



Motilal Oswal Financial Services Limited
CIN: L67190MH2005PLC153397
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February 25, 2022

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

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

Subject: CRISIL Rating upgraded to “AA/Stable” from AA-/Positive of Material Subsidiaries

Dear Sir /Madam,

We are pleased to inform the Exchange that CRISIL Ratings Limited (“CRISIL”) has upgraded the credit rating on long term debt instruments of material subsidiaries of Motilal Oswal Financial Services Limited (“Company”) namely Motilal Oswal Home Finance Limited (“MOHFL”) and Motilal Oswal Finvest Limited (“MOFL”), to ‘CRISIL AA/Stable’ from ‘CRISIL AA-/Positive’.

The rating takes into account MOHFL’s healthy capitalisation profile, strong growth in disbursements and the improvement in its profitability. Further, MOHFL has been able to diversify its liabilities profile and reduce the cost of funds.

Also rating takes into account MOFL’s ability to scale up the business along with group’s strong market position in the equity broking business.

The revision of the rating also factors in the healthy performance of the core operations of the Motilal Oswal Group, with a record performance in FY2021 and 9MFY22.

The rating rationale letters received from CRISIL are enclosed herewith.

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

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

February 24, 2022 | Mumbai

Motilal Oswal Home Finance Limited

Long term rating upgraded to 'CRISIL AA/CRISIL PPMLD AA r/Stable'; 'CRISIL AA/Stable' assigned to Non Convertible Debentures

Rating Action

| | |
|--|---|
| Total Bank Loan Facilities Rated | Rs.2562 Crore |
| Long Term Rating | CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive') |
| Rs.100 Crore Non Convertible Debentures | CRISIL AA/Stable (Assigned) |
| Rs.308.4 Crore Long Term Principal Protected Market Linked Debentures | CRISIL PPMLD AA r/Stable (Upgraded from 'CRISIL PP-MLD AA-r/Positive') |
| Rs.128.5 Crore Long Term Principal Protected Market Linked Debentures | CRISIL PP-MLD AA-r/Positive (Withdrawn) |
| Non Convertible Debentures Aggregating Rs.270 Crore | CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive') |
| Non Convertible Debentures Aggregating Rs.275 Crore | CRISIL AA-/Positive (Withdrawn) |
| Rs.500 Crore Commercial Paper | CRISIL A1+ (Reaffirmed) |

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL AA/Stable**' rating to Rs 100 crore non-convertible debentures of Motilal Oswal Home Finance Limited (MOHFL; part of the Motilal Oswal group) and upgraded its rating on the existing debt instruments to '**CRISIL AA/CRISIL PPMLD AA r/Stable**' from '**CRISIL AA-/CRISIL PPMLD AA-r/Positive**'. The rating on the short-term debt instruments of MOHFL has been reaffirmed at '**CRISIL A1+**'.

Also, CRISIL Ratings has **withdrawn** its rating on the non-convertible debentures and long-term principal-protected market-linked debentures aggregating to Rs 275 crore and Rs 128.5 crore, respectively, at the request of the company and third-party confirmation of the redemption of these debentures. The withdrawal is in line with the withdrawal policy of CRISIL Ratings.

The ratings on the debt instruments of MOHFL continue to factor in strong support from its parent, Motilal Oswal Financial Services Ltd (MOFSL), and MOHFL's adequate capital and comfortable resource profile. These strengths are partially offset by limited track record in successfully scaling up business.

CRISIL Ratings has also upgraded its rating on the long-term debt instruments of the other Motilal Oswal group entities to '**CRISIL AA/Stable**' from '**CRISIL AA-/Positive**'. The upgrade factors in scale-up of operations in various product offerings, providing increased diversification within financial services as well as the expectation of resultant stability and improvement in core earnings of the group. The group operates across broking (retail and institutional), asset management (mutual fund [MF], portfolio management services [PMS], alternate investment funds [AIF]), private equity (PE), wealth management (WM) and retail financial-product distribution (distribution of financial products to high-networth individuals [HNIs] and retail), investment banking (IB) and lending (housing finance company [HFC], loan against shares [LAS] & margin funding – for HNIs). The group has scaled up operations in each of these businesses, supported by increased retail participation in the capital markets.

Group's rating continues to reflect healthy capitalisation of the group and strong market position in the equity broking business. These strengths are partially offset by susceptibility to uncertainties inherent in the capital-market-related businesses, and limited track record in successfully scaling up the lending business.

Capitalisation has been healthy, with sizeable networth of Rs 5,433 crore as on December 31, 2021 (Rs 4,488 crore as on March 31, 2021). Further, gearing remains comfortable at 1.0 times as on December 31, 2021 (1.3 times). Excluding the unrealised gains from the investment book, gearing was still comfortable at 1.5 times as on December 31, 2021 (1.8 times). Further, given that large parts of the businesses are fee-based, requirement of incremental capital is not very high –

increasing the free cash flow for the group. The group invests this free cash in products -- such as MFs, PMS, AIF and PE funds -- as well as existing businesses for the long term.

The group remains among the top 10 brokers in terms of number of active clients. Further, in line with the industry, the business witnessed strong growth over the past 18-24 months. Revenue from the broking business have grown by 53% year-on-year (yoy) for the nine months ended fiscal 2022 to Rs 1,832 crore (40% yoy growth in fiscal 2021 to Rs 1,709 crore over Rs 1,225 crore in fiscal 2020). Revenue from broking and IB businesses are closely linked with the activities in the capital markets. While asset management and WM are also linked to capital markets, structural scale up in these and PE businesses provide some stability to the core earnings of the group via management fees charged on the assets under management (AUM). AUMs in these businesses have registered a compound annual growth rate (CAGR) of ~20% (for asset management), ~22% (for PE) and ~28% (for WM) over the last five years. Consequently, earnings and profitability of these businesses have improved over the last few years. Fees earned by these businesses have scaled and stood at Rs ~683 crore for the nine months ended fiscal 2022, a yoy growth of ~33% over the same period of the previous fiscal.

The group also has lending operations in the form of housing finance (Motilal Oswal Home Finance Ltd [MOHFL] and LAS. The housing finance business had faced asset quality challenges in the past and the group took corrective measures against them. However, gross non-performing assets (gross NPAs) increased over the last one year owing to the Covid-19 pandemic-related challenges and due to the November 2021 circular issued by the Reserve Bank of India (RBI).

