**October 10, 2025**

# Motilal Oswal Finvest Limited: Long-term rating upgraded to [ICRA]AA+ (Stable) and outlook revised to Stable; Rating assigned on non-convertible debenture

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| Non-convertible debenture | - | 300.00 | [ICRA]AA+ (Stable); assigned |
| Market linked debentures (PP-MLD) # | 63.00 | 63.00 | PP-MLD[ICRA]AA+ (Stable) upgraded from PP-MLD[ICRA]AA (Positive) and Outlook revised to Stable from positive |
| **Total** | **63.00** | **363.00** | |

**Instrument details are provided in Annexure I*

*# Market linked debenture limits is interchangeable with non-convertible debenture up to Rs. 3 crore, if placed as NCD, rating of [ICRA]AA+ (Stable) will be applicable.*

***Note**: PP-MLD refers to the principal protected market linked debenture programme. According to the terms of the rated market-linked debentures, the amount invested, i.e., the principal, is protected against erosion while the returns on the investment could vary as they are linked to movements in one or more variables such as equity indices, commodity prices, foreign exchange rates, etc. The assigned rating expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with the variability in returns resulting from the adverse movements in the variable(s) concerned.*

## Rationale

While arriving at the ratings, ICRA has considered the consolidated financials of Motilal Oswal Financial Services Limited (MOFSL or the Motilal Oswal Group) and has taken a consolidated view of the credit profiles of MOFSL and its subsidiaries, including Motilal Oswal Wealth Limited (MOWL), Motilal Oswal Finvest Limited (MOFL), Motilal Oswal Home Finance Limited (MOHFL) and Motilal Oswal Broking and Distribution Limited (MOBDL), as the companies have operational and business synergies in addition to a shared name and management oversight.

The rating action takes into account the Group's strong market position and its ability to harness sector momentum to strengthen the franchise across capital market businesses while maintaining resilient financial performance through cycles amid evolving regulatory and competitive dynamics. Supported by the significant scaleup of operations, particularly in the asset and wealth management segments, the Group has been reporting a strong operating performance. Further, notwithstanding intermittent corrections, sizeable gains on proprietary investments have boosted the headline profits over the past decade. The Group delivered a return on equity (RoE) of ~25% in FY2025 and ~39% in Q1 FY2026, building on the track record of the strong profitability trajectory with a 10-year average RoE of 21%. Supported by the strong internal capital generation, the consolidated capitalisation profile remains comfortable with a sizeable net worth of Rs. 12,592 crore and a gearing of 1.2 times as on June 30, 2025.

ICRA notes that the core operating profitability moderated marginally in Q4 FY2025 and Q1 FY2026 due to the increase in employee expenses amid the scaleup of the teams and industry-wide intermittent headwinds in select segments. Nonetheless, the profitability trajectory remains strong. Also, while the Group's revenue from the retail futures & options (F&O) brokerage and related interest income remains exposed to regulatory risks, its dependence on these segments is significantly lower compared to discount brokers. Moreover, scale-driven operating efficiency in the asset and wealth management businesses is expected to continue to support profitability.

The strengths are, however, partially offset by the volatile nature of the capital market-related business, inherent franchise and reputational risks, intense competition, and the evolving regulatory landscape. While the Group had historically maintained a low financial leverage in the capital market-related business, the net gearing stood at 1 times as on June 30, 2025 (albeit lower than 1.4 times during FY2023-FY2024) due to the material scaleup of the debt-funded capital market lending book and increased working capital requirements. As per the management, the Group intends to maintain a gearing of less than 2 times in the capital market businesses {consolidated, excluding the housing finance company (HFC)} and less than 4 times in the housing finance business. ICRA is cognisant of the large investments in listed and unlisted securities, mutual funds, and alternatives, which form a significant part of the Group's consolidated net worth and expose it to market volatility. Additionally, its investment in unlisted securities[1] has increased in recent quarters, driven by the rising warehousing requirements for client distribution and its private equity funds. As a result, the share of unlisted investments as a percentage of consolidated net worth (excluding HFC) rose to ~30% as on June 30, 2025, from ~24% as on March 31, 2024, heightening the sensitivity to valuation-related risks. The Group's capital market exposures remain vulnerable to market and credit risks, given the inherent volatility of the asset class. Hence, the scale and composition of the investment book will remain monitorable. Additionally, the Group's reliance on technology underscores the importance of system resilience during periods of high market stress and the need to continuously adapt to technological advancements to sustain its competitive positioning.

