A Study on Portfolio Management System (PMS) with Reference to Motilal Oswal Financial Services Limited

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Abstract - This study examines Portfolio Management Services (PMS) with reference to Motilal Oswal Financial Services Limited (MOFSL), based on an On-the-Job Training internship at its Pune branch from 08 June 2026 to 08 August 2026. The study aims to examine the concept, structure, and types of PMS offered by MOFSL; compare PMS with mutual funds and direct equity regarding investor suitability; analyze the regulatory framework under the SEBI (Portfolio Managers) Regulations, 2020; and evaluate the High Net Worth Individual (HNI) client acquisition process in Pune. Combining structured company training, desk research on regulatory norms, secondary data analysis from MOFSL's Q3FY25 & 9MFY25 investor presentation, and qualitative field observations, the findings show that PMS operates within MOFSL's fast-growing Asset Management segment and targets high-ticket investors through a mandatory ₹50 lakh minimum threshold and customized portfolios. Field observations indicate that referral-based leads convert more effectively than cold outreach, minimum investment and fee structures represent the primary client objections, and closing requires multi-meeting follow-ups. The study concludes with recommendations for a structured mutual fund-to-PMS step-up pathway, upfront objection explainers, systematic referral generation, and standardized follow-up tracking.

***Key Words*:** Portfolio Management Services, Motilal Oswal Financial Services Limited, Wealth Management, High Net Worth Individuals, SEBI Regulations, Capital Markets.

1.INTRODUCTION

India's financial services sector has experienced a profound structural shift over the past decade, driven by rising gross domestic savings and a growing preference among households to transition from physical assets like gold and real estate into financial instruments such as equities and mutual funds. Within this expanding capital markets ecosystem, broking and wealth management have emerged as critical channels connecting affluent investors to wealth creation opportunities. Amidst this growth, Portfolio Management Services (PMS) has gained significant prominence as a specialized wealth management solution designed to cater to clients seeking customized, professionally managed equity portfolios.

Portfolio Management Services refer to a professional investment management arrangement where a SEBI-registered portfolio manager manages a client's portfolio of securities in exchange for a fee, tailored to the investor's specific financial goals and risk profile. Governed under the SEBI (Portfolio Managers) Regulations, 2020, PMS commands a minimum investment threshold of Rs 50 lakh, making it an exclusive product targeted primarily at High Net Worth Individuals (HNIs). Unlike retail mutual funds, which pool investor capital for broad market exposure, PMS offers high portfolio customisation and direct securities ownership in the client's demat account, serving distinct investor requirements.

Despite the rapid expansion of wealth management products, there remains a critical gap in literature examining how major financial institutions structure, position, and market PMS to HNI clients at the regional branch level. This paper addresses this gap by investigating Portfolio Management Services with specific reference to Motilal Oswal Financial Services Limited (MOFSL), a leading diversified financial services group in India.

The primary objectives of this study are: (i) to examine the concept, structure, and strategic types of PMS offered by MOFSL; (ii) to comparatively analyze PMS against alternative investment avenues such as mutual funds and direct equity in terms of investor suitability; (iii) to evaluate the prevailing regulatory framework governing PMS under SEBI guidelines; and (iv) to analyze the practical process, challenges, and client behavioral patterns involved in acquiring HNI clients for PMS within the Pune region. By bridging academic portfolio theory with ground-level wealth management practices, this study provides valuable insights for financial

institutions seeking to optimize their HNI acquisition strategies and enhance product positioning in competitive capital markets.

2. LITERATURE REVIEW

The theoretical foundation of portfolio management traces back to Modern Portfolio Theory (MPT), introduced by Harry Markowitz in 1952, which posits that investors can minimize overall portfolio risk without sacrificing expected returns by combining assets with low covariance. Building upon MPT, the Capital Asset Pricing Model (CAPM) links an asset's expected return to its systematic risk (beta) relative to the market. However, empirical evaluations in emerging markets like India have revealed mixed validity for CAPM across diverse sectors.

2.1 Portfolio Construction and Empirical Performance

Recent empirical research validates the practical efficacy of mean-variance optimization. Mishra and Mishra (2026) demonstrated that optimized portfolios achieve superior Sharpe ratios and cumulative returns compared to naive equal-weighted portfolios across volatile market cycles. In the mutual fund domain, studies evaluating fund manager performance utilize conditional evaluation techniques to isolate managerial skill from broader market conditions. Furthermore, research examining specific asset management portfolios—such as those managed by Motilal Oswal—indicates that while small-cap and specialized equity strategies exhibit strong Jensen's Alpha despite elevated volatility, other focused strategies show varied risk-adjusted outcomes.

2.2 Active Versus Passive Strategies and Investor Behavior

The debate between active portfolio management and passive indexing remains central to wealth management literature. Studies comparing active and passive mutual funds across various market capitalizations indicate that active management frequently generates superior alpha in less efficient segments like mid and small caps, whereas passive instruments demonstrate advantages in efficient large-cap benchmarks.