While collection efficiency of MOHFL was impacted during the first and second waves of the pandemic on account of restrictions in the movement of goods and services in the economy, it gradually improved to around pre-Covid levels by January 2022. In line with the industry, collections were not impacted during the third wave of the pandemic. However, any subsequent wave may affect the payment discipline of borrowers or economic activities in the country, which can constrain delinquency levels and will be monitored. As on December 31, 2021, MOHFL had gross NPAs of 3.4%, (1.3% excluding the impact of 2.1% owing to revised norms of the RBI on asset classification as part of the circular released on November 12, 2021). Under the RBI's August 2020 and May 2021 Resolution Frameworks for Covid-19-related Stress, as on December 31, 2021, MOHFL has implemented restructuring on around 8.2% of its portfolio. Going forward, ability of the management to manage collections and asset quality will remain a key monitorable.

Analytical Approach

For arriving at its ratings, CRISIL Ratings has considered the standalone credit risk profile of MOHFL and has factored in the support that MOHFL is expected to receive from the parent, MOFSL.

Key Rating Drivers & Detailed Description

Strengths:

- **Expectation of strong support from parent**

MOHFL is the housing finance arm of MOFSL. The Motilal Oswal group holds ~98% stake in the company through MOFSL and its subsidiaries. The parent is one of India's leading providers of capital market services and, along with its subsidiaries, is engaged in retail and institutional broking, asset management, wealth management, LAS, margin financing, private equity and investment banking. At consolidated level, MOFSL has healthy capitalisation, with sizeable networth of Rs 5,433 crore as on December 31, 2021 (Rs 4,488 crore as on March 31, 2021). Further, gearing of the group remains at a comfortable at 1.0 time as on December 31, 2021 (1.3 times as on March 31, 2021).

CRISIL Ratings believes MOHFL is strategically important to MOFSL; the parent has entered the housing finance segment to diversify its revenue profile and mitigate the cyclicity inherent in capital-market businesses. Furthermore, as most of the parent's businesses are fee-based and have limited requirement for incremental capital, the housing finance business provides an avenue to deploy capital for long-term returns. Therefore, MOHFL will continue to receive strong support from its parent. The group has infused Rs 850 crore in MOHFL and will continue to support the company's growth plans. The promoters of MOFSL are on the board of directors of MOHFL and the latter is introduced as a Motilal Oswal group company in all its correspondence and collateral, which increases the parent's moral obligation to support the company.

- **Adequate resource profile**

MOHFL benefits from its association with MOFSL for raising resources. As on December 31, 2021, borrowing was Rs 2,550 crore (Rs 3,503 crore as on March 31, 2021). Of this, 53% comprised term loans, while the remaining was contributed by non-convertible debentures (31%), funding from National Housing Bank (NHB; 8%) and securitisation (8%). The company's weighted average cost of borrowing was ~8.3%, in line with that of peers. The company has raised over Rs 600 crore in the nine months of fiscal 2022 (Rs 1,400 crore in fiscal 2021), including a line of Rs 100 crore from NHB in December 2021. In contrast, cost of funds has reduced over the past few fiscals. Resources raised in the first nine months of fiscal 2022 had weighted average funding cost of 7.1%, supported by funding lines of ~Rs 100 crore from NHB at ~5%.

- **Adequate capitalisation**

With tier-I capital adequacy ratio (CAR) and overall CAR of 46.9% and 48.6%, respectively, as on December 31, 2021 (48% and 50%, respectively, as on March 31, 2021), the company is adequately capitalised. Since inception, the group has infused Rs 850 crore as equity, which also includes the Rs 200 crore infused in fiscal 2019. Absolute networth and gearing stood at Rs 960 crore and 2.7 times, respectively, as on December 31, 2021 (Rs 910 crore and 3.1 times,

respectively, as on March 31, 2021). Gearing is expected to remain at 7-8 times on a steady-state basis. MOHFL plans to maintain its capital adequacy well above the norms prescribed by the regulator. The parent is likely to provide capital to support its subsidiary's growth and cover for asset-side risks over the medium term.

Weakness:

- **Limited track record in successfully scaling up the lending business**

In fiscals 2018 and 2019, MOHFL faced asset quality challenges due to seasoning of the book, impact of external shocks on the economy, and lack of adequate collection and recovery processes and bandwidth within the company. Gross NPAs increased to 9.3% as on March 31, 2019 from 4.5% as on March 31, 2018 and 0.6% as on March 31, 2017.

However, since fiscal 2019, MOHFL took several corrective measures, including increase in management depth and experience, strengthening of collections and recovery apparatus by creating a 550+ member team, and enhancing credit appraisal and risk monitoring systems. It made significant investment in technologies, processes and people to fill the critical gaps at operational levels to support and enhance business scale up. These measures have reduced slippages to Rs 71 crore in fiscal 2021 and Rs 52 crore for fiscal 2020 from Rs 601 crore in fiscal 2019. Also, recoveries have picked up in last fiscal following these concerted efforts. As a part of its strategy to clean up the book, it sold gross NPAs worth ~Rs 709 crore in the last couple of fiscals to an asset reconstruction company (ARC), which brought down gross NPAs to 2.2% as on March 31, 2021 from 9.3% as on March 31, 2019. However, on account of impact of second wave of Covid-19 in the economy, RBI's regulation on the day-end reporting of NPAs, and the stringent norms for upgradation of NPAs, gross NPAs increased to 3.4% as on December 31, 2021, which excludes sales to ARC for the nine months ended March 31, 2022

After facing challenges in asset quality during fiscals 2018 and 2019, the company had curtailed its disbursements in fiscals 2019 and 2020 because of shift in focus towards collections and sale of assets to an ARC. However, disbursements in fiscal 2021 and in the nine months of fiscal 2022 improved to Rs 270 crore and Rs 440 crore, respectively. Nevertheless, loan book remained flat at Rs 3,493 crore as on December 31, 2021, as against Rs 3,503 crore as on March 31, 2021. The company intends to grow its loan book prudently over the medium term, while increasing geographical presence. It is expanding its sales team to increase the disbursements and loan book. To manage growth in the loan book, the company will utilise its relationships with lenders and investors. Resources of over Rs 600 crore has been raised by the nine months ended December 31, 2021 (Rs 1,400 crore in fiscal 2021) at competitive interest rates.

Nevertheless, given the current challenging macro-economic environment, ability of the management to scale up operations in a profitable manner will remain a monitorable.

Liquidity: Strong

Against debt obligation of Rs 145 crore as on January 31, 2022, the company had cash and equivalent of Rs 58 crore and unutilised bank limit of Rs 604 crore as on January 31, 2022. Further, MOHFL has an additional line of Rs 500 crore from the parent.

Outlook: Stable

CRISIL Ratings believes MOHFL will continue to benefit from the strong financial, managerial and operational support of the parent.

