



**Motilal Oswal Financial Services Limited**

CIN: L67190MH2005PLC153397

Regd. Off.: Motilal Oswal Tower,

Rahimtullah Sayani Road,

Opp. Parel ST Depot,

Prabhadevi, Mumbai – 400025

Board: +91 22 7193 4200 / 4263

Fax: +91 22 5036 2365

September 05, 2024

**To,**  
**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**

**Sub.: CRISIL Credit Rating - Revision in Rating Outlook from “Stable” to “Positive”**

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (as amended), we wish to inform the Exchange that CRISIL Ratings Limited (“CRISIL”) has revised the Rating Outlook **from “Stable” to “Positive”** for Debt instrument(s) of the Company and its Material Subsidiaries based on the below rationale:

CRISIL has revised the Rating Outlook from “Stable” to “Positive” considering expectation of sustained improvement in the business risk profile of Motilal Oswal Group (“Group”), evidenced by sustained growth and diversity in business segments, underpinned by the Group’s established position in the broking segment and expanding presence in adjacent businesses such as wealth and asset management. The outlook also factors in the anticipated continuity of increase in operating profits, corresponding to the business growth, while risk management and capitalisation metrics remain sound.

The ratings continue to reflect the Group’s healthy capitalisation, its prominent market position in the equity broking segment, and expanding presence in other financial services businesses, which is expected to lend greater stability to the earnings profile. These strengths are partially offset by susceptibility to inherent uncertainties of the capital-market-related businesses, and limited track record in successfully scaling up the lending business.

Moreover, CRISIL has also considered strengthened credit mechanisms and operational control of Motilal Oswal Home Finance Limited (“MOHFL”), Material Subsidiary of the Company.

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The details of instrument-wise Rating of the Company and its Material Subsidiaries are mentioned hereinbelow in the table:

Name of the Company	Instrument Type	Previous Rated Amount (Rs. in Cr.)	Current Rated Amount (Rs. in Cr.)	Rating/ Outlook (Updated)	Rating Action
Motilal Oswal Financial Services Limited	Commercial Paper	1,750.00	1,750.00	CRISIL A1+	Reaffirmed
	Non-Convertible Debentures	1,700.00	1,700.00	CRISIL AA/Positive	Reaffirmed and outlook revised to Positive from Stable
Motilal Oswal Home Finance Limited <sup>(1)</sup>	Fund Based Facilities	2,562.00	2,562.00	CRISIL AA/Positive	Reaffirmed and outlook revised to Positive from Stable
	Commercial Paper	500.00	500.00	CRISIL A1+	Reaffirmed
	Non-Convertible Debentures	45.30	45.30	CRISIL AA/Positive	Reaffirmed and outlook revised to Positive from Stable
Motilal Oswal Finvest Limited <sup>(1)</sup>	Commercial Paper	4,000.00	4,000.00	CRISIL A1+	Reaffirmed
	Non-Convertible Debentures	1,250.00	1,250.00	CRISIL AA/Positive	Reaffirmed and outlook revised to Positive from Stable

<sup>(1)</sup>Material Subsidiary

The Rating Rationale Letters received from CRISIL for the Company and its Material Subsidiaries 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

**Rating Rationale**

September 04, 2024 | Mumbai

**Motilal Oswal Financial Services Limited**

Rating outlook revised to 'Positive'; Ratings Reaffirmed

**Rating Action**

<b>Rs.1750 Crore Commercial Paper</b>	<b>CRISIL A1+ (Reaffirmed)</b>
<b>Non Convertible Debentures Aggregating Rs.1700 Crore</b>	<b>CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)</b>

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

**Detailed Rationale**

CRISIL Ratings has revised its outlook on the non-convertible debentures of Motilal Oswal Financial Services Limited (MOFSL; a part of the Motilal Oswal group) to 'Positive' from 'Stable' while reaffirming the rating at 'CRISIL AA'. Further, CRISIL Ratings has reaffirmed its 'CRISIL A1+' rating on the commercial paper programme of the company.

The revision in outlook is driven by the expectation of sustained improvement in the business risk profile of the group – evidenced by sustained growth and diversity in business segments, underpinned by the group's established position in the broking segment and expanding presence in adjacent businesses such as wealth and asset management. The outlook also factors in the anticipated continuity of increase in operating profits<sup>[1]</sup>, corresponding to the business growth, while risk management and capitalisation metrics remain sound.

The ratings continue to reflect the group's healthy capitalisation, its prominent market position in the equity broking segment, and expanding presence in other financial services businesses, which is expected to lend greater stability to the earnings profile. These strengths are partially offset by susceptibility to inherent uncertainties of the capital-market-related businesses, and limited track record in successfully scaling up the lending business.

The group operates across broking (retail and institutional) and allied services such as retail financial product distribution (distribution of financial products to high-networth individuals [HNIs] and retail), investment banking (IB), loan against shares [LAS] and margin funding (MTF)<sup>[2]</sup>. It is also engaged in asset management (mutual fund [MF], portfolio management services [PMS], alternate investment funds [AIF]), private equity (PE), wealth management (WM; caters to HNIs and ultra HNIs) and housing finance. As of June 30, 2024, the consolidated assets under management (AUM)<sup>[3]</sup> were Rs 2,73,572 crore, ~15% higher than that on March 31, 2024. Through fiscal 2024, AUM clocked a three-year compound annual growth rate (CAGR) of 31% which has been a factor of steady growth in segments such as WM and MF coupled with buoyancy in capital markets.

Alongside this growth, capitalisation remained healthy with sizeable network of Rs 9,764 crore as on June 30, 2024, and Rs 8,768 crore as on March 31, 2024 (Rs 6,283 crore as on March 31, 2023). On the same dates, gearing remained comfortable and similar at ~1.6 times. Excluding the unrealised gains from investment book, the on-book gearing was still comfortable at 2.4 times as on March 31, 2024 (against 2.8 times a year ago). Network has been largely funded through internal accruals, which – supported by both operating profits and treasury gains – have increased at a steady pace over the past few years.

Total revenue (net of interest expense and inter-company adjustments) grew by 67% over fiscal 2024 to Rs 6,388 crore – comprising 51% as revenue from the broking business, 12% from the WM business, 12% from asset management, 3% from PE and 5% from housing finance business. In addition to this, 17% of the revenue stems from the treasury book. In comparison to broking and allied business, while businesses like asset management and WM are also linked to capital markets, structural scale up in these and PE businesses provide higher stability to the core earnings of the group via management fees charged on the AUM. Over the past few years, these businesses have scaled and imparted diversity to the revenue profile, leading to an increase of ~23% (three-year CAGR) in the fee income earned through these avenues. Consolidated profit after tax (PAT) was Rs 2,446 crore in fiscal 2024, vis-à-vis Rs 933 crore in fiscal 2023 and Rs 1,311 crore in fiscal 2022. For the same periods, operating profits were Rs 1,542 crore, Rs 1,115 crore and Rs 1,093 crore, respectively.

The group also extends housing finance, LAS and MTF (through Motilal Oswal Home Finance Ltd [MOHFL], Motilal Oswal Finvest Ltd [MOFL] and MOFSL, respectively). In the past, the housing finance portfolio had faced asset quality challenges which resulted in the gross non-performing assets (GNPAs) rising to 9.3% as on March 31, 2019, from 4.5% a year earlier. However, these issues have been addressed over time and with that, GNPAs reduced from 1.6% on March 31, 2022, to 1.1% a year later, and further to 0.9% as of March 31, 2024. This metric stood at 1.2% as on June 30, 2024.

<sup>[1]</sup> Operating profits = Total consolidated PAT excluding treasury profits

<sup>[2]</sup> Hereafter broking and allied services are together referred to as broking business

<sup>[3]</sup> Consolidated assets under advice (AUA) were Rs 5,02,232 crore as on June 30, 2024.