## Key rating drivers and their description

### Credit strengths

**Strong market position in various capital market-related businesses** – The Group has an established presence across diverse capital market segments, including retail and institutional broking, wealth management, capital market-linked lending, investment banking, and asset management, besides housing finance. It is a leading player in the equity broking space, with a track record of over three decades and a pan-India footprint across more than 2,500 locations, supported by over 9,100 external wealth managers. As on June 30, 2025, it was the 8th largest securities broking firm, in terms of active clients (though it is among the top 5 in terms of revenues), with an active National Stock Exchange (NSE) client base of approximately 10 lakh. The Group also maintains a strong presence in institutional broking, serving over 880 clients and offering research coverage on more than 300 companies. In margin trade financing (MTF), it holds a market share of 5-6% (largest among non-bank backed brokers). Driven by the strong performance of the asset management business amid favourable industry tailwinds, the Group garnered an 8.4% market share in net flows into growth-oriented equity funds during January 2025 to June 2025, up from 3.5% in Q1 FY2025. It also has an established foothold in the mass affluent and private wealth management segment (among top 3 non-bank wealth managers), with assets under advice of Rs. 4.9 lakh crore as on June 30, 2025.

**Strong profitability with track record of healthy performance across cycles** – The Group's capital market businesses have grown significantly in recent years. Driven by the healthy performance in the capital market businesses, it reported a strong operating performance with a reported profit before tax[2] from operating businesses of Rs. 2,671 crore in FY2025 compared to Rs. 2,048 crore in FY2024 (well above the past 5-year average of Rs. 1,690 crore). Further, notwithstanding intermittent corrections, sizeable gains on proprietary investments have boosted the headline profits over the past decade. On an overall basis, the Group reported strong profitability in FY2025 with a net profit of Rs. 2,508 crore (Rs. 2,446 crore in FY2024) and RoE of 25% (32% in FY2024). While the core operating profitability moderated during Q4 FY2025-Q1 FY2026 with average reported operating PBT[3]/Net income of 50% compared to the past 10-quarter average of 51% primarily due to higher employee expenses amid the scaleup of teams, it remained strong. The Group also expects sizeable carry income and fair value gains from exits of its private equity investments over the next 4-5 years; however, these remain sensitive to broader domestic and global market conditions. The mortgage business also reported a healthy performance with a return on assets (RoA) of 2.6% and RoE of 9.6% in FY2025. While credit costs increased in Q1 FY2026 {0.8% of average total assets (ATA)}, the segment's profitability remained adequate with RoA of 1.7%.

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[1] *comprising investments in unlisted equities, security receipts, units of private equity and real estate funds*

[2] *The profit before tax (PBT; excluding gains & income from proprietary investments- without adjusting for associated capital allocation and other costs) of Rs. 2,076 crore in FY2025 compared to Rs. 1,519 crore in FY2024 (well above the past 5-year average of Rs. 1,269 crore)*

[3] *Average PBT (ex-treasury gains without adjusting for associated capital allocation and other costs)/Net income of 43% compared to past 10 quarter average of 45%*

Although the Group's revenue from the retail F&O brokerage segment and related interest income remains exposed to regulatory risks, its dependence on these segments is significantly lower compared to discount brokers. Moreover, scale-driven operating efficiency in the asset and wealth management businesses is expected to continue to support profitability. That said, ICRA notes that with a significant portion of the Group's net worth deployed in equity investments, earnings are likely to remain volatile.

**Comfortable capitalisation with sizeable net worth and modest financial leverage** – MOFSL's consolidated capitalisation profile remains comfortable, supported by the healthy internal capital generation trajectory, notwithstanding dividend payouts and buybacks. As on June 30, 2025, it had a sizeable net worth of Rs. 12,592 crore and a gearing of 1.2 times. While the Group has historically maintained a low financial leverage in the capital market-related business (excluding HFC; average consolidated gearing, excluding the HFC, was 0.7 times during FY2016-FY2020), the net gearing stood at 1 times as on June 30, 2025 (albeit lower than 1.4 times during FY2023-FY2024). With the material scaleup of the debt-funded capital market lending book, the borrowings in the capital market business have increased significantly in recent years. The gearing in the home finance business stood at 2.6 times as on June 30, 2025.

Going forward, with the rise in the capital market loan book and mortgage book, the Group's overall indebtedness is expected to increase, though the capitalisation profile is likely to remain comfortable, supported by healthy profitability and calibrated dividend payouts/buybacks. ICRA is cognisant of the Group's significant investments in listed and unlisted securities, mutual funds, and alternatives, which form a large part of its consolidated net worth and expose it to market volatility. Additionally, the Group's investments in unlisted securities have increased in recent quarters due to rising warehousing requirements for client distribution and its private equity funds. As a result, the share of unlisted investments as a percentage of consolidated net worth (excluding HFC) rose to ~30% as on June 30, 2025, from ~24% as on March 31, 2024, increasing the Group's sensitivity to valuation-related risks. In this regard, adherence to prudent allocation of its treasury investments remains imperative and will be monitorable.

## Credit challenges

**Exposure to capital market volatility and franchise and reputational risks** – With the Group's focus on scaling up its businesses with a relatively more stable income stream such as asset and wealth management and housing finance, the income from these businesses (typically booked as a percentage of the assets under management) increased at a compound annual growth rate (CAGR) of 24% during FY2021-FY2025. Despite this, the share of these businesses in overall revenues moderated to 43% in FY2025 from 51% in FY2021 due to the faster scaleup of transaction-driven businesses during the market momentum in recent years. The Group's retail broking income from the F&O segment (12% of NOI in FY2025, 8% in Q1 FY2026), along with interest income from margin funding and client float (15-20% of net revenues), remains exposed to the dynamic regulatory environment. Its asset and wealth management businesses, which rely on its established brand and franchise for client acquisition and retention, are susceptible to reputational risks arising from investment underperformance, mis-selling, or misrepresentation. ICRA also noted that while the Group's positioning in growth-oriented equities has supported market share gains, it also amplifies exposure to volatility and associated risks.

**Relatively limited experience in lending business, though asset quality has been satisfactory in recent years** – The Group's asset quality in the mortgage business has stabilised in recent years after witnessing issues in earlier years. The headline gross non-performing advances (GNPAs) was satisfactory at 1.2% as on June 30, 2025, compared to 0.9% as on March 31, 2024 (9% as on March 31, 2019). ICRA notes that MOHFL has entered high-yielding non-housing loan segments in recent years, including developer finance and loan against property (LAP), which together accounted for 25% of the overall loan book in March 2025. Excluding wholesale exposures, the loan book remains geographically concentrated with the top 3 states accounting for 68% of the book in March 2025 (71% in March 2024). Going forward, its ability to scale up the home loan book, while maintaining healthy asset quality and improving the geographical diversification, will be imperative. The Group's capital market-based exposures (loan against securities offered by MOFL and MTF offered by MOFSL) of ~Rs. 7,901 crore, as on June 30, 2025, remain exposed to credit and market risks as any adverse event in the capital markets could erode the value of the underlying collateral stocks. Nonetheless, the performance of the capital market and allied businesses, coupled with the comfortable capitalisation profile, provides adequate buffer to absorb losses and incremental credit costs, if any.

**Elevated competition, high dependence on technology, and evolving regulatory environment** – Given the highly regulated nature of the industry, brokerage houses face significant regulatory risk. Ensuring compliance with evolving regulations is crucial. Recent regulatory changes, such as uniform exchange charges, increase in minimum holding value of basic service demat account, and measures to curb exuberance in the F&O segment, including rationalisation of weekly index derivatives and increased margins on expiry days, were introduced in FY2025. These, along with the hike in securities transaction tax, impacted capital market volumes and profitability, particularly for discount brokers. The sector is also characterised by intense competition and the entry of new players, leading to pricing pressure. However, the increasing financialisation of savings offers potential for expansion. Despite this, pressure on profitability during a downturn cannot be ruled out. Additionally, reliance on technology poses operational and reputational risks, as seen with the Group's technical glitch in FY2025. Maintaining uninterrupted services remains crucial for customer experience.

