

July 08, 2025

## Kotak Securities Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	100.00	100.00	[ICRA]AAA (Stable); reaffirmed
Long term fund based	3,500.00	3,500.00	[ICRA]AAA (Stable); reaffirmed
Long term non-fund based	1,500.00	1,500.00	[ICRA]AAA (Stable); reaffirmed
Commercial paper	17,500.00	22,500.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
<b>Total</b>	<b>22,600.00</b>	<b>27,600.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings continue to factor in Kotak Securities Limited's (KSL) robust retail franchise, supported by its position as a bank brokerage house, and its sound financial profile with healthy profitability and strong capitalisation. The ratings also consider the company's strong parentage as it is a subsidiary of Kotak Mahindra Bank Limited (KMBL<sup>1</sup>), which holds a 75% stake, while KMBL's subsidiary (Kotak Mahindra Capital Company Limited) holds the balance. KSL has strong linkages with the parent and the shared brand name strengthens ICRA's expectation that the company will receive timely and adequate financial and operational support from the parent, as and when required. KSL's importance to the parent is evident from the support received by it in the form of senior management deputations, customer sourcing and cross-selling, and access to the bank's retail clientele and branch network.

To diversify its revenue profile, KSL has been increasing its debt-funded margin trade funding (MTF) business. With the expected growth in the MTF loan book dependent on market buoyancy and the associated funding requirements through commercial paper (CP) borrowings, the gearing is likely to increase. Further, the higher working capital requirement in the broking business to fund incremental growth will primarily be supported by outside borrowings. ICRA, however, expects the company's capitalisation profile to remain strong, providing headroom for growth.

The ratings also take into account the credit and market risk associated with the margin funding exposures, given the nature of the underlying assets, the intense competition in the retail broking space, and the risks associated with capital market related businesses given the inherent volatility, high dependence on technology and the evolving regulatory environment. Nonetheless, the increasing share of non-broking revenues has been aiding the diversification of the revenue profile. Going forward, KSL's ability to continue to ramp up the broking revenues and sustain the lending spreads, while ensuring adequate asset quality, would be imperative for maintaining 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 by virtue of being a part of Kotak Group** – The company is a part of the Kotak Group with KMBL holding 75% directly and 25% through its wholly-owned subsidiary. The strong parentage, coupled with the shared brand name and

<sup>1</sup> Rated [ICRA]AAA (Stable) for infrastructure bond programme

board representation, strengthens ICRA's expectation that KSL will receive timely and adequate support (financially as well as operationally) from the Group, as and when required. The company helps augment KMBL's services portfolio and enjoys customer sourcing opportunities along with access to the bank's retail clientele and branches. KMBL has a nominee director on KSL's board. It also draws the advantage of enhanced financial flexibility as it is a subsidiary of KMBL.

**Established presence in broking space** – KSL, a full-service securities brokerage house, has been operating in the broking space for almost three decades. As a brokerage entity within the Group, it draws franchise recognition from its association with KMBL. As on March 31, 2025, KSL had a National Stock Exchange (NSE) active client base of 14.8 lakh customers through 155 standalone branches and 988 franchisees. It is the seventh largest in the broking industry with a market share of 3%. Moreover, KSL is the second largest player in the MTF segment with a market share of ~12% as on March 31, 2025, given its competitive funding profile to fund this book. The company also has a strong presence in the institutional broking segment.

Given its focus on the high-yielding cash segment and the increase in its leverage position in this segment through the MTF facility, KSL registered a growth of 25.1% in its average daily turnover (ADTO) in the cash segment in FY2025, though it trailed the average industry growth of 35.1%. The company has seen a consistent rise in futures & options (F&O) volumes in recent years due to the growing popularity of options with increasing market share. Income from retail broking in the F&O segment, is particularly susceptible to regulatory changes, given the shifting regulatory landscape and operating environment. In this context, the introduction of regulatory curbs, particularly those targeting speculative trading by retail investors effective November 20, 2024, has tempered volumes. Consequently, KSL witnessed a moderation in the YoY growth of its F&O ADTO in FY2025 to 41.7% from the more than 200% growth seen during FY2022-FY2024. The company had a market share<sup>2</sup> of 4.3% in the cash segment and 5.9% in the F&O segment in FY2025.

**Healthy profitability and strong capitalisation** – KSL's profitability remained healthy with profit after tax (PAT)/NOI of 48.5% and a return on net worth (RoNW) of 17.8% in FY2025 compared to 49.0% and 16.8%, respectively, in FY2024. The cost-to-income ratio remained stable at ~47% in FY2025. The company reported its highest-ever PAT of Rs. 1,638 crore in FY2025 compared to Rs. 1,312 crore in FY2024.

ICRA notes that KSL has introduced a flat brokerage fee of Rs. 10 per order for F&O through the NEO platform, effective November 2024, which was previously not subject to any broking charges. This applies to all F&O trades, including intraday and carry forward positions, under the 'Trade Free' plan. While this broking income from the F&O segment has offset the impact on revenues and profitability due to loss of the income related to exchange turnover charges, the decline in F&O volumes from November 2024 onwards (following the implementation of measures to curb hyperactivity in the derivatives segment) limited the contribution to profitability in H2 FY2025.

KSL's capitalisation remains strong, and its net worth is one of the highest among domestic broking companies at Rs. 10,009 crore, leading to a low gearing of 0.72 times as on March 31, 2025 (0.78 times as on March 31, 2024). Its capital needs are mainly for meeting the margin requirements at the exchanges and for the MTF business. While the company's gearing could increase with the likely scale-up of the MTF loan book and associated funding requirements through CP borrowings, it would remain strong. Further, the increased working capital requirement in the broking business to fund incremental growth will primarily be supported by outside borrowings. The growth in the MTF loan book would, however, depend on market conditions and can be volatile.

## Credit challenges

**Exposed to risks inherent in capital market related businesses as well as credit and market risks associated with MTF business** – The trading volumes and revenues of securities broking companies are susceptible to the inherently volatile capital markets, which are cyclical in nature. As broking revenues continue to account for a sizeable portion of its NOI, KSL's profitability remains susceptible to market performance to a certain extent. Nonetheless, the improving diversification by ramping up the distribution business and the sizeable revenue flow from the ