

August 01, 2025

To,
BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai - 400001
Security Code: 532892

National Stock Exchange of India Limi
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400051
Symbol: MOTILALOF5

Sub.: Transcript of Earnings Conference Call with Investor(s)/Analyst(s)

Dear Sir/Madam,

This is with reference to our earlier letter dated July 18, 2025 regarding Intimation of Earnings Conference Call ("Con-Call") with Investor(s)/Analyst(s) held on July 25, 2025 to discuss financial performance for Q1 FY 2025-26.

In this regard, pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (as amended from time to time), please find enclosed herewith the Transcript of the said Con-Call for your reference.

The aforesaid transcript of the said Con-Call is made available on the Company's website i.e <https://www.motilaloswalgroup.com/Downirviridir/351842528Q1FY26.pdf>

Further, we hereby confirm that no Unpublished Price Sensitive Information was shared or discussed during the said Con-Call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Motilal Oswal Financial Services Limited

Kailash Purohit
Company Secretary & Compliance Officer
Encl.: as above.

Motilal Oswal Financial Services Limited

Q1FY26 Earnings Call Transcript

This document is a transcription of the conference call conducted on 25th July 2025. Click [here](#) to listen to the original audio. For past recordings [Link](#), transcripts [Link](#), Investor Presentation [Link](#) Excel Data Book [Link](#) Please contact ir@motilaloswal.com for any queries.

Manish Kayal- Head Investor Relations

Good afternoon, everyone. I'm Manish Kayal, Head - Investor Relations. I welcome all the participants on behalf of Motilal Oswal Financial Services Limited for you to take time out to attend our Q1FY26 earnings conference call. We hope that you had an opportunity to go through our investor deck and press release, which was uploaded yesterday on stock exchanges and on our website. We also have uploaded the Excel data book, which has historical operating and financial numbers. Please note that today's discussion may include some forward-looking statements, and these forward-looking statements are based on our macro assessment and actual outcome may vary.

With that, I'll introduce our management participating on this call:

Mr. Raamdeo Agarawal, 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, Private Wealth Management
Mr. Sukesh Bhowal, CEO, Housing Finance
Mr. Shalibhadra Shah, Chief Financial Officer
Mr. Sanchit Suneja, Group Chief Strategy Officer

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

Over to you, Navin.

Navin Agarwal, Group Managing Director

Good afternoon, everyone. It is my pleasure to welcome all of you to our earnings call for the first quarter ending June 2025

Key Financial and Operational Highlights

Let me start by providing a quick snapshot of the quarter at the group level and then highlight segment-wise performance and finally conclude with the broader outlook of the overall group.

Q1FY26 Performance

- The first quarter performance continues the momentum that we were witnessing in the past few years. It is the highest ever quarter in terms of our reported profit after tax at ₹1,430 crores, which is up by 40% YoY.
- Our operating profit after tax grew by 21% on a YoY basis to ₹522 crores, mainly driven by our asset and private wealth businesses besides the capital market business. We crossed several milestones across our various businesses during this quarter.
- AMC continued to gain market share, both in mutual funds and alternate segments and reached a major milestone of ₹1.5 lakh crores of equity AUM.
- Capital markets saw bigger deal pipeline, more deal executions, higher research coverage and the highest ever revenues.
- Housing finance business crossed a milestone of ₹5,000 crores of AUM.

- With more companies getting listed, the overall virtuous cycle benefits all of our businesses. In our Chairman's statement of our FY25 Annual Report, we highlighted that there is a potential of another ₹150 trillion Market Cap which can be created if the large Unlisted companies goes public, which in turn is a big opportunity for all our businesses. This, apart from financialization of savings is a megatrend, which will continue to serve as a tailwind for all our businesses.
- Our focus in the interim continues to increase share of our fee-based and trail-based revenues, which will be driven by the asset management business, the private wealth business, the distribution business and the lending book growth.

Turning to the broader numbers:

- During the quarter, we have crossed a major milestone by servicing more than 13.6 million customers, comprising 8.6 million+ unique mutual fund portfolios and 5 million+ unique broking accounts.
- Our assets under advice crossed ₹6.5 lakh crores, growing by 28% YoY.
- Annual recurring revenues as a percentage of net revenue now stands at 52% in Q1FY26.
- Our fee-based revenue contribution to total revenues increased to 44%.
- Net worth increased by 28% YoY to ₹12,537 crores. ROE stands at 48% for the Q1FY26 (annualised). Our decadal net worth has compounded at 24% after paying out dividends consistently & doing 3 buybacks, and our decadal average return on equity is over 22%.