**Analytical Approach**

CRISIL Ratings has combined the business and financial risk profiles of MOFSL and its subsidiaries, including Motilal Oswal Finvest Ltd (MOFL) and MOHFL. That is because the entities, collectively referred to as the Motilal Oswal group, have significant operational, financial and managerial integration and 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:**

• **Expanding presence across financial services segments, supporting diversity in business risk profile**

The gradual scale up in non-broking businesses - such as asset management company (AMC), WM, PE and housing finance – has supported the growth and diversity in the business risk profile. The group is also focussing on scaling its distribution business (financial products) through the WM channels. As a byproduct, revenue contribution from these businesses has increased in the past few fiscals.

To strengthen its market position in the agency businesses, the group has been augmenting its human resource and operational infrastructure. The AMC portfolio has increased to Rs 87,580 crore in June 2024, from Rs 43,200 crore in March 2021 whereas the portfolio under WM – has grown to Rs 1,38,900 crore from Rs 39,424 crore. As on March 31, 2024, AUM for the asset management business included assets under MF (Rs 48,842 crore), PMS (Rs 12,132 crore) and AIF (Rs 10,836 crore). The group has a niche positioning for its higher-yielding, equity-focused funds – with only

2% of the MF AUM in debt funds. It also focuses on passive and international funds. As part of its PE portfolio of Rs 10,049 crore as on March 31, 2024, the group has launched four business excellence funds and six real estate funds till date. While business excellence funds focus majorly on unlisted companies for long-term investments, the real estate funds focus on debt funding to developers for mid-market residential housing projects in top eight Indian cities. Within the lending space, the group extends housing finance, LAS and MTF through MOHFL, MOFL and MOFSL, respectively, respectively. These respective portfolios, though growing, stood at a modest Rs 4,048 crore and Rs 4,988 crore as on March 31, 2024.

The group's asset management businesses leverage the clientele of the WM segment, resulting in business synergies and improved return on equity (RoE). The group also maintains a sizeable treasury portfolio (total equity investments, including mark-to-market (MTM) gains) of ~Rs 7,021 crore as on June 30, 2024 (Rs 6,113 crore as on March 31, 2024, and Rs 4,326 crore as on March 31, 2023). It includes its own sponsor commitments-cum-investments in equity MF, PMS, PE funds, real estate funds, AIFs and strategic equity investments.

- **Healthy capitalisation backed by higher internal accrual**

Capital position remains healthy, supported by adequate and stable internal accrual. Absolute consolidated networth and gearing were Rs 8,768 crore and 1.6 times, respectively, as on March 31, 2024 (against Rs 6,283 crore and 1.6 times a year ago). As most of the businesses within the group are non-capital intensive, the steady-state consolidated gearing is not expected to cross 3 times. The housing finance business had a net gearing of around 2.0 times as on March 31, 2024 (against 2.2 times a year ago).

As on March 31, 2024, the group had cumulative unrealised gains of Rs 3,076 crore distributed across Motilal Oswal Equity Mutual Fund Products and AIF products (Rs 1,969 crore), listed equity shares (Rs 490 crore), Motilal Oswal Private Equity Funds (Rs 618 crore; PE and real estate), the MTM gains are almost 100% of the original cost of investment. Of this, unrealised gains of ~Rs 1,411 crore have accrued in fiscal 2024 due to the positive market momentum. 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 the cumulative unrealised gains from the networth, on-book gearing of the group remained comfortable at ~2.4 times as on March 31, 2024 (against 2.8 times ago).

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

With a legacy of three decades, the group - through MOFSL - ranks among the top 10 equity brokers based on the number of active clients (9.2 lakh active customers on National Stock Exchange) as of July 2024, in the highly fragmented broking industry. Within this segment, business growth has been driven by acquisition of small brokers and partnerships with sub-brokers. The group has ~44 lakh retail broking clients and enjoys pan-India presence through 9,000+ franchised/sub broker outlets. In additions, they have made various digital initiatives such as the Option store (app with a feature to create customised strategies), 500+ application programming interface integration with algo and proprietary traders and the Research 360 (app which has more than 1,50,000 downloads till March 31, 2024).

Overall turnover of the business witnessed a healthy growth of 120% for fiscal 2024, primarily in the derivatives segment. This has supplemented the growth in core broking revenue by 34% during the year. In terms of market share for fiscal 2024, MOFSL held 8%<sup>[1]</sup> (volumes traded in retail, institutional and proprietary segments) in the cash segment whereas in the F&O segment – market share was 3.1%<sup>4</sup>. Overall market share was 3.1%<sup>4</sup> for the fiscal 2024. Over the medium term, the group is expected to maintain its strong footing in the equity broking segment – which would continue to bolster its growth in adjacent segments like asset and WM.

- **Sustained profitability, supported by diversity in revenue streams**

The earnings profile of the group continues to benefit from expansion of business. More so, growth across non-broking businesses has imparted diversity and is expected to lend greater stability to overall profitability.

Operating profit increased to Rs 1,542 crore for fiscal 2024, from Rs 1,115 crore for the previous fiscal. For the first quarter of fiscal 2025, the operating profit was Rs 431 crore as against Rs 306 crore for the corresponding quarter of last fiscal. Correspondingly, the adjusted RoE (based on operating profit) improved to 20.6% in fiscal 2024 (from 18.7% in fiscal 2023) underpinned by growth in broking income and rise in interest income due to growth in the fund-based book. Further, the reduction in the cost to income ratio from 65% to 50% over the same period was another driver for improved profitability. Of the total revenue (net of interest expense and inter-company adjustments), broking business has remained the largest component at 51% for fiscal 2024 (62% for fiscal 2023), followed by AMC at 12% (16%), WM at 12% (14%), housing finance at 5% (8%) PE at 3% (5%). In addition to these operating revenue streams the treasury book has contributed 17% in fiscal 2024 compared to -5% in fiscal 2023. This mix in income profile has remained similar over the past few years. Beyond the profits from core operations, the group also generates a sizeable income from the treasury portfolio which, as a philosophy, it redeploys into expansion of operating businesses.

The group is expected to continue expanding its fee-based businesses, which yield the benefit of trail income. It has been making capital expenditure towards these businesses and the benefit of it is expected to materialise in the near to medium term.

#### **Weaknesses:**

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

Most of the group's businesses are linked to the capital markets and hence remain exposed to economic, political and social factors that drive investor sentiments. Brokerage revenue depends on the level of trading activity in capital markets; incremental inflow into various asset management platform depends on the returns generated - making overall revenue dependent on the performance of the capital markets.

Specifically, since March 2020, the stock markets have seen high retail participation and increased 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, capital market players, including the Motilal Oswal group, sustainability of the market momentum remains unpredictable.

However, its bearing on the earnings is partially offset by the high share of broking business originated through franchisees, which has a higher share of variable cost, and thus, curtails the impact of drop in market volumes on the profitability margins. Further, the group's revenue profile is relatively diversified, reducing its dependence on broking operations. The agency businesses like AM, WM and PE yield income in the form of management fees (as a proportion of AUM), which has a higher stability quotient. The lending business, commenced in fiscal 2015, adds further stability to the overall earnings via fixed interest income from home loans.

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

In fiscals 2018 and 2019, MOHFL faced asset quality challenges due to inadequate collection and recovery processes within the company, amidst macro-economic disruptions. GNPA's increased to 9.3% 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 has taken several corrective measures such as strengthening of management teams, improving collection processes and recovery apparatus by creating a ~550-member team, and enhancing credit appraisal and risk monitoring systems. As a result of these, slippages reduced to Rs 35 crore in fiscal 2024 from Rs 41 crore in fiscal 2023 and Rs 89 crore in fiscal 2022. Correspondingly, recoveries have also picked up in the last fiscal. Furthermore, the company sold GNPA's worth ~Rs 941 crore between fiscal 2019 and fiscal 2024 to an asset reconstruction company, which brought down the GNPA's to 0.9% as on March 31, 2024, from 1.1% a year ago, and 9.3% as on March 31, 2019. As on June 30, 2024, GNPA's stood at 1.2%.

