

September 29, 2025

Zerodha Capital Private Limited: Ratings reaffirmed; rated amount enhanced for bank line facilities

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	100.00	100.00	[ICRA]A1+; reaffirmed
Non-convertible debentures	100.00	100.00	[ICRA]AA- (Stable); reaffirmed
Long-term/Short-term bank lines – Others	300.00	600.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	500.00	800.00	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in Zerodha Capital Private Limited's (ZCPL) strong promoter group and its synergies with the Group's broking franchise [Zerodha Broking Limited (ZBL); flagship entity of Zerodha Group]. The shared brand name, common promoters and strategic importance to the Group strengthen ICRA's belief that ZCPL will receive adequate and timely support from its promoter group, as and when required. The ratings also consider the company's comfortable capitalisation, improving profitability trajectory and healthy asset quality. The ratings are, however, constrained by the modest scale and nascent stage of operations as well as the limited diversification in the liability mix.

Supported by the strong broking franchise and reach of the Zerodha brand, ZCPL's loan against securities (LAS) book scaled up at a healthy pace to Rs. 388 crore as on March 31, 2025, marking a fivefold increase from March 2023. The growth momentum, however, moderated in the subsequent period on account of elevated repayments, primarily due to margin shortfalls amid the moderation in securities value. Nonetheless, with the gradual recovery in investor sentiment, the loan book rebounded to Rs. 430 crore in August 2025. With benefits of the improving scale of operations, ZCPL reported a net profit of Rs. 12.2 crore (return on assets (RoA) of 3.7%) in FY2025 compared to the average net profit of Rs. 5.1 crore (RoA of 4.6%) during FY2023 to FY2024. The performance remained healthy in the current fiscal with a net profit of Rs. 4.0 crore (RoA of 3.7%) in Q1 FY2026. The net worth stood at ~Rs. 177 crore with a gearing of 1.4 times as on June 30, 2025. While the gearing is expected to increase as the company scales up its operations, it is likely to remain below 4 times.

ZCPL's loan book remains exposed to credit, market and technology risks, given the nature of the underlying assets. In this regard, any adverse event in the capital markets could erode the value of the underlying collateral stocks. Nevertheless, comfort is drawn from the Group's established presence in the securities broking business and its understanding of the associated risks and risk management.

The Stable outlook on the long-term rating reflects ICRA's expectation that ZCPL will continue to benefit from the synergies arising from the Group's established franchise and track record in the capital markets. Moreover, timely and adequate support from the Group is envisaged to be forthcoming. This, coupled with the calibrated growth strategy, is expected to continue supporting the company's comfortable capitalisation profile and profitability trajectory.

Key rating drivers and their description

Credit strengths

Part of strong promoter group – ZCPL, a non-deposit taking base layer retail non-banking financial company (NBFC), is a part of Zerodha Group. ZBL, closely held by the promoters, pioneered the discounting broking business model in India and has become the largest domestic stockbroker, in terms of earnings and net worth, and the second largest, in terms of active National Stock Exchange (NSE) clients. As on June 30, 2025, the Group's active NSE client base stood at 76 lakh, accounting for a 16% share of the industry-wide NSE active clients. Its flagship entity, ZBL, had reported a consolidated net profit of Rs. 5,496 crore in FY2024 with a return on net worth of 56%. While the performance remained healthy until 9M FY2025 despite some moderation in revenues amid rising competitive intensity, it was significantly impacted by the onset of regulatory headwinds in recent months. As its revenue profile remains highly dependent on the retail futures & options (F&O) segment and interest income from client cash collateral, its performance is sensitive to investor sentiment and capital market activity, particularly in the derivatives segment. ICRA, however, takes note of ZBL's recent foray into margin trade funding (MTF) and the subsequent ramp-up in recent months. Since introduction of MTF in December 2024, it has garnered a 5% market share in the industry's MTF loan book of ~Rs. 98,200 crore at the end of August 2025. A scaleup in income from MTF would partially reduce its dependency on broking income from the F&O segment.