## Liquidity position: Strong

At the consolidated level, MOFSL has a strong liquidity position with a free unencumbered cash and bank balance of ~Rs. 348 crore, liquid investments of ~Rs. 321 crore and drawable but unutilised lines of ~Rs. 4,850 crore as on August 31, 2025. These, along with collections from the short-term capital market book of ~Rs. 8,631 crore (which can be liquidated at short notice to generate liquidity) and the home loan book, are adequate for covering the principal repayment obligations of ~Rs. 10,319 crore till June 30, 2026. In the broking business, the Group had placed an average margin (including client margins) of Rs. 33,268 crore at the exchanges during March 2025 to August 2025. ICRA notes that the Group's unencumbered investment book, comprising investments in mutual funds, private equity funds, real estate funds and alternative investment funds (category III), portfolio management schemes, non-convertible debentures and equity instruments, also boosts its financial flexibility.

## Rating sensitivities

**Positive factors –** Given the high exposure to capital markets, a further upgrade is unlikely in the medium term.

**Negative factors –** A sustained and sharp weakening of the operating profitability of the capital market businesses or deterioration in the asset quality in the lending businesses would have a negative impact. Weakening of the capitalization profile with consolidated gearing of over 2 times on a sustained basis and/or increase in proportion of un-listed investments[4] as a percentage of consolidated net worth (excluding HFC) over 35% on a sustained basis will also be a credit negative.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Rating Methodology Stockbroking & Allied Services<br>Rating Methodology for Non-banking Finance Companies (NBFCs) |
| **Parent/Group support** | Not applicable |
| **Consolidation/ Standalone** | ICRA has considered the consolidated financials of MOFSL and has taken a consolidated view of the credit profiles of MOFSL and its subsidiaries, including MOWL, MOFL, MOBDL and MOHFL, as the companies have operational and business synergies in addition to a shared name and management oversight. |

*[4] comprising investments in unlisted equities, security receipts, units of private equity and real estate funds; excludes investments warehoused for down selling to clients/funds*

## About the company

Motilal Oswal Finvest Limited (MOFL), a wholly owned subsidiary of Motilal Oswal Financial Services Limited (MOFSL), is a systemically important non-banking financial company (NBFC-SI) registered with the Reserve Bank of India (RBI). It provides margin funding facility, and loan against shares (LAS) to the mass affluent clients of the broking franchise. The company received its NBFC licence from the RBI effective October 1, 2018. As on June 30, 2025, it had a loan book of ~ Rs. 2,597 crore. The capitalisation profile of the company was characterised by net worth of Rs. 2,026 crore and gearing of 1.2 times.

### Key financial indicators(audited)

| MOFL | FY2024 | FY2025 | Q1 FY2026* |
|---|---|---|---|
| Total income | 677.2 | 735.5 | 244.1 |
| Profit after tax | 217.8 | 347.1 | 155.4 |
| Total managed assets | 5,604.1 | 4,891.0 | 4,823.0 |
| Return on managed assets | 4.2% | 6.6% | 12.8% |
| Reported gearing (times) | 2.6 | 1.3 | 1.2 |
| Gross Stage 3 | 0.0% | 0.0% | 0.0% |
| CRAR | 33.9% | 35.3% | 23.9% |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations, Amount in Rs. crore; *un-audited*

**Motilal Oswal Financial Services Limited**

Incorporated in 2005, MOFSL serves as the holding company of the Motilal Oswal Group, which is among India's leading providers of capital market-related services. The company, along with its subsidiaries, provides broking and distribution services, asset, wealth and portfolio management services, investment banking, private equity and housing finance.

MOFSL reported a consolidated net profit of ~Rs. 1,163 crore on net income of ~Rs. 1,285 crore in Q1 FY2026 compared to Rs. 884 crore and Rs. 1,029 crore, respectively, in Q1 FY2025. It reported a net profit of Rs. 2,508 crore in FY2025 compared to Rs. 2,446 crore in FY2024. At the consolidated level, the Group's capitalisation profile was characterised by a net worth of ~Rs. 12,592 crore and a gearing of 1.2 times as on June 30, 2025.