As on June 30, 2024, the housing finance portfolio stood at Rs 4,098 crore. The company intends to grow its housing loan book prudently over the medium term, while increasing its geographical presence. The recent expansion in the sales team is expected to catalyse this plan. Nevertheless,

given the evolving macro-economic environment and intensifying competition within this asset segment, ability of the management to scale this business while maintaining sound asset quality, will remain monitorable

<sup>(1)</sup> As per calculation methodology used by CRISIL Ratings

#### **Liquidity: Strong**

Liquidity of the group is comfortable, supported by an adequate balance of cash and cash equivalent assets. Further, a sizeable portfolio of fee-based businesses also aids liquidity. The group (including the MOHFL) had cash balance, unutilised bank lines and liquid investments aggregating to ~Rs 5,213 crore as on August 31, 2024, as against overall debt obligation of around ~Rs 3,247 crore (including that of MOHFL) till October 31, 2024.

#### **Environment, social and governance profile**

The environment, social and governance (ESG) profile of MOFSL supports its already strong credit risk profile.

The ESG profile of financial institutions typically factors in governance as a key differentiator between them. The sector has reasonable social impact because of its substantial employee and customer base, and it can play a key role in promoting financial inclusion. While the sector does not have a direct adverse environmental impact, the lending decisions may have a bearing on the environment and other sustainability-related factors.

MOFSL has demonstrated an ongoing focus on strengthening various aspects of its ESG profile.

#### **Key ESG highlights:**

- MOFSL took various initiatives to lower its power consumption, such as migrating to light emitting diode lights, adoption of aluminum fin for refraction of sun rays, motion sensor-based lighting system, etc. The company emphasizes reducing dependence on paper communications and encourages use of electronic means of communication which serves towards environmental protection and sustainable growth. Around 1000+ trees were planted by the employees through various volunteer programs.
- During fiscals 2022 to 2024, 7.23 metric tonne of dry waste and 7.58 metric tonne of wet waste was generated and recycled.
- As on March 31, 2024, there were two women directors on board against the mandate of one and women comprised 26% of the total workforce.
- ESG disclosures of the company are evolving and the company is in the process of further strengthening the disclosures going forward

There is growing importance of ESG among investors and lenders. MOFSL's commitment to ESG will play a key role in enhancing stakeholder confidence, given substantial share of foreign investors as well as access to domestic capital markets.

#### **Outlook: Positive**

Motilal Oswal group will continue to expand its business risk profile through steady growth in managed assets across segments, while maintaining stability and diversity in earnings and healthy capitalisation metrics.

#### **Rating sensitivity factors**

##### **Upward factors**

- Sustained strengthening of market position in non-broking businesses (AMC, WM, PE and housing finance), while maintaining market share in the broking business
- Sustained increase and diversification in operating profitability, with non-broking segments contributing >60% to operating profits

##### **Downward factors**

- Significant decline in group's operating profitability, and/or weakening of capitalisation metrics
- Significant and sustained deterioration in asset quality thereby impacting the group's profitability (with credit costs rising to, and remaining above, 2% of the group's assets for a prolonged period)
- Adverse regulatory actions on the business segments, resulting in significant deterioration of the business risk profile of the group

#### **About Motilal Oswal Group**

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

The promoters- Mr Motilal Oswal and Mr Raamdeo Agrawal along with their family members, and Motilal Oswal Family Trust-collectively owned 69.7% of MOFSL's equity shares as on March 31, 2024.

The group reported PAT of Rs 2,446 crore with a RoE of 32.5% during fiscal 2024 against Rs 933 crore and 15.6%, respectively, during fiscal 2023

PAT during the first quarter of fiscal 2025 was Rs 884 crore with RoE (annualised) of 38.1%, as against, Rs 526 crore and 31.8% , respectively, for the corresponding period of previous fiscal.

#### **Key Financial Indicators (Consolidated)**

As on / For the Year ended March 31		2024	2023
<b>Total Assets</b>	<b>Rs crore</b>	<b>31,829</b>	<b>23,010</b>
<b>Total Income</b>	<b>Rs crore</b>	<b>7,131</b>	<b>4,197</b>
<b>PAT</b>	<b>Rs crore</b>	<b>2,446</b>	<b>933</b>
<b>GNPA (HFC)</b>	<b>%</b>	<b>0.9</b>	<b>1.1</b>
<b>Return on networth</b>	<b>%</b>	<b>32.5</b>	<b>15.6</b>
<b>Gearing</b>	<b>times</b>	<b>1.6</b>	<b>1.6</b>

As on / For the Year ended June 30,		2024	2023
<b>Total Assets</b>	<b>Rs crore</b>	<b>37,127</b>	<b>27,745</b>
<b>Total Income</b>	<b>Rs crore</b>	<b>2,318</b>	<b>1,534</b>
<b>PAT</b>	<b>Rs crore</b>	<b>884</b>	<b>527</b>
<b>GNPA (HFC)</b>	<b>%</b>	<b>1.2</b>	<b>1.9</b>
<b>Return on networth</b>	<b>%</b>	<b>38.1</b>	<b>31.8</b>
<b>Gearing</b>	<b>times</b>	<b>1.6</b>	<b>1.5</b>

#### **Any other information:**

On July 27, 2023, MOFSL had announced its scheme of arrangement with its wholly owned subsidiaries namely, Motilal Oswal Wealth Ltd (MOWL) and Glide Tech Investment Advisory Pvt Ltd (Glide) whereby the broking and distribution business of MOFSL is to be transferred to Glide by way of slump sale, and the wealth business is to demerge from MOWL into MOFSL. The scheme has been approved by the respective boards of directors and is now subject to various statutory and regulatory approvals. This scheme of arrangement is not expected to have any material impact on the credit profile of the group.

**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). 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 Levels	Rating Outstanding with Outlook
NA	Commercial Paper	NA	NA	7-365 days	1750.00	Simple	CRISIL A1+
INE338I07131	Non Convertible Debentures	09-May-24	8.85%	09-May-26	47.98	Simple	CRISIL AA/Positive
INE338I07149	Non Convertible Debentures	09-May-24	9.10%	09-May-27	448.53	Simple	CRISIL AA/Positive
INE338I07156	Non Convertible Debentures	09-May-24	Zero Interest	09-May-26	25.02	Simple	CRISIL AA/Positive
INE338I07164	Non Convertible Debentures	09-May-24	8.97%	09-May-29	95.14	Simple	CRISIL AA/Positive
INE338I07099	Non Convertible Debentures	09-May-24	Zero Interest	09-May-27	27.34	Simple	CRISIL AA/Positive
INE338I07107	Non Convertible Debentures	09-May-24	9.35%	09-May-29	81.98	Simple	CRISIL AA/Positive
INE338I07115	Non Convertible Debentures	09-May-24	9.30%	09-May-34	47.05	Simple	CRISIL AA/Positive
INE338I07123	Non Convertible Debentures	09-May-24	9.70%	09-May-34	226.97	Simple	CRISIL AA/Positive
NA	Non Convertible Debentures <sup>#</sup>	NA	NA	NA	500.00	Simple	CRISIL AA/Positive
NA	Non Convertible Debentures <sup>#</sup>	NA	NA	NA	169.99	Simple	CRISIL AA/Positive
NA	Non Convertible Debentures <sup>&amp;</sup>	NA	NA	NA	30.00	Simple	CRISIL AA/Positive

<sup>#</sup> Yet to be issued

<sup>&</sup> Public issue

**Annexure – List of entities consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Motilal Oswal Commodities Broker Private Limited	Full	Subsidiary
Motilal Oswal Investment Advisors Limited	Full	Subsidiary
(Formerly known as Motilal Oswal Investment Advisors Private Limited)		
MO Alternate Investment Private Limited (formerly known as Motilal Oswal Fincap Private Limited)	Full	Subsidiary
Motilal Oswal Finvest Limited (Formerly known as Motilal Oswal Capital Markets Ltd)	Full	Subsidiary
Motilal Oswal Wealth Limited	Full	Subsidiary
Motilal Oswal Asset Management Company Limited	Full	Subsidiary
Motilal Oswal Trustee Company Limited	Full	Subsidiary
Motilal Oswal Securities International Private Limited	Full	Subsidiary
Motilal Oswal Capital Markets (Singapore) Pte. Limited	Full	Subsidiary
Motilal Oswal Capital Markets (Hong Kong) Private Limited	Full	Subsidiary
Motilal Oswal Home Finance Limited (formerly known as Aspire Home Finance Corporation Ltd)	Full	Subsidiary
Motilal Oswal Finsec IFSC Limited	Full	Subsidiary
Glide Tech Investment Advisory Private Limited	Full	Subsidiary
TM Investment Technologies Pvt. Ltd	Full	Subsidiary
India Business Excellence Management Company	Full	Subsidiary
Motilal Oswal Asset Management (Mauritius) Private Limited	Full	Subsidiary
Motilal Oswal Capital Limited	Full	Subsidiary
India Reality Excellence Fund II LLP	Proportionate	Associate
Motilal Oswal Financial Services Ltd	Full	Subsidiary

**Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	1750.0	CRISIL A1+	09-02-24	CRISIL A1+	24-08-23	CRISIL A1+	23-08-22	CRISIL A1+	04-10-21	CRISIL A1+	CRISIL A1+
			--		--	27-04-23	CRISIL A1+	24-02-22	CRISIL A1+	30-07-21	CRISIL A1+	--

			--		--	07-02-23	CRISIL A1+		--		--	--
<b>Non Convertible Debentures</b>	LT	1700.0	CRISIL AA/Positive	09-02-24	CRISIL AA/Stable	24-08-23	CRISIL AA/Stable		--		--	--
			--		--	27-04-23	CRISIL AA/Stable		--		--	--
			--		--	07-02-23	CRISIL AA/Stable		--		--	--

All amounts are in Rs.Cr.

## Criteria Details

<b>Links to related criteria</b>
<a href="#">Rating Criteria for Finance Companies</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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## Rating Rationale

September 04, 2024 | Mumbai

### Motilal Oswal Home Finance Limited

Rating outlook revised to 'Positive'; Ratings Reaffirmed

#### Rating Action

Total Bank Loan Facilities Rated	Rs.2562 Crore
Long Term Rating	CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)

Rs.45.3 Crore Non Convertible Debentures	CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Rs.500 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has revised its outlook on non-convertible debentures of Motilal Oswal Home Finance Limited (MOHFL) to '**Positive**' from 'Stable' while reaffirming the rating at '**CRISIL AA**'. The rating on the commercial paper programme has been reaffirmed at 'CRISIL A1+'.

The revision in outlook to 'Positive' from 'Stable' is driven by similar action on the parent, Motilal Oswal Financial Services Ltd (MOFSL; rated 'CRISIL AA/Positive/CRISIL A1+'). This reflects the expectation of sustained improvement in business risk profile of the group – evidenced by sustained growth and diversity in business segments, underpinned by the group's established position in the broking segment and expanding presence in adjacent businesses like wealth and asset management. The outlook also factors in the anticipated continuity of increase in operating profits<sup>[1]</sup>, corresponding to the business growth, while risk management and capitalization metrics remain sound.

The ratings on MOFSL continue to reflect Motilal Oswal group's healthy capitalisation, its prominent market position in the equity broking segment, and expanding presence in other financial services businesses which is expected to lend greater stability to the earnings profile. These strengths are partially offset by susceptibility to inherent uncertainties of the capital-market-related businesses, and limited track record in successfully scaling up the lending business.

The ratings on the debt instruments of MOHFL continue to factor in strong support from its parent, MOFSL, and MOHFL's adequate capitalization with comfortable resource profile. These strengths are partially offset by a limited track record in successfully scaling up business.

MOHFL had an advance base of Rs 4,048 crore as on March 31, 2024, marking a three-year compounded annual growth rate (CAGR) of ~5% until March 31, 2024. Over Q1 2025, the advances further grew to Rs 4,098 crore. In the past, the housing finance business had faced asset quality challenges however, these have been addressed over time with the help of corrective measures taken by the group. Resultantly, the GNPA declined from 9.3% as on March 31, 2019 to 1.2% as on June 30, 2024. Going forward, the ability of the management to manage collections and asset quality, as the business scales, will remain a key monitorable. Nonetheless, the company's capitalisation remains comfortable with a capital adequacy ratio of 46.5% on June 30, 2024, and a low gearing of 2.3 times on the same date. For Q12025, the company reported a net profit of Rs 29 crore which translates to a return on managed assets (RoMA) of 2.6% (annualised). The same for full fiscal 2024 was Rs 132 crore and 3.2%, respectively.

<sup>[1]</sup> Operating profits = total consolidated profit after tax excluding treasury profits

#### 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 and 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, supported by sizable internal accruals. As on March 31, 2024, absolute consolidated networth and gearing were Rs 8,768 crore and 1.6 times, respectively (Rs 6,283 crore and 1.6 times, respectively, as on March 31, 2023). As most of the businesses within the group are non-capital intensive, the steady state gearing is not expected to cross 3 times. The housing finance business had a standalone networth of Rs 1290 crore, and a net gearing of around 2.0 times as on March 31, 2024 (2.2 times as on March 31, 2023).

CRISIL Ratings believes MOHFL remains strategically important to MOFSL; as through MOHFL – the group is present in the housing finance space which it imparts diversity to its revenue profile and mitigates the effect of cyclicity inherent to capital-market businesses. Furthermore, as many 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 support from its parent. The group has infused Rs 850 crore in MOHFL since acquisition and is expected to continue extending support for its 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 June 30, 2024, borrowing was Rs 3,000 crore (Rs 2,994 crore as on March 31, 2024) with 62% of these resources comprising term loans, while the rest were NCD (7%), NHB (14%), ECB (14%) and PTC (3%). The company's weighted average cost of borrowing was ~8.4% for first quarter of fiscal 2025 compared to 8.3% in full fiscal 2024.

- **Adequate capitalization**

With an overall capital adequacy ratio (CAR) of 46.5% and 51.0%, as on June 30, 2024 and March 31, 2024 respectively (50.9 %, as on March 31, 2023), 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 1,321 crore and 2.3 times, respectively, as on June 30, 2024 (Rs 1,290 crore and 2.3 times, respectively, as on March 31, 2024). Standalone gearing is expected to remain within 5 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 adverse macro-economic factors, and lack of adequate collection and recovery processes and bandwidth within the company. Gross NPAs increased to 9.3% by March 31, 2019 from 4.5% as on March 31, 2018 and 0.6% as on March 31, 2017.

However, since fiscal 2019, MOHFL has taken several corrective measures like increasing management depth and experience, strengthening of collections and recovery apparatus by creating a 550+ member team, and enhancing credit appraisal and risk monitoring systems. Significant investment has been made in technologies, processes and people to fill the critical gaps at operational level to support and enhance business scale up. As a result of these measures, slippages have reduced to Rs 34.7 crore in fiscal 2024 (0.9% of opening advances) from Rs. 40.9 in fiscal 2023(1.2% of opening advances), Rs 89 crore (2.5%) in fiscal 2022 and Rs 71 crore (2.0%) in fiscal 2021. This marks a material improvement over fiscal 2019 during which slippages amounted to Rs 601 crore. Also, recoveries have picked up in the last fiscal following these concerted efforts. As a part of its strategy to clean up the book, MOHFL sold gross NPAs worth ~Rs 941 crore since fiscal 2019 until fiscal 2024 of which Rs 24 crore and Rs 84 crore was sold in fiscal 2024 and fiscal 2023 respectively to an asset reconstruction company (ARC), which brought down gross NPAs to 0.9% as on March 31, 2024 from 9.3% as on March 31, 2019. The metric stood at 1.2% as on June 30, 2024.

In light of legacy asset quality challenges and its shift of focus towards improving collections and selling of the bad pool to ARCs, the company had curtailed its disbursements in fiscals 2019 and 2020. However, as credit mechanisms and operational controls within the company has been strengthened, its disbursements have shown gradual traction since then. However, the overall growth still remains muted. Loan book is flattish at Rs 4,098 crore as on June 30, 2024, as against Rs 4,048 crore as on March 31, 2024 due to run down of the legacy book high prepayments.

The company intends to grow its loan book prudently over the medium term, while increasing geographical presence and, has expanded its sales team to accomplish the same. Given the current evolving macro-economic environment, ability of the management to scale up operations in a profitable manner will remain a monitorable.