Rating Sensitivity factors

Upward factors

- Upward revision in CRISIL Ratings' credit view on MOFSL
- Significant scale up in market position of the financial services businesses while maintaining asset quality (gross NPA <1%) and earnings profile on a sustained basis

Downward factors

- Reduction in the expected support to MOHFL by MOFSL, or a downward revision in CRISIL Ratings' credit view on MOFSL
- Deterioration in asset quality with gross NPA increasing to above 5%, over an extended period, thereby also impacting profitability.

About the Company

MOHFL, the housing finance arm of MOFSL, was incorporated in October 2013 under the Companies Act, 1956, and received its certificate of registration as a housing finance institution (regulated by the NHB) in May 2014. The company started operations on May 22, 2014. The loan portfolio was Rs 3,493 crore as on December 31, 2021. The company offers housing loans to low- and middle-income groups, with average ticket size of around Rs 8.5 lakh. Lending to the affordable housing segment accounts for its entire existing loan book. It is present in eleven states through 103 branches.

For the nine months ended fiscal 2022, the company reported profit after tax (PAT) of Rs 48.3 crore on total income (net of interest expense) of Rs 221 crore, as against Rs 21.5 crore on Rs 180 crore, respectively, for the corresponding period of the previous fiscal.

MOHFL reported PAT of Rs 40.2 crore on total income (net of interest expense) of Rs 257 crore in fiscal 2021, as against Rs 39.1 crore and Rs 233 crore, respectively, for the previous fiscal.

Key Financial Indicators

| As on / for the period ended December 31 | | 2021 | 2020 |
|--|----------|-------|-------|
| Total assets | Rs crore | 3,683 | 3,816 |
| Total income (net of interest expenses) | Rs crore | 221 | 180 |
| Profit after tax (PAT) | Rs crore | 48.3 | 21.5 |
| GNPAs | % | 3.4 | 2.9 |
| Return on assets (annualised) | % | 1.7 | 0.8 |
| Adjusted gearing | Times | 2.7 | 3.6 |

| As on / for the period ended March 31 | | 2021 | 2020 |
|---|----------|------|------|
| Total assets | Rs crore | 3898 | 3888 |
| Total income (net of interest expenses) | Rs crore | 257 | 233 |
| PAT | Rs crore | 40.2 | 39.1 |
| GNPAs | % | 2.2 | 1.8 |
| Return on assets (annualised) | % | 1.0 | 0.9 |
| Adjusted gearing | Times | 3.1 | 3.4 |

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

| ISIN | Name of instrument | Date of allotment | Coupon rate (%) | Maturity date | Issue size (Rs crore) | Complexity level | Outstanding rating with outlook |
|--------------|--|-------------------|---------------------|---------------|-----------------------|------------------|---------------------------------|
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 15-Nov-19 | Equity index linked | 18-May-22 | 7.9 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 21-Nov-19 | Equity index linked | 18-May-22 | 2.7 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 29-Nov-19 | Equity index linked | 18-May-22 | 7.2 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 5-Dec-19 | Equity index linked | 18-May-22 | 5.7 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 12-Dec-19 | Equity index linked | 18-May-22 | 2 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 20-Dec-19 | Equity index linked | 18-May-22 | 7.2 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07331 | Long Term Principal Protected Market Linked Debentures | 27-Dec-19 | Equity index linked | 18-May-22 | 1.9 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07349 | Long Term Principal Protected Market Linked Debentures | 29-Jan-20 | Equity index linked | 29-Dec-22 | 16.5 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07349 | Long Term Principal Protected Market Linked Debentures | 13-Feb-20 | Equity index linked | 29-Dec-22 | 9.8 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07349 | Long Term Principal Protected Market Linked Debentures | 27-Feb-20 | Equity index linked | 29-Dec-22 | 7.5 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07349 | | 6-Mar-20 | | | 6.7 | | |

| | | | | | | | |
|--------------|---|-----------|---------------------|-----------|-------|----------------|--------------------------|
| | Long Term Principal Protected Market Linked Debentures | | Equity index linked | 29-Dec-22 | | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07422 | Long Term Principal Protected Market Linked Debentures | 31-Jul-20 | Equity index linked | 1-Jun-23 | 15.5 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07422 | Long Term Principal Protected Market Linked Debentures | 14-Aug-20 | Equity index linked | 1-Jun-23 | 25.6 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R07422 | Long Term Principal Protected Market Linked Debentures | 28-Aug-20 | Equity index linked | 1-Jun-23 | 13.2 | Highly complex | CRISIL PP-MLD AAr/Stable |
| NA | Long Term Principal Protected Market Linked Debentures^ | NA | NA | NA | 179 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE658R08123 | Debentures/Bonds | 9-Aug-16 | 11.25% | 7-Aug-26 | 25 | Simple | CRISIL AA/Stable |
| INE658R07125 | Debentures/Bonds | 27-Jul-16 | 9.85% | 15-May-23 | 99.7 | Simple | CRISIL AA/Stable |
| INE658R07372 | Debentures/Bonds | 22-Jun-20 | 9.79% | 22-Jun-23 | 25 | Simple | CRISIL AA/Stable |
| INE658R07380 | Debentures/Bonds | 25-Jun-20 | 9.50% | 23-Jun-23 | 50 | Simple | CRISIL AA/Stable |
| INE658R07398 | Debentures/Bonds | 29-Jun-20 | 9.60% | 29-Jun-23 | 50 | Simple | CRISIL AA/Stable |
| INE658R07406 | Debentures/Bonds | 17-Jul-20 | 9.45% | 21-Apr-23 | 75 | Simple | CRISIL AA/Stable |
| NA | Debentures/Bonds^ | NA | NA | NA | 45.3 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 28-Dec-15 | NA | 30-Dec-23 | 17.9 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Dec-15 | NA | 30-Dec-25 | 7.5 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 1-Jan-16 | NA | 1-Jan-19 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 29-Mar-16 | NA | 15-May-17 | 25.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Mar-16 | NA | 30-Mar-26 | 7.9 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Mar-16 | NA | 31-Mar-24 | 19.7 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Sep-16 | NA | 30-Sep-24 | 46.2 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Sep-16 | NA | 30-Jun-24 | 108.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Mar-17 | NA | 30-Dec-24 | 25.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Mar-17 | NA | 30-Dec-26 | 30.2 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Mar-17 | NA | 30-Dec-26 | 30.3 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Mar-17 | NA | 30-Mar-25 | 100.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Mar-17 | NA | 31-Dec-23 | 8.3 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Mar-17 | NA | 31-Mar-25 | 8.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 5-Apr-17 | NA | 5-Apr-22 | 60.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 5-Apr-17 | NA | 5-Apr-25 | 40.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Jun-17 | NA | 30-Jun-27 | 16.6 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 1-Aug-17 | NA | 31-Jul-23 | 25.0 | NA | |

