**Q3FY25 Earnings Call Transcript of "Motilal Oswal Financial Services Limited**

*This document is a transcription of the conference call conducted on 29th Jan 2025. Click here to listen to the original audio.*

**Manish Kayal- Head Investor Relations:**

Good afternoon and a warm welcome to all the participants to Motilal Oswal Financial Services Limited Earnings Call to discuss the results for Q3 and 9MFY25 period. I'm Manish Kayal and I look after the Investor Relations. We hope that you have got an opportunity to go through our investor deck and press release uploaded on stock exchanges as well as on our website yesterday. We have also uploaded the excel data book on our website that has the operational and financial numbers.

Before we proceed with this call, please note that today's discussion may include forward looking statements and these forward-looking statements are tentative based on current analysis and anticipation of the management. Actual results may vary, subject to risks & uncertainties that could impact future outcomes and includes volatility in the securities market economic and political conditions, new regulations, government policies, volatility in the interest rates that may impact our businesses. We request you to consider these factors when evaluating our performance.

On today's call, the company is represented by

- Mr. Raamdeo Agrawal, Chairman
- Mr. Motilal Oswal, Managing Director and CEO
- Mr. Navin Agarwal, Group Managing Director
- Mr. Ajay Menon, CEO, Wealth Management
- Mr. Prateek Agrawal, MD and CEO, Asset Management
- Mr. Ashish Shanker, CEO of Private Wealth Management
- Mr. Sukesh Bhowal, CEO, Housing Finance
- Mr. Shalibhadra Shah, Chief Financial Officer

We'll start this call with an opening remark by Navin and then we'll have a Q&A session.

With this, I now request Navin to start the call by sharing his thoughts.

**Navin Agarwal- Group Managing Director:**

Good afternoon, everyone. It is my pleasure to welcome all of you once again to our earnings call to discuss the corporate performance for the Q3 and 9MFY25. I will start by highlighting some of the group level achievements and then go down to the segment-wise business performance.

**Key Financial and Operational Highlights**

- As of Dec'24, Motilal Oswal Group has crossed a major milestone by servicing more than 10 mn customers, comprising of 6.8 mn unique mutual fund folios and over 4.7 mn unique broking accounts, putting us in a leading position in both the businesses that we operate.
- Our operating revenue for the Q3FY25 was at Rs. 1,345 cr, up 43% YoY and our operating profit after taxes were at Rs. 525 cr, up 38% YoY, continuing the strong growth trajectory that we have been reporting for the past quarters.
- Our assets under advice (AUA) crossed the Rs. 6 lakh cr mark, up 62% YoY.

- Annual recurring revenue as a percentage of the group revenues are well over 50% and stands at 56% for Q3FY25.
- Our fee-based revenue contribution to the total revenues increased from 30% in Q3FY24 to 41% in Q3FY25.
- Our net worth as of Dec'24, stood at Rs. 11,569 cr, up 40% YoY.
- Our annualized return on equity (ROE) stands at 36%.
- Based on the strong operating profitability, the Board of Directors have decided to distribute an interim dividend of Rs. 5/- per share to our shareholders. We have stepped up the dividend in line with the profit growth of the firm.

**Segmental Performance**

**Wealth Management Business**

Turning to the segmental performance. Our Wealth Management business comprises of retail broking business, the distribution businesses as well as NII income.