### Key financial indicators

| MOFSL (consolidated) | FY2024 | FY2025 | Q1 FY2026* |
|---|---|---|---|
| Net operating income | 3,454.8 | 4,428.7 | 1,068.8 |
| Net income^ | 3,488.8 | 4,656.7 | 1,284.8 |
| Profit after tax | 2,445.6 | 2,508.2 | 1,162.3 |
| Net worth (including MI) | 8,768.7 | 11,130.8 | 12,592.0 |
| Total assets | 31,829.2 | 33,987.1 | 36,645.4 |
| Gearing (times) | 1.6 | 1.3 | 1.2 |
| Return on average net worth | 32.5% | 25.2% | 39.2% |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; ^ Includes net fair value gains on account of distribution of unlisted securities; Net operating income has been adjusted for commission and expenses in various operating businesses; * Unaudited*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| Instrument | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2026 | | | FY2025 | | FY2024 | | FY2023 | |
| | Type | Amount rated (Rs crore) | Oct 10, 2025 | Date | Rating | Date | Rating | Date | Rating |
| **Market linked debenture** | Long term | 63.00 | PP-MLD [ICRA]AA+ (Stable) | Jul 22, 2024 | PP-MLD [ICRA]AA (Positive) | Jul 28, 2023 | PP-MLD [ICRA]AA (Stable) | Sep 09, 2022 | PP-MLD [ICRA]AA (Stable) |
| | | | | Feb 10, 2025 | PP-MLD [ICRA]AA (Positive) | - | - | - | - |
| **NCD** | Long term | 300.00 | [ICRA]AA+ (Stable) | - | - | - | - | - | - |
| **NCD** | Long term | - | - | Jul 22, 2024 | [ICRA]AA (Positive) | Jul 28, 2023 | [ICRA]AA (Stable) | Aug 05, 2022 | [ICRA]AA (Stable) |
| | | | | Feb 10, 2025 | [ICRA]AA (Positive); withdrawn | - | - | Sep 09, 2022 | [ICRA]AA (Stable) |

*# Market linked debenture limits is interchangeable with non-convertible debenture up to Rs. 3 crore, if placed as NCD, rating of [ICRA]AA+ (Stable) will be applicable*

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| **Non-convertible Debenture** | Simple* |
| **Market Linked Debentures** | Moderately Complex |

**Subject to change when terms are finalised*

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](Click Here)

## Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **NA** | **Non-convertible Debenture*** | NA | NA | NA | 300.00 | [ICRA]AA+ (Stable) |
| **INE01WN07102** | **Market Linked Debentures** | Sep 16, 2023 | 9.30% | Sep 16, 2033 | 60.00 | PP-MLD[ICRA]AA+ (Stable) |
| **NA** | **Market Linked Debentures*#** | NA | NA | NA | 3.00 | PP-MLD[ICRA]AA+ (Stable) |

***Source:*** *company; * Yet to be issued # Market linked debenture limits is interchangeable with non-convertible debenture up to Rs. 3 crore, if placed as NCD, rating of [ICRA]AA+ (Stable) will be applicable.*

## Annexure II: List of entities considered for consolidated analysis

| Company name | Ownership (%) | Consolidation approach |
|---|---|---|
| **Motilal Oswal Financial Services Limited** | Parent | Full consolidation |
| **Motilal Oswal Commodities Broker Private Limited** | 100.00 | |
| **Motilal Oswal Investment Advisors Limited** | 100.00 | |
| **MO Alternate Investment Advisors Private Limited** | 100.00 | |
| **Motilal Oswal Finvest Limited** | Rated Entity | |
| **Motilal Oswal Wealth Limited** | 100.00 | |
| **Motilal Oswal Asset Management Company Limited** | 100.00 | |
| **Motilal Oswal Trustee Company Limited** | 100.00 | |
| **Motilal Oswal Securities International Private Limited** | 100.00 | |
| **Motilal Oswal Capital Markets (Singapore) Pte. Limited** | 100.00 | |
| **Motilal Oswal Capital Markets (Hong Kong) Private Limited** | 100.00 | |
| **Motilal Oswal Home Finance Limited** | 97.60% | |
| **Motilal Oswal Finsec IFSC Limited** | 100.00 | |
| **Motilal Oswal Broking and Distribution Limited** | 100.00 | |
| **TM Investment Technologies Private Limited** | 61.64 | |
| **MO Alternate IFSC Private Limited** | 100.00 | |
| **Motilal Oswal Custodial Services Private Limited** | 100.00 | |
| **India Business Excellence Management Company** | 100.00 | |
| **Motilal Oswal Asset Management (Mauritius) Limited** | 100.00 | |
| **Motilal Oswal Capital Limited** | 100.00 | |
| **India Reality Excellence Fund II LLP** | 20.44 | Equity method |

*Source: Annual report FY2025*

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

# ICRA Limited

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