

June 10, 2026

Cholamandalam Securities Limited: [ICRA]AA (Stable) assigned; rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	400.00	400.00	[ICRA]A1+; reaffirmed
Issuer rating	-	-	[ICRA]AA (Stable); assigned
Total	400.00	400.00	

*Instrument details are provided in Annexure II

Rationale

The assigned rating factors in Cholamandalam Securities Limited's (CSEC) strong parentage as it is a subsidiary of Cholamandalam Investment and Finance Company Limited (CIFCL; rated [ICRA]AA+ (Positive)/[ICRA]A1+), which is a leading player in the domestic vehicle finance segment and a part of one of India's largest conglomerates – Murugappa Group. CSEC derives operational, managerial and financial support from CIFCL and both entities share a common brand name. Operationally, CSEC is able to leverage CIFCL and Murugappa Group's diverse presence and businesses for augmenting its franchise and reach. Going forward as well, ICRA expects timely capital, liquidity and other support from CIFCL and Murugappa Group to be forthcoming, if required.

While assigning the rating, ICRA takes note of CSEC's modest scale of operations, moderate financial profile and high dependence on capital market-related activities, which are inherently cyclical in nature. With the significant increase in margin trade funding (MTF) exposures, the company witnessed a corresponding rise in indebtedness in FY2026. As on March 31, 2026, the capitalisation profile was characterised by a net worth of Rs. 85 crore (supported by a capital infusion of Rs. 25 crore in 9M FY2025) and gearing of 2.4 times. With the management planning to ramp up MTF further, the financial leverage is likely to rise from the current level, though it is expected to remain below 4.5 times. The rating also takes into account the credit and market risks associated with margin funding exposures, intense competition in the retail broking space, high dependence on technology and the evolving regulatory environment.

CSEC continued to report a moderate performance in FY2026 on account of the decline in broking income amid industry headwinds. It reported a net profit of Rs. 8 crore in FY2026, profit after tax (PAT)/net operating income (NOI; gross revenues adjusted for interest expenses, referrals/commissions/sub-brokerage, trading income, fair value gains, dividend income and other non-operating income) of 11% and return on equity (RoE) of 10% compared to Rs. 8 crore, 10% and 13%, respectively, in FY2025. While the direct impact of the recent tightening of bank lending to capital market intermediaries and the hike in securities transaction tax (STT) on derivatives is expected to be limited for the company, the possibility of these measures and the evolving domestic and global developments affecting industry-wide trading volumes cannot be ruled out. Any such decline, along with a potential increase in reliance on market borrowings, could have a bearing CSEC's operating performance.

The Stable outlook reflects ICRA's expectation that CSEC will continue to draw capital, liquidity and operational support from CIFCL and Murugappa Group for scaling up its operations, which would augur well for its market position and profitability profile.

Key rating drivers and their description

Credit strengths

Strong parentage – CSEC is a part of Murugappa Group, which is one of India’s largest conglomerates. Founded in 1994, it has a presence in engineering, financial services, auto components, cycles, abrasives, farm inputs, fertilisers, sugar, plantations, bioproducts, and general insurance. CIFCL, which is the flagship entity of the Group in the financial services space (one of the 10 listed entities in the Group) and a leading player in the vehicle finance industry, directly holds ~92% in CSEC while the balance (8%) is held indirectly through Cholamandalam Leasing Limited (formerly Cholamandalam Home Finance Limited (CHFL); 100% subsidiary of CIFCL).

The company is expected to derive operational, managerial and financial support from CIFCL. CSEC’s board has three directors, including two from CIFCL. Operationally, CSEC derives synergies by tapping the captive customer and vendor base of Murugappa Group. The Group’s franchise and reach, coupled with its established presence across various businesses and franchises, augur well for CSEC to execute its business plans. ICRA expects timely capital, liquidity and operational support from CIFCL and Murugappa Group to be forthcoming, if required.

Credit challenges

Modest scale of operations – CSEC has been engaged in broking operations for over three decades and currently serves a modest client base across retail and institutional segments, with 21,679 active retail clients and more than 50 institutional clients as on March 31, 2026. Despite its long operating track record, the overall scale of operations remains modest as the Group’s focus on this business segment remained measured till the recent past. Supported by industry tailwinds, the company’s cash average daily turnover (ADTO) increased meaningfully over the past few years to ~Rs. 629 crore in FY2026 from Rs. 177 crore in FY2023, notwithstanding headwinds in recent periods. While CSEC’s market share in cash volumes (excluding proprietary) expanded to 0.40% in FY2026 from 0.21% in FY2023, it remains low, underscoring the modest scale compared with larger industry peers. The company significantly scaled up its presence in the MTF segment in FY2026. Supported by the competitiveness in raising market borrowings, CSEC expanded its MTF book by 60% year-on-year (YoY) to Rs. 173 crore as on March 31, 2026. Despite this, its market share in industry-wide MTF remains negligible at less than 1%.

Exposed to risks inherent in capital market-related businesses; moderate financial profile – CSEC derives ~48% of its NOI from broking (cash accounts for ~84% of gross broking income), which remains exposed to the inherent volatility in capital markets. Its retail broking volumes declined by 37% YoY in FY2026, reflecting the full-year impact of regulatory interventions in derivatives and subdued investor sentiment amid global and domestic developments, which also dampened cash volumes. Consequently, the decline in broking income translated to an overall moderation in performance with NOI decreasing by 5% YoY in FY2026. CSEC reported a net profit of Rs. 8 crore, PAT/NOI of 11% and RoE of 10% in FY2026 compared to Rs. 8 crore, 10% and 13%, respectively, in FY2025. Going forward, the company’s revenue and earnings profile will remain exposed to the inherently volatile capital markets.

The company’s borrowing requirements are largely driven by the scaling up of its MTF exposures. Supported by the increase in MTF exposures in line with industry trends, CSEC witnessed a rise in indebtedness in FY2026. As on March 31, 2026, the company’s capitalisation profile was characterised by a net worth of Rs. 85 crore (supported by capital infusion of Rs. 25 crore in 9M FY2025) and gearing of 2.4 times. As the MTF book expands, the leverage is expected to rise further; however, according to the management’s plans, the leverage is likely to be maintained within 4.5 times over the near-to-medium term.

Elevated competition, high dependence on technology, and evolving regulatory environment – Securities broking companies rely heavily on technology for trade execution, fund management, and other operations. Thus, technical failures or disruptions pose operational and reputational risks. Moreover, given the highly regulated nature of the industry, brokerage houses remain

exposed to regulatory risk. Their ability to ensure compliance with the evolving regulatory landscape remains crucial. The sector is also characterised by intense competition and is susceptible to the entry of new players.

Regulatory changes, such as revisions in the tightening of the index derivatives framework and higher working capital requirements for broking operations, have impacted the profitability of securities brokers. Moreover, the recent tightening in bank lending to capital market intermediaries could make more players tap money markets while exploring the debt market. Thus, an expansion in borrowing spreads of brokers cannot be ruled out completely, which may constrain the profitability trajectory of securities brokers. Further, while the industry could witness a moderation in derivatives trading volumes following the recent increase in STT, the impact on CSEC is expected to remain limited as derivatives accounted for about 16% of its gross broking income and less than 8% of its NOI in FY2026.

Liquidity position: Adequate

CSEC's liquidity position remains adequate with unencumbered liquid investments of Rs. 44 crore and a cash and bank balance of Rs. 1 crore as on March 31, 2026. These, along with inflows from the short-tenor MTF book of ~Rs. 173 crore (which can be liquidated at short notice to generate liquidity), are adequate against principal repayments of Rs. 139 crore till August 2026. CSEC utilises its sanctioned non-fund based bank lines, aggregating Rs. 60 crore (secured by 50% cash margins), besides cash & cash equivalents and client collateral for placing margins at the exchanges. During the 12 months ended December 2025, the peak utilisation of cash margins placed with exchanges stood comfortable. In addition to borrowing arrangements with financial institutions, CSEC has a funding line of Rs. 220 crore from the holding company (CIFCL), which can be drawn (if required). It also enjoys financial flexibility as it is a part of the Chola Group.

Rating sensitivities

Positive factors – Significant scaleup in operations while demonstrating sustained improvement in the profitability and capitalisation profile. Further strengthening of the credit profile of parent i.e. CIFCL would be credit positive.

Negative factors – A material change in the expected level of support from CIFCL or a deterioration in the credit risk profile of CIFCL shall impact CSEC's ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology – Stockbroking & Allied Services
Parent/Group support	The ratings factor in CSEC's strong parentage as it is a subsidiary of CIFCL. CSEC draws managerial and financial support from CIFCL, as evident from the common board members, credit lines and shared brand name.
Consolidation/Standalone	Standalone

About the company

Incorporated in 1994, Cholamandalam Securities Limited (CSEC) is a subsidiary of CIFCL and part of Murugappa Group. It is a Securities and Exchange Board of India (SEBI) registered stockbroker and depository participant. The company is a member of BSE Limited and National Stock Exchange of India Limited. It is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited.

CSEC offers security broking, depository and equity research services to retail, corporate and institutional clients. Besides securities broking, it undertakes the distribution of financial products including mutual funds, Alternative Investment Funds (AIFs), portfolio management services (PMS), fixed deposits, bonds, and life and general insurance products. As on March 31, 2026, CSEC was catering to 21,679 active retail clients and more than 50 active institutional clients, supported by a network of nine branches and 105 franchises.

Key financial indicators (audited)

CSEC – Standalone	FY2025	FY2026
Net operating income	78.0	73.9
Profit after tax	8.0	8.0
Net worth	76.7	84.8
Total assets	271.5	398.0
Gearing (times)	1.2	2.4
Return on average net worth	13.3%	10.0%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount rated (Rs. crore)	Jun 10, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	400.00	[ICRA]A1+	Mar 23, 2026	[ICRA]A1+	Mar 24, 2025	[ICRA]A1+	Mar 26, 2024	[ICRA]A1+
Issuer rating	Long term	-	[ICRA]AA (Stable)	-	-	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/proposed to be listed bonds/debentures/preference shares (all securities)	SEBI
2	Unlisted/proposed to be unlisted bonds/debentures/ preference share (all securities)	MCA
3	Listed PTCs / securitisation notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / securitisation notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / securitisation notes (originated by entities regulated by RBI) (*)	RBI
6	Listed commercial paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted commercial paper and NCDs with original maturity less than 1 year	RBI
8	Loan facilities (Fund/Non-Fund Based) from bank / NBFCs/ NHB/ FIs (\$))	RBI
9	External commercial borrowings/loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter corporate deposits/loans extended by corporates	MCA
14	Listed security receipts	SEBI
15	Unlisted security receipts	RBI
16	Unlisted PTCs / Securitisation notes (originated by entities not regulated by RBI) (*)	Investor-side regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit ratings for capital protection oriented schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for mutual fund schemes and schemes of AIFs	SEBI
3	Independent credit evaluation (ICE)	RBI
4	Expected loss ratings (for loan facilities [fund/non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected loss ratings (listed / proposed to be listed bonds / debentures / preference shares (all securities))	SEBI
6	Expected loss ratings (Unlisted / proposed to be unlisted bonds/ debentures / preference shares (all securities))	MCA
7	Credit rating of borrowing programme	(@)
8	Issuer ratings	(#)
9	Monitoring agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI master circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer rating	Not Applicable
Commercial paper	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Issuer rating	-	-	-	-	[ICRA]AA (Stable)
Not applicable	Commercial paper*	NA	NA	NA	215.00	[ICRA]A1+
INE04JX14199	Commercial paper	May 27, 2026	8.80%	Aug 17, 2026	40.00	[ICRA]A1+
INE04JX14173	Commercial paper	Mar 12, 2026	8.10%	Mar 12, 2027	70.00	[ICRA]A1+
INE04JX14181	Commercial paper	Mar 18, 2026	8.50%	Jun 17, 2026	75.00	[ICRA]A1+

Source: Company; *Yet to be placed

Annexure III: List of entities considered for consolidated analysis

Not applicable

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Branches



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