India Ratings Affirms Motilal Oswal Financial Services's NCDs & Bank Loan Facilities at 'IND AA'/Positive & CP at 'IND A1+'

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India Ratings and Research (Ind-Ra) has taken the following rating actions on Motilal Oswal Financial Services Limited's (MOFSL) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debentures#	-	-	-	INR8,000	IND AA/Positive	Affirmed
Non-convertible debenture (interchangeable with principal protected market-linked debentures) $#	-	-	-	INR2,716	IND AA/Positive	Affirmed
Commercial papers	-	-	7 to 365 days	INR82,500	IND A1+	Affirmed
Bank loan facilities	-	-	-	INR4,000	IND AA/Positive	Affirmed

#Details in annexure
$ INR2,716 million non-convertible debenture (NCD) limit stands fungible between NCDs and principal protected market-linked debentures (PP-MLDs). The applicable rating for PP-MLD is 'IND PP-MLD AA'/Positive

The rating of MLDs is an ordinal assessment of the underlying credit risk of the instrument and does not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that coupon payment on these instruments will be based on the performance of a reference index (to be detailed in the information memorandum of the issue).

PP-MLD refers to full principal protection wherein the issuer is obligated to pay the full principal upon maturity.

Analytical Approach

Ind-Ra continues to fully consolidate MOFSL's group companies while arriving at the ratings, on account of the strong financial, managerial and operational linkages among them.

Detailed Rationale of the Rating Action

The Positive Outlook reflects the scaling up of MOFSL group's revenue and profitability across diverse segments, supported by an experienced management team, a sizeable investment book, and strong revenue per customer in the broking business relative to peers. Additionally, the group benefits from reasonable diversification in its lending operations through its capital markets and housing finance subsidiaries.

MOFSL's ratings reflect its established franchise and demonstrated ability to offer a diversified suite of financial products and services across wealth management, private wealth, asset management, private equity, and real estate funds, catering to a broad customer base. The ratings also factor in the group's consistent and predictable cash flow generation from its broking and lending businesses—both housing and capital market-linked—as well as from its asset and private wealth management segments. MOFSL's adequate capitalisation and liquidity position, along with the fungibility of liquidity across group entities in times of stress, further support the ratings. However, the ratings remain constrained by the group's ability to sustain franchise scale and profitability during periods of market volatility, and by the modest scale and evolving asset quality profile of its housing finance subsidiary.

List of Key Rating Drivers

Strengths
- Well-established franchise in capital markets
- Consistent revenue contribution through fee and trailing income from asset & wealth management businesses
- Scale up of ex-housing finance (HFC) loan book
- Adequate capitalisation and sizeable investment book

Weaknesses
- Presence in extremely competitive segment with regulatory risks
- MOHFL business yet to achieve scale-up; seasoning of new book remains monitorable

Detailed Description of Key Rating Drivers

Well-established Franchise in Capital Markets: The Motilal Oswal Group is a well-established brand in the financial services industry, having an equity broking business since 1987. The group has witnessed multiple market cycles and idiosyncratic risk events. Over FY21-FY25, MOFSL Group achieved a 32% CAGR growth in operating profit (excluding treasury investments profit after tax), driven by the wealth management (32% CAGR), capital markets (43% CAGR), asset & private wealth (26% CAGR) and housing finance (33% CAGR) businesses. While a certain portion of the business is also supported by growth in the capital markets growth, it has maintained and scaled up its market share by widening its franchise strength with multiple product offerings. With a total client base of around 13.68 million at end-1QFY26, the group caters to both retail and institutional clients through over 2,500 business locations, serving clients in 98% of PIN codes. With a sizeable client base, there is a potential cross-sale opportunity over the long term with a likely financialisation of savings. The Securities and Exchange Board of India also defines MOFSL as a qualified stockbroker in India, by virtue of its size and scale of operations, and its impact on investors and securities market.