**Liquidity: Strong**

Liquidity profile is comfortable, supported by undrawn bank lines and support from Motilal Oswal group. MOHFL has debt maturities of Rs 175 crore until November 30, 2024. Against the same, it has Rs 1,054 crore of liquidity in the form of Cash and cash equivalents, unutilised bank lines, MF and liquid investments and line of credit as on August 31, 2024.

**Outlook: Positive**

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

**Downward factors**

- Reduction in support from MOFSL to MOHFL, and/or a downward revision in CRISIL Ratings' credit view on MOFSL
- Deterioration in asset quality with gross NPA increasing to and remaining 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 4,098 crore as on June 30, 2024. The company offers housing loans to low- and middle-income groups, with an average ticket size of around Rs 10 lakh. Lending to the affordable housing segment accounts for its entire existing loan book. It is present in twelve states/UTs through 111 branches.

The company reported profit after tax of Rs 132 crore on a total income net of interest expense of Rs 339 crore for fiscal 2024 as against Rs 136 crore on Rs 313 crore, respectively, for the year ended fiscal 2023.

For the first quarter ended fiscal 2025, the company reported profit after tax (PAT) of Rs 29 crore on total income (net of interest expense) of Rs 91 crore.

### Key Financial Indicators: (MOHFL Standalone)

As on / for the period ended March 31		2024	2023
Total assets	Rs crore	4552	4148
Total income (net of interest expenses)	Rs crore	339	313
PAT	Rs crore	132	136
GNPAs	%	0.9	1.1
Return on assets	%	3.2	3.5
Adjusted gearing	Times	2.3	2.5

As on / for the period ended June 30		2024	2023
Total assets	Rs crore	4,558	4,053
Total income (net of interest expenses)	Rs crore	91	81
PAT	Rs crore	29	30
GNPAs	%	1.2	1.9
Return on assets (annualised)	%	2.6	3.0
Adjusted gearing	Times	2.3	2.3

**Any other information:** Not applicable

### Note on complexity levels of the rated instrument:

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### Annexure - Details of Instrument(s)

ISIN	Facility	Date of allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Level	Outstanding rating with outlook
NA	Long Term Loan	15-Oct-19	NA	30-Sep-25	26.47	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Aug-20	NA	31-Aug-26	30	NA	CRISIL AA/Positive
NA	Long Term Loan	30-Mar-22	NA	30-Mar-30	36.04	NA	CRISIL AA/Positive
NA	Long Term Loan	06-Jun-23	NA	06-Jun-30	111.48	NA	CRISIL AA/Positive
NA	Long Term Loan	29-Jun-21	NA	30-Sep-31	89.02	NA	CRISIL AA/Positive
NA	Long Term Loan	24-Jun-22	NA	24-Jun-29	75	NA	CRISIL AA/Positive
NA	Long Term Loan	25-Nov-20	NA	30-Nov-28	29.68	NA	CRISIL AA/Positive
NA	Long Term Loan	30-Sep-21	NA	30-Sep-28	37.52	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Mar-23	NA	31-Mar-28	50	NA	CRISIL AA/Positive
NA	Long Term Loan	05-Apr-17	NA	21-Dec-27	91.25	NA	CRISIL AA/Positive
NA	Long Term Loan	28-Feb-20	NA	30-Nov-24	30.11	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Aug-23	NA	21-Sep-28	150	NA	CRISIL AA/Positive
NA	Long Term Loan	29-Dec-21	NA	29-Sep-29	39.28	NA	CRISIL AA/Positive
NA	Long Term Loan	28-Feb-22	NA	08-Jun-31	108.77	NA	CRISIL AA/Positive
NA	Long Term Loan	30-Jun-17	NA	30-Jun-27	4.95	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Mar-17	NA	30-Mar-25	14.28	NA	CRISIL AA/Positive

NA	Long Term Loan	31-Mar-23	NA	31-Mar-27	37.5	NA	CRISIL AA/Positive
NA	Long Term Loan	28-Jun-24	NA	01-Jun-32	100	NA	CRISIL AA/Positive
NA	Cash Credit	NA	NA	NA	80	NA	CRISIL AA/Positive
NA	Long Term Loan	30-May-22	NA	01-Jan-31	150	NA	CRISIL AA/Positive
NA	Long Term Loan	30-Mar-21	NA	01-Jul-34	525	NA	CRISIL AA/Positive
NA	Proposed Long Term Bank Loan Facility <sup>&amp;</sup>	NA	NA	NA	344.49	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Dec-21	NA	30-Dec-29	190.04	NA	CRISIL AA/Positive
NA	Long Term Loan	29-Sep-22	NA	29-Sep-27	52.5	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Jul-23	NA	31-Jul-28	75	NA	CRISIL AA/Positive
NA	Long Term Loan	31-Mar-22	NA	31-Mar-27	37.49	NA	CRISIL AA/Positive
NA	Long Term Loan	28-Feb-23	NA	28-Feb-30	46.13	NA	CRISIL AA/Positive
NA	Debentures/Bonds <sup>^</sup>	NA	NA	NA	45.3	Simple	CRISIL AA/Positive
NA	Commercial paper	NA	NA	7-365 days	500	Simple	CRISIL A1+

# Yet to be issued

&interchangeable with short term facilities

### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT	2562.0	CRISIL AA/Positive	11-07-24	CRISIL AA/Stable	26-12-23	CRISIL AA/Stable	28-06-22	CRISIL AA/Stable	30-07-21	CRISIL AA-/Positive	CRISIL AA-/Stable
				30-05-24	CRISIL AA/Stable	23-08-23	CRISIL AA/Stable	24-02-22	CRISIL AA/Stable	--	--	--
				15-04-24	CRISIL AA/Stable	27-04-23	CRISIL AA/Stable	--	--	--	--	--
				--	--	19-04-23	CRISIL AA/Stable	--	--	--	--	--
				--	--	07-02-23	CRISIL AA/Stable	--	--	--	--	--
<b>Commercial Paper</b>	ST	500.0	CRISIL A1+	11-07-24	CRISIL A1+	26-12-23	CRISIL A1+	28-06-22	CRISIL A1+	30-07-21	CRISIL A1+	CRISIL A1+
				30-05-24	CRISIL A1+	23-08-23	CRISIL A1+	24-02-22	CRISIL A1+	--	--	--
				15-04-24	CRISIL A1+	27-04-23	CRISIL A1+	--	--	--	--	--
				--	--	19-04-23	CRISIL A1+	--	--	--	--	--
				--	--	07-02-23	CRISIL A1+	--	--	--	--	--
<b>Non Convertible Debentures</b>	LT	45.3	CRISIL AA/Positive	11-07-24	CRISIL AA/Stable	26-12-23	CRISIL AA/Stable	28-06-22	CRISIL AA/Stable	30-07-21	CRISIL AA-/Positive	CRISIL AA-/Stable
				30-05-24	CRISIL AA/Stable	23-08-23	CRISIL AA/Stable	24-02-22	CRISIL AA/Stable	--	--	--
				15-04-24	CRISIL AA/Stable	27-04-23	CRISIL AA/Stable	--	--	--	--	--
				--	--	19-04-23	CRISIL AA/Stable	--	--	--	--	--
				--	--	07-02-23	CRISIL AA/Stable	--	--	--	--	--
<b>Long Term Principal Protected Market Linked Debentures</b>	LT					27-04-23	Withdrawn	28-06-22	CRISIL PPMLD AA r /Stable	30-07-21	CRISIL PPMLD AA- r /Positive	CRISIL PPMLD AA- r /Stable
						19-04-23	CRISIL PPMLD AA/Stable	24-02-22	CRISIL PPMLD AA r /Stable	--	--	--
						07-02-23	CRISIL PPMLD AA/Stable	--	--	--	--	--

All amounts are in Rs.Cr.

### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	25	Axis Bank Limited	CRISIL AA/Positive

Cash Credit	15	HDFC Bank Limited	CRISIL AA/Positive
Cash Credit	10	HDFC Bank Limited	CRISIL AA/Positive
Cash Credit	30	ICICI Bank Limited	CRISIL AA/Positive
Long Term Loan	50	Dhanlaxmi Bank Limited	CRISIL AA/Positive
Long Term Loan	30.11	ICICI Bank Limited	CRISIL AA/Positive
Long Term Loan	75	The Karur Vysya Bank Limited	CRISIL AA/Positive
Long Term Loan	37.52	CSB Bank Limited	CRISIL AA/Positive
Long Term Loan	30	Bajaj Finance Limited	CRISIL AA/Positive
Long Term Loan	39.28	IDBI Bank Limited	CRISIL AA/Positive
Long Term Loan	37.49	The South Indian Bank Limited	CRISIL AA/Positive
Long Term Loan	111.48	Bank of Baroda	CRISIL AA/Positive
Long Term Loan	4.95	Indian Overseas Bank	CRISIL AA/Positive
Long Term Loan	26.47	Axis Bank Limited	CRISIL AA/Positive
Long Term Loan	100	LIC Housing Finance Limited	CRISIL AA/Positive
Long Term Loan	46.13	Union Bank of India	CRISIL AA/Positive
Long Term Loan	75	Bank of Maharashtra	CRISIL AA/Positive
Long Term Loan	150	National Housing Bank	CRISIL AA/Positive
Long Term Loan	89.02	Bank of India	CRISIL AA/Positive
Long Term Loan	525	National Housing Bank	CRISIL AA/Positive
Long Term Loan	14.28	IndusInd Bank Limited	CRISIL AA/Positive
Long Term Loan	52.5	The Karnataka Bank Limited	CRISIL AA/Positive
Long Term Loan	91.25	HDFC Bank Limited	CRISIL AA/Positive
Long Term Loan	108.77	Indian Bank	CRISIL AA/Positive
Long Term Loan	29.68	Central Bank Of India	CRISIL AA/Positive
Long Term Loan	150	ICICI Bank Limited	CRISIL AA/Positive
Long Term Loan	37.5	Kotak Mahindra Bank Limited	CRISIL AA/Positive
Long Term Loan	190.04	State Bank of India	CRISIL AA/Positive
Long Term Loan	36.04	Bank of Baroda	CRISIL AA/Positive
Proposed Long Term Bank Loan Facility <sup>&amp;</sup>	344.49	Not Applicable	CRISIL AA/Positive

<sup>&</sup>interchangeable with short term facilities

## 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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## Rating Rationale

September 04, 2024 | Mumbai

### Motilal Oswal Finvest Limited

*Rating outlook revised to 'Positive'; Ratings Reaffirmed*

#### Rating Action

<b>Rs.4000 Crore Commercial Paper</b>	<b>CRISIL A1+ (Reaffirmed)</b>
<b>Non Convertible Debentures Aggregating Rs.1250 Crore</b>	<b>CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)</b>

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings has revised its outlook on non-convertible debentures of Motilal Oswal Finvest Limited (MOFL) to **'Positive'** from 'Stable' while reaffirming the rating at **'CRISIL AA'**. The rating on the commercial paper programme has been reaffirmed at 'CRISIL A1+'.

The revision in outlook to 'Positive' from 'Stable' is driven by similar rating action on the parent, Motilal Oswal Financial Services Ltd (MOFSL; rated 'CRISIL AA/Positive/CRISIL A1+'). This reflects the expectation of sustained improvement in business risk profile of the group – evidenced by sustained growth and diversity in business segments, underpinned by the group's established position in the broking segment and expanding presence in adjacent businesses like wealth and asset management. The outlook also factors in the anticipated continuity of increase in operating profits<sup>[1]</sup>, corresponding to the business growth, while risk management and capitalization metrics remain sound.

The ratings on MOFSL continue to reflect Motilal Oswal group's healthy capitalisation, its prominent market position in the equity broking segment, and expanding presence in other financial services businesses which is expected to lend greater stability to the earnings profile. These strengths are partially offset by susceptibility to inherent uncertainties of the capital-market-related businesses, and limited track record in successfully scaling up the lending business.

The group operates across broking (retail and institutional) and allied services such as retail financial product distribution (distribution of financial products to high-networth individuals [HNI] and retail customers), investment banking (IB), loan against shares [LAS] and margin funding (MTF)<sup>[2]</sup>. It is also engaged in asset management (mutual fund [MF], portfolio management services [PMS], alternate investment funds [AIF]), private equity (PE), wealth management (WM; caters to HNIs and ultra HNIs) and housing finance. As of June 30, 2024, the consolidated assets under management (AUM)<sup>[3]</sup> were Rs 2,73,572 crore, ~15% higher than that on March 31, 2024. Through fiscal 2024, AUM clocked a three-year compound annual growth rate (CAGR) of 31% which has been a factor of steady growth in segments such as WM and MF coupled with buoyancy in capital markets.

<sup>[1]</sup> Operating profits = Total consolidated profit after tax excluding treasury profits

<sup>[2]</sup> Hereafter broking and allied services are together referred to as broking business

<sup>[3]</sup> Consolidated assets under advice (AUA) were Rs 5,02,232 crore as on June 30, 2024.

#### Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of 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 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:

- Expanding presence across financial services segments, supporting diversity in business risk profile**

The gradual scale up in non-broking businesses - such as asset management company (AMC), wealth WM, PE and housing finance – has supported the growth and diversity in the business risk profile. The group is also focussing on scaling its distribution business (financial products) through the wealth management channels. As a byproduct, revenue contribution from these businesses has increased in the past few fiscals.

To strengthen its market position in the agency businesses, the group has been augmenting its human resource and operational infrastructure. In the overall AUM, the AMC portfolio has increased to Rs 87,580 crore in June 2024, from Rs 43,200 crore in March 2021 whereas that of the WM business – has grown to Rs 1,38,900 crore from Rs 39,424 crore. As on March 31, 2024, AUM for the asset management business included assets under MF (Rs 48,842 crore), PMS (Rs

12,132 crore) and AIF (Rs 10,836 crore). The group has a niche positioning for its higher-yielding, equity-focused funds – with only 2% of the MF AUM in debt funds. It also focuses on passive and international funds. As part of its PE portfolio of Rs 10,049 crore as on March 31, 2024, the group has launched four business excellence funds and six real estate funds till date. While business excellence funds focus majorly on unlisted companies for long-term investments, the real estate funds focus on debt funding to developers for mid-market residential housing projects in top eight Indian cities. Within the lending space, the group extends housing loans, LAS and MTF through MOHFL, MOFL and MOFSL. These respective portfolios, though growing, stood at a modest Rs 4,048 crore and Rs 4,988 crore as on March 31, 2024.

The group's asset management businesses leverage the clientele of the WM segment, resulting in business synergies and improved return on equity (RoE). The group also maintains a sizeable treasury portfolio (total equity investments, including mark-to-market (MTM) gains) of ~Rs 7,021 crore as on June 30, 2024 (Rs 6,113 crore as on March 31, 2024, and Rs 4,326 crore as on March 31, 2023). It includes its own sponsor commitments-cum-investments in equity MF, PMS, PE funds, real estate funds, AIFs and strategic equity investments.

- **Healthy capitalisation backed by higher internal accrual**

Capital position remains healthy, supported by adequate and stable internal accrual. Absolute consolidated networth and gearing were Rs 8,768 crore and 1.6 times, respectively, as on March 31, 2024 (against Rs 6,283 crore and 1.6 times a year ago). As most of the businesses within the group are non-capital intensive, the steady-state gearing is not expected to cross 3 times. The housing finance business had net gearing of around 2.0 times as on March 31, 2024 (against 2.2 times a year ago).

As on March 31, 2024, the group had cumulative unrealised gains of Rs 3,076 crore distributed across Motilal Oswal Equity Mutual Fund Products and AIF products (Rs 1969 crore), listed equity shares (Rs 490 crore), Motilal Oswal Private Equity Funds (Rs 618 crore; PE and real estate), the MTM gains are almost 100% of the original cost of investment. Of this, unrealised gains of ~Rs 1,411 crore have accrued in fiscal 2024 due to the positive market momentum. 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 the cumulative unrealised gains from the networth, on book gearing of the group remained comfortable at ~2.4 times as on March 31, 2024 (against 2.8 times ago).