- Our total assets under advice in the Wealth Management business grew to Rs. 3,08,000 cr, up 67% YoY.
- Acquisition of clients stood at ~1.6 lakh clients in Q3FY25, up 13% YoY.
- Our revenues for the wealth management business stood at Rs. 570 cr, up 30% YoY and profit after tax were at Rs 190 cr, up 16% YoY.
- Our retail cash business broking volumes ADTO have grown 19% YoY to Rs. 3,230 cr.
- Our cash market volume share has gone up to 7.4%. This was 5.6% in FY21 and so we've seen almost a 200bps gain over the course of the last 4 years, notwithstanding the substantial change in the market structure where discount brokers now account for a large part of the overall volume market share.
- Our F&O premium market share stands at 7.8%, and our total ADTO market share stands at 7.6% for the Q3FY25.
- The quarter witnessed reduced volumes on a QoQ basis due to the new F&O regulations as well as market correction. We have seen similar instances in the year 2022 and even before, where such instances of temporary contraction in market volumes were followed by strong growth, typically after a lag of couple of quarters.
- Our confidence stems from the fact that the demat accounts witnessed addition of ~10 mn accounts during Q3FY25 implied growth of 33% YoY and 6% QoQ basis, taking the total of demat accounts base to 185 mn. This number was ~40 mn at the onset of Covid back in Jan'20.
- Given the low penetration of financial savings and the rising mutual fund folios as well as demat accounts, we expect the growth trajectory to continue in the coming years.
- On the other side, broking industry will also see further consolidation in the hands of the larger players due to many reasons including increasing compliance costs and norms being few of them, and hence, we expect Motilal Oswal to be the largest full-service broker in the country and to benefit from this consolidation.
- Turning to distribution, we have a strong focus on increasing our distribution book. This will be led by cross sell to our existing strong client base of ~4.5 mn apart from acquiring new clients and for this purpose we've created a dedicated distribution team of a strong 600 people with plans to increase this to 1,000 people in the near future.
- Around 60% of our DP AUM comprise of clients with more than Rs. 1 cr DP balance, implying serious cross-sell ability to these clients. With these initiatives, we plan to grow our distribution book multi fold from current book of ~Rs. 32,000 cr. Our distribution AUM grew 38% YoY to ~Rs. 32,000 cr.
- Distribution net flows quadrupled to ~Rs. 3,000 cr during Q3FY25 on YoY basis.

- Distribution revenues grew ~90% YoY to Rs. 104 cr and its contribution to the total revenues from this segment increased from 13% in Q3FY24 to 18% in Q3FY25.
- The third aspect of the Wealth Management business is Net Interest Income (NII), which is up ~40% YoY, due to growth in the lending book as well as improvement in spreads. Spread improved from 5.9% in Q3FY24 to 6.8% in Q3FY25.

That was a deep dive into our Wealth Management business.

**Asset & Private Wealth Management Business**

Turning now to the Asset and Private Wealth businesses, comprising of asset management, private equity and private wealth business.

The overall revenues for these businesses stood at Rs. 551 cr, a very strong growth of 57% YoY, while profits were at Rs. 234 cr witnessed even stronger growth of 63% growth over the same period last year.

- Starting with the Asset Management business, the strong performance momentum across mutual funds, PMS and AIF, coupled with rising distribution network, resulted in gross flows in Q3FY25 of ~Rs 23,300 crores, which is up by 362% YoY.
- Our Asset Management net flows also grew multi fold from ~Rs. 2,400 cr in Q3FY24 to ~Rs. 18,500 cr in Q3FY25, which is more than 7x YoY, led by 97% of the AUM meaningfully outperforming the underlying benchmarks.
- We had announced earlier that we crossed Rs. 1 lakh cr AUM milestone in Jul’24 and by Dec’24, I'm happy to state that, our asset management AUM stands at over ~Rs. 1.3 lakh cr, up 100% YoY.
- Our mutual fund AUM out of this ~Rs. 130,000 cr stood at ~Rs. 98,000 cr, up 128% YoY.
- We added ~16 lakh SIPs in Q3FY25. Our SIP flows for Q3FY25 stood at Rs. 2,922 cr, resulting in an SIP AUM book of nearly ~Rs. 21,000 cr as of Dec’24.
- I'm happy to share that our mutual fund market share continues to rise. Our gross sales market share increased from 1.9% in Q3FY24 to 5.8% in Q3FY25. Our net sales market share increased from 3% in Q3FY24 to 9.7% in Q3FY25. Our SIP market share increased from 1.5% in Q3FY24 to 3.8% in Q3FY25.
- Also, our alternate AMC’s AUM grew by 50% YoY to nearly Rs. 33,000 cr. We are now amongst the top players in terms of incremental flows even in alternates AMC, led by strong performance and rising distribution network.
- Our AMC business has strong processes in place to deliver reasonable returns for our unitholders and we expect MOAMC to be among the top players in the segment, supported by strong scale-up in distribution.
- Turning to the Private Equity and Real Estate businesses. These businesses have a fee earning AUM of Rs. 10,560 cr and a mark-to-market AUM of ~Rs 17,000 cr. A substantial amount of carry, as we have explained in the past calls, will be earned on these funds.
- Q3FY25 revenues for this business stands at Rs. 52 cr, up 34%.
- Here again, like mutual funds and other alternate assets, we believe that there is low penetration of private equity real estate products, compared to the western world, provides a long runway for growth.
- Our revenues for Asset Management and PE business collectively were at Rs. 274 cr, up 54% YoY, and profit stood at Rs. 137 cr, up 65% YoY.
- Turning to the Private Wealth Management business. The rising wealth among HNIs & UHNIs will drive strong growth for our Private Wealth business.
- We continue to take several initiatives in this business. In the past 9 months, we focused on several senior level hiring to strengthen the overall leadership strength of the business. This improves our UHNI and family office proposition, and positions us strongly to be a leading player in the private wealth business in the next 3 years’ time.