Also, despite the broking business being fairly fragmented, MOFSL is among the top players and had a market share (retail cash average daily turnover) of 7.1% in terms of retail cash turnover and 7.9% in terms of futures and options premium turnover at 1QFYE26. Moreover, MOFSL has expanded into different business verticals to provide a wide range of products, such as retail broking, institutional broking, investment banking, asset management, private wealth management, private equity and affordable housing finance. In retail broking, research and advisory support to clients has led to client stickiness across market cycles, despite stiff competition from discount brokers. The group has one of the highest average revenue per customer in the broking industry. The group has a high profitability in its wealth management business segment as it operates on the advisory mode with strong cross-sell capabilities across products within the group where a large part of its assets remains equity, offering higher spread margin in terms of revenue across the different lines of business operations.

With an increasing retail participation in the past three years across discount brokerages, there could be a gradual migration of clients towards full-service providers, benefitting the MOFSL Group due to evolving regulations for discount brokers. Given volatility in the financial market business, such as private wealth, asset management and wealth management, its volume could see a certain moderation. However, the benefit of a widening of participation in the equity markets would stand to accrue on a recurring basis and operating leverage benefits of an established franchise would continue to play out for MOFSL.

Consistent Revenue Contribution through Fee and Trailing Income from Asset & Wealth Management Business: Over FY21-FY25, MOFSL's consolidated revenue expanded at a CAGR of 23% to INR84.2 billion. The revenue growth remained healthy at 18% yoy to INR27.4 billion during 1QFY26. As reported by the company, the annual recuring revenue contributed 52% of the total revenue. Notably, the contribution from the wealth management remained healthy at 45% in FY25 and the balance mix was well-supported by the assets and private wealth management (37%), housing finance (7.4%) and capital market (11.5%). During 1QFY26, the company's revenue from wealth management contributed 40.2% to the total revenue, led by 1,429 internal relationship managers and 9,262 external relationship managers. About 53% of the wealth management revenue was contributed by external wealth managers in 1QFY26, leading to a lower proportionate fixed cost in the company's books.

Over the medium term, the group plans to expand its asset management business more on alternative investment funding as it offers higher yields, while the company has created a product basket in the passive category. The private wealth management business's group strategy focuses on relationship manager-led expansion in its assets under management, supported by newer customised technology platforms. The share of revenue on a consolidated basis remains well distributed, where management/advisory fee, distribution and other operating income contributed 40%, lending book 31% and broking 29% in FY25. The group has witnessed an increasing demand for margin financing, along with debtor financing from its retail clients since the regulatory change requires a 50% upfront cash margin. Consequently, margin trade financing + demand loans + loan against shares + loan against property + debtor funding book stood at INR77.9 billion in 1QFY26 (FY25: INR72.6 billion; FY24: INR73.2 billion; FY23: INR39.1 billion; FY22: INR20.4 billion), thereby earning healthy spreads on the deployed book. The margins are prescribed by the exchanges in the margin trade financing business. Furthermore, as a policy, the company follows three stocks per client to manage the market risk arising from any adverse movements in stock prices.

Consolidated operating profit grew 30.7% to INR20.2 billion during FY25 (FY24: INR15.4 billion; FY23: INR11.1 billion). During 1QFY26, the operating profit grew 21% yoy to INR5.2 billion. The group's consolidated return on equity (adjusted for profit on treasury investments) stood at 21.3% in FY25 (FY24: 23.1%; FY23: 15.1%; FY22: 22.3%) in tandem with the capital market performance. Given the volatile nature of equity markets (as reflected by treasury investment revenue (FY25: INR12.9 billion; FY24: INR14.5 billion; FY23: INR1.4 billion; FY22: INR4.8 billion), the cyclicality in the return profile is likely to continue.