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

With a legacy of three decades, the group - through MOFSL - ranks among the top 10 equity brokers based on the number of active clients (9.2 lakh active customers on National Stock Exchange) as of July 2024, in the highly fragmented broking industry. Within this segment, business growth has been driven by acquisition of small brokers and partnerships with sub-brokers. The group has ~44 lakh retail broking clients and enjoys pan-India presence through 9,000+ franchised/sub broker outlets. In additions, they have made various digital initiatives such as the Option store (app with a feature to create customised strategies), 500+ application programming interface integration with algo and proprietary traders and the Research 360 (app which has more than 1,50,000 downloads till March 31, 2024).

Overall turnover of the business witnessed a healthy on-year growth of 120% for fiscal 2024, with major growth in the derivatives segment. This has supplemented the growth in the core broking revenue by 34% during the year. In terms of market share for fiscal 2024, MOFSL held 8%<sup>[1]</sup> (volumes traded in retail, institutional and proprietary segments) in the cash segment whereas in the F&O segment – market share was 3.1%<sup>4</sup>. Overall market share was 3.1%<sup>4</sup> for the fiscal. Over the medium term, the group is expected to maintain its strong footing in the equity broking segment – which would continue to bolster its growth in adjacent segments like asset and WM.

- **Sustained profitability, supported by diversity in revenue streams**

The earnings profile of the group continues to benefit from the expansion of the business. More so, growth across non-broking businesses has imparted diversity and is expected to lend greater stability to overall profitability.

Operating profit increased to Rs 1,542 crore for fiscal 2024, from Rs 1,115 crore for the previous fiscal. For the first quarter of fiscal 2025, the operating profit was Rs 431 crore as against Rs 306 crore for the corresponding quarter of last fiscal. Correspondingly, the adjusted RoE (based on operating profit) improved to 20.6% in fiscal 2024 (from 18.7% in fiscal 2023) underpinned by growth in broking income and rise in interest income due to growth in the fund-based book. Further, the reduction in the cost to income ratio from 65% to 50% over the same period was another driver for improved profitability. Of the total revenue (net of interest expense and inter-company adjustments), broking business has remained the largest component at 51% for fiscal 2024 (62% for fiscal 2023), followed by AMC at 12% (16%), WM at 12% (14%), housing finance at 5% (8%) PE at 3% (5%). In addition to these operating revenue streams the treasury book has contributed 17% in fiscal 2024 compared to -5% in fiscal 2023. This mix in income profile has remained similar over the past few years. Beyond the profits from core operations, the group also generates a sizeable income from the treasury portfolio which, as a philosophy, it redeploys into expansion of operating businesses.

The group is expected to continue expanding its fee-based businesses, which yield the benefit of trail income. It has been making capital expenditure towards these businesses and the benefit of it is expected to materialise in the near to medium term.

#### **Weaknesses:**

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

Most of the group's businesses are linked to the capital markets and hence remain exposed to economic, political and social factors that drive investor sentiments. Brokerage revenue depends on the level of trading activity in capital markets; incremental inflow into various asset management platform depends on the returns generated - making overall revenue dependent on the performance of the capital markets.

Specifically, since March 2020, the stock markets have seen high retail participation and increased 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, capital market players, including the Motilal Oswal group, sustainability of the market momentum remains unpredictable.

However, its bearing on the earnings is partially offset by the high share of broking business originated through franchisees, which has a higher share of variable cost, and thus, curtails the impact of drop in market volumes on the profitability margins. Further, the group's revenue profile is relatively diversified, reducing its dependence on broking operations. The agency businesses like AM, WM and PE yield income in the form of management fees (as a proportion of AUM), which has a higher stability quotient. The lending business, commenced in fiscal 2015, adds further stability to the overall earnings via fixed interest income from home loans.

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

In fiscals 2018 and 2019, MOHFL faced asset quality challenges due to inadequate collection and recovery processes within the company, amidst macro-economic disruptions. Gross non performing assets (GNPAs) increased to 9.3% 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 has taken several corrective measures such as strengthening of management teams, improving collection processes and recovery apparatus by creating a ~550-member team, and enhancing credit appraisal and risk monitoring systems. As a result of these, slippages reduced to Rs 35 crore in fiscal 2024 from Rs 41 crore in fiscal 2023 and Rs 89 crore in fiscal 2022. Correspondingly, recoveries have also picked up in the last fiscal. Furthermore, the company sold GNPAs worth ~Rs 941 crore from fiscal 2019 until fiscal 2024 to an asset reconstruction company, which brought down GNPAs to 0.9% as on March 31, 2024 from 1.1% a year ago, and 9.3% as on March 31, 2019. As on June 30, 2024, GNPAs stood at 1.2%.

As on June 30, 2024, the housing finance portfolio stood at Rs 4,098 crore. The company intends to grow its housing loan book prudently over the medium term, while increasing its geographical presence. The recent expansion in the sales team is expected to catalyse this plan. Nevertheless, given the evolving macro-economic environment and intensifying competition within this asset segment, ability of the management to scale this business while maintaining sound asset quality, will remain monitorable

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<sup>[1]</sup> As per calculation methodology used by CRISIL Ratings

### **Liquidity: Strong**

Liquidity of the group is comfortable, supported by an adequate balance of cash and cash equivalent assets. Further, a sizeable portfolio of fee-based businesses also aids liquidity. The group (including the MOHFL) had cash balance, unutilised bank lines and liquid investments aggregating to ~Rs 5,213 crore as on August 31, 2024, as against overall debt obligation of around ~Rs 3,247 crore (including that of MOHFL) till October 31, 2024.

### **Environment, social and governance profile**

The environment, social and governance (ESG) profile of MOFSL supports its already strong credit risk profile.

The ESG profile of financial institutions typically factors in governance as a key differentiator between them. The sector has reasonable social impact because of its substantial employee and customer base, and it can play a key role in promoting financial inclusion. While the sector does not have a direct adverse environmental impact, the lending decisions may have a bearing on the environment and other sustainability-related factors.

MOFSL has demonstrated an ongoing focus on strengthening various aspects of its ESG profile.

#### **Key ESG highlights:**

- MOFSL took various initiatives to lower its power consumption, such as migrating to light emitting diode lights, adoption of aluminum fin for refraction of sun rays, motion sensor-based lighting system, etc. The company emphasises on reducing dependence on paper communications and encourages use of electronic means of communication which serves towards environmental protection and sustainable growth. Around 1000+ trees were planted by the employees through various volunteer programs.
- During fiscals 2022 to 2024, 7.23 metric tonne of dry waste and 7.58 metric tonne of wet waste were generated and recycled.
- As on March 31, 2024, there were two women directors on board against the mandate of one and women comprised 26% of the total workforce.
- ESG disclosures of the company are evolving and the company is in the process of further strengthening the disclosures going forward

There is growing importance of ESG among investors and lenders. MOFSL's commitment to ESG will play a key role in enhancing stakeholder confidence, given substantial share of foreign investors as well as access to domestic capital markets.

### **Outlook: Positive**

The Motilal Oswal group will continue to expand its business risk profile through steady growth in managed assets across segments, while maintaining stability and diversity in earnings and, healthy capitalisation metrics.

### **Rating sensitivity factors**

#### **Upward factors**

- Sustained strengthening of market position in non-broking businesses (AMC, WM, PE and housing finance), while maintaining market share in the broking business
- Sustained increase and diversification in operating profitability, with non-broking segments contributing >60% to operating profits

#### **Downward factors**

- Significant decline in group's operating profitability, and/or weakening of capitalisation metrics
- Significant and sustained deterioration in asset quality thereby impacting the group's profitability (with credit costs rising to, and remaining above, 2% of the group's assets for a prolonged period)
- Adverse regulatory actions on the business segments, resulting in significant deterioration of the business risk profile of the group

### **About Motilal Oswal Group**

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

The promoters- Mr Motilal Oswal and Mr Raamdeo Agrawal along with their family members, and Motilal Oswal Family Trust-collectively owned 69.7% of MOFSL's equity shares as on March 31, 2024.

