- So, typically the PCG and the wealth management businesses would operate in two segments, the HNI and the Ultra HNI segment, of Rs. 5 to Rs. 25 crores and Rs. 25 crores plus. So, the wealth management business operates in both segments. PCG operates in the Rs. 5 crores to Rs. 25 crores segment. What happens is that, predominantly the majority of the customers on the PCG side get onboarded with broking as a product and then we look at upselling through distribution products, whereas in wealth management, most of the clients would get onboarded through wealth mandates and they would be offered broking as well.

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

- We are a full-service broker with good cash market business based on our research and advisory capacity and we charge the full brokerage on the cash market. So, the component of cash market brokerage is well aligned as compared to the revenue. Hence, it is almost 50-50% in that ratio. To that extent, if there are any changes in the derivatives guidelines which may come out, we are really very well aligned to manage our business based on our advisory and research capabilities based on the business requirements.

- **Mr. Navin Agarwal – Managing Director:**

- And also, as far as flexibility is concerned, as you know, we are the largest franchise network, and we have the highest revenue salience of the franchise business, which is an entirely variable cost model and so to that extent any volatility in the market will have a lot lower impact, because even during the upside, the operating leverage, as far as the franchise side of the business is concerned, is a lot lower.

- **Mr. Rayo- Moderator: -**

  Thank you. Next question is from Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

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

– My questions all are around the broking book. In terms of the loan book, how stable is this book? If the market has some disruptions or the perceived returns come down, will this book decrease in size? And so that's part A. Part B is what are the yields that you get on this book? Because that will also affect the rate of return, especially because interest rates are very high. And the last part of it is, how do you manage ALM in this book given the fact that it probably is a short tenure book, and you are borrowing long-term here and there?

– **Mr. Shalibhadra Shah – CFO:**

– Hi, Vivek. The lending book in our broking business is predominately margin trade finance (MTF) book that is typically associated to the cash market segment, which has been growing in line with growth in cash volumes. Our franchise and HNI clients, who basically tap to this lending, have led to a sharp growth in lending book. We have seen very strong growth over the last four years in this book.

– We believe that with the strong structural tailwinds, this book will continue to grow. If you look at the industry, MTF book has been continuously growing across all players, and for us there has been a very substantial growth given that we have a strong balance sheet with a very strong growth in the net worth, which has happened over the last few years. By virtue of this, the overall leverage continues to be within the comfortable range of 1.6x.

– As far as ALM is concerned, the book is lent for a short-term position. Given the regulatory framework, the borrowing can be accessed only through the short-term route through commercial papers or short-term bank borrowing. You are not permitted to raise non-convertible debentures, long-term borrowings against this book. So, predominantly this will be a function of short-term borrowings

– To summarize, asset is short-term, and the borrowings are also short-term. Further, we have very strong liquidity facilities available on tap. We have Rs. 2,500 crores to Rs. 3,000 crores of banking lines outstanding backed by very strong treasury book on our balance sheet, which gives us that ability to borrow on-tap this money. So, to that extent, we are very well aligned to use liquidity out of those limits to meet any short-term or cyclical obligations.

– As far as the yields are concerned, overall NIMs on this book stands at almost 6% for this book. Our cost of fund is 8.75% and yield on the book stands anywhere around 14% to 15% on an average basis.

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

– If you can follow up, you know, you are in the market for a public issue. So, where does the long-term debt go into?

– **Mr. Shalibhadra Shah – CFO:**

– So, the long-term debt would go into our working capital in the exchanges because as we have seen strong growth in our cash volumes by 133% YoY in FY24. This has led to increase in our working capital in the form of Bank Guarantee backed by Fixed Deposits placed with the exchanges. As our volumes goes up, the base minimum capital that we place to operate at 65% - 70% capacity, also goes up. We have also highlighted in our prospectus, how the working capital has been for the last one year and what we are projecting the increase over next few quarters.

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

- Just one question on the Housing Finance Business that seems to be doing really well. You have invested a lot in the business and turned it around. Again, like the wealth business, is the pace of expansion going to slow down and most sweating of assets? How does it look like in the next year or two? That's my last question.

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

- We are primarily in the affordable housing space and in terms of market share, the market opportunity is very huge and our market share is very small. We expect the affordable space to keep growing at a decent pace. And so, in terms of prospects for the industry, we see it very positively in the space that we are in.

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

- I meant more from your cost income perspective actually in terms of sweating the expansion expanded. It's like about 45% right now. So, how is it going to trend?

- **Mr. Shalibhadra Shah – CFO:**

- As highlighted at the start of the call, we have doubled the sales RM in FY24 and we are investing heavily on sales RM over the last three quarters. We further expect to double the sales RM count in FY25. So, cost-to-income would remain elevated to that extent. This will improve gradually as throughput of disbursements increases. We exited the year with strong disbursements of Rs. 480 crores in Q4FY24 and in FY25 we are targeting to double the disbursements that we did in FY24. From FY26 onwards, we would see some respite to the cost-to-income ratio, which would start coming down.

