May 28, 2025

Standard Chartered Securities (India) Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	700.0	700.0	[ICRA]A1+; reaffirmed
Long-term fund-based/non-fund based bank lines	510.0	510.0	[ICRA]AAA (Stable); reaffirmed
Non-convertible debenture	100.0	100.0	[ICRA]AAA (Stable); reaffirmed
Total	**1,310.0**	**1,310.0**	

Instrument details are provided in Annexure I

Rationale

The ratings factor in Standard Chartered Securities (India) Limited's (SCSIL) parentage in the form of Standard Chartered Bank (UK) (SCB UK; rated A1 (Positive)/P-1 by Moody's Investors Service). In addition to the shared brand name, which supports its financial flexibility, the company benefits from board supervision, the prudent risk management systems adopted from the Standard Chartered Bank (SCB) Group's global practices, and operational synergies with the Group in the form of customer sourcing, cross-selling, and access to Standard Chartered India's retail clientele and branch network. The ratings also consider SCSIL's adequate capitalisation and liquidity profile for the current scale of operations.

With the ramp-up in the company's debt-funded margin trading facility (MTF) loan business, borrowings have increased. SCSIL's gearing rose to 1.1 times as on December 31, 2024, from 0.6 times as on March 31, 2023. While the scale of the MTF loan book and associated funding requirements through commercial paper (CP) borrowings depend on market conditions and can be volatile, the MTF book and gearing level are expected to increase compared to the historical average. SCSIL also remains exposed to credit and market risks on account of the MTF loan book, given the nature of the underlying assets.

SCSIL's scale of operations and profitability indicators remain modest and its business profile has limited diversification with the broking as well as the MTF business being dependent on capital markets. This exposes the company to the risks associated with market volatility. The intense competition in the retail broking space is likely to keep the yields under pressure. Going forward, SCSIL's ability to scale up its client base and broking volumes, while ensuring that the asset quality of the MTF book is adequate, would be imperative for improving its profitability.

The Stable outlook indicates ICRA's expectation of continued benefit from the company's parentage.

Key rating drivers and their description

Credit strengths

Strong parentage – SCSIL derives benefits from its parentage in the form of the SCB Group and receives operational and management support from the Group. Given its position as a bank brokerage house, the company has access to SCB India's high-net-worth clientele while it helps augment the bank's service portfolio by offering broking services to its clients and completes the entire wealth management suite of products. SCSIL also leverages the brand name and the parent's distribution network, which helps it expand its business while keeping customer acquisition costs under control. Additionally, it benefits from board supervision as SCB, India Branches' senior management including its Chief Executive Officer, are on the company's board. Moreover, the shared brand name supports the company's financial flexibility. ICRA expects that support from the Group will be forthcoming in a timely manner, if required, going forward as well.

Adequate capitalisation and liquidity for current scale of operations – With SCSIL's operations in the retail broking space limited to SCB India's customer base, its capitalisation has been adequate for the current scale of operations. The company's capital would be used primarily for meeting the margin requirements at the stock exchanges and for the MTF business in the near term. Historically, SCSIL's leverage has been low, though the scaling up of the MTF book has resulted in an increase in the leverage with the reported gearing rising to 1.1 times as on December 31, 2024, from 0.6 times as on March 31, 2023 (0.5 times as on March 31, 2022). The net worth and MTF book increased to Rs. 364 crore and Rs. 394 crore, respectively, in December 2024 from Rs. 296 crore and Rs. 237 crore, respectively, in March 2023. The gearing is expected to increase further with the expected ramp-up in the MTF business in the near to medium term. Given SCSIL's importance to SCB India's operations, ICRA expects it to receive timely capital support from the Group for the realisation of its growth plans while maintaining prudent capitalisation levels.

The company has an adequate liquidity profile with moderate utilisation of the margins placed with the stock exchanges. Its average cash margin utilisation (funded through own and client funds) was around 28% in the last 11 months.

Credit challenges

Modest scale of operations; high client concentration – The company's scale of operations is relatively small with a nominal equity broking market share as client acquisition in the broking business is limited to SCB India's customer base. Further, the active clients in SCSIL's overall client base remain limited at 11,601 in FY2025 compared to larger brokers. This has kept its revenue and profitability indicators modest, with the return on equity (RoE) staying range-bound at 4-9% over the years. Brokerage income and net interest income (NII) remain the key contributors to the overall revenue profile (total net operating income (NOI[1]) of Rs. 77.8 crore in 9M FY2025), with a share of 53% and 38%, respectively, in 9M FY2025 (50% and 37%, respectively, in FY2024). Also, customer concentration is high with the top 10 broking customers accounting for ~55% of the trade volume in the cash segment and ~90% in the futures & options (F&O) segment in 9M FY2025.