The group reported PAT of Rs 2,446 crore with a RoE of 32.5% during fiscal 2024 against Rs 933 crore and 15.6%, respectively, during fiscal 2023

PAT during the first quarter of fiscal 2025 was Rs 884 crore with RoE (annualised) of 38.1%, as against, Rs 526 crore and 31.8% , respectively, for the corresponding period of previous fiscal.

### **Key Financial Indicators: (Consolidated)**

<b>As on / For the Year ended March 31</b>		<b>2024</b>	<b>2023</b>
<b>Total Assets</b>	<b>Rs crore</b>	<b>31,829</b>	<b>23,010</b>
<b>Total Income</b>	<b>Rs crore</b>	<b>7,131</b>	<b>4,197</b>
<b>PAT</b>	<b>Rs crore</b>	<b>2,446</b>	<b>933</b>
<b>GNPA (HFC)</b>	<b>%</b>	<b>0.9</b>	<b>1.1</b>
<b>Return on networth</b>	<b>%</b>	<b>32.5</b>	<b>15.6</b>
<b>Gearing</b>	<b>times</b>	<b>1.6</b>	<b>1.6</b>

<b>As on / For the Year ended June 30,</b>		<b>2024</b>	<b>2023</b>
<b>Total Assets</b>	<b>Rs crore</b>	<b>37,127</b>	<b>27,745</b>
<b>Total Income</b>	<b>Rs crore</b>	<b>2,318</b>	<b>1,534</b>
<b>PAT</b>	<b>Rs crore</b>	<b>884</b>	<b>527</b>
<b>GNPA (HFC)</b>	<b>%</b>	<b>1.2</b>	<b>1.9</b>
<b>Return on networth</b>	<b>%</b>	<b>38.1</b>	<b>31.8</b>
<b>Gearing</b>	<b>times</b>	<b>1.6</b>	<b>1.5</b>

### **Any other information:**

On July 27, 2023, MOFSL had announced its scheme of arrangement with its wholly owned subsidiaries namely, Motilal Oswal Wealth Ltd (MOWL) and Glide Tech Investment Advisory Pvt Ltd (Glide) whereby the broking and distribution business of MOFSL is to be transferred to Glide by way of slump sale, and the wealth business is to demerge from MOWL into MOFSL. The scheme has been approved by the respective boards of directors and is now subject to various statutory and regulatory approvals. This scheme of arrangement is not expected to have any material impact on the credit profile of the group.

### **Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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### **Annexure - Details of Instrument(s)**

<b>ISIN</b>	<b>Name Of Instrument</b>	<b>Date Of Allotment</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>Issue Size (Rs.)</b>	<b>Complexity Levels</b>	<b>Rating Outstanding</b>
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					Crore)		with Outlook
NA	Commercial Paper	NA	NA	7-365 days	4000.00	Simple	CRISIL A1+
INE01WN07086	Non Convertible Debentures	24-Aug-23	8.80%	24-Aug-26	11.70	Simple	CRISIL AA/Positive
INE01WN07094	Non Convertible Debentures	12-Sep-23	9.50	12-Sep-25	810.00	Simple	CRISIL AA/Positive
INE01WN07102	Non Convertible Debentures	18-Sep-23	9.30%	16-Sep-33	60.00	Simple	CRISIL AA/Positive
INE01WN07110	Non Convertible Debentures	14-Feb-24	9.20%	14-Feb-34	50.00	Simple	CRISIL AA/Positive
NA	Non Convertible Debentures#	NA	NA	NA	318.30	Simple	CRISIL AA/Positive

# Yet to be issued

#### Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Motilal Oswal Commodities Broker Private Limited	Full	Subsidiary
Motilal Oswal Investment Advisors Limited (Formerly known as Motilal Oswal Investment Advisors Private Limited)	Full	Subsidiary
MO Alternate Investment Private Limited (formerly known as Motilal Oswal Fincap Private Limited)	Full	Subsidiary
Motilal Oswal Finvest Limited (Formerly known as Motilal Oswal Capital Markets Ltd)	Full	Subsidiary
Motilal Oswal Wealth Limited	Full	Subsidiary
Motilal Oswal Asset Management Company Limited	Full	Subsidiary
Motilal Oswal Trustee Company Limited	Full	Subsidiary
Motilal Oswal Securities International Private Limited	Full	Subsidiary
Motilal Oswal Capital Markets (Singapore) Pte. Limited	Full	Subsidiary
Motilal Oswal Capital Markets (Hong Kong) Private Limited	Full	Subsidiary
Motilal Oswal Home Finance Limited (formerly known as Aspire Home Finance Corporation Ltd)	Full	Subsidiary
Motilal Oswal Finsec IFSC Limited	Full	Subsidiary
Glide Tech Investment Advisory Private Limited	Full	Subsidiary
TM Investment Technologies Pvt. Ltd	Full	Subsidiary
India Business Excellence Management Company	Full	Subsidiary
Motilal Oswal Asset Management (Mauritius) Private Limited	Full	Subsidiary
Motilal Oswal Capital Limited	Full	Subsidiary
India Reality Excellence Fund II LLP	Proportionate	Associate
Motilal Oswal Financial Services Ltd	Full	Subsidiary

#### Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	4000.0	CRISIL A1+		--	05-09-23	CRISIL A1+	23-08-22	CRISIL A1+	27-10-21	CRISIL A1+	CRISIL A1+
			--	--	24-08-23	CRISIL A1+	24-02-22	CRISIL A1+	02-08-21	CRISIL A1+	--	
			--	--	31-07-23	CRISIL A1+	--	30-07-21	CRISIL A1+	--		
			--	--	05-07-23	CRISIL A1+	--	--	--			
			--	--	19-05-23	CRISIL A1+	--	--	--			
			--	--	27-04-23	CRISIL A1+	--	--	--			
			--	--	07-02-23	CRISIL A1+	--	--	--			
Commercial Paper	ST		--	--	05-09-23	Withdrawn	23-08-22	CRISIL A1+	27-10-21	CRISIL A1+	CRISIL A1+	

Programme(IPO Financing)												
			--	--	24-08-23	CRISIL A1+	24-02-22	CRISIL A1+	02-08-21	CRISIL A1+	--	
			--	--	31-07-23	CRISIL A1+		--	30-07-21	CRISIL A1+	--	
			--	--	05-07-23	CRISIL A1+		--		--	--	
			--	--	19-05-23	CRISIL A1+		--		--	--	
			--	--	27-04-23	CRISIL A1+		--		--	--	
			--	--	07-02-23	CRISIL A1+		--		--	--	
<b>Non Convertible Debentures</b>	LT	1250.0	CRISIL AA/Positive	--	05-09-23	CRISIL AA/Stable	23-08-22	CRISIL AA/Stable	27-10-21	CRISIL AA-/Positive	CRISIL AA-/Stable	
			--	--	24-08-23	CRISIL AA/Stable	24-02-22	CRISIL AA/Stable	02-08-21	CRISIL AA-/Positive	--	
			--	--	31-07-23	CRISIL AA/Stable		--	30-07-21	CRISIL AA-/Positive	--	
			--	--	05-07-23	CRISIL AA/Stable		--		--	--	
			--	--	19-05-23	CRISIL AA/Stable		--		--	--	
			--	--	27-04-23	CRISIL AA/Stable		--		--	--	
			--	--	07-02-23	CRISIL AA/Stable		--		--	--	
<b>Long Term Principal Protected Market Linked Debentures</b>	LT		--	--	31-07-23	Withdrawn	23-08-22	CRISIL PPMLD AA r /Stable	27-10-21	CRISIL PPMLD AA- r /Positive	CRISIL PPMLD AA- r /Stable	
			--	--	05-07-23	CRISIL PPMLD AA/Stable	24-02-22	CRISIL PPMLD AA r /Stable	02-08-21	CRISIL PPMLD AA- r /Positive	--	
			--	--	19-05-23	CRISIL PPMLD AA/Stable		--	30-07-21	CRISIL PPMLD AA- r /Positive	--	
			--	--	27-04-23	CRISIL PPMLD AA/Stable		--		--	--	
			--	--	07-02-23	CRISIL PPMLD AA/Stable		--		--	--	

All amounts are in Rs.Cr.

## Criteria Details

### Links to related criteria

[Rating Criteria for Finance Companies](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

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