* Our private wealth AUM stands at ~Rs. 150,000 cr as of Dec’24, up 34% YoY.
* Revenue stood at Rs. 278 cr for Q3FY25, up 61% YoY. Profits stood at Rs. 97 cr, up 57% YoY. For 9MFY25 too, we have seen very strong growth rates. Our 9MFY25 revenues grew by 48% YoY to Rs. 706 cr while profits grew by 45% YoY to Rs 246 cr.
* The total relationship manager count increased by 27% YoY to 600. The stronger revenue growth that you saw during the 9MFY25 is clearly an outcome of the improved productivity that we have guided for. We expect improvement in productivity to continue in the coming quarters and the next couple of years as only 29% of all our RMs have a vintage of over 3 years.

**Capital Market Business**

Turning to our Capital Market businesses, which consists of Institutional Equities and Investment Banking.

* Revenues for the third quarter stood at Rs 151 cr, up 70% YoY.
* Fee income stood at Rs 60 cr, up 154% YoY.
* Profit after tax stood at Rs 61 cr, up by 50% YoY.
* In the Institutional Equities business, we now have a 70+ equity research and corporate access team. This team covers ~300 companies across 24 sectors, catering to about 900 institutional clients.
* The Investment Banking business has seen a meaningful scale up. We have completed 35 deals, aggregating to ~Rs 46,000 cr in 9MFY25.
* Once again, we are very happy to share that we were ranked number 1 in all India QIP league table for 9MFY25.
* We've strengthened our team over the last few quarters and given that our deal pipeline, including IPOs, is the richest ever, it gives us strong growth visibility for the coming quarters.

**Housing Finance Business**

* Turning to our Housing Finance business. Our AUM for this business grew 15% YoY to Rs. 4,343 cr.
* We have meaningfully invested in our sales team. Our RM count has increased by 46% YoY to 1,246. Disbursements, as a consequence, has gone up 93% YoY to ~Rs. 1,000 cr in 9MFY25 with Q3FY25 disbursement at Rs. 394 cr, up 67% YoY.
* The NII for the business stood at Rs. 88 cr, up 10% YoY.
* The asset quality continues to be quite good with GNPA of 140 bps and NNPA of 80 bps.

**Treasury Business**

* Finally, turning to our treasury investments. Our total equity investments, including alternate funds, grew to Rs. 8,464 cr, up 44% YoY as of Dec'24.
* Our 10-year CAGR growth rate of this treasury book, led by an XIRR of over 20% and with the reinvestment of our business cash flows, has been over 40%.

**Concluding Remarks**

To conclude, we believe that the cumulative household savings, which was \$14 tn in the last quarter century will rise to nearly \$126 tn in the next 25 years, as per a study that we have published. Importantly, there will be a higher share of financial savings, allocation to equities, exposure to alternates and greater concentration of wealth as we create this additional \$126 tn of savings. This we believe is really the mega trend that is driving multiple businesses of the MO group, whether it's the asset management business, wealth management business, private wealth business, alternate assets or capital markets. Nearly every business of ours will be favourably impacted by the financialization of this huge pool of $126 tn of savings. We have delivered a profit after tax CAGR of 42% over the last 10 years and a net worth CAGR of 24% over the last 10 years, while maintaining strong payouts, doing 3 buybacks and not raising any capital since our IPO back in 2007. We expect these mega trends supported by a strong brand, very strong balance sheet will help us deliver continued best-in-class earnings growth and return ratios to our shareholders.

We now open the floor for Q&A. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from Uday Pai from Investec. Please go ahead.

**Uday Pai- Participant:**

I have multiple questions on the Wealth Management side. So firstly, this quarter, you saw a mix of your APs and direct revenue shifting towards more of direct. And simultaneously, you saw a quarter-on-quarter decline in market share, both in terms of cash ADTO and F&O premium. Can you give some color on that, as to what has happened?