Going forward, while a moderation in the profitability trajectory cannot be ruled out on account of regulatory headwinds, rising competitive intensity and softening interest rates, it is expected to remain healthy. ZBL's capitalisation profile remains comfortable. Its sizeable net worth has supported it in meeting the working capital requirements for its broking operations and scaling up its MTF exposures without relying on fund/non-fund based borrowings. While ZBL has adequate headroom to scale up its MTF book further based on its own funds, material expansion on a sustained basis may necessitate external borrowings. Nonetheless, capitalisation is expected to remain comfortable.

ZBL and ZCPL have the same ultimate promoters, who are Directors on the boards of both companies. Additionally, some of ZBL's seasoned senior leaders hold board positions at ZCPL. The Group's promoters enjoy sizeable cash flows from the flagship business and have been investing in early-stage businesses in sectors such as fintech, edtech, and healthcare. Given the shared brand name, common promoters and the strategic importance to the Group, ICRA believes that ZCPL will receive adequate and timely support (financial as well as operational) from its promoter group, as and when required.

Synergies arising from access to a strong brand and franchise – ZCPL enjoys access to an established brand, i.e. Zerodha, which is associated with a wide customer base as reflected by the NSE active client base of the Group's broking franchise. The sizeable demat holdings of the large client base offer a large potential target segment for ZCPL. The company continues to scale up its loan book through lending within the Group's franchise. Operational synergies are expected to continue supporting it in keeping its cost structure under control while scaling up, which can otherwise be high in a retail lending business. Moreover, comfort is drawn from the Group's established presence in capital markets and its understanding of the associated risks and risk management.

ZCPL endeavours to offer retail LAS with a loan-to-value (LTV) ratio of around 45% against the approved list of stocks and mutual funds at a flat lending rate to all customers. The company's operations remain largely digital with low reliance on human intervention. In this regard, it is noted that the Group develops the technological platforms for its core operations in-house (through entities such as Zerodha Technology Private Limited). Following the demonstrated track record of developing technology platforms for the broking franchise, the Group has leveraged its experience to develop the core modules for the lending business.

Comfortable capitalisation and track record of profitable operations since inception – ZCPL's capitalisation was characterised by a net worth of ~Rs. 177 crore and a gearing of 1.4 times as on June 30, 2025 (provisional basis). Going

forward, while the financial leverage is expected to rise with the scaleup in operations, it is likely to remain comfortable supported by further equity infusions (if required) from the promoter group.

As per the management's stated intent, the company plans to maintain a leverage of less than 4 times over the longer term. Timely and adequate financial support from the Group is expected to aid the calibrated scaleup of the operations while maintaining comfortable capitalisation. Moreover, notwithstanding the modest scale of operations, ZCPL has maintained a track record of profitable operations since inception, supported by its low-cost structure. It reported a net profit of Rs. 12.2 crore (RoA of 3.7%) in FY2025 compared to Rs. 7.3 crore (RoA of 4.7%) in FY2024. The performance remained healthy in the current fiscal with a net profit of Rs. 4.0 crore (RoA of 3.7%) in Q1 FY2026.

Credit challenges

Nascent stage of operations with modest scale – Leveraging its established presence in capital markets, the Group commenced lending against shares through ZCPL in 2021. Hence, its track record in this segment remains limited. Supported by the strong broking franchise, ZCPL's LAS book scaled up to Rs. 388 crore as on March 31, 2025, marking a fivefold increase from March 2023. The growth momentum, however, moderated in the subsequent period on account of elevated repayments, primarily due to margin shortfalls amid moderation in securities value. Nonetheless, with the gradual recovery in investor sentiment, the loan book rose to Rs. 430 crore in August 2025. Despite the overall healthy scaleup, the loan book continues to be modest. Going forward, the company's ability to ensure the healthy scaleup of the loan book while exercising good control on the asset quality will remain a key monitorable. ICRA notes that the asset quality has remained healthy with negligible credit costs since inception. As on June 30, 2025, the company had nil gross non-performing advances (GNPAs).

With calibrated growth since the commencement of operations in 2021, ZCPL has expanded its borrowing franchise with the lender base increasing to six lenders from one lender in March 2024. Going forward, its ability to further expand its liability profile while borrowing at competitive rates would be imperative for scaling up the operations profitably. The funding requirement of the broking franchise remains limited with sizeable free net worth after adjusting for proprietary investments and margin placements at exchanges.