| | | | | | | | |
|----|---------------------------------------|-----------|----|------------|-------|--------|---------------------|
| | | | | | | | CRISIL AA/Stable |
| NA | Long Term Loan | 1-Sep-17 | NA | 31-Aug-29 | 68.6 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 28-Sep-17 | NA | 28-Sep-25 | 61.2 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 5-Dec-17 | NA | 30-Sep-24 | 13.5 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 5-Dec-17 | NA | 31-Dec-27 | 17.4 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 28-Mar-19 | NA | 28-Mar-24 | 51.6 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 3-Jun-19 | NA | 28-Mar-24 | 85.9 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Dec-19 | NA | 31-Dec-24 | 41.5 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 28-Feb-20 | NA | 28-Nov-24 | 172.7 | NA | CRISIL AA/Stable |
| NA | Cash Credit | NA | NA | NA | 25.0 | NA | CRISIL AA/Stable |
| NA | Cash Credit | NA | NA | NA | 15.0 | NA | CRISIL AA/Stable |
| NA | Cash Credit | NA | NA | NA | 10.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Sep-20 | NA | 30-Sep-25 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Aug-20 | NA | 31-Aug-24 | 40.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 29-Jun-21 | NA | 29-Jun-26 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Jun-21 | NA | 31-Mar-27 | 25.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 25-Nov-20 | NA | 28-Feb-29 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 12-Feb-21 | NA | 28-Feb-31 | 75.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Mar-21 | NA | 1-Jan-28 | 75.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 15-Jun-21 | NA | 14-Jun-22 | 100.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Aug-21 | NA | 31-Aug-26 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 28-Sep-21 | NA | 28-Sep-30 | 25.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Sep-21 | NA | 30-Sep-28 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 21-Sep-21 | NA | 21-Sep-26 | 40.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 24-Nov-21 | NA | 24-Nov-26 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 29-Dec-21 | NA | 29-Sep-29 | 50.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 31-Dec-21 | NA | 31-Dec-28 | 100.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan | 30-Dec-21 | NA | 1-Oct-31 | 300.0 | NA | CRISIL AA/Stable |
| NA | Long Term Loan* | NA | NA | NA | 150.0 | NA | CRISIL AA/Stable |
| NA | Proposed Long Term Bank Loan Facility | NA | NA | NA | 94.0 | NA | CRISIL AA/Stable |
| NA | Commercial paper | NA | NA | 7-365 days | 500 | Simple | CRISIL A1+ |

^yet to be issued

*the loan is yet to be disbursed

Annexure - Details of rating withdrawn

| ISIN | Name of instrument | Date of allotment | Coupon rate (%) | Maturity date | Issue size (Rs crore) | Complexity level |
|--------------|--|-------------------|---------------------|---------------|-----------------------|------------------|
| INE658R07307 | Long-term principal-protected market-linked debentures | 27-Jun-19 | Equity index linked | 28-Dec-21 | 7 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 4-Jul-19 | Equity index linked | 28-Dec-21 | 2.6 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 11-Jul-19 | Equity index linked | 28-Dec-21 | 5.6 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 6-Aug-19 | Equity index linked | 28-Dec-21 | 1.7 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 28-Aug-19 | Equity index linked | 28-Dec-21 | 3.2 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 11-Sep-19 | Equity index linked | 28-Dec-21 | 1.6 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 19-Sep-19 | Equity index linked | 28-Dec-21 | 3.3 | Highly complex |
| INE658R07307 | Long-term principal-protected market-linked debentures | 26-Sep-19 | Equity index linked | 28-Dec-21 | 3.3 | Highly complex |
| INE658R07364 | Long-term principal-protected market-linked debentures | 11-Jun-20 | Equity index linked | 10-Dec-21 | 33.8 | Highly complex |
| INE658R07364 | Long-term principal-protected market-linked debentures | 18-Jun-20 | Equity index linked | 10-Dec-21 | 29.8 | Highly complex |
| INE658R07364 | Long-term principal-protected market-linked debentures | 30-Jun-20 | Equity index linked | 10-Dec-21 | 29.3 | Highly complex |
| INE658R07364 | Long-term principal-protected market-linked debentures | 15-Jul-20 | Equity index linked | 10-Dec-21 | 7.3 | Highly complex |
| INE658R08081 | Debentures / bonds | 14-Jun-16 | 11.50% | 16-Mar-20 | 50 | Simple |
| INE658R07414 | Debentures / bonds | 30-Jul-20 | 9.00% | 28-Jan-22 | 25 | Simple |
| INE658R07356 | Debentures / bonds | 26-Mar-20 | 10.00% | 24-Mar-23 | 200 | Simple |

Annexure - Rating History for last 3 Years

| Instrument | Current | | | 2022 (History) | | 2021 | | 2020 | | 2019 | | Start of 2019 |
|---|---------|--------------------|------------------|----------------|--------|----------|----------------------------|----------|-------------------|----------|-------------------|------------------|
| | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund Based Facilities | LT | 2562.0 | CRISIL AA/Stable | | -- | 30-07-21 | CRISIL AA-/Positive | 29-07-20 | CRISIL AA-/Stable | 06-12-19 | CRISIL AA-/Stable | CRISIL A+/Stable |
| | | | -- | | -- | | -- | 31-03-20 | CRISIL AA-/Stable | 22-08-19 | CRISIL AA-/Stable | -- |
| | | | -- | | -- | | -- | 13-02-20 | CRISIL AA-/Stable | 31-05-19 | CRISIL AA-/Stable | -- |
| Commercial Paper | ST | 500.0 | CRISIL A1+ | | -- | 30-07-21 | CRISIL A1+ | 29-07-20 | CRISIL A1+ | 06-12-19 | CRISIL A1+ | CRISIL A1+ |
| | | | -- | | -- | | -- | 31-03-20 | CRISIL A1+ | 22-08-19 | CRISIL A1+ | -- |
| | | | -- | | -- | | -- | 13-02-20 | CRISIL A1+ | 31-05-19 | CRISIL A1+ | -- |
| Non Convertible Debentures | LT | 370.0 | CRISIL AA/Stable | | -- | 30-07-21 | CRISIL AA-/Positive | 29-07-20 | CRISIL AA-/Stable | 06-12-19 | CRISIL AA-/Stable | CRISIL A+/Stable |
| | | | -- | | -- | | -- | 31-03-20 | CRISIL AA-/Stable | 22-08-19 | CRISIL AA-/Stable | -- |
| | | | -- | | -- | | -- | 13-02-20 | CRISIL AA-/Stable | 31-05-19 | CRISIL AA-/Stable | -- |
| Long Term Principal Protected Market Linked Debentures | LT | 308.4 | CRISIL PPMLD | | -- | 30-07-21 | CRISIL PPMLD AA-r/Positive | 29-07-20 | CRISIL PPMLD | 06-12-19 | CRISIL PPMLD | -- |

