

July 25, 2025

ICICI Securities Primary Dealership Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	3,500.00	3,500.00	[ICRA]A1+; reaffirmed
Total	3,500.00	3,500.00	

*Instrument details are provided in Annexure I

Rationale

The rating for ICICI Securities Primary Dealership Limited's (I-Sec PD) commercial paper programme factors in its superior liquidity profile. This is reflected in the high share of liquid Government securities (G-Secs) in the overall assets and access to call money and borrowings under repo from the market, apart from access to a standing liquidity facility (SLF) from the Reserve Bank of India (RBI). Further, given its sizeable net worth, the company has a satisfactory cushion to withstand the impact of adverse interest rate movements, resulting in a strong capitalisation profile. I-Sec PD's parentage, in the form of ICICI Bank Limited {rated [ICRA]AAA (Stable) for its Basel III Tier II bonds}, and the continued support as depicted by the managerial and financial aid received from the bank also remain key strengths.

ICRA notes that while the company has sizeable investments in the non-G-Sec portfolio, these largely include highly-rated corporate bonds, mitigating the credit and liquidity risks associated with these instruments.

Going forward, the near-term liquidity, policy rates and bond yields environment are likely to remain favourable and conducive from a profitability perspective. While I-Sec PD has demonstrated strong performance across interest rate cycles, ICRA notes that its earnings profile will remain susceptible to adverse interest rate movements as the portfolio largely comprises debt securities. Moreover, the company's leverage has been traditionally higher than its peers, which increases its vulnerability to market risks. Going forward, I-Sec PD's ability to withstand the volatility in interest rates while adhering to its internal risk management policies, continued linkages with its parent, and its ability to adapt to regulatory changes for primary dealers (PDs) will remain key drivers of its profitability.

Key rating drivers and their description

Credit strengths

Wholly-owned subsidiary of ICICI Bank with strong financial linkage and management support – I-Sec PD is a wholly-owned subsidiary of ICICI Bank, with strong operational, financial and managerial linkages. Its board of directors is headed by Mr. B. Prasanna, the Head of Markets Group and a Group Executive at ICICI Bank. Moreover, given the shared brand name, ICRA expects I-Sec PD to receive capital/liquidity support if required. ICICI Bank has sanctioned an intraday limit of Rs. 3,500 crore to the company for participating in the primary auctions of G-Secs by the RBI.

Regarding adherence to the operational guidelines for PDs, as set by the RBI, I-Sec PD achieved a success ratio¹ of 52.1% in the Treasury bills (T-bills) market in H1 FY2025 and 49.6% in H2 FY2025, above the regulatory requirement of 40%. It also achieved the minimum turnover ratio² regulatory target for FY2025.

Large net worth aids strong capital profile – I-Sec PD's capital adequacy remains strong with its capital-to-risk weighted assets ratio (CRAR) at 38.1% as on June 30, 2025 (31.8% as on March 31, 2025), well above the regulatory minimum of 15% for PDs. While the internal capital generation remained strong in FY2025 and FY2024, the accretion to net worth remained lower as the company declared 60% of its profit after tax as dividend. Hence, to shore up the capital cushions amid the increase in the

¹ **Success ratio:** Bids accepted/Bidding commitment

² **Minimum turnover ratio:** 2% of the 3-year average market outright turnover of Central Government dated securities

investment book in FY2025, the PD raised Rs. 300 crore via the issuance of Tier II bonds. The company maintained the daily average leverage at elevated levels (17.84 times in FY2025, 17.30 times in FY2024) to capitalise on the trading opportunities during the year.

Given the susceptibility of the profitability and capital profile to interest rate movements, I-Sec PD has a board-approved 1-day value at risk (VaR) limit of Rs. 145 crore (7.7% of net owned funds (NOF) as on March 31, 2025) for its investment book. Its 1-day VaR had remained within this limit in FY2025. The NOF stood at Rs. 1,885 crore as on March 31, 2025, providing a comfortable loss-absorption cushion against adverse interest rate movements. This is depicted by the price value of basis point (PVBP)³ of 76 basis points (bps) of the NOF as on March 31, 2025, indicating adequate ability to absorb large adverse movements in interest rates while maintaining the CRAR above the regulatory requirement.

Adequate internal prudential norms and risk management systems – Prudent risk management policies and adherence to the same are critical for a PD, given the susceptibility to market risk on account of debt securities and the credit risk associated with non-statutory liquidity ratio (SLR) securities. ICRA takes comfort from the adequate risk management policies approved by the Risk Management Committee of the company's board, which is also reflected in its strong financial performance across the interest rate cycles. The Committee also monitors and ensures adherence to these policies.

As per the risk management policy, investment in non-SLR securities is allowed only for entities rated AAA to A- (with reducing limits for lower rating levels) and A1+, which mitigates the credit risk. AAA-rated non-G-Secs accounted for ~89% of the total non-SLR portfolio by value as on March 31, 2025 while the balance was in securities rated AA+.