High dependence on technology; exposure to market and credit risks – ZCPL's loan book remains exposed to credit, market and technology risks. Given the volatility in the securities market, the value of collateral can fluctuate rapidly, necessitating robust technological systems for real-time tracking and risk management. In this regard, uninterrupted technological operations are essential for the real-time monitoring of collateral values, ensuring that the entity can promptly square off positions to avoid potential losses. The ratings also remain susceptible to regulatory changes. Going forward, ZCPL's ability to respond to evolving regulatory landscapes will remain imperative.

Liquidity position: Adequate

ZCPL's liquidity position remains adequate with an unencumbered cash and bank balance of Rs. 10 crore, unencumbered liquid investments of Rs. 56 crore and drawable but unutilised bank lines of Rs. 80 crore as on August 31, 2025. These, along with collections from the short-term LAS book, are adequate for covering the debt repayment obligations of Rs. 85 crore (principal only) till March 31, 2026. In addition to the borrowing arrangements from financial institutions and banks, ZCPL has a funding line of Rs. 250 crore from the directors. It also enjoys financial flexibility as it is a part of Zerodha Group.

Rating sensitivities

Positive factors – Significant scaleup of operations while demonstrating healthy asset quality and profitability on a sustained basis would have a positive impact. Further strengthening of the credit profile of the flagship entity, i.e. ZBL, and/or linkages with the Group would be credit positives as well.

Negative factors – A material change in the linkage with Zerodha Group and/or a deterioration in the Group's credit profile would have a negative impact. Besides, weakening of the capitalisation profile due to aggressive growth and/or profitability pressure will be credit negatives.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs) Stockbroking & Allied Services
Parent/Group support	ZCPL is a part of Zerodha Group (flagship entity: ZBL). The shared brand name, common promoters and the strategic importance to the Group strengthen ICRA's belief that ZCPL will receive adequate and timely support (financial as well as operational) from its promoter group, as and when required.
Consolidation/Standalone	Standalone

About the company

Zerodha Capital Private Limited (ZCPL), a Reserve Bank of India (RBI) registered non-deposit taking base layer retail NBFC, is a part of Zerodha Group (Zerodha Broking Limited or ZBL is the Group's flagship entity). ZCPL is primarily held by Straddle Capital Private Limited (98.9% stake), which is closely held by ZBL's promoters. The company actively commenced lending operations in 2021. It offers retail LAS with ticket sizes in the range of Rs. 25,000 to Rs. 10 crore and LTV of ~45% against the approved list of stocks and mutual funds at flat yields of ~11% to all customers.

As on June 30, 2025, the company had a LAS book of ~Rs. 405 crore. On a provisional basis, ZCPL reported a net profit of ~Rs. 4 crore in Q1 FY2026 on total income of Rs. 12 crore. As on June 30, 2025, its capitalisation profile was characterised by a net worth (including compulsorily convertible preference shares of Rs. 2.9 crore) of Rs. 177 crore and a gearing of 1.4 times.

Promoted by Nithin Kamath and Nikhil Kamath, ZBL is the flagship entity of Zerodha Group and is closely held by the Kamath family. It is one of the leading domestic brokers, in terms of earnings and net worth, and the second largest in terms of active NSE clients. As on June 30, 2025, the Group's active NSE client base stood at 76 lakh, accounting for a 16% share of the industry-wide NSE active clients. It reported a consolidated net profit of Rs. 5,496 crore in FY2024 with a return on net worth of 56%. While the performance remained healthy in 9M FY2025, it is expected to moderate with the onset of regulatory measures aimed at strengthening the index derivatives framework, the introduction of true-to-label charges and easing interest rates.

Key financial indicators (audited)

Zerodha Capital Private Limited	FY2024	FY2025	Q1 FY2026*
Total income	12.4	37.1	11.9
PAT	7.3	12.2	4.0
Total assets	226.6	432.8	429.7
Return on assets	4.7%	3.7%	3.7%
Reported gearing (times)	0.4	1.5	1.4
Gross stage 3	-	-	-
CRAR	70.0%	35.8%	43.8%