And secondly, have we changed the pricing in F&O because there is a change in regulation and it impacts your revenue directly. That's on the wealth side. And on the Private Wealth Management side, while your distribution income has increased meaningfully quarter-on quarter basis, your AUM has not increased. Is there some kind of transactional products or insurance-like products which are not included in AUM, but in accounts for some revenue? These are my questions.

**Ajay Menon- CEO, Wealth Management:**

On the Wealth Management side, increase in the per lot pricing based on the contract size increase has been implemented for our customers in line with changes in the lot size. Earlier, if you remember, we had reduced it when the lot size reduced.

Coming to the overall market share, you must have seen the changes which have happened across the market for derivatives and overall trend. Typically, we have seen, in our customer base with the advisory facilities, that in the short term we have some impact when the markets go down and similarly, we see a better impact when markets are on the positive side. Hence, the decline in market share as market has fallen. However, on overall revenue, we are better off.

**Shalibhadra Shah- CFO:**

As far as the Private Wealth Management assets are concerned, while net flows during the quarter is at ~Rs. 5,300 cr, but the overall assets have marginally dipped because of the mark-to-market movement.

**Moderator:**

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

**Vivek Ramakrishnan- Participant:**

I have two questions on the lending book on the Wealth Management business as well as in the housing finance companies. In Wealth Management, as well as private wealth management, your lending book has been coming down. I guess that is linked to market volatility and decline. But do you see the trend reversing or in terms of people not wanting to do as much speculative activity or taking margin trading funding as in the past? And you also mentioned that the margins have expanded, so I wanted to know in the competitive business like this, what would be the sustainable level of margins. So that's on the Wealth Management business. I'll just ask the HFC business question also. Are you seeing that the credit quality is holding up because in many parts of the business you're seeing, actually, your numbers are quite strong?

And what I wanted to ask was your credit costs are actually a negative number this quarter. So, what drove that?

**Shalibhadra Shah- CFO:**

As far as the lending book is concerned on the both Wealth Management and Private Wealth Management, there is a marginal dip on a sequential basis of about 5%. While markets have corrected very sharply but this book has largely been resilient. However, NIIs have gone up because of the improvement in our spreads as our cost of funds have declined by 30 bps on a sequential basis.

On HFC business, the negative credit cost is actually a function of recoveries from our past written-off cases. This recovery is from assets which were written off prior to FY20 and which is resulting in the credit cost reversal in Q3FY25. Also, on a steady-state basis, our asset quality has been very strong. So, there's no incremental provision cost also in our quarterly P&L.

**Moderator:**

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

**Abhijeet Sakhare- Participant:**

I had a question on the Private Wealth business. If you could give some broad breakup of the overall AUM there?

**Shalibhadra Shah- CFO:**

ARR assets is at ~Rs. 32,000 cr. and the transaction bearing assets are at ~Rs 116,000 cr. Out of that ~Rs. 116,000 cr of transaction bearing assets, ~Rs. 46,000 cr is the custody assets.

**Abhijeet Sakhare- Participant:**

And the ARR asset, is there a further split that you can share in terms of, let's say, equity debt, fixed income?

**Shalibhadra Shah- CFO:**

These are distribution assets into mutual funds and alternate assets. Total ARR distribution assets are ~Rs 26,000 cr, almost ~Rs 3,000 cr of advisory assets and ~Rs 2,700 cr of lending book.

**Moderator:**

Thank you. The next question is from Manan Mundra who is an Individual Investor. Please go ahead.

**Manan Mundra- Participant:**

I have two questions relating to customers' stickiness. First is, if you can provide the customer vintage-wise revenue, just if we segregate them in separate buckets, for example, 0 to 2 years, 3 to 6 years and 6 years and above. So that's one. Second, whether the client revenue increases as their age increases because generally, the income of the clients also increases with their age in the wealth management business?

**Shalibhadra Shah- CFO:**

As the vintage improves, all our revenues have been increasing for our clients. That's because not only we have broking, but we also do the cross-sell, and our cross-sell ratio has been improving. We don't provide the exact numbers of the vintage of the customer.

**Manan Mundra- Participant:**

Okay. And as the age of the clients are increasing, are we getting additional revenue from those clients?

**Shalibhadra Shah- CFO:**

Yes. As the vintage improves across every bucket, we see the increase in the revenue from the same customer.