| | | | | | | | | | | | | |
|--|--|--|----------------|--|----|--|----|----------|------------------------------------|----------|------------------------------------|----|
| | | | AA r/Stable | | | | | | AA- r/Stable | | AA- r/Stable | |
| | | | -- | | -- | | -- | 31-03-20 | CRISIL PPMLD AA- r/Stable | 22-08-19 | CRISIL PPMLD AA- r/Stable | -- |
| | | | -- | | -- | | -- | 13-02-20 | CRISIL PPMLD AA- r/Stable | 31-05-19 | CRISIL PPMLD AA- r/Stable | -- |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount (Rs.Crore) | Rating |
|---------------------------------------|-------------------|------------------|
| Cash Credit | 15 | CRISIL AA/Stable |
| Cash Credit | 25 | CRISIL AA/Stable |
| Cash Credit | 10 | CRISIL AA/Stable |
| Long Term Loan | 50 | CRISIL AA/Stable |
| Long Term Loan | 50 | CRISIL AA/Stable |
| Long Term Loan | 475 | CRISIL AA/Stable |
| Long Term Loan | 75 | CRISIL AA/Stable |
| Long Term Loan | 50 | CRISIL AA/Stable |
| Long Term Loan | 90 | CRISIL AA/Stable |
| Long Term Loan | 99.2 | CRISIL AA/Stable |
| Long Term Loan | 60.5 | CRISIL AA/Stable |
| Long Term Loan | 33 | CRISIL AA/Stable |
| Long Term Loan | 41.5 | CRISIL AA/Stable |
| Long Term Loan | 80.9 | CRISIL AA/Stable |
| Long Term Loan | 68.6 | CRISIL AA/Stable |
| Long Term Loan | 190 | CRISIL AA/Stable |
| Long Term Loan | 310.2 | CRISIL AA/Stable |
| Long Term Loan | 50 | CRISIL AA/Stable |
| Long Term Loan | 16.6 | CRISIL AA/Stable |
| Long Term Loan | 100 | CRISIL AA/Stable |
| Long Term Loan | 208 | CRISIL AA/Stable |
| Long Term Loan | 50 | CRISIL AA/Stable |
| Long Term Loan | 25 | CRISIL AA/Stable |
| Long Term Loan | 79.1 | CRISIL AA/Stable |
| Long Term Loan | 150 | CRISIL AA/Stable |
| Long Term Loan | 50 | CRISIL AA/Stable |
| Long Term Loan | 15.4 | CRISIL AA/Stable |
| Proposed Long Term Bank Loan Facility | 94 | CRISIL AA/Stable |

Criteria Details

| |
|---|
| Links to related criteria |
| CRISILs Bank Loan Ratings - process, scale and default recognition |
| Rating Criteria for Finance Companies |
| CRISILs Criteria for rating short term debt |
| Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support |

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Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

February 24, 2022 | Mumbai

Motilal Oswal Finvest Limited

Long-term rating upgraded to 'CRISIL AA/CRISIL PPMLD AA r/Stable'; rated amount enhanced for Commercial Paper

Rating Action

| | |
|--|--|
| Rs.100 Crore Long Term Principal Protected Market Linked Debentures | CRISIL PPMLD AA r/Stable (Upgraded from 'CRISIL PPMLD AA- r /Positive') |
| Rs.50 Crore Long Term Principal Protected Market Linked Debentures | CRISIL PPMLD AA r/Stable (Upgraded from 'CRISIL PPMLD AA- r /Positive') |
| Rs.200 Crore Non Convertible Debentures | CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive') |
| Rs.400 Crore Commercial Paper Programme(IPO Financing) | CRISIL A1+ (Reaffirmed) |
| Rs.140 Crore (Enhanced from Rs.800 Crore) Commercial Paper | CRISIL A1+ (Reaffirmed) |

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the non-convertible debentures and long term principal protected market linked debentures of Motilal Oswal Finvest Limited (MOFL; part of Motilal Oswal group) to '**CRISIL AA/CRISIL PPMLD AA r/Stable**' from '**CRISIL AA-/CRISIL PPMLD AA- r/ Positive**'. The rating on the short-term debt instruments has been reaffirmed at '**CRISIL A1+**'

The upgrade factors in scale-up of operations in various product offerings, providing increased diversification within financial services as well as the expectation of resultant stability and improvement in core earnings of the group. The group operates across broking (retail and institutional), asset management (mutual fund [MF], portfolio management services [PMS], alternate investment funds [AIF]), private equity (PE), wealth management (WM) and retail financial-product distribution (distribution of financial products to high-networth individuals [HNIs] and retail), investment banking (IB) and lending (housing finance company [HFC], loan against shares [LAS] & margin funding – for HNIs). The group has scaled up operations in each of these businesses, supported by increased retail participation in the capital markets.

Group's rating continues to reflect healthy capitalisation of the group and strong market position in the equity broking business. These strengths are partially offset by susceptibility to uncertainties inherent in the capital-market-related businesses, and limited track record in successfully scaling up the lending business.

Capitalisation has been healthy, with sizeable network of Rs 5,433 crore as on December 31, 2021 (Rs 4,488 crore as on March 31, 2021). Further, gearing remains comfortable at 1.0 times as on December 31, 2021 (1.3 times). Excluding the unrealised gains from the investment book, gearing was still comfortable at 1.5 times as on December 31, 2021 (1.8 times). Further, given that large parts of the businesses are fee-based, requirement of incremental capital is not very high – increasing the free cash flow for the group. The group invests this free cash in products -- such as MFs, PMS, AIF and PE funds -- as well as existing businesses for the long term.

The group remains among the top 10 brokers in terms of number of active clients. Further, in line with the industry, the business witnessed strong growth over the past 18-24 months. Revenue from the broking business have grown by 53% year-on-year (yoy) for the nine months ended fiscal 2022 to Rs 1,832 crore (40% yoy growth in fiscal 2021 to Rs 1,709 crore over Rs 1,225 crore in fiscal 2020). Revenue from broking and IB businesses are closely linked with the activities in the capital markets. While asset management and WM are also linked to capital markets, structural scale up in these and PE businesses provide some stability to the core earnings of the group via management fees charged on the assets under management (AUM). AUMs in these businesses have registered a compound annual growth rate (CAGR) of ~20% (for asset management), ~22% (for PE) and ~28% (for WM) over the last five years. Consequently, earnings and profitability of these businesses have improved over the last few years. Fees earned by these businesses have scaled and stood at Rs ~683 crore for the nine months ended fiscal 2022, a yoy growth of ~33% over the same period of the previous fiscal.