Segmental Performance

Turning now to our segmental performance, starting with the Wealth Management business.

Wealth Management Business

- Our broking business continues to retain its leadership as a full-service broker.
- Our retail cash broking volumes (ADTO), at ₹3,179 crores in Q1FY26 implies a cash volume market share of a robust 7.1%. Our F&O premium market share stood at 7.9%.
- Total ADTO market share stands at 7.5%. We believe we are the largest broker in the cash segment.
- Over a long-term trend, our broking revenue contribution to total segmental revenues declined almost half from over 60% back in FY21 to just about 34% in Q1FY26. This happened due to greater focus on growing our distribution business, reflected in net flows, which increased many folds to ₹3,042 crores in Q1FY26.
- Consequently, the distribution book grew by 34% compounded from ₹11,032 crores in March'21 to ₹38,129 crores in June'25 and the contribution to total revenues from segment increased from 12% in FY21 to 24% in Q1FY26. We intend to further increase the revenue share of the distribution business within our overall Wealth Management business and believe that the share of broking revenues will continue to diminish as a proportion of the overall Wealth Management business, like we've seen in our global counterparts over the last several years.
- The third part of the Wealth Management business is the NII, which grew by 12% YoY due to improvement in spreads.

Asset and Private Wealth Management Business

- The AMC business continued its momentum with market share gains driven by continued strong investment performance. As mentioned earlier, we crossed a milestone of ₹1.5 lakh crores of equity AUM. Coupled with increasing distribution presence, gross flows in the first quarter witnessed a growth of 59% YoY to ₹14,568 crores. Our current AUM stands at ₹1.51 lakh crores, which compares with an average AUM of ~₹1.35 lakh crores in Q1FY26 and an average AUM of ~₹1 lakh crore in FY25. So, we stand at over 50% higher AUM as we speak compared to the average of last year.

- We believe that continued strong market shares, both in the mutual fund and the alternate segment, closing in of the product gaps should all serve as a strong driver to our profit growth in the coming quarters as well.
- The net flows of the Asset Management business grew from ₹5,317 crores in Q1FY25 to ₹8,469 crores in Q1FY26. 92% of the AUM outperformed their respective benchmarks in past 12 months.
- We added 14 lakh SIPs in the first quarter. Our SIP flows in the first quarter stands at ₹3,437 crores. Happy to report that our monthly run rate of SIPs for the month of June crossed ₹1,200 crores.
- Our SIP AUM book stands at ₹26,051 crores as of June '25. Alternate AUM also registered a strong growth at 29% to ₹33,810 crores. Contribution of AMC in total profits of MOFSL has risen meaningfully in the last 2 years. And based on the current trends, we believe that this year also should mark a substantial increase in that share.
- Our PE business is amongst the very few domestic PE business, with strong IRR across all the 4 funds that we have launched ever since our inception back in 2007. We also launched our fifth private equity fund with a target size of ₹8,000 crores and completed our first close in a short spell of less than 2 months, crossing 80% of the target fundraise. This is the fastest mobilization of funds done by this business.
- We also announced the final close of our real estate Series VI. Happy to share with you that we are the only player in this segment, which is at Series VI of a real estate fund.
- Private equity business currently has a fee-earning AUM of ₹10,185 crores. A substantial amount of carry, as we have guided in the past, will be realized at the fund close in the near future.
- With the launch of private credit vertical, we now address a higher TAM of customers for alternate funds. This will also accelerate the scale-up of the business in the next 5 years as existing products raise larger sums of capital in every subsequent series and new product launches increase our bouquet of offerings.
- Turning to our Private Wealth Management business, momentum continue to be quite strong on top of a very strong FY25 that we had reported. In Q1FY26, we had a top line growth of 53% and with continued investments in manpower, our bottom-line growth was a robust 49%.
- Our UHNI and Family Office propositions, position us well to emerge as a leading player in the Private Wealth Management space over the next 2 to 3 years. This is supported by experienced leadership as well as strong group synergies.
- Our current relationship manager base is at 615, and we expect improvement in the RM productivity as only 33% of our RMs have a vintage of over 3 years.
- The share of Private Wealth business increased both in FY25 as well as in Q1FY26. We expect this trend of faster growth led by higher RM base, more comprehensive proposition straddling UHNI as well as the HNI segments and several new offerings to continue going forward. We expect the share of private wealth in our total profits to also rise in the coming quarters and years.