**Manan Mundra- Participant:**

Okay. And have we seen any disproportionate rise in the margin calls from the clients – for the clients because of the recent fall in the market? And do we see any systemic risks around that?

**Ajay Menon- CEO, Wealth Management:**

No. This is because of the changes which SEBI implemented on the margins and after margins, the impact of the fall is very minimal, and we don't see any big impact coming on an overnight basis. Also, there's a lot of cash which the clients are carrying currently because of which we don't see a big pressure on the selling because of the fall in the markets.

**Manan Mundra- Participant:**

Okay. And the last is, have we implemented any support services? We are giving distribution products like insurance and credit products as well. So, do we have any support infrastructure if customers are facing any issues around that?

**Ajay Menon- CEO, Wealth Management:**

We have our complete separate team for the distribution side. As we have told initially on the call, there are 600 people dedicated for the distribution business. Also, from the insurance perspective, we have a dedicated team plus the insurance companies have their own team, which sits out of our office for these purposes.

**Manan Mundra- Participant:**

Okay. And the last and final is, do we have any restrictions because of any regulations around sharing data from one entity to another, for example, sharing housing finance company data with AMC or vice versa?

**Navin Agarwal- Group Managing Director:**

Yes, we have Chinese walls across all the businesses. Many of them are regulated by different regulators. So, these businesses operate stand-alone as separate entities.

**Manan Mundra- Participant:**

Yes. So, do we have any issues for cross-selling because of those restrictions?

**Navin Agarwal- Group Managing Director:**

Let's say the broking business has its own customer base and due to open architecture, they are free to sell the best products. Because of that if any of the firm's products turn out to be the best product and that is an option available also. Cross sell does not necessarily mean the firm's products. Cross sell could mean third-party products.

**Moderator:**

Thank you. The next question is from Umang Shah from Kotak Mutual Fund. Please go ahead.

**Umang Shah- Participant:**

Congratulations on a good quarter and thanks for taking my question. I had two questions pertaining to the asset management business. One is, if you could just throw some light, I mean, last few weeks have been fairly volatile in markets. And if you could just share some of the trends that you guys are witnessing into your net flows or the SIP registrations, how the flows have been, given that markets have been volatile and some of our schemes have also seen a fair bit of softness in terms of performance. So that's the first one.

And on the SIP bit, probably if you could also throw some color in terms of while the gross number looks extremely strong, I mean, it's sort of an ongoing debate in the industry about gross and net. If you could just throw some color on that, that would be really helpful?

**Prateek Agrawal- MD and CEO, Asset Management:**

On the SIP front, our gross and net is very similar. Second, in terms of incremental flows that we are getting, Jan’25 is the second strongest month in terms of incremental flows in our history. The earlier strongest was Dec’24. Jan’25 and Nov’24 look similar.

Overall, our net new flows market share is higher than our AUM market share. Even today in all cohorts, like city-wise, distributor-wise or any cohort, our net new flows market share is multiple times our AUM market share.

**Umang Shah- Participant:**

That's helpful. Just one more question on the asset management piece, while on the wealth and the private wealth piece, we have detailed our strategy in terms of expanding distribution.

On the asset management piece, just wanted to understand have we added more to our distribution maybe through different channels? Just a little more color on that?

**Prateek Agrawal- MD and CEO, Asset Management:**

We are expanding very strongly across the channels. To give you substance, beginning of the year, the AMC business had 250-odd people. Today, we hope to end the year with over 600. Most of the incremental has gone into expanding our on-the ground city presence, and beefing up the sales team. So, it is both spread and depth.

**Umang Shah- Participant:**

Okay. Just one last question, which I want to just squeeze in. On our housing finance business, I mean, in the past, we have guided for a more normalized growth of about 15% to 20% on AUM. Do we still hold same guidance or are there any changes to that?

**Shalibhadra Shah- CFO:**

We hold the same guidance of about 20% AUM growth for FY25.

**Umang Shah- Participant:**

And going forward?

**Shalibhadra Shah- CFO:**

Going forward we believe, this run rate should improve because we have been continuously adding Sales RMs. In fact, our RM count in FY24 was doubled over FY23. Similar in FY25, this base is up by another 50%. We are clearly building a capacity of RMs to improve our disbursement run rate, and that's why you will see the AUM growth to be better overall with the additions in the RMs as well as improvement in their productivity.

