

Price: 621

Recommendation: Buy

Industry: Stockbroking & Allied

Sector: Financial Services

Report Date: 03-Apr-2025

Motilal Oswal Financial Services Limited is a leader in mutual fund and broking businesses, serving over 10 million customers. In Q3FY25, it reported a 43% increase in operating revenue to Rs. 1,345 crore and a 38% rise in profit to Rs. 525 crore. The company is expanding its Wealth Management and Asset Management segments, with significant growth in assets under advice. Despite a temporary dip in broking market share, it remains confident in future growth through strategic initiatives.

| Sales | | Profit & Loss | | Profitability Matrix | |
|--------------------|---------|---------------------------|----------|-------------------------|----------|
| Current Year | 6019 Cr | Operating Profit(Year) | 3116 Cr | Operating Profit Margin | 51.8 % |
| Previous Year | 2666 Cr | Operating Profit(Quarter) | 564 Cr | EBITDA Margin | 38.33 % |
| Current Quarter | 1238 Cr | PAT (Year) | 1491 Cr | Net Profit Margin | 32.8 % |
| Previous Quarter | 1781 Cr | PAT (Quarter) | 289 Cr | EPS | 32.1 |
| Revenue (QYoY) | 1125 Cr | | | | |
| Valuation Matrix | | Growth(YoY) | | Growth(QoQ) | |
| Trailing P/E | 19.4 | Sales Growth | 62.6 % | Sales Growth | -30.49 % |
| PEG Ratio | 0.54 | PAT Growth | 162.04 % | Sales Growth QYoY | 10.04 % |
| EV/EBITDA | 11.0 | EPS Growth | 28.4 % | PAT Growth | -51.1 % |
| P/B | 5.09 | Dividend Yield | 0.81 | PAT Growth QYoY | -23.75 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 28.8 % | Promoter | 68.7 % | Debt/Equity | 1.23 |
| RoA | 8.58 % | FII | 5.88 % | Debt | 8965 Cr |
| RoCE | 21.4 % | DII | 6.39 % | Market Cap | 37202 Cr |
| RoIC | 48.1 % | Public | 19.0 % | Enterprise value | 35105 Cr |
| | | No of Shares | 59.9 Cr | Cash Equivalents | 11063 Cr |

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, Motilal Oswal Financial Services Limited highlighted several new initiatives and business strategies aimed at sustaining growth and enhancing market presence. The company has crossed a significant milestone by servicing over 10 million customers, with 6.8 million unique mutual fund folios and 4.7 million unique broking accounts. This positions them as a leader in both mutual fund and broking businesses. The operating revenue for Q3FY25 was reported at Rs. 1,345 crore, marking a 43% year-on-year increase, while operating profit after taxes rose by 38% to Rs. 525 crore. The assets under advice (AUA) surpassed Rs. 6 lakh crore, up 62% year-on-year, reflecting a robust growth trajectory.

The company is actively pursuing diversification and expansion strategies. In the Wealth Management segment, the total assets under advice grew to Rs. 3,08,000 crore, a 67% increase year-on-year. The acquisition of clients rose by 13% to approximately 1.6 lakh clients in Q3FY25. The company is focusing on increasing its distribution book, leveraging a strong client base and a dedicated distribution team, which is expected to grow from 600 to 1,000 people. The distribution AUM grew 38% year-on-year to Rs. 32,000 crore, with net flows quadrupling to Rs. 3,000 crore during the quarter. The company is also enhancing its digital capabilities, with a mobile app aligned with market competition, aiming to boost digital client acquisition.

Looking ahead, Motilal Oswal is optimistic about future growth and scaling opportunities. The company anticipates continued growth in the financial savings sector, driven by rising mutual fund folios and demat accounts. The broking industry is expected to consolidate, benefiting larger players like Motilal Oswal. The company is also expanding its Asset Management business, with a focus on launching new funds and increasing its market share. The Asset Management AUM stands at over Rs. 1.3 lakh crore, up 100% year-on-year, with mutual fund AUM at Rs. 98,000 crore, up 128%. The company plans to launch new funds monthly, covering both active and passive strategies.

While the company has demonstrated strong performance, there are areas for improvement. The market share in the broking segment experienced a temporary dip due to market corrections and regulatory changes. However, the company remains confident in regaining and increasing its market share through quality advisory services and strategic pricing adjustments. The focus on expanding the distribution network and enhancing digital capabilities is expected to drive future growth. Overall, Motilal Oswal's strategic initiatives and robust financial performance position it well for continued success in the evolving financial services landscape.