Capital Market Business

- During the first quarter, we reported the highest-ever revenues for this business on the back of strong deal flows in the previous quarters and strong execution during the current quarter.
- The IE business continues to increase research coverage as its fulcrum for the group. We have a strong team of 150+ employees in this business. The coverage of the research team is at 320 companies across 25 sectors, ~73% of the market cap, and we service 890+ domestic and overseas institutional clients.
- FY25 was a very strong year for the investment banking business, with doubling of revenues, and that momentum has continued into Q1FY26. We completed 16 deals during the quarter, cumulative issue size of over ₹29,500 crores, and our fee income delivered a robust 89% growth YoY.
- Our IB business was ranked number 3 in number of IPOs executed, number 5 in terms of the value of IPOs. This is a sharp improvement from rank 12 and rank 21, respectively, in the last year.
- We continue to top the QIP league tables for the first quarter in terms of number of issues. As you know, we were number 1 in FY25 as well. We've

strengthened our team over the past few quarters across both of these businesses and continue to increase our research coverage in IE & our IB deal pipeline is the most robust that we've ever seen.

Housing Finance Business

- We crossed the milestone of ₹5,000 crores AUM, up 22% YoY, led by sales RM force increasing to 1,430 RMs, up 50% YoY, which in turn led to disbursement growth of 57% to nearly ₹400 crores during the quarter.
- Our gross and net NPA stands at 1.2% and 0.6%, respectively.
- We expect housing finance AUM to double in the next 2 to 3 years. Our business has a strong capital adequacy ratio and low leverage, giving us enough growth levers without any external equity capital dependency.

Treasury Investments Business

- Our total investments, including alternatives, grew to ₹8,853 crores, up by 26% YoY. This book has delivered a robust XIRR compounded return of over 20% since inception and including reinvestment of cash flows, treasury investments have grown by 43% compounded over the last decade, implying it's up by more than 50x over the course of the last decade.
- We expect similar multiplier impact on the current book over the next decade, given the strong ROE of the operating businesses, a clearly defined payout policy on our operating profits and expected investment IRR.

Outlook and Concluding Remarks

- MOFSL's net worth has grown nearly 10x between March 2015 and June '25 to ₹12,537 crores, led by average return on equity of over 22%, average payout on operating profits of nearly 20%. We expect similar multiple over the next decade on the starting net worth due to the unique twin business model, which is explained once again in our earnings PPT.
- We are strengthening all the 5Ts: Technology, Talent, Training, Trust and Thinking big. Runway for growth is immense with strong double-digit growth expected in each of our businesses. Market leaders in many of our businesses are about 5-10 times our profits and AUM. We are focused on outgrowing the markets in each of these businesses, implying a strong and a big runway for growth for the group.

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

Moderator: Thank you very much. The first question is from Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh - Participant:

A great set of performance across most of the segments, yet I will kind of try to focus on areas where I have some concerns. Your wealth management performance is good, but there has been a shift. Your distribution efforts are paying off and distribution has made up for anything that was kind of lost towards the brokerage or transaction revenue. Now here, given the kind of your pivot over the last few years going more towards a holistic wealth management for the mass affluent than really looking for transaction, Will this directional shift with this transactional or broking revenue going down and distribution continue to inch up, will it continue? Or slowdown in the transactional or brokerage revenue in this quarter gone by is more a market-driven phenomena. So that's question one.

Second is on housing finance. In the past, you have stated that your strategy going forward. But importantly the business this quarter seems to be not on very, very strong footing, some bit of an increase in credit cost and also some asset quality concerns are emerging. So, what is happening there? And what is the kind of strategic path ahead for that business?

And thirdly, as we sort of speak based on whatever the kind of a pipeline, how is the year looking forward for the capital markets segment, particularly from the deal's perspective? Because that is one segment where typically, a lot of

revenues are kind of transactional in nature and there is volatility. Some bit of a directional guidance on that deal pipeline will help us in terms of kind of estimating the numbers.

Navin Agarwal, Group Managing Director:

Avinash, thank you for all your questions. Let me answer them in the reverse order. Starting with the capital markets business. We've seen a record performance in the last year. First quarter of this year has started on a very strong note. The initial deal execution for the second quarter of Motilal Oswal are quite publicly available.