In the near to medium term, income growth and a subsequent improvement in the customer base, revenue and profitability will depend on the pick-up in the digital customer onboarding of SCB India's customers. It will also depend on SCSIL's ability to acquire new clients outside SCB India's ecosystem and grow the MTF book further while maintaining the current level of asset quality.

Exposed to risks inherent in capital market business as well as credit and market risks associated with MTF business – SCSIL forayed into the MTF business in FY2020, ramping up the MTF book to Rs. 394 crore as on December 31, 2024 (~Rs. 400 crore as of February 2025) from Rs. 12 crore as on March 31, 2020. It remains exposed to credit and market risks, given the nature of the underlying assets, as any adverse event in the capital markets could erode the value of the underlying collateral stocks. Given the modest client base, the borrower concentration in the MTF book also remains high with the top 10 customers accounting for ~30% of the MTF loan book. However, SCSIL's risk management processes, which have been adopted from the global practices of the SCB Group, have helped it manage the business despite volatile capital market movements.

SCSIL's revenues remain dependent on capital markets, which are inherently volatile in nature. Its net brokerage income and NII from the MTF business and the deposit of upfront cash margins from the clients accounted for 53% and 38%, respectively, of the NOI in 9M FY2025, reflecting its limited presence in non-capital market related businesses. Hence, SCSIL's revenue profile and profitability remain vulnerable to market performance.

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 changes, such as uniform exchange charges, have impacted profitability, especially for discount brokers. Measures to curb exuberance in the F&O segment, including rationalisation of weekly index derivatives and increased margins on expiry days, were phased in during November 2024 to April 2025. ICRA, however, notes that the share of derivatives income in SCSIL's overall broking income remains small.

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[1] *NOI refers to the sum of brokerage income, NII and fee income*

These, along with the hike in securities transaction tax, pose risks to 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 downturns remains a concern. Additionally, reliance on technology poses operational and reputational risks. Maintaining uninterrupted services will be crucial for customer experience.

Liquidity position: Adequate

SCSIL's funding requirement is primarily for placing margins at the exchanges and growing the MTF book. Cash margin utilisation, basis month-end data, ranged between 16% and 43%, with the average cash margin placed on exchanges (including client funds) amounting to Rs. 281 crore during June 2024 to April 2025. As on April 30, 2025, SCSIL had total borrowings of Rs. 375 crore, of which Rs. 300 crore is due for repayment within six months. Against this, it had an unencumbered cash and bank balance of Rs. 52 crore and drawable but unutilised lines of Rs. 135 crore. Additionally, the MTF book stood at ~Rs. 400 crore as on February 28, 2025, which can be liquidated at short notice to generate liquidity if required. SCSIL also enjoys financial flexibility, as a part of the SCB Group, and the same is evident from the regular CP issuances and competitive borrowing cost.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A revision in the credit profile of the parent (SCB UK) or a significant change in the company's shareholding or linkage with the parent could lead to pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Stockbroking & Allied Services
Parent/Group support	SCB UK The ratings factor in the high likelihood of support from SCB UK, driven by reputational and strategic considerations
Consolidation/Standalone	Standalone

About the company

SCSIL is a wholly owned subsidiary of Standard Chartered Bank (Mauritius) Limited (SCBM) and a step-down subsidiary of SCB UK. SCBM acquired the company from Securities Trading Corporation of India (STCI) during 2008-2010. Prior to the acquisition, it was known as UTI Securities Limited (UTISEL). SCSIL is a broking company with an operational track record of 29 years. It is registered as a trading and clearing member with Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). Currently, SCSIL offers broking facilities, margin trade facilities and distribution of third-party products like corporate fixed deposits and bonds. Its net worth stood at Rs. 364 crore as on December 31, 2024, compared to Rs. 296 crore as on March 31, 2023. It reported a profit after tax (PAT) of Rs. 24 crore in 9M FY2025 compared to Rs. 12 crore in FY2023.