Scale Up of Ex-HFC Loan Book: MOFSL Group's total lending book scaled up to INR127.9 billion in 1QFY26 (FY21: INR50 billion, CAGR of 24%), mainly driven by an increase in the ex-HFC loans (i.e. margin trade financing, loan against share, T+5 book) to INR77.9 billion (INR15.4 billion, CAGR of 46%). Motilal Oswal Finvest Limited (subsidiary of MOFSL; 'IND AA'/Positive) has also recently started high ticket loan against property (currently INR4 billion) which the company expects to grow at CAGR of 30% over FY26-FY28. As a result, the group's interest income has expanded and provides stable annuity streams to the group's revenue, as the contribution of the interest income to revenue adjusted for mark-to-market gains stood healthy at 31% (average over FY21-1QFY26). While the housing finance subsidiary loan book grew at an 8.6% CAGR during FY21-1QFY26, the agency expects it to exceed the industry growth rate, given the asset quality has largely stabilised and a likely improvement in productivity of relationship managers. The number of sales relationship managers in MOHFL increased 50% yoy to 1,430 in 1QFY26. Management plans to grow MOHFL's loan book at a CAGR of 25%-30% CAGR over FY26-FY28.

Adequate Capitalisation and Sizable Investment Book: The consolidated leverage (debt/equity) was conservative at 1.3x in 1QFY26 (FY25: 1.3x; FY24: 1.6x; FY23: 1.7x; FY22: 1.4x). MOHFL's capital adequacy ratio stood at [illegible] in 1QFY26 (FY25: [illegible]; FY24: [illegible]; FY23: 51%; FY22: 51%). MOFSL Group is not planning any further capital infusion in the near term as MOHFL's gross leverage remains moderate at 2.6x. MOFSL Group intends to keep its gross leverage below 2.0x in the medium term (board approved limit of 3.0x). The gross leverage (ex-housing) stood at

1.09x in 1QFY26. Ind-Ra expects the group's cash generating businesses – wealth management, asset and private wealth management - to supplement any further capital requirement of MOHFL, thus limiting any incremental borrowing requirement. Furthermore, MOFSL is adequately capitalised with the group's quoted treasury investment book (equity investment including alternate funds), which housed the group's investments of INR106.5 billion at 1QFY26. The company may raise short-term debt for working capital needs, if required.

Presence in Extremely Competitive Segment with Regulatory Risks: The capital market industry continues to witness regulatory as well as technology risks. Given the evolving regulatory environment and increasing competition in the capital markets, MOFSL Group's business model has been structured to remain adaptable. This allows the group to respond to changes in compliance requirements and market dynamics as needed. The group's investments in technology infrastructure and skilled manpower over the past three years have strengthened its ability to swiftly adapt to regulatory changes and market dynamics. Also, brokerage industry is characterised by stiff competition, as reflected by the loss of market share by MOFSL Group in terms of active National Stock Exchange clients (FY25: 2.1%; FY24: 2%; FY20: 3%) mainly due to aggressive pricing strategy implemented by discount brokerages.

MOHFL Business Yet to Achieve Scale-up; Seasoning of New Book Remains Monitorable: With increased oversight from MOFSL and the change in the management, a collection team has been set up and each borrower has been mapped with internal information technology systems. MOHFL's strategy remains focused on affordable housing/ loan against property and developer financing for driving the loan book growth. During FY22-FY25, MOHFL's loan book grew at a CAGR of 13% to INR48.6 billion. The operating leverage is low as the branch disbursement compared with the team size is low, thus providing scope for expansion in the long term. Also, for construction finance, MOHFL created in-house team for sourcing and underwriting and the average ticket size of disbursement in FY25 has been brought down to INR120 million as compared to INR400 million till FY24. The exposure here stood at 15% of the overall loan book and is expected to taper down with increase in retail home loans growth.

The management believes the disbursements made after FY18 and the revamp of credit policies, improved control on branch sales and collection team, revamped monthly information systems, and the restructuring of systems and processes should provide the company better control on credit costs. This is partly evident from the controlled slippages with the gross non-performing assets in the new book at 0.6% out of 1.2% on its overall book, where the new book forms 72% of the loan book at 1QFYE26. However, this book is yet to witness a complete seasoning cycle; therefore, establishing credit cost remains a challenge. Ind-Ra will closely monitor the developments on this front and its impact on the company's financial profile.