Beyond quantitative metrics, behavioral finance plays a crucial role in investment decision-making. Research by Gupta et al. (2025) highlights that investment choices are largely driven by expected returns, perceived risk, and product familiarity, with younger demographics exhibiting higher risk tolerances. Similarly, studies on investor objectives emphasize that safety, assured returns, and long-term security frequently supersede short-term liquidity or tax considerations. While existing literature extensively covers mutual funds and general portfolio theory, limited empirical work investigates Portfolio Management Services (PMS) as a specialized, HNI-focused wealth management product within brokerage ecosystems.

3. METHODOLOGY

3.1 Research Design and Scope

This study adopts a descriptive and empirical framework, combining secondary data analysis of corporate financial reports with primary qualitative observations gathered during an On-the-Job Training (OJT) internship at Motilal Oswal Financial Services Limited (MOFSL), Pune branch. The scope of research is specifically focused on Portfolio Management Services (PMS) as an investment product, the regulatory ecosystem governing it, and the operational workflows involved in acquiring High Net Worth Individual (HNI) clients.

3.2 Training and Operational Framework

The methodology comprised a dual-track structure spanning an eight-week training calendar followed by intensive field execution. The training track involved structured sessions administered by corporate trainers and domain experts. These sessions covered capital market fundamentals, equity products, mutual fund structures, asset allocation strategies, and specialized products including PMS and Alternative Investment Funds (AIFs). Weekly performance evaluations and presentations ensured conceptual clarity and alignment with institutional standards.

3.3 Fieldwork and Client Acquisition Process

Simultaneously, the field track focused on the practical execution of HNI client acquisition for PMS. The operational workflow followed a systematic five-stage sequence:

1. **Lead Identification:** Sourcing prospective HNI clients via internal databases, existing client referrals, and branch walk-ins, with pre-screening against the SEBI-mandated Rs 50 lakh

minimum investment threshold.

2. **Need Analysis:** Conducting structured discovery conversations to evaluate client financial goals, existing asset holdings, risk tolerance, and investment horizons.

3. **Product Pitching:** Presenting the PMS product structure, discretionary versus non-discretionary models, historical performance indicators, and comparative advantages over mutual funds and direct equities.

4. **Objection Handling:** Addressing primary client reservations concerning the Rs 50 lakh capital entry barrier, fee structures, and market volatility risks using standard disclosure documents.

5. **Decision and Onboarding:** Managing multi-touchpoint follow-up cycles and completing compliance documentation, including KYC, risk profiling, and Investment Policy Statement (IPS) agreements.

4. RESULTS

The empirical analysis of Motilal Oswal Financial Services Limited (MOFSL) and field observations within the Pune region provide comprehensive insights into the positioning, performance, and client acquisition dynamics of Portfolio Management Services (PMS).

4.1 Segment Performance and Asset Management Analysis

An evaluation of MOFSL's financial disclosures across business segments indicates that Asset & Private Wealth Management has emerged as one of the fastest-growing and most profitable segments. During Q3FY25, net revenue for Asset & Private Wealth Management surged by 58% year-on-year to Rs 551 crore, contributing significantly to consolidated profitability with a profit after tax (PAT) of Rs 234 crore, representing a 62% increase year-on-year. In comparison, the traditional Wealth Management segment reported a net revenue of Rs 570 crore, reflecting a 30% growth, and a PAT of Rs 190 crore.

Within the Asset Management division, which encompasses mutual funds, PMS, and Alternative Investment Funds (AIFs), total fee-earning AUM reached Rs 1.4 lakh crore across 13 distinct investment strategies. Ten out of these 13 strategies outperformed their respective benchmarks over the preceding one-year period, with outperforming strategies accounting for 97% of the total AUM in this category. Although MOFSL reports PMS performance jointly with AIF under "Alternates," the robust growth of the overarching segment confirms its strategic importance to the firm's business model.

4.2 Comparative Evaluation of Investment Avenues

To establish the market positioning of PMS, a comparative evaluation was conducted against mutual funds and direct equity investments across critical operational and structural parameters:

- **Minimum Investment:** PMS requires a SEBI-mandated minimum threshold of Rs 50 lakh, whereas mutual funds allow entry via Systematic Investment Plans (SIPs) starting as low as Rs 500, and direct equities have no fixed regulatory minimum.

- **Security Ownership & Customization:** PMS securities are held directly in the client's individual demat account, offering high portfolio customisation. Conversely, mutual funds pool capital into a common fund managed for all unit holders, offering low individual customisation.

- **Fee and Cost Structure:** PMS typically utilizes a fee model combining fixed management charges and performance-linked fees, whereas mutual funds operate on standardized, lower expense ratios.

- **Investor Suitability:** PMS caters exclusively to High Net Worth Individuals (HNIs) seeking tailored equity strategies, while mutual funds target mass retail accessibility.