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

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					
	Type	Amount rated (Rs crore)	FY2026			FY2025		FY2024		FY2023	
			Sep 29 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term/short term bank lines	Long term/short term	600.00	[ICRA]AA-(Stable)/[ICRA]A1+	Apr 17, 2025	[ICRA]AA-(Stable)/[ICRA]A1+	Apr 30, 2024	[ICRA]AA-(Stable)/[ICRA]A1+	Feb 22, 2024	[ICRA]AA-(Stable)/[ICRA]A1+	-	-
				May 28, 2025	[ICRA]AA-(Stable)/[ICRA]A1+	-	-	-	-	-	-
Commercial paper	Short term	100.00	[ICRA]A1+	May 28, 2025	[ICRA]A1+	-	-	-	-	-	-
NCD	Long term	100.00	[ICRA]AA-(Stable)	Apr 17, 2025	[ICRA]AA-(Stable)	Apr 30, 2024	[ICRA]AA-(Stable)				
				May 28, 2025	[ICRA]AA-(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very Simple
Non-convertible debentures	Very Simple*
Bank lines	Very Simple

* Subject to change when the 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](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate (%)	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Commercial paper*	NA	NA	NA	100.00	[ICRA]A1+
NA	NCD*	NA	NA	NA	100.00	[ICRA]AA- (Stable)
NA	Bank lines – Others	NA	NA	NA	600.00	[ICRA]AA- (Stable) / [ICRA]A1+

Source: Company; * Yet to be issued

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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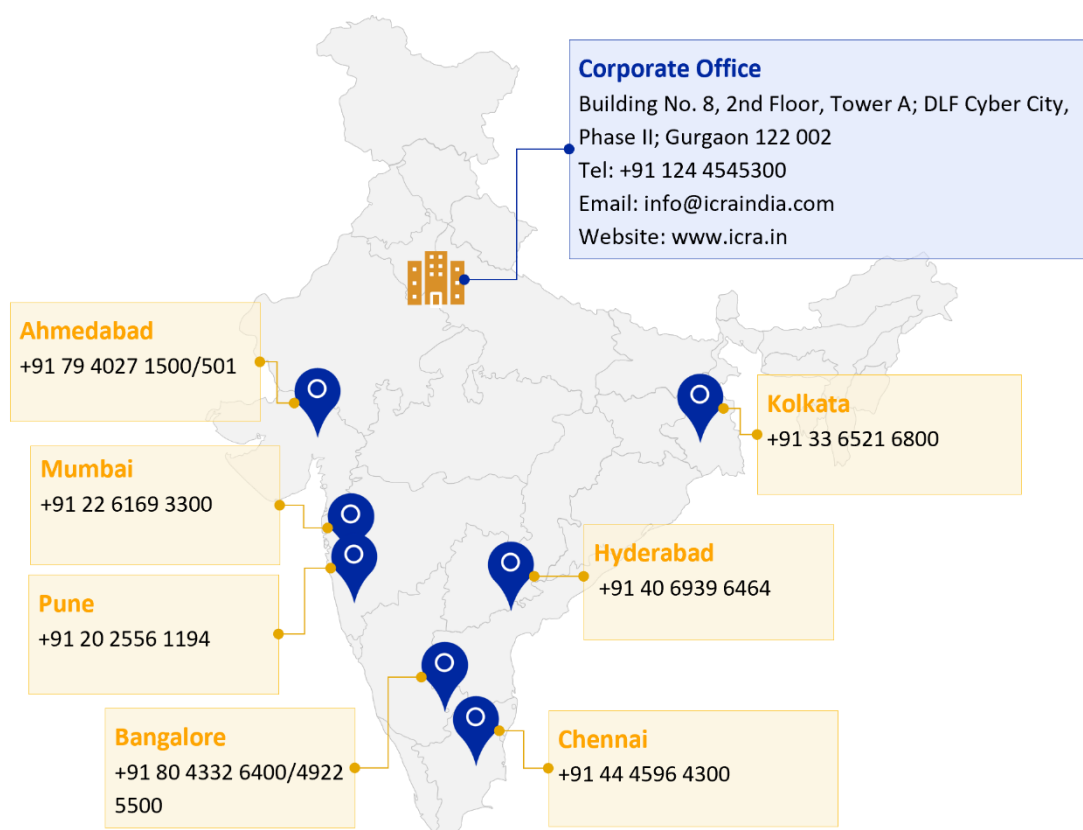


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