

CMP: INR 837

Rating: Buy | Outlook: Positive

Target Price: INR 1432

Stock Info

BSE	532892
NSE	MOTILALOFS
Bloomberg	MOFS IN
Reuters	MOFS.BO
Sector	Stock broking and allied
Face Value (INR)	1
Equity Capital (INR Cr)	14.795
Mkt Cap (INR Cr)	12,413.09
52w H/L (INR)	889 / 551

Shareholding Pattern %

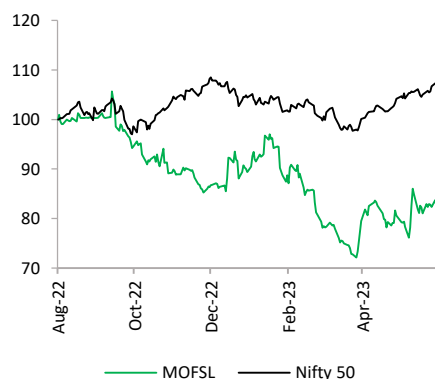
(As on June, 2023)

Promoters	69.66
Public & Others	30.34

Stock Performance (%)

	1m	6m	12m
MOFSL	15.03	22.9	9.09
Nifty 50	1.7	11.2	13.3

MOFSL V/S Nifty



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Outlook & Valuations

We believe there's a significant value unlocking in the future. With the changes in senior management, the company is expected to perform well in the coming quarters. Their broking business is expected to grow by 20 – 25% in FY24. Their IB business completed has completed 6 deals during the quarter and is expected to perform in the coming quarters, owing to the strong pipeline for FY24. Further, the home finance business has witnessed a change in management during the quarter, owing to which we are expecting their home finance business to grow, going forward. We expect a loan book growth of 10% till FY25. We have a target price of INR 1423 based on SOTP valuation.

Motilal Oswal Financial Services Ltd (SOTP Valuation)

Entity	Base	Figures (In Bn)	Multiple	Intrinsic Value
Capital Market	FY25 PAT	9.78	2	19.56
Asset Management Company	FY25 PAT	4.39	1.3	5.71
Housing Finance Company	FY25 PAT	2.15	1.3	2.79
Fund Based	FY25 AUM	61.23	3	183.70
Unallocated				
Total				212
No. of Shares				0.1479
Target Price				1,432

Q1FY24 Concall KTAs:

Demerger of Wealth business

- In the recent news, the company had announced the demerger of broking and the wealth business.
- The internal restructuring is happening across two business viz: Broking & distribution business and wealth business.
- The broking and wealth business will get demerged, but will continue to remain subsidiary of the listed parent entity.
- Secondly, their wealth management business, is moving up from subsidiary to the parent entity.

Donation of equity by two promoters for charitable purpose

The company has filed with the exchanges, an expression of interest for donation of 5% equity each, by two promoters, Mr. Motilal Oswal and Mr. Raamdeo Agrawal, aggregating to 10% of outstanding shares of company. The donation will happen either in a single contribution or through a staggered approach within 10 years.

Capital Market Business

- Growth in brokerage business stands strong at revenue of INR 4,521 mn (+16% YoY, +10% QoQ).
- Revenue from interest grew 95% YoY/ 17% QoQ at INR 2617 mn and revenue from distribution business stood at INR 448 mn (+19% YoY, -17% QoQ).
- NSE active client market share remained stable at 2.5%.
- They acquired 1 lakh new customers during the quarter.
- ADTO grew by 171% YoY/ 28% QoQ to INR 4124 bn. Retail F&O market share grew by 44 bps QoQ to 4.3%.
- Company is confident on their broking business which is expected to grow within the range of 20-25% in coming period.

Investment Banking

IB business has **completed 6 deals worth INR 37.3 bn during the quarter**. Revenue from IB business during the quarter, came at INR 496 mn v/s INR 53 mn in Q4FY23. Revenue is expected to increase in coming quarters, since company has a **strong pipeline for coming quarters**.

Asset & Wealth Management Business

- The **AMC AUM stood at INR 515 bn, up 19% YoY/13% QoQ with MF AUM at INR 335 bn and Alternates AUM at INR 178 bn**.
- **MF Gross Sales market share** improved by 30 bps QoQ/50 bps YoY in Q1FY24 and ***SIP flows market share*** improved by 30 bps YoY.
- The company **added 54 Wealth RMs in last 12 months** resulting into higher employee expense.

Housing Finance Business

- **Company has hired Sukesh Bhowal as the CEO** of the company, who 27 years of experience in the mortgage industry, **Shobhit Doru as the COO**, who has 25 years of experience across products, strategy, and analytics in mortgage and **Rajesh Maiya as Chief business officer**, who has 25 years of experience in sales and distribution, channel management and customer service.
- The **NIMs have remained stable at 7.6% YoY**. The company has been able to maintain their NIMs, despite their increasing cost of funds.
- Their home finance business is **currently undergoing transition, with the change in management and increasing RMs**.
- Going forward, their home finance business is expected to grow, owing to the strong management business.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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