MOTILALOFS Daily Closing One Year Price Chart



| Name | Mar Cap (Rs. Cr.) | P/E | ROE | Sales(G) QoQ | Sales(G) QYoY | PAT(G) QoQ | PAT(G) QYoY |
|------------------|-------------------|-------|--------|--------------|---------------|------------|-------------|
| Prudent Corp. | 8848.56 | 46.93 | 33.40% | -0.36% | 35.78% | -6.46% | 34.99% |
| IIFL Capital | 7022.07 | 9.12 | 32.32% | -9.73% | 4.26% | -3.86% | 31.46% |
| Motil.Oswal.Fin. | 37202.46 | 19.38 | 28.76% | -30.48% | 10.00% | -51.07% | -23.62% |
| ICICI Securities | 29148.63 | 13.90 | 50.09% | -7.07% | 19.90% | -4.65% | 8.33% |
| Monarch Networkh | 2664.94 | 17.21 | 43.40% | -26.50% | -7.49% | -7.87% | 5.06% |

| Aspect | Commentary |
|----------------------|--|
| Revenue | The company shows strong revenue growth with a significant year-on-year increase, indicating robust sales performance. However, quarter-on-quarter figures reveal a decline, suggesting potential seasonal impacts or market fluctuations affecting short-term revenue generation. |
| Profit & Loss | The profit and loss statement reflects a healthy operating profit margin, with substantial year-on-year growth in profit after tax. This indicates effective cost management and operational efficiency, although quarterly figures suggest a need for strategic adjustments to maintain momentum. |
| Profitability Matrix | The profitability matrix highlights strong operating and net profit margins, underscoring the company's ability to convert sales into actual profit. The high EPS further indicates shareholder value creation, positioning the company favorably in its sector. |
| Valuation Matrix | Valuation metrics suggest the company is reasonably valued with a moderate P/E ratio and a low PEG ratio, indicating potential for growth. The EV/EBITDA ratio supports this view, suggesting the company is efficiently generating earnings relative to its enterprise value. |
| Growth (YoY) | Year-on-year growth metrics are impressive, with significant increases in sales, PAT, and EPS. This reflects the company's strong market position and effective growth strategies, enhancing investor confidence and indicating robust long-term prospects. |
| Growth (QoQ) | Quarter-on-quarter growth figures show a decline, highlighting potential challenges in maintaining consistent growth. This suggests the need for strategic initiatives to address short-term market dynamics and sustain growth momentum. |
| Capital Allocation | The capital allocation metrics reveal strong returns on equity, assets, and capital employed, indicating efficient use of resources. The high return on invested capital suggests the company is generating substantial value from its investments. |
| Holdings | The holdings structure shows a high promoter stake, indicating confidence in the company's prospects. Institutional holdings are moderate, suggesting potential for increased institutional interest as the company continues to perform well. |
| Leverage | The leverage metrics indicate a moderate debt-to-equity ratio, suggesting a balanced approach to financing. The substantial cash equivalents provide a buffer, enhancing financial stability and flexibility for future investments or debt servicing. |

Analyst viewpoint: Motilal Oswal Financial Services Limited continues to demonstrate robust short to mid-term growth prospects, underpinned by strategic diversification and efficient capital allocation. Recent performances indicate a marked 43% increase in operating revenue and a 38% rise in profit year-over-year, showcasing effective cost management and operational efficiency. The company's capital allocation metrics such as RoE and RoCE underscore its adept use of resources, delivering substantial shareholder value. In addressing competitive challenges, Motilal Oswal's focus on enhancing digital capabilities and expanding its distribution network aligns perfectly with current market needs, promising steady growth and improved market positioning.

Moreover, upcoming strategic initiatives like frequent launches of new funds in the Asset Management segment are poised to significantly boost the company's market share. Valuation metrics with a moderate P/E ratio and a promising PEG ratio emphasize potential undervaluation relative to its growth prospects, proposing that Motilal Oswal is an attractive investment avenue currently positioned at a competitive price point in the financial services sector. While a temporary dip in broking market share requires monitoring, proactive measures and confidence in regaining momentum reflect positively within its market strategy. This balanced approach anticipates continued prosperity in the financial services landscape.

Please read detailed disclosure on next page.