- **Mr. Rayo- Moderator: -**

- Thank you. Next question is from Rohan Advant from Prad Capital. Please go ahead.

- **Mr. Rohan Advant - Participant:**

- Sir, my question is that as you stated the PCG segment has moved from Capital Markets to Asset and Wealth management. So, can you quantify the amount of PCG revenue that has moved and now it's considered under the Asset and Wealth management and break it down further into broking and non-broking, if possible?

- **Mr. Shalibhadra Shah – CFO:**

- Total revenue that has been moved into the Asset and Wealth segment is Rs. 438 crores, which belongs to the PCG segment. The total profit of PCG segment for FY24 that has moved to Asset and Wealth segment is Rs. 184 crores.

– **Mr. Rohan Advant - Participant:**

– And out of this Rs. 438 crores, what would be the booking revenue?

– **Mr. Shalibhadra Shah – CFO:**

– Broking revenue is Rs. 260 crores.

– **Mr. Rohan Advant - Participant:**

So, that was Rs. 260 and the balance was distribution-led, which was classified under Capital Markets and now whether it is broking, or distribution led, it comes into Asset and Wealth management as long as it pertains to the PCG segment. Is that understanding, correct?

– **Mr. Shalibhadra Shah – CFO:**

– That's right. There is also NII component in that because we have HNI client segment where we also have lending to the PCG client. It's a combination of distribution and NII.

– **Mr. Rohan Advant - Participant:**

– So, all form of revenue from the PCG segment comes under Asset and Wealth management now.

– **Mr. Shalibhadra Shah - CFO:**

– That's right

– **Mr. Rayo- Moderator: -**

– Thank you. Next question is from Sanil Desai from ICICI Securities. Please go ahead.

– **Mr. Sanil Desai - Participant:**

– Sir, I have two questions. The first one would be that we have seen that on the broking front, a lot of volumes have increased, right? And we have seen some other brokers also raising money because of the capital requirement. So, how are we doing on that front, and do we have still enough working capital available for enough growth or how are we looking on that front?

– **Mr. Shalibhadra Shah - CFO:**

– We don't have any such immediate plans to raise capital for this business. We have very strong net worth, which has grown at 40% YoY as of Mar 24. Given the sizable growth in operating profit and our treasury profit, we have strong enough internal accruals to take care of this.

– **Mr. Sanil Desai - Participant:**

– And can you give a breakup of your F&O ADTO and cash ADTO for the quarter gone by?

- **Mr. Shalibhadra Shah - CFO:**

- F&O ADTO is Rs. 6,000 crores on a premium basis and cash ADTO is Rs. 5,000 crores.

- **Mr. Rayo - Moderator:**

- Thank you. Next question is from Abhijeet Sakhare from Kotak Securities. Please go ahead.

- **Mr. Abhijeet Sakhare – Participant:**

- I had couple of questions on the broking business to start with. One is that the revenue share with sub-brokers is it the same between let's say what he brings in through the broking side as against the distribution business?

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

- The revenue share for broking is different compared to the distribution. The broking sharing is much more in our favor, whereas for the distribution part, the sharing will be much higher in the range of 80%-85%.

- **Mr. Abhijeet Sakhare – Participant:**

- And the 8 to 9 lakh active clients that we have, is it possible to give some indication of what would be, let's say, the monthly active of these? And then the second part is that, also some color on how does the overall customer base look like between people who are only doing cash equities versus only F&O and those doing both on a monthly basis? Just some qualitative or quantitative color would be helpful.

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

- The monthly run rate will be around 3,50,000-4,00,000 customers in the overall numbers. Generally, we don't disclose the split between the cash and the F&O in the public domain.

- **Mr. Rayo - Moderator:**

- Thank you. The next question is from Abhishek Nagaraj from Alts Wealth Private Limited. Please go ahead.

- **Mr. Abhishek Nagaraj – Participant:**

- In my earlier questions you mentioned that looking to also enter into more locations. I am assuming this is a tier two, tier three city. One, correct me if I am wrong, and two, in terms of productivity there, are you seeing any differences or any product differentiation that you would want to get into? And the second question is, how is the management thinking about entering into the affluent and the mass affluent segment some of our competitors have tried to do those through digital modes?

- **Mr. Navin Agarwal – Managing Director:**

- Firstly, there is huge hiring of RMs in the last three years. We believe productivity improvement of those RMs will be a big focus area for us. Obviously, there will be an expansion into newer markets, particularly tier 2 and tier 3, but as far as the offering is concerned, there would not be any differentiation in that offering because client requirements are similar for a Tier I market versus Tier II market. We are presently very under-indexed or not present in the UHNI segment and that is a separate capability that we are building through the appointment of the CIO recently and the advisory capabilities are getting created to cater to the UHNI segment. Using digital for the mass-affluent segment is not something that is on the card as far as the wealth management business for us is concerned.