Liquidity

Adequate: The group had sanctioned unutilised bank lines of INR48.5 billion for contingencies, and unencumbered cash and bank balance, and liquid investment of INR6.7 billion at end-August 2025. The liquidity position is adequate to meet debt repayment obligations over September-October 2025. The group's liquidity pool is fungible for the liquidity requirements of the group companies. The consolidated debt stood at INR156.7 billion at 1QFYE26. Of this, INR37 billion was attributable to MOHFL, while the balance was mainly used to extend loans, which are sufficiently secured (maximum loan to value of 50%) and short-term in the nature, such as margin financing and debtors book funding in the broking business and loan against shares.

Rating Sensitivities

Positive: A significant scaling up of the group franchise while improving market share in its business lines across capital market cycles, along with diversifying revenue streams further and maintaining stable profitability and asset quality, could be positive for the ratings.

Negative: Following factors could, individually or collectively, lead to a negative rating action:
- sharp deterioration in the market share in larger businesses, which could lead to a significant weakening of the group's profitability and/or capital buffers
- signs of sharp deterioration in MOFSL's liquidity and/or access to funding due to unexpected market-wide shocks
- the consolidated gross leverage (ex-housing) exceeding 2.0x on a sustained basis.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on MOFSL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

MOFSL is the ultimate holding company of the broker-turned-diversified financial services Motilal Oswal group. The group is present in several businesses such as retail and institutional broking, asset management, private equity, wealth management, loan against shares, margin financing, commodities broking, investment banking, venture capital management and housing finance. Since 1986, the company has seen various capital market cycles and has a strong hold in the capital market space.

Key Financial Indicators

Particulars (MOFSL, Consolidated)	FY25	FY24
Total tangible assets (INR million)	3,38,794	3,17,371
Total tangible equity (INR million)	1,09,716	86,396
Profit after tax (INR million)	25,082	24,456
Return on average tangible assets (%)	7.6	9.0
Tangible equity/tangible assets (%)	32.4	27.2
Gross debt/tangible equity (x)	1.3	1.6
Source: Company, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook										
	Rating Type	Rated Limits (million)	Rating	17 June 2025	14 February 2025	17 September 2024	12 August 2024	28 March 2024	29 January 2024	18 September 2023	21 July 2023	11 May 2023	20 October 2022
Commercial papers	Short-term	INR82,500	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Non-convertible debentures$	Long-term	INR10,716	IND AA/Positive	IND AA/Positive	IND AA/Positive	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
Bank loan facilities	Long-term	INR4,000	IND AA/Positive	IND AA/Positive	IND AA/Positive	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable

$ Includes INR2,716 million NCDs that stand fungible between NCDs and PP-MLDs. The applicable rating for PP-MLD is 'IND PP-MLD AA'/Positive

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Commercial papers	Low
Non-convertible debenture (interchangeable with principal protected market-linked debentures)	High*
Non-convertible debenture	Low

* Instrument characterised by underlying market risk

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
Non-convertible debentures	INE338I07131	9 May 2024	8.85	9 May 2026	INR480	IND AA/Positive
Non-convertible debentures	INE338I07156	9 May 2024	Zero coupon	9 May 2026	INR250	IND AA/Positive
Non-convertible debentures	INE338I07149	9 May 2024	9.10	9 May 2027	INR4,485	IND AA/Positive
Non-convertible debentures	INE338I07099	9 May 2024	Zero coupon	9 May 2027	INR273	IND AA/Positive
Non-convertible debentures	INE338I07164	9 May 2024	8.97	9 May 2029	INR951	IND AA/Positive
Non-convertible debentures	INE338I07107	9 May 2024	9.35	9 May 2029	INR820	IND AA/Positive
Non-convertible debentures	INE338I07115	9 May 2024	9.30	9 May 2034	INR471	IND AA/Positive
Non-convertible debentures	INE338I07123	9 May 2024	9.70	9 May 2034	INR2,270	IND AA/Positive
Unutilised					INR716	
Total limit (includes NCDs and NCDs interchangeable with PPMLDs)					INR10,716	
Source: NSDL, MOFSL						

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

Rating FI Subsidiaries and Holding Companies

Securities Firms Criteria

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