In 2007, SCBM had agreed to acquire UTISEL from STCI in three tranches. In the first tranche, SCBM acquired a 49% stake in January 2008, after which the company's name was changed to Standard Chartered-STCI Capital Markets Limited. A further 25.9% stake was acquired in December 2008 as a part of the second leg of the transaction, increasing the total stake to 74.9%. As the last part of the acquisition, SCBM increased its stake to 100% by acquiring the residual stake of 25.1% in October 2010. Consequently, the company became a wholly owned subsidiary of SCBM and was renamed Standard Chartered Securities (India) Limited.

Key financial indicators

SCSIL	Audited	Audited	Unaudited
	FY2023	FY2024	9M FY2025
Net operating income (NOI)	66.0	86.4	77.8
Profit after tax (PAT)	11.9	21.7	23.8
Net worth	296.3	337.8	363.5
Total assets	617.3	798.8	904.0
Gearing (times)	0.6	1.0	1.1
Return on average net worth	4.1%	6.9%	9.1%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 28, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based/non-fund based bank lines	LT	510.0	[ICRA]AAA (Stable)	Jul 12, 2024	[ICRA]AAA (Stable)	Mar 28, 2024	[ICRA]AAA (Stable)	Nov 30, 2022	[ICRA]AAA (Stable)
				-	-	Nov 24, 2023	[ICRA]AAA (Stable)	-	-
Commercial paper	ST	700.0	[ICRA]A1+	Jul 12, 2024	[ICRA]A1+	Mar 28, 2024	[ICRA]A1+	Nov 30, 2022	[ICRA]A1+
				-	-	Nov 24, 2023	[ICRA]A1+	-	-
Non-convertible debenture	LT	100.0	[ICRA]AAA (Stable)	Jul 12, 2024	[ICRA]AAA (Stable)	-	-	-	-

LT – Long term; ST – Short term

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based/non-fund based bank lines	Simple
Commercial paper	Very Simple
Non-convertible debenture*	Simple

** To be finalised at time of placement*

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	**Long-term fund-based/non-fund based bank lines**	NA	NA	NA	510.0	[ICRA]AAA (Stable)
INE472H14458	**Commercial paper**	Nov 22, 2024	8.50	May-21-2025	15.00	[ICRA]A1+
INE472H14540	**Commercial paper**	Feb 21-2025	8.20	May-22-2025	10.00	[ICRA]A1+
INE472H14573	**Commercial paper**	Mar-19-2025	8.20	Jun-16-2025	25.00	[ICRA]A1+
INE472H14581	**Commercial paper**	Mar-20-2025	8.20	Jun-17-2025	25.00	[ICRA]A1+
INE472H14474	**Commercial paper**	Dec-20-2024	8.50	Jun-18-2025	25.00	[ICRA]A1+
INE472H14482	**Commercial paper**	Jan-07-2025	8.45	Jun-20-2025	25.00	[ICRA]A1+
INE472H14508	**Commercial paper**	Jan-31-2025	8.40	Jul-30-2025	15.00	[ICRA]A1+
INE472H14516	**Commercial paper**	Feb-11-2025	8.40	Aug-11-2025	25.00	[ICRA]A1+
INE472H14532	**Commercial paper**	Feb-21-2025	8.40	Aug-20-2025	25.00	[ICRA]A1+
INE472H14557	**Commercial paper**	Feb-25-2025	8.40	Aug-25-2025	20.00	[ICRA]A1+
INE472H14565	**Commercial paper**	Feb-25-2025	8.40	Aug-26-2025	25.00	[ICRA]A1+
INE472H14433	**Commercial paper**	Sep-10-2024	8.73	Sep-10-2025	15.00	[ICRA]A1+
INE472H14466	**Commercial paper**	Nov-06-2024	8.85	Sep-12-2025	25.00	[ICRA]A1+
INE472H14490	**Commercial paper**	Jan-15-2025	8.55	Jan-15-2026	30.00	[ICRA]A1+
INE472H14524	**Commercial paper**	Feb-18-2025	8.50	Feb-18-2026	25.00	[ICRA]A1+
INE472H14599	**Commercial paper**	Mar-28-2025	8.45	Mar-27-2026	20.00	[ICRA]A1+
Yet to be placed	**Commercial paper**	NA	NA	7-365 days	350.00	[ICRA]A1+
Proposed to be listed	**Non-convertible debenture**	NA	NA	-	100.0	[ICRA]AAA (Stable)

Source: Company, ICRA Research; CP outstanding data is as on May 16, 2025

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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