- **Mr. Abhishek Nagaraj – Participant:**

- The other question I have was on considering we have multiple businesses housed in the same entity, any thoughts of the management that you would want to probably in the near future look at demerging and probably unlocking certain value amongst these businesses? Though I understand there is synergies in between, but is that on cards?

- **Mr. Navin Agarwal – Managing Director:**

- We have highlighted our position on this before, that we believe there are very strong synergies, the common brand as well as the potential cross-sell opportunities within the Group. So, as of now we have no such plan.

- **Mr. Rayo- Moderator:**

- Thank you. Next question is from Abhijeet Sakhare from Kotak Securities. Please go ahead.

- **Mr. Abhijeet Sakhare – Participant:**

- I just wanted the split of the overall wealth AUM across the three categories that you mentioned, Ultra HNI, HNI and PCG.

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

- Out of the total AUM between Wealth and PCG, Wealth AUM is Rs. 1 lakh crore and within Rs. 1 lakh crores, about 46% is UHNI AUM.

- **Mr. Abhijeet Sakhare – Participant:**

- And roughly when I look at the ARR, TBR split for this business division, it's roughly 50/50. Do you have like number in mind, let's say, over the next two to three years, how would you want the mix to look like?

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

- I think the ARRs will inch up in a more progressive manner, whereas the transaction income is more dependent on the kind of products and preferences that customers have, but over time the ARR AUMs will keep inching up. Our broking product is doing extremely well, which gets classified in transaction revenue.

- **Mr. Abhijeet Sakhare – Participant:**

- And the TBR for us, it's all largely broking, is it? Or there's some indication or private market transactions as well?

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

- So, it's a mix of broking, private market transactions, bonds, and certain Cat II AIF, which give the portion of the revenue up front.

- **Mr. Rayo- Moderator:**

- Thank you. Next question is from Sagar Kapadia who is an individual investor. Please go ahead.

- **Mr. Sagar Kapadia – Participant:**

- Sir, I have two questions from my side. One is in FY24, what is your broking revenue? And please provide me a split of this annual broking revenue between the institution side and the retail HNI side and then further provide me a split of the retail HNI, the cash side and F&O side?

- **Mr. Shalibhadra Shah – CFO:**

- Our broking revenue for FY24 stood at Rs.1,995 crores and we have not been putting out retail and institution mix separately.

- **Mr. Sagar Kapadia – Participant:**

- And if you give a, segregate the cash and F&O?

- **Mr. Shalibhadra Shah – CFO:**

- So, as stated earlier in the call, our cash mix is around 50%.

- **Mr. Sagar Kapadia – Participant:**

- And sir, another question. In last quarter presentation, you had given that very good example of the Private Equity, which many of them are closing down next year that fund raised is Rs. 100. If the IRR is 20% cumulatively for 8 years, then the cumulative returns are 330 and the company makes 20% carry on the sale. So, carry income is 66. Now please explain to me how do you report it? I mean, out of the Rs. 66, when the fund actually closes down, at that time how much percentage is reported in the P&L?

- **Mr. Shalibhadra Shah – CFO:**

– It will be shown separately. So, there is an operating profit line item and we also include an operating profit line item including this carry income as a separate line item to depict that the normal run rate versus the annual run rate that we record from the carry is separately reported.

– **Mr. Sagar Kapadia – Participant:**

– But when the fund closes down, then also it will be at that year out of the Rs. 66, how much percentage is recognized in the P&L and actually the fund will exit, I think, then you will be showing it in the P&L, right?

– **Mr. Navin Agarwal – Managing Director:**

– Yes, Rs. 66 is what is recognized over a period, so all of this doesn't happen in a single year. The exits happen, let's say, in the years 8, 9, and 10. Initially you are just returning principal and then returning the hurdle rate of return. Only post-hurdle payout, we start earning carry. That carry typically happens in the last three years of the fund. Could be any mix depending on the exits that we make.

– **Mr. Sagar Kapadia – Participant:**

– So, in the operating profit income, you will report it separately as this is the carry income in the operating profit, correct?

– **Mr. Shalibhadra Shah – CFO:**

– Yes, that's right.

– **Mr. Rayo- Moderator:**

– Thank you very much. That was the last question in queue. I would now like to hand the conference over to Mr. Shalibhadra Shah for closing comments.

– **Mr. Shalibhadra Shah – CFO:**

– On behalf of Motilal Oswal Financial Services, I would like to thank each and every investor and participant for attending this Q4FY24 and FY24 results Concall. If you do have any further queries, please let me know or our investor relations desk. Thank you, and have a good evening.

– **Mr. Rayo- Moderator:**

– Thank you very much. On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.