**Umang Shah- Participant:**

Understood. Perfect. Thank you so much and wish you good luck.

**Moderator:**

Thank you. Next question is from Dipanjan Ghosh from Citi. Please go ahead.

**Dipanjan Ghosh- Participant:**

Just a few questions from my side. First, on the private wealth business. If I look at your overall transactional income, ex of broking income, it seems that has gone up meaningfully during the quarter compared to a steady-state run rate. So, is there some carry income that has been booked or some sort of syndication activity that you have done? If you can give some color on that. So that would be my first question?

My second question would be, while you mentioned that your overall flows on the mutual fund side has been quite strong, maybe similar to November levels or maybe one of the best in the history of the company. I wanted to get some color on, when you talk to, let's say, feet on street or your distributors, what are they sensing in terms of incremental sentiment because this is probably the first-time retail customers are likely to see a prolonged period of paying out there?

The third and the last question is more on -- again, going back to the Private Wealth division and maybe in sync with the Capital Markets division, you mentioned that your pipeline on the IB side is holding up quite well, but when you talk to, let's say, your clients what is the hope that you see a fructification of some of these deals? And in that context, from a new client addition in the private wealth side or new money getting created, how do you see the trajectory maybe in FY26?

**Ashish Shanker- CEO of Private Wealth Management:**

Let me take the first question on the Private Wealth Management business. In the last quarter, we've seen increased activity of alternate asset sales. We've seen a lot of activity from ultra-HNI family offices in the co-investment space. So, that has contributed to the increase in transactional revenue.

On your third question, yes, there is a lot of increase in activity on the IB side and we are increasing coverage over monetization events, over large liquidation events. So, we should see a lot of traction around that in terms of new client acquisition and new client sales in FY26.

**Prateek Agrawal- MD and CEO, Asset Management:**

Regarding distributors and the client response to this correction, the trends that we have seen over the past 4 weeks on the mutual fund side, there is some reduction. We believe we haven't lost market share. This should be industry-level reduction in net flows.

On the alternate side, I think our flows adds close to record levels. So, there we haven't seen any slowdown. If we look at the behavior of retail versus HNI, I think the HNI part is holding up much better. They are taking it as an opportunity. The correction gives them a great opportunity to put in the lot of money to work. Retail may be behaving a tad differently.

**Dipanjan Ghosh- Participant:**

Just one small follow-up, if I may, on the first question. When you mentioned that the activity levels were strong in 3Q and maybe more on alternate side, so the transactional income that you have booked would be the upfront fees that is still permissible. Is my understanding correct?

**Ashish Shanker- CEO of Private Wealth Management:**

That's right.

**Dipanjan Ghosh- Participant:**

Got it. Thank you, sir, and all the best.

**Moderator:**

Thank you. Next question is from Avinash Singh from Emkay Global. Please go ahead.

**Avinash Singh- Participant:**

Congratulations on a great set of numbers. A couple of questions. The first one, if you can help us in terms of your asset management, AUM, how much of it is within your group ecosystem distribution, like wealth and private wealth? Together, how much they contribute to this distribution? And in your data, say, disclosure, where these are get captured? Do they get captured in direct and or wealth management piece? So that's question number one.

And on the private wealth side, the thing here is that, of course, you have been kind of in expansion mode ramping up your RM and all. So, the question is that if I were to look at in terms of your kind of a focused segment, where this private wealth split in, I mean, like Rs. 5 crores per client investable asset or higher or lower or put it the other way, what is the median typically investable asset, not the customer you said, investable asset you will have as your kind of a focus segment for the private wealth?

**Shalibhadra Shah- CFO:**

On the first question, the captive AMC AUM is just 15% between Wealth and Private Wealth. This number is also moderately coming down.

**Ashish Shanker- CEO of Private Wealth Management:**

We look at families with a financial net worth of Rs. 25 cr plus in the Private Wealth Management business and we onboard with Rs 3 cr plus.

**Avinash Singh- Participant:**

Okay. Got it.

**Moderator:**

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

**Sanil Desai- Participant:**

I just wanted to ask that what kind of traction you have seen in the net flows and the new NFOs which Moti has launched? Because I think in last one or two con call, the strategy was said that to expand the AMC business you were targeting around 1 NFO per month. So how has that strategy been? What is the pipeline of NFOs? And if I may, then in this period where there has been market weakness, has there been any weakness in the flows seen in the NFOs?