The group also has lending operations in the form of housing finance (Motilal Oswal Home Finance Ltd [MOHFL] and LAS. The housing finance business had faced asset quality challenges in the past and the group took corrective measures against them. However, gross non-performing assets (gross NPAs) increased over the last one year owing to the Covid-19 pandemic-related challenges and due to the November 2021 circular issued by the Reserve Bank of India (RBI).

While collection efficiency of MOHFL was impacted during the first and second waves of the pandemic on account of restrictions in the movement of goods and services in the economy, it gradually improved to around pre-Covid levels by January 2022. In line with the industry, collections were not impacted during the third wave of the pandemic. However, any subsequent wave may affect the payment discipline of borrowers or economic activities in the country, which can constrain delinquency levels and will be monitored. As on December 31, 2021, MOHFL had gross NPAs of 3.4%, (1.3% excluding the impact of 2.1% owing to revised norms of the RBI on asset classification as part of the circular released on November 12, 2021). Under the RBI's August 2020 and May 2021 Resolution Frameworks for Covid-19-related Stress, as on December 31, 2021, MOHFL has implemented restructuring on around 8.2% of its portfolio. Going forward, ability of the management to manage collections and asset quality will remain a key monitorable.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of Motilal Oswal Financial Services Ltd (MOFSL) and its subsidiaries, including MOFL and Motilal Oswal Home Finance Ltd (MOHFL). That is because the entities, collectively referred to as the Motilal Oswal group, have significant operational, financial, and managerial integration and also operate under a common brand name (Motilal Oswal).

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Increasing diversification and scale up across financial services businesses, supporting stability in earnings profile**

With gradual scale up of fee-based businesses—such as asset management company (AMC), WM, PE, IB and fund-based business (housing finance)—revenue streams have become more diverse. The group is also focussing on scaling up its distribution business (financial products) through the broking and WM channels. Contribution from these businesses to overall revenue has increased in the last few fiscals. The group's asset management businesses - AMC, PE -- utilise the distribution network of WM for product distribution, resulting in business synergies and improved return on equity (RoE).

AUM of the AMC business recorded a CAGR of ~20% for the last five years and stood at Rs 50,700 crore as on December 31, 2021 (Rs 43,400 crore as on March 31, 2021). The group has a niche positioning for its higher-yielding, equity-focused funds – with only 2% of the MF AUM in debt funds. The group has also high focus on passive and international funds. Around 34% of MF AUM as on December 31, 2021, was managed by passive funds. AUM of Rs 50,700 crore for the asset management business included assets under PMS (Rs 15,500 crore as on December 31, 2021), MFs (Rs 31,700 crore), AIF (Rs 3,200 crore) and offshore funds (Rs 200 crore). The PE and WM businesses had AUM of Rs 7,200 crore and Rs 34,200 crore, respectively, as on December 31, 2021 (Rs 6,600 crore and Rs 25,300 crore as on March 31, 2021). As part of PE funds, the group has managed five real estate funds and four business excellence funds till now. While the real estate funds focus on debt funding to reputed developers for mid-market residential housing projects in top eight Indian cities, business excellence funds focus majorly on unlisted companies for long-term investments. The group has recently closed the fifth real estate fund of ~Rs 1,090 crore and achieved first close of Rs 2,700 crore for the fourth business excellence fund of Rs 4,500 crore.

Fund-based business includes housing finance (through MOHFL) and sponsor commitments-cum-investments in equity MF, PE funds, real estate funds, AIFs, and strategic equity investments. Loan book of MOHFL and total quoted equity investments, including mark-to-market (MTM) gains, were Rs 3,493 crore and ~Rs 3,800 crore, respectively, as on December 31, 2021 (Rs 3,503 crore and around Rs 3,100 crore as on March 31, 2021).

- **Healthy capitalisation**

Capitalisation remains healthy, driven by healthy internal accruals. Absolute networth and consolidated gearing were Rs 5,433 crore and 1.0 times, respectively, as on December 31, 2021 (Rs 4,488 crore and 1.3 times, respectively, as on March 31, 2021 and Rs 3,123 crore and 1.5 times, respectively, as on March 31, 2020). Further, as per the group's risk policy, the maximum gearing will be restricted at 3 times (excluding borrowings for financing initial public offering for HNIs) over the medium term. The housing finance business had gearing of around 2.7 times on a standalone basis as on December 31, 2021 (3.1 times on a standalone basis as on March 31, 2021).

As on December 31, 2021, the group had unrealised gains of ~Rs 1,700 crore distributed among Motilal Oswal Equity Mutual Fund Products (Rs 770 crore), liquid equity shares (Rs 360 crore), Motilal Oswal Private Equity Funds (Rs 420 crore; PE and real estate), Motilal Oswal PMS Products (Rs 110 crore) and Motilal Oswal AIF Products (Rs 30 crore). These investments, apart from sponsor contributions as per the regulation, are strategic in nature and follow a buy-and-hold philosophy. This portfolio has MTM impact on earnings under Indian Accounting Standards; however, the timing and magnitude of realised gains remain uncertain. Nevertheless, even after removing unrealised gains from networth, gearing of the group remained comfortable at 1.5 times as on December 31, 2021 (1.8 times as on March 31, 2021).

- **Strong market position in the equity broking business**

The group, through MOFSL, ranks among the top 10 equity brokers based on the number of active clients, as on January 31, 2022, in the highly fragmented broking industry. As on January 31, 2022, the company had 8.1 lakh active customers on National Stock Exchange, as against 5.6 lakh as on March 31, 2021 and 3.8 lakh as on March 31, 2020. Business growth has been driven by acquisition of small brokers and partnerships with sub-brokers. The group has 26+ lakh retail broking clients and enjoys pan-India presence through 6700+ franchised/sub-broker outlets and 90+ owned branches.

The group had an active client market share of around 2.5% as on December 30, 2021. Its market share of the combined volumes of the Bombay Stock Exchange and National Stock Exchange, in both the cash and derivatives segments, for the first nine months of fiscal 2022 was around 0.6%, with higher market share in high-yielding cash segment at 2.1%. Overall turnover of the business witnessed a yoy growth of 96% for the nine months ended fiscal 2022; with a growth in turnover of equity segment at 19% and derivatives segment at 102%. Blended yields have, however, declined over the previous fiscals due to increased share of volumes in the futures and options segment. Average brokerage (defined as gross broking income from retail broking by three months lagged active client) stood at ~Rs 4650 for the quarter ended December 31, 2021. Market position continues to be healthy in the institutional broking segment (despite increasing competition), backed by an established track record, strong execution capabilities, and well-recognised research team.