I think there are 4 IPOs closing in a space of 2 weeks' time that we are managing. We continue to be the leader in deal pipeline on the QIP front. Given the pipeline, I have no reason to believe that the coming quarters will be any weaker than the first quarter that we've reported, which has itself been a very robust quarter. So that's on the capital markets business.

I'll come to the first question, and then Ajay can probably add as well. The trend of rising distribution income is something that we called out almost over 5 years back, and we have been sharing this metric year after year and quarter after quarter with you.

The cross-sell ratios continue to remain quite low and there's an annuity nature of build-up of the distribution business unlike the transaction business, with higher cross-sell. We had explained this and I'll reiterate just for a minute. We now have a separate head for third-party products. Below him, he has 600 to 700 members strong team with regional heads. So rather than the existing broking RMs cross-selling third-party products, we now have dedicated team supplementing or supporting them. With the advent of account aggregator, I would only like to believe that this cross-sell ratio can multiply from here. There's a lot for us to learn from the global counterparts, but suffice it to say that this is a long runway.

The other part that you must also not ignore is the NII part of the business, which has also been rising. We believe that we are quite under-indexed as far as the MTF book is concerned compared to our own market share in the F&O as well as the cash market, which stands at 7.5%. We are focused on that part and that is set to grow.

We've explained that the broking business is hinged on greater retail participation, which we believe still can grow 3-4 times from here over the next couple of decades. The runway there is strong. All 3 parts have a strong runway, but we would like to believe that both distribution and NII can outgrow the broking business in the coming years.

You talked about the first quarter strong distribution income. I highlighted during our fourth quarter con-call, and I repeat that the distribution income will have seasonality. As you know, the fourth quarter is the lumpiest on the insurance side. As far as some of the other line items in the distribution business is concerned, they too could be lumpy on a QoQ basis. The steadiest part is obviously the trail income, which only moves along with the mark-to-market and the net new money that we add to the distribution book, which stands at nearly ₹40,000 crores right now. So those are the various elements.

Ajay Menon, CEO, Wealth Management:

I think Navin covered all the aspects in detail. As we know that the distribution AUM is still very small in the overall scheme of things when you look at our DP holdings we have got ~₹3 lakh crores of assets. Distribution AUM is just around ₹40,000 crores. We have a huge room to grow from here.

At the same time, if we look at our broking business, through franchisee channel we have a huge scope. But that doesn't stop us from building on the distribution AUM. In the last few years, we have consistently seen steady growth in the AUM business.

As Navin said, we are investing in a big way in terms of people, technology and building an overall trail-based book, which will be over and above the broking business growth.

Shalibhadra Shah - CFO:

On the housing finance question, over the last few years we have built very robust asset quality in this business. If you look at the new book that we have built over the last few years, which is almost about 70% of our AUM, the GNPA number on that book is only 0.6%. While overall GNPA number on a sequential basis is a bit increased, but that's also because of the seasonal nature of collections in the first quarter of every year, where you will see marginal slippage being higher.

Our net NPA provisions coverage ratio stands pretty strong. We expect meaningful recovery of this GNPA number in the coming quarters. Overall, I think 1+, 30+ DPD if you compare on a YoY basis, all are lower. So that's how we are looking at the overall asset quality.

Moderator: The next question is from the line of Ashish Kumar from Ampersand Capital Investment Advisors

Ashish Kumar - Participant:

I have 2 questions. First, there has been a sharp increase in our employee expenses this quarter, 34% YoY and 23% QoQ. What is the reason for this? And how we should look at it in the coming quarters?

And second question is in the Asset and Private Wealth Management, we have seen strong growth on YoY basis. But on QoQ, it is kind of muted. So, if you can give some more color on this, it would be helpful.

Shalibhadra Shah - CFO:

Coming to the people cost number, if you look at last 18 months, we have been continuously adding more senior talent across each of our business. The senior hires over the last 18 months have been 450+. Secondly, it also includes the impact of the increment which has happened on a YoY basis because Q1 generally reflects the full impact of the increments that we have in effect from 1st April of this year.

Overall, given the strong performance of this quarter, the variable amount has been provided for to fully capture the growth for this quarter. That is why you would see that there is a marginal increase in the people cost to revenue ratio. But our margins have been very strong and stable at a ~50% PBT margin if you look at the overall last financial year and even the Q1FY26.

Navin Agarwal, Group Managing Director:

With respect to Private wealth business If you see there has been a very substantial ramp-up in the H2 and Q4 of last year. As I mentioned, the Q4 is seasonally the strongest quarter for certain products and all of this has led to a very strong growth last year as well. This year again we have a robust 50% top line and bottom-line growth in this business.