**Prateek Agrawal- MD and CEO, Asset Management:**

As we speak, we are just opening our innovation fund. This is the first stage of that fund launch. We will get the trends over a period of time. Otherwise, we have been launching a slew of new products with very satisfactory inflows during the NFO period. Post NFO, we have seen very strong scale-ups in several of our products. When business cycle fund, multi-cap fund, small cap fund, and large cap, were launched they were of small size. But today, they account for a very large part of the net inflows in that cohort. The current sizes are multi-times our launch sizes. So, that has definitely happened to us. Now our spread of inflows is very well diversified.

**Sanil Desai- Participant:**

Okay. And just a small follow-up. Has our strategy changed because of the market weakness of launching one NFO per month or is that broadly safe going ahead?

**Prateek Agrawal- MD and CEO, Asset Management:**

No, there is no change in strategy.

**Moderator:**

Thank you. Next question is from Lalit Deo from Equirus Securities. Please go ahead.

**Lalit Deo- Participant:**

Sir, just two questions. So firstly, in the Private Wealth Management side, so like in this particular quarter, like we have seen a strong addition of the family. However, in terms of net sales, that number might not have picked up very well. So just wanted to understand, like when we onboard a family, then do we get that initial Rs 3 cr per family at one go or is it like spread over multiple months?

**Ashish Shanker- CEO of Private Wealth Management:**

Typically, we would onboard a family with a financial net worth is about Rs 25 cr or a lower amount as well but then the endeavor will be to onboard the family up to Rs 3 cr plus within a year.

**Lalit Deo- Participant:**

And similar to that, so we are seeing addition in the family side. So probably the RMs that we have added over the last 3 years, so they are -- their productivity levels are improving. So, from here on, do we plan to add more RMs or first to improve the productivity of the existing RM base and then look to add more RMs further?

**Ashish Shanker- CEO of Private Wealth Management:**

No, we continue to invest in both engines. First is, addition of new wealth managers is a constant effort and second is, all the wealth managers who are onboard and below 3 years of vintage, we continue to work on the productivity.

**Lalit Deo- Participant:**

And sir, just thirdly, AMC side of it, just wanted to understand, like so we have seen good traction in the flow of the alternate side. So, like probably how should we look at it for like for FY26? Like do we have any production pipelines at this moment?

**Prateek Agrawal- MD and CEO, Asset Management:**

Let's understand who we are. We are a growth-focused AMC. We seek to make money for our investors by looking at businesses where earnings growth quotient can be an order higher than the index earnings growth quotient.

Towards that, on our alternate platters we have 5 strategies which look at the problem from different sides. If we think founders / promoters, can drive growth faster, we have one. If we think there are spaces in the market where the tailwind of value migration will aid growth, that's another. Third cut could be mid- to mega, if there are businesses which today being small, have a better propensity of growth, that's the third one. We have another one Next Trillion Dollar Opportunity (NTDOP), where we are looking at the next trillion-dollar growth of the country, which spaces will be touched and formulate the portfolios.

I think in terms of growth, we have covered all sides. On the alternate front, our whole thought is to stick to respective strategies and grow them all over a period of time. If you look at our strategies, the construct and the name, you should feel that our strategies are managed in true to label format.

**Lalit Deo- Participant:**

And sir, just lastly, we've been hearing like a lot of AMCs have been trying to -- due to their increase in MTM gains, a lot of AMCs have rationalized some distributor commissions. So, like we also have some large schemes within ourselves. So, do we also envisage that, like where will be trying to cut down our distributor commissions?

**Prateek Agrawal- MD and CEO, Asset Management:**

Growing profitability is going to be our endeavor. We have taken some steps. 4Q will show the full impact of those steps.

**Moderator:**

Thank you. Next question is from Sanjaya Satapathy from Ampersand Capital. Please go ahead.

**Sanjaya Satapathy- Participant:**

Sir, two questions. One on brokerage side, we hear that your market share has gone down a bit again, and you've taken some pricing action. Can you just help me understand what will be the near-term as well as long-term strategy in this area for you to gain market share?