Weaknesses:

- **Exposure to uncertainties inherent in capital-market-related businesses**

A large part of the group's businesses, especially broking and IB, remains exposed to economic, political, and social factors that drive investor sentiments. Brokerage revenue depends on the level of trading activity in capital markets. Specifically, since March 2020, the stock markets have seen high retail participation and daily trading volume coinciding with the lockdown to contain the Covid-19 pandemic and people remaining at home. A significant proportion of client additions at the industry level are in the age bracket of 25-30 years without relevant trading experience. Upward movement of the key benchmark indices during this period has attracted retail investors to market trading. While this has benefited the broking industry, including the Motilal Oswal group, sustainability of the market momentum will need to be seen. However, the impact on earnings is partially offset by the high share of business originated through franchisees, resulting in a more variable cost structure compared to that of peers. The group's long-term focus is on diversifying its revenue streams and reducing dependence on broking operations. Further, AM, WM and PE businesses have revenue in the form of management fees as a proportion of AUM, providing some stability to the revenue profile of the group.

Additionally, the group commenced the housing finance business in the first quarter of fiscal 2015 to improve the stability of the group's earnings via fixed interest income of home loans. While the business faced challenges in the past, corrective measures should support the business performance. Potential improvement in profitability from this segment over the medium term should help diversify the revenue mix of the group.

- **Limited track record in successfully scaling up the lending business**

In fiscals 2018 and 2019, MOHFL faced asset quality challenges due to seasoning of the book, impact of external shocks on the economy, and lack of adequate collection and recovery processes and bandwidth within the company. Gross NPAs increased to 9.3% as on March 31, 2019 from 4.5% as on March 31, 2018 and 0.6% as on March 31, 2017.

However, since fiscal 2019, MOHFL took several corrective measures, including increase in management depth and experience, strengthening of collections and recovery apparatus by creating a 550+ member team, and enhancing credit appraisal and risk monitoring systems. It made significant investment in technologies, processes and people to fill the critical gaps at operational levels to support and enhance business scale up. These measures have reduced slippages to Rs 71 crore in fiscal 2021 and Rs 52 crore for fiscal 2020 from Rs 601 crore in fiscal 2019. Also, recoveries have picked up in last fiscal following these concerted efforts. As a part of its strategy to clean up the book, it sold gross NPAs worth ~Rs 709 crore in the last couple of fiscals to an asset reconstruction company (ARC), which brought down gross NPAs to 2.2% as on March 31, 2021 from 9.3% as on March 31, 2019. However, on account of impact of second wave of Covid-19 in the economy, RBI's regulation on the day-end reporting of NPAs, and the stringent norms for upgradation of NPAs, gross NPAs increased to 3.4% as on December 31, 2021, which excludes sales to ARC for the nine months ended March 31, 2022.

After facing challenges in asset quality during fiscals 2018 and 2019, the company had curtailed its disbursements in fiscals 2019 and 2020 because of shift in focus towards collections and sale of assets to an ARC. However, disbursements in fiscal 2021 and in the nine months of fiscal 2022 improved to Rs 270 crore and Rs 440 crore, respectively. Nevertheless, loan book remained flat at Rs 3,493 crore as on December 31, 2021, as against Rs 3,503 crore as on March 31, 2021. The company intends to grow its loan book prudently over the medium term, while increasing geographical presence. It is expanding its sales team to increase the disbursements and loan book. To manage growth in the loan book, the company will utilise its relationships with lenders and investors. Resources of over Rs 600 crore has been raised by the nine months ended December 31, 2021 (Rs 1,400 crore in fiscal 2021) at competitive interest rates.

Nevertheless, given the current challenging macro-economic environment, ability of the management to scale up operations in a profitable manner will remain a monitorable.

Liquidity: Strong

Liquidity should remain supported by a large proportion of fee-based businesses. Cash and cash balance, unutilised bank lines, and liquid investments aggregated to ~Rs 2,800 crore as on January 31, 2022, as against overall debt obligation of ~Rs 2,100 crore (including MOHFL) till April 30, 2022.

Outlook: Stable

CRISIL Ratings believes Motilal Oswal group will continue to scale up its various product offerings across broking, AM & WM and IB and will continue to maintain healthy capitalisation.

Rating Sensitivity factors

Upward factors

- Significant scale-up in operations with further diversification of the revenue streams of the group
- Healthy profitability across financial services businesses while maintaining asset quality of the HFC business with gross NPA <1%

Downward factors

- Adverse regulatory actions on the business segments of the group resulting in significant deterioration in business risk profile of the group
- Significant deterioration in asset quality on a sustained basis impacting group's profitability (with credit costs crossing 2% of the group's assets for a sustained period).

About the Company

The Motilal Oswal group is one of India's leading providers of capital market-related services, such as retail and institutional broking, asset and WM, LAS, margin financing, commodities broking, IB, and venture capital management. It commenced the housing finance business in May 2014.

The promoters—Mr Motilal Oswal and Mr Raamdeo Agrawal along with their family members, and Passionate Investment Management Pvt Ltd—collectively owned 70.4% of MOFSL's equity shares as on December 31, 2021.

The group reported a PAT of Rs 1009 crore with a RoE (annualised) of 27.3% for the nine months ended fiscal 2022 as against a PAT of Rs 805 crore with an ROE of 30.4% in the corresponding period previous fiscal.

PAT was Rs 1,260 crore with RoE of 33.1% for fiscal 2021, as against Rs 190 crore and 6.1%, respectively, in fiscal 2020.