Credit challenges

Profitability vulnerable to interest rate movements – As mentioned earlier, the company's earnings profile remains susceptible to adverse interest rate movements. This is reflected in the significant variation in the trading profit over the years (Rs. 499 crore in Q1 FY2026, Rs. 618 crore in FY2025, Rs. 493 crore in FY2024, and Rs. 98 crore in FY2023). Further, elevated short-term borrowing rates in a tight liquidity environment can lead to fluctuations in the net interest margin. I-Sec PD reported a net profit of Rs. 444 crore in Q1 FY2026, Rs. 537 crore in FY2025, Rs. 436 crore in FY2024, and Rs. 128 crore in FY2023. Given its strong capitalisation and profitable operations, it has continued to maintain the dividend payout ratio at 60% (maximum regulatory permissible limit) of its profit in FY2025 and FY2024, which is likely to continue. As a result, net worth accretion has been lower in relation to profit. Moreover, I-Sec PD's revenue stream lacks diversity and largely consists of trading and interest income. Income from non-core activities, including fee and commission income, has declined over the years and remains small in relation to its core activities (Rs. 18 crore in Q1 FY2026, Rs. 35 crore in FY2025, Rs. 26 crore in FY2024, and Rs. 27 crore in FY2023).

Higher leverage compared to peers – I-Sec PD has historically operated at a higher leverage compared with other PDs. Its daily average leverage stood at 17.84 times in FY2025 (17.30 times in FY2024 and 12.25 times in FY2023). A high leverage increases vulnerability to large adverse movements in interest rates. ICRA notes that the leverage has been consistently maintained within the board-approved limit. A significant portion of liquid Government debt securities, active portfolio management, and adherence to risk management limits mitigate this risk.

Susceptibility to adverse developments in regulatory framework for PDs – The RBI is the regulatory authority for PDs and has prescribed operational guidelines for underwriting commitments for G-Secs, bidding commitments and success ratios for T-bills, the achievement of minimum turnover ratios and funding support in the form of liquidity adjustment facility (LAF)/SLF. Therefore, a significant change in the regulatory framework for PDs, which adversely impacts the company's operational and financial profiles, can affect its funding costs and profitability.

³ **PVBP** measures the gain/loss on the entire portfolio for a 1 bps (0.01%) movement in the interest rate; PVBP of -76 bps means that a 1 bps rise in the interest rate will lead to an erosion of 0.76% in the NOF

Liquidity position: Superior

I-Sec PD has a superior liquidity profile, given the inherent nature of its business. This is demonstrated by the high share of G-Secs and lending in the repo market (93% of total investments on a daily average basis in FY2025). Further, its non-SLR book (7% of investments on a daily average basis in FY2025) largely comprises highly liquid corporate debt securities, thereby minimising any liquidity risk in the corporate bond portfolio. Additionally, it has access to call money/LAF and SLF funding from the RBI. ICRA also notes that the company has intraday liquidity facilities from banks, which can be used to meet its intraday liquidity requirements.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating can be downgraded if there is a material change in the credit profile of ICICI Bank or a significant change in the shareholding or linkages with the parent. Moreover, any regulatory change, adversely impacting the PD business, will remain a key negative trigger.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Primary Dealers Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group support	Parent/Group company – ICICI Bank Limited The rating factors in the strong support from ICICI Bank, given the shared brand name, financial linkages and management support
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of the company

About the company

ICICI Securities Primary Dealership Limited is one of the seven standalone PDs in India. Incorporated in 1993, it is a wholly-owned subsidiary of ICICI Bank. It trades in G-Secs, interest rate derivatives, and corporate bond markets. I-Sec PD also offers debt capital market (DCM) services. The range of activities undertaken by the DCM desk includes resource mobilisation through the private placement of debentures, advisory on debt restructuring/rationalisation and rating advisory. The company obtained a Category III authorised dealer licence to carry out foreign exchange related market making activities.

The company reported a net profit of Rs. 444 crore on total income of Rs. 1,191 crore in Q1 FY2026. It reported a net profit of Rs. 537 crore on total income of Rs. 3,030 crore in FY2025 against a net profit of Rs. 436 crore on total income of Rs. 2,629 crore in FY2024. I-Sec PD achieved a success ratio of 52.1% and 49.6% in the T-bills market in H1 FY2025 and H2 FY2025, respectively, above the regulatory requirement of 40%.

Key financial indicators

ICICI Securities Primary Dealership Limited	FY2024	FY2025	Q1 FY2026
Profit after tax (PAT)	436	537	444
Net worth	1,852	2,041	2,341
Total assets	35,846	42,153	NA
PAT/Net worth (return on net worth; RoNW)	23.55%	27.59%	81.1%
Leverage ratio (daily average; times)	17.30	17.84	NA

Source: Company, ICRA Research; Amount in Rs. crore; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years				
Instrument	Type	Amount rated	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	
		(Rs. crore)	Jul 25, 2025	Jul 26, 2024	Jun 27, 2024	Jun 30, 2023	Mar 27, 2023	Feb 06, 2023
1 Commercial paper	ST	3,500.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

*As on July 15, 2025; ST – Short term

Complexity level of the rated instrument

Instrument	Complexity indicator
Commercial paper	Very Simple

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](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE849D14HU2	Commercial paper	Jun 10, 2025	6.43%	Sep 09, 2025	575.00	[ICRA]A1+
NA	Commercial paper	Yet to be placed	-	7-365 days	2,925.00	[ICRA]A1+

Source: I-Sec PD; As on July 15, 2025

Annexure II: List of entities considered for consolidated analysis

Not applicable

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