4.3 Regulatory Compliance and Client Acquisition Findings

The regulatory review under the SEBI (Portfolio Managers) Regulations, 2020 confirms that PMS operates under a stringent compliance regime. This framework mandates a minimum corporate net worth of Rs 5 crore for portfolio managers, appointment of qualified principal and compliance officers, extensive

client disclosures, and mandatory quarterly reporting alongside annual audits.

Field-level observations from the HNI client acquisition process in Pune revealed several key operational patterns:

- **Lead Conversion Dynamics:** Referral-based leads from existing clients exhibited significantly higher conversion rates into serious discussions compared to cold walk-ins, driven by pre-existing trust.
- **Primary Client Objections:** The Rs 50 lakh minimum investment threshold and fee structures constituted the most frequent client reservations, frequently surfacing before risk-related concerns.
- **Decision Cycles:** Due to the requirement for detailed review of Disclosure Documents and Investment Policy Statements (IPS), conversion cycles typically spanned multiple meetings rather than single-touch pitches.
- **Demographic Risk Appetite:** Qualitative observations indicated a recurring behavioral pattern wherein younger clients (aged 30s to early 40s) demonstrated a higher willingness to assume portfolio risk compared to older, retirement-focused investors.

5. DISCUSSION

The findings of this study bridge theoretical portfolio management concepts with the practical realities of executing wealth management services at the regional branch level. By examining Motilal Oswal Financial Services Limited (MOFSL), the research highlights how macroeconomic shifts, regulatory boundaries, and investor behavior intersect in the distribution of Portfolio Management Services (PMS).

5.1 Strategic Alignment and Segment Growth

The robust financial performance of MOFSL's Asset & Private Wealth Management segment—evidenced by substantial revenue and profit growth alongside high benchmark outperformance across its asset management strategies—demonstrates the viability of active portfolio management. While mutual funds drive retail volume scale, specialized products like PMS and alternative investment strategies contribute disproportionately to high-margin revenue generation. This aligns with active management literature indicating that skilled active strategies can capture alpha in specific market conditions, provided they are backed by disciplined research and robust execution frameworks.

5.2 Product Differentiation and Regulatory Realities

The comparative analysis confirms that PMS and mutual funds do not directly compete for the same client base. Instead, they serve mutually exclusive market segments defined by capital availability and customization requirements. Mutual funds provide accessibility for retail investors via low entry thresholds, whereas PMS is structurally tailored for High Net Worth Individuals (HNIs) who demand direct securities ownership and customized asset allocations. Furthermore, the stringent compliance requirements enforced under the SEBI (Portfolio Managers) Regulations, 2020 act as a necessary institutional safeguard, ensuring high standards of transparency, corporate net worth, and fiduciary accountability while inherently restricting PMS to an affluent investor tier.

5.3 Behavioral Dynamics in HNI Client Acquisition

Field observations from the Pune branch offer valuable practical insights into HNI decision-making processes. The findings indicate that client acquisition for high-ticket advisory products is governed as much by behavioral and relational factors as by quantitative performance metrics. The prominence of referral-based conversions underscores that trust is the primary currency in wealth management.

Additionally, client hesitations regarding the Rs 50 lakh minimum investment threshold and fee structures highlight the need for early, transparent educational interventions during the discovery phase. The observed qualitative pattern linking younger demographic profiles to higher risk tolerances reinforces existing behavioral finance literature regarding age-based risk preferences. Finally, the necessity of multi-meeting decision cycles illustrates that PMS acquisition cannot be treated as a transactional sale; it requires a patient, consultative approach anchored by comprehensive disclosure documentation and tailored Investment Policy Statements (IPS).

6. CONCLUSION

This study examined the practical implementation, regulatory structure, and client acquisition dynamics of Portfolio Management Services (PMS) with specific reference to Motilal Oswal Financial Services Limited (MOFSL). By bridging modern portfolio theory with empirical branch-level observations, the research highlights that PMS functions as a specialized, high-ticket wealth management offering distinct from retail mutual funds.

The findings confirm that while mutual funds cater to mass retail participation via low entry barriers, PMS is structurally tailored for High Net Worth Individuals (HNIs) who demand customized asset allocations and direct equity ownership. Furthermore, the operational workflow underscores that successful HNI client acquisition depends heavily on trust-based referrals, proactive management of capital and fee objections, and patient, multi-touchpoint advisory cycles governed by stringent SEBI regulations.

Limitations and Future Scope

The study is subject to certain limitations, including its two-month duration, its geographic confinement to a single branch in Pune, reliance on combined asset reporting (PMS reported jointly with AIF under "Alternates"), and qualitative field observations without formal statistical validation of demographic risk behaviors. Future research could expand this scope through multi-city comparative studies, longitudinal tracking of full client lifecycle onboarding, and quantitative evaluations of standalone PMS strategies.

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