We are seeing very strong tailwinds for this business and expect this business to continue to perform strongly in the coming quarters of the year as well. As I guided, this business is very under-indexed in terms of the headroom to grow. If you benchmark us to the market leader, you will see that there is almost 8x - 10x that is possible in this business and that's why we have been investing.

I have guided in the past that almost 10% EBITDA margin sacrifices on the back of strong RM hiring, where only 33% of the RM base is of a vintage greater than 3 years. We see all of this continuing to serve as strong tailwinds and the headroom. Also, with the investments that we are making in the RM base, the growth will continue to be strong in the coming quarters as well.

Shalibhadra Shah - CFO:

On the question of QoQ revenue growth on our Asset and Private Wealth business, Q4FY25 included the carry income. The revenue increase in comparison to the AUM, will be lesser in Q1FY26 because of the impact of the carry income included in Q4FY25 in our asset and private wealth business.

Ashish Kumar - Participant:

Just on the employee expense, if you can give some guidance for full year in terms of either percentage of sales or growth, it would be helpful.

Navin Agarwal, Group Managing Director:

As far as the percentage of the revenue is concerned, you should assume that it will be at a similar level as the last year.

Moderator: The next question is from Hitesh Arora from Abakkus Asset Managers.

Hitesh Arora - Participant:

I wanted to get a better understanding on the PWM business. So, we've talked about the relationship manager's vintage, employee expenses, etc. But on the client side, if you could elaborate what is happening? How many relationships have we expanded, matured, things like that or some interesting transactions that maybe we may be working on like we executed last year, if you could just elaborate a bit on that just to improve our understanding of the business of the PWM side?

Ashish Shanker, CEO, Private Wealth Management:

From a PWM side, last year, same time, we had ~13,400 families and today, we have ~16,600 families. We've seen strong growth in terms of addition of families, and this is across the board, whether it is HNI families or UHNI & family offices.

Like Navin mentioned earlier, we are still quite underpenetrated across the board. In the HNI business, it's more about coverage, adding talent across the country. Similarly, in the UHNI & family office business, we are very underpenetrated in terms of our share of wallet. There is a lot of headroom for growth in both businesses within private wealth.

As far as the products are concerned, we are seeing increasing interest and offtake of alternate products in the UHNI & family office segment. Similarly, in the HNI segment, we are seeing a lot of interest in solutions. We currently have our Delphi set of products, which is essentially a fund of funds and fee-based solutions for HNIs. So, in both areas, we are continuing to see interest. In the alternatives, we are also seeing a lot of interest in unlisted transactions, and there is a steady flow now.

Moderator: Next question is from Lalit Deo from Equirus Securities.

Lalit Deo - Participant:

Congratulations on a good set of numbers. Sir, 2 - 3 questions. One, in the distribution income, both on the wealth management as well as on the private wealth management side. There seems to be a sequential uptick in the transactional distribution revenues. So just wanted to understand what would have driven those revenues in this way? And could you also give us a rough breakup like which are the key drivers for the same?

Second was on the AMC business. In this particular quarter, the flows on the PE and RE segments were around ₹300 crores. But in the presentation, it's mentioned that in July, we have closed a fund. So how should one look at the overall net sales in the alternative side of the AMC business for the full year?

And lastly, on the broking side. In the F&O side, it seems like that gross brokerage levels were muted in this particular quarter on a sequential basis. So, what would have led to those reasons? And how are you seeing the trend in the month of June and July? Those are the 3 questions

Shalibhadra Shah- CFO:

Coming to the first question - our distribution revenues across our wealth management business as well as private wealth business in Q1FY26 includes revenues on account of secondary market transactions on the private securities as well as alternatives.

We had even guided over the last few quarters that there is a lot of focus in the alternative space, including co-investment as well as uptick in secondary transactions. That is one of the reasons where you will see the impact of those steps that we took to increase the revenues in Q1FY26 as well.