Key Financial Indicators: (Consolidated)

| As on/for the period ended December 31 | | 2021 | 2020 |
|--|----------|-------|------|
| Total assets | Rs crore | 11040 | 8670 |
| Total income | Rs crore | 3264 | 2487 |
| PAT* | Rs crore | 1009 | 805 |
| Gross NPA (HFC) | % | 3.4 | 2.9 |
| Return on networth | % | 27.3 | 30.4 |
| Gearing | % | 1.0 | 1.2 |

| As on/for the period ended March 31 | | 2021 | 2020 |
|-------------------------------------|----------|-------|-------|
| Total assets | Rs crore | 14117 | 11213 |
| Total income | Rs crore | 3631 | 2365 |
| PAT* | Rs crore | 1260 | 190 |
| Gross NPA (HFC) | % | 2.2 | 1.8 |
| Return on networth | % | 33.1 | 6.1 |
| Gearing | % | 1.3 | 1.5 |

*Includes fair valuation of unrealised gains in fund-based business

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

| ISIN | Name of Instrument | Date of Allotment | Coupon Rate (%) | Maturity Date | Issue Size (Rs.Cr) | Complexity level | Rating assigned with outlook |
|------|--------------------|-------------------|-----------------|---------------|--------------------|------------------|------------------------------|
| NA | | NA | NA | | 1400 | Simple | CRISIL A1+ |

| | Commercial paper programme | | | 7-365 days | | | |
|--------------|---|-----------|---------------------|------------|------|----------------|--------------------------|
| NA | Commercial paper programme (IPO Financing) | NA | NA | 1-30 days | 4000 | Simple | CRISIL A1+ |
| INE01WN07037 | Non-Convertible Debentures | 30-Mar-21 | 7.5 | 26-Sep-22 | 200 | Simple | CRISIL AA/Stable |
| NA | Long Term Principal Protected Market Linked Debentures* | NA | NA | NA | 64.4 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE01WN07011 | Long Term Principal Protected Market Linked Debentures | 18-Sep-20 | Equity index linked | 18-Apr-23 | 37.5 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE01WN07011 | Long Term Principal Protected Market Linked Debentures | 29-Sep-20 | Equity index linked | 18-Apr-23 | 10.9 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE01WN07011 | Long Term Principal Protected Market Linked Debentures | 8-Oct-20 | Equity index linked | 18-Apr-23 | 10.0 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE01WN07011 | Long Term Principal Protected Market Linked Debentures | 29-Oct-20 | Equity index linked | 18-Apr-23 | 26.2 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE01WN07011 | Long Term Principal Protected Market Linked Debentures | 5-Nov-20 | Equity index linked | 18-Apr-23 | 0.5 | Highly complex | CRISIL PP-MLD AAr/Stable |
| INE01WN07029 | Long Term Principal Protected Market Linked Debentures | 20-Nov-20 | Equity index linked | 20-Jul-23 | 0.50 | Highly complex | CRISIL PP-MLD AAr/Stable |

*Yet to be issued

Annexure – List of entities consolidated (As on March 31, 2021)

| Names of Entities Consolidated | Extent of Consolidation | Rationale for Consolidation |
|--|-------------------------|-----------------------------|
| Passionate Investment Management Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Financial Services Ltd | Full | Subsidiary |
| Motilal Oswal Investment Advisors Ltd | Full | Subsidiary |
| Motilal Oswal Commodities Broker Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Finvest Ltd | Full | Subsidiary |
| Motilal Oswal Securities International Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Finsec IFSC Ltd | Full | Subsidiary |
| Motilal Oswal Capital Markets (Singapore) Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Capital Markets (Hong Kong) Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Fincap Pvt Ltd | Full | Subsidiary |
| MOPE Investment Advisors Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Wealth Management Ltd | Full | Subsidiary |
| Motilal Oswal Real Estate Investment Advisors Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Real Estate Investment Advisors II Pvt Ltd | Proportionate | Associate |
| India Business Excellence Management Company | Full | Subsidiary |
| Motilal Oswal Asset Management(Mauritius) Pvt Ltd | Full | Subsidiary |
| Motilal Oswal Capital Ltd | Full | Subsidiary |
| Motilal Oswal Trustee Company Ltd | Full | Subsidiary |
| Motilal Oswal Home Finance Ltd | Full | Subsidiary |

| | | |
|--|------|------------|
| Glide Tech Investment Advisory Pvt Ltd | Full | Subsidiary |
| TM Investment Technologies Private Limited | Full | Subsidiary |

Annexure - Rating History for last 3 Years

| Instrument | Current | | | 2022 (History) | | 2021 | | 2020 | | 2019 | | Start of 2019 |
|--|---------|--------------------|---------------------------|----------------|--------|----------|------------------------------|----------|----------------------------|----------|------------|---------------|
| | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Commercial Paper | ST | 1400.0 | CRISIL A1+ | | -- | 27-10-21 | CRISIL A1+ | 19-11-20 | CRISIL A1+ | 23-09-19 | CRISIL A1+ | CRISIL A1+ |
| | | | -- | | -- | 02-08-21 | CRISIL A1+ | 10-09-20 | CRISIL A1+ | | -- | -- |
| | | | -- | | -- | 30-07-21 | CRISIL A1+ | 10-08-20 | CRISIL A1+ | | -- | -- |
| | | | -- | | -- | | -- | 28-02-20 | CRISIL A1+ | | -- | -- |
| | | | -- | | -- | | -- | 06-01-20 | CRISIL A1+ | | -- | -- |
| Commercial Paper Programme(IPO Financing) | ST | 4000.0 | CRISIL A1+ | | -- | 27-10-21 | CRISIL A1+ | 19-11-20 | CRISIL A1+ | | -- | -- |
| | | | -- | | -- | 02-08-21 | CRISIL A1+ | 10-09-20 | CRISIL A1+ | | -- | -- |
| | | | -- | | -- | 30-07-21 | CRISIL A1+ | 10-08-20 | CRISIL A1+ | | -- | -- |
| | | | -- | | -- | | -- | 28-02-20 | CRISIL A1+ | | -- | -- |
| Non Convertible Debentures | LT | 200.0 | CRISIL AA/Stable | | -- | 27-10-21 | CRISIL AA-/Positive | 19-11-20 | CRISIL AA-/Stable | | -- | -- |
| | | | -- | | -- | 02-08-21 | CRISIL AA-/Positive | 10-09-20 | CRISIL AA-/Stable | | -- | -- |
| | | | -- | | -- | 30-07-21 | CRISIL AA-/Positive | 10-08-20 | CRISIL AA-/Stable | | -- | -- |
| Long Term Principal Protected Market Linked Debentures | LT | 150.0 | CRISIL PPMLD AA r /Stable | | -- | 27-10-21 | CRISIL PPMLD AA- r /Positive | 19-11-20 | CRISIL PPMLD AA- r /Stable | | -- | -- |
| | | | -- | | -- | 02-08-21 | CRISIL PPMLD AA- r /Positive | 10-09-20 | CRISIL PPMLD AA- r /Stable | | -- | -- |
| | | | -- | | -- | 30-07-21 | CRISIL PPMLD AA- r /Positive | | -- | | -- | -- |

All amounts are in Rs.Cr.

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| |
|---|
| Links to related criteria |
| Rating Criteria for Finance Companies |
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| Manager CRISIL Ratings Limited D:+91 22 3342 3271 Mitul.Patel@crsil.com |
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