**Ajay Menon- CEO, Wealth Management:**

We have been continuously increasing our market share, if you look at the overall trend in the last 2 to 3 years. This blip which we have seen in this quarter is mainly because of a market fall where, because of our advisory model, we are also a little cautious with the investors. Typically, when we see this kind of trend, there can be a blip in the overall market share. We feel with the quality of advice and the quality of investors where we focus more, our market share strategy will always be on the growth phase. Latest changes where the contract size has gone up, which was not our strength compared to discounts, our overall market share should increasingly benefit in the overall scheme of things.

Coming to the pricing part, as I told you earlier, the pricing is mainly a factor of the number of the lot size. We changed based on the lot size of the contract, which has gone up now. So automatically, the brokerage fee value changes based on the lot size. It comes down when the lot size came down and when the lot size went up, we increased the brokerage. Hence, it's more linear to the lot sizes.

**Sanjaya Satapathy- Participant:**

But is there any long-term plan of aggressively tapping the retail market through technology intervention and app based which many others have done. Can you just share your thought on that?

**Ajay Menon- CEO, Wealth Management:**

We do have a digital setup and we have a mobile app, which is very clearly aligned with the overall competition. We are seeing increasing growth on the digital side in our overall volumes and we are very confident on the overall growth in that segment, including the overall distribution, which we align with our overall broking business. However, we are very clear that we will not be going on the discount side of the business and we are focusing on the quality. Having said that, the digital business and the digital client acquisition has been increasing month-on-month for us on overall scheme of things.

**Sanjaya Satapathy- Participant:**

And last question, sir, your -- this mutual fund AUM, can you please give me a bit of a bifurcation in terms of debt equity? And within that equity, how much is ETF and how much is non-ETF? And very last thing that I would like to understand is that because you are one of those who have the NASDAQ ETF, etcetera, because of which, are you seeing some better inflow? And are you being able to kind of withstand this slowdown in Indian market better?

**Prateek Agrawal- MD and CEO, Asset Management:**

We are completely Equity oriented AMC.

With respect to offshore, we can't invest in the offshore strategies. We are limit-up in those. No house can accept monies for offshore strategy. So, that's not the source of growth.

Secondly, of our ~Rs. 1.3 lakh cr, ~Rs. 27,000 cr is passive and out of which NASDAQ and S&P is ~Rs. 13,000 cr, rest of it is India focused strategies. ETFs are a very small part of total. We have just now started to launch ETFs of several of our strategies. But AUM-wise, it's not very meaningful.

**Sanjaya Satapathy- Participant:**

So, will the number of schemes go up meaningfully over the next 1, 2 years for Motilal, and that will be the biggest -- one of the key drivers of growth?

**Prateek Agrawal- MD and CEO, Asset Management:**

As we understand, on the mutual fund side, people look at various cohorts, which have been decided by industry participants and investors allocate money. As of today, we are not there in a few cohorts. We will be there as the year goes by. On the thematic side, we have just started the journey. If we see some of the larger houses, they have 10 to 11 thematics. We just have got 2. We have a very tight launch calendar frankly. You would see us cover a lot of ground on the active side and also on the passive side. Every month, one should expect us to launch a new fund broadly speaking.

**Sanjaya Satapathy- Participant:**

Understood. So, I don't want to kind of sound -- give any value judgment, but any publicity is good publicity as they say and hoping that the controls, etcetera, that we saw throughout last one month, you'll leverage it positively. Wish you all the best.

**Prateek Agrawal- MD and CEO, Asset Management:**

Thank you.

**Moderator:**

Thank you. Next question is from Mahek from Emkay. Please go ahead.

**Mahek- Participant:**

Just one question from my side. If I look at the private wealth business, the employee cost has gone up significantly on a sequential basis. So just wanted to know, is it largely on account of the RM addition or is there anything else there?

**Ashish Shanker- CEO of Private Wealth Management:**

As dictated in our presentation, we continue to invest in senior talent to grow the ultra-HNI and family office business as well as wealth managers. Typically, as explained in the earlier calls as well, the productivity comes in as the vintage grows.

**Mahek- Participant:**

Thank you.

**Moderator:**

Thank you very much. Due to time constraints, we'll have to take that as the last question. I will now hand the conference back to Mr. Shalibhadra Shah for closing comments.

**Shalibhadra Shah- CFO:**

On behalf of Motilal Oswal Financial Services, I would like to thank every participant for attending the concall. In case of any further queries, please do get in touch with our Investor Relations Desk or me. Thank you, and have a good day.

**Moderator:**

Thank you very much. With that, we conclude today's conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.