On your second question on the PE/RE flows. While Q1FY26 includes ₹300 crores of net flows, but you would have seen the announcement that we already made that our fifth growth fund on our private equity side, which is IBEF V, with a target size of ₹8,000 crores. We have done the first closing at 80% of the target size. You would see the impact of the flows coming in the Q2FY26. Also, we have closed our Series VI of our real estate fund, the flows of which will also get reflected in the Q2FY26. Moreover, as Navin guided, in H2FY26 we'll do the first closing of our Private Credit fund. That is how we'll generate the flows in current financial year

Navin Agarwal- Group Managing Director:

Just to summarize versus the ₹10,000 crores opening AUM for this business, you will see nearly all of the ₹8,000 crores Series V private equity funds getting added. You will see a part of the ₹2,000 crores Series VI real estate fund getting added. Also, you will see a part of the private credit fund getting added. This should be one of the strongest years of growth, both in AUM as well as recurring fee income for this business, nearly doubling of AUM in the current financial year.

Shalibhadra Shah- CFO:

On the third question on the margin for the quarter, our PBT margin for the quarter is at 49%, which if you look at sequentially looks like a dip of 200 basis points. We expect to maintain the margins we delivered previous financial year this financial year as well. This marginal dip is mainly because of the people cost, which I explained earlier in the call, on account of increase in the revenues, and the corresponding catchup in the fixed and variable people costs

Lalit Deo - Participant:

Sure, sir. Just on the F&O side, actually, that was the last question

Shalibhadra Shah- CFO:

On the broking side of the business, our focus has been on the cash side of the business. The F&O pie of the business is less than 40% in our overall mix. Our cash volumes growth has happened in the market as well as our market share has gone up. Bulk of the brokerage growth has come actually from the cash brokerage for us because of the increased focus on the cash side of the business over the last many years. On the F&O side, the increase has happened in the market share as well as in terms of the revenue, but that is lower than the cash brokerage surge.

Ajay Menon, CEO, Wealth Management:

Just to add to that, on the F&O side, we also had the full quarter impact of the expiries being reduced. On the overall market also, the volumes have come down because of the overall number of expiries coming down.

Moderator: Next question is from Dipanjan Ghosh from Citigroup.

Dipanjan Ghosh- Participant:

Few questions from my side. First, going back to this employee expense number. And if I were to just kind of take out 2 of the businesses, which is private wealth and capital markets, it seems that the growth in employee expense on a sequential basis has been highest in these 2 segments. And obviously, when you look at the market competitiveness in terms of new talent acquisition or talent poaching that is going on in the industry, it probably seems that it is also highest in these 2 segments coincidentally. I wanted to get a more medium to long-term picture in terms of how do you see the competitive pressure shaping up in this segment? Obviously, a lot of new players are coming up, capital-backed players are coming up. Is talent acquisition or talent retention going to put a significant pressure on the employee expense for, let's say, foreseeable future out there?

The second question is going to be on the transactional revenue part. Now obviously, you mentioned that there are a lot of unlisted market deals are happening. Your numbers have also stacked up well over the last few quarters, especially this quarter also. I just want to get an idea of 2 things. What is the product rejection rate? Or how do you really source the product and kind of vet the product undergoes before really pitching it to the customer? And second is in terms of the pipeline of the product side or lumpy deals out there, can you give some color specific to your company?

And last question is on the capital markets business side. Any color on the quantum of deal pipeline that you have? if it's 100% of that were to fructify over the next 1 to 2 years, what sort of uptick in revenues can we expect on the fee income side of the capital markets business?

Navin Agarwal- Group Managing Director:

As far as the employee cost pressures and the talent war in the private wealth and the capital markets business, Dipanjan, you're absolutely right. At Motilal Oswal, we have been very sensible about benchmarking on how we pay to the current workforce and the offers that we have made in the last 12 months have been at a much higher level compared to what we have done in the past. I don't see this abating, because the size of the opportunity itself is expanding very rapidly in both of these businesses. As you see, our overall margins are at the industry best in terms of the composition of the businesses that we have. If you compare us with the industry, our margins which is at 49% are very robust. We try to sensibly participate in terms of growing the team sizes across both of these businesses. So that is the first point.

As far as the pipeline is concerned, I articulated that the deal pipeline visibility of the capital markets business is very robust, that the Q2FY26 should be at least as good as Q1FY26. But making any long-term projections for this business is very difficult because the execution is entirely a function of the markets and if markets were to remain reasonable or robust, then the pipeline at least is in place to continue to have robust execution in 3Q as well as 4Q. Our book-to-bill ratio for this business is in excess of 2-3 times based on the revenues that we reported last year. That's why, you're seeing near doubling of revenues in the Q1 and continued strong growth in the Q2 as well.

As far as the underwriting is concerned, the group has a very strong history of underwriting both in public markets as well as private markets. The vintage of our asset management company is over 2 decades, and the vintage of the private market practice is just a tad under 2 decades. Both the businesses have delivered a stellar track record of mid-20s or early 20s kind of a return over this long period of nearly 2 decades. So that is innate to the group and rejection ratios are obviously, as a consequence, quite high. Pipeline for this is quite strong and the coming quarters should continue to be reasonably strong. We don't call out any numbers of pipeline for this, but I think the visibility of continued strong growth in the rest of the year is also reasonable.

Dipanjan Ghosh - Participant:

Got it. If I can just squeeze in one small question on the private wealth or maybe a little bit on the flows from the PMS and AIF or the real estate on the asset management side also. I want to get some color on this customer, especially in the PWM ex-PCG, which used to have more focus on the HNI and UHNI. Would this be more of generational wealth sort of personnel? Or this would be more tilted towards professionals or business people? I just wanted to get some sense of how is the sensitivity of primary markets or monetization events to incremental flows versus how much of it is more organic client tapping or new client acquisition?

Ashish Shanker, CEO, Private Wealth Management:

Within the Private Wealth Segment, ex-PCG, the color of clients is - in the HNI segment it is professionals and in the UHNI & family office, it's business promoters. So right from SMEs, MSMEs, all the way going up to large listed company promoters, that would be the primary target segment. In terms of what drives growth, there is obviously a lot of organic growth because these clients keep adding to their wealth every year, and their current portfolio also keeps growing. But as far as the larger growth in the UHNI and family office segment is concerned, monetization plays a very large role.

The intensity there has only been increasing, as you can see from all these IPOs and private equity transactions sell-out. I'm just alluding to what Navin said, if the market remains stable or robust, I think we continue to see very high growth in that segment. So, there is an organic growth of maybe 20% - 25%, but the extra growth and our ambition to get to the leadership position will get determined by the kind of share that we can get in the incremental monetization events. I hope that answers your question.

Moderator: The next question is from Swarnabha Mukherjee from B&K Securities.

Swarnabha Mukherjee - Participant:

A couple of questions from my side. Actually, I wanted to understand a little bit more on the product strategy in wealth and private wealth. So, some observations, in the wealth business, the broking income has come back very strongly while vis-à-vis that in private wealth, that pace of recovery is slower. What would be a differentiated strategy between the 2 segments in a period when the market was recovering. How do you address that? That is the first question.

And second is in terms of the distribution income for the quarter. There is an impact because of seasonality from insurance business. But if you could give some breakup in the revenue growth from what comes from MF or other non-seasonal channels and what comes from other segments which help us to understand this better? that's from my side.

Navin Agarwal- Group Managing Director:

We don't break down this. There's already so many layers of breakdown across all our businesses that we are publishing. As I mentioned to you, this could be volatile on a QoQ basis but on an annual basis, we see these trends to be improving. As far as the difference in the trend of broking business across our Wealth Management and Private Wealth Management, broking is the primary product for the wealth management business. There's also a lot more MTF that is supported there, which has probably less salience to market volatility or basically the continuity of that income is greater. Use of that is far less in our Private Wealth business, and it's also not a primary product. But we believe that these could be lead lags that may last for a quarter or 2. Eventually, both the businesses largely move in a similar direction like we've seen in the past few years.

Swarnabha Mukherjee - Participant:

Understood. I appreciate the fact that you don't want to give further cuts into the distribution income. But just wanted to understand, between last year

to this year, the growth between, Q1FY25 and Q1FY26, the growth has been phenomenal over this period. I wanted to understand that as far as the nonseasonal bucket, has the growth been equally stronger or better? Some color would be helpful to get for us to forecast maybe some ballpark.

Navin Agarwal- Group Managing Director:

I had explained this in great detail last quarter also, but I'll repeat. The only new kid on the block really is secondary bonds as well as equities. That is something that we were under-indexed on. Both of those have seen an improvement over the course of the last 3 quarters, and if you see second half of last year and first quarter of this year, we have seen improvement. My guess is we are still under-indexed on both. So, the trend could continue to be strong in that part of the distribution income.

Moderator: The next question is from Pooja Jain from Trinetra Asset Managers.

Pooja Jain - Participant:

I just wanted to know a little on the technological side. What progress have you made on digital front like in both broking as well as wealth? Are you looking for any AI-based advisory or any hyper-personalization? And I also wanted to know the percentage of account openings and transactions happening through your mobile apps versus assisted channels. What is the percentage?

Motilal Oswal, Managing Director and CEO:

We have a huge of focus on technological initiatives. Our overall online transactions are around 75% to 80% of the total. We are the only unique player who have both the models, which is the digital model and also have advisory assisted model where advisers advise. Transactions still can happen online or offline based on the clients' convenience

I think the next version of the RISE app is also live. Account aggregator is live. We have a lot of tools being done through AI. In the next couple of quarters, you will see a lot of new tools where actually voice and tech combination will happen and the clients will have the choice.

Shalibhadra Shah - CFO:

Our tech spends are also rising YoY. If you look at tech spends, they are almost about 4.5% - 5% of our revenues. Even this financial year, we have a very healthy budget of almost about ₹250 crores to be spent on the technology initiatives.

Pooja Jain - Participant:

Just one more question. What's the current status and strategy for international fund product?

Navin Agarwal- Group Managing Director:

We've already ran out of capacity a few years back. We were the market leader and pioneers to launch NASDAQ and S&P 500 and bring them to India. Nearly 2.5 years back this product stopped seeing any fresh inflows because we capped out our limit that has been set by the regulator.

Having said that, some of our products are now available on GIFT City. It's only been a quarter and we've seen very strong traction there. We think that global funds flowing into India through GIFT City is something that may happen.

On the private wealth side, we are trying to use a similar route for deployment of funds globally. But this is not a major mover for us currently. All of this, put together, is incrementally, from a delta perspective, trending to 0 for us.

Moderator: The next question is from Rohan Advant from Prad Capital.

Rohan Advant - Participant:

Most of my questions have been answered. Just on the NII front, if I look at quarter-on-quarter, our NII has been lower. And even on a YoY basis, the growth seems to be lower. I thought you would benefit also from the drop in the interest rates on your NII. Was our average book maybe lower than the closing book? And what is the reason for this? And how would you guide for the rest of the year on this front?

Shalibhadra Shah - CFO:

I believe you are talking about our MTF book on the wealth management business. On YoY, the book has been lower by almost about 9% - 10%. That is one of the reasons, for the NIIs being lower. However, the spreads have marginally improved YoY because our cost of funds have also come down. Cost of funds have actually fallen by 40 basis points on a QoQ front and 80 basis points on a YoY front. You will see the impact of the spread benefit also coming over next few quarters. However, sequentially, the book has grown and it is up almost 20%, in line with the growth in the cash volumes and our market share growth as well. You would see the sequential uptick of the NIIs in the coming quarters for the full impact of the growth, which has happened in the Q1FY26.

Rohan Advant - Participant:

Understood. Sir, so what you are saying is that the closing book has grown, but the average book has not grown because when I see NII this quarter versus last quarter, it is a lower number even under wealth management.

Shalibhadra Shah - CFO:

Yes, that's right because bulk of the book growth has started from the month of June. You'll see that the average impact of that is yet to fully come in the NII.

Moderator: Next question is from Shashi Kapoor from Dhauladhar Capital.

Shashi Kapoor - Participant

The question is, as you mentioned that we are on an uptrend and liquidity is doing fine in markets, and markets are also doing fine. How we are set for the next 2 - 3 years? What we are doing to ensure that we don't get much impacted as we have got impacted historically due to market correction.

Navin Agarwal- Group Managing Director:

As you may have noticed, the annuity and the trail bearing part of the revenues systematically has been rising to now a majority of the overall revenues. On the other hand, within the broking business, the volatility which you are alluding to, that part of the business is also now down within the retail broking business to 1/3rd of the overall revenues

The share of third-party distribution, NII, asset management, private wealth and private equity & real estate business have all risen materially. Our market shares in all our businesses in the last 3 - 5 years have gone up.

I explained to you in my opening remarks that across all the businesses that we are in, the runway to just catch up with the leader is 5 - 7 times. Each of those businesses are growing at very strong double-digit rates. We believe that this whole is the mega trend of financialization of savings.

The huge gap between us and the market leader and our focused execution to close that gap and with increase in trail revenues, annuity share of revenues and salience of asset management & private wealth businesses, I think all of this give us the confidence that the 10-year compounded profit growth of 30% that we've reported, all the tailwinds for the future is no different from the last decade.

Moderator: Due to time constraints, we'll take that as the last question. I would now like to hand the conference over 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 Q1FY26 con call. In case if you have any further queries, please do get in touch with our Investor Relations desk. Thank you, and have a good day.

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

Please contact ir@motilaloswal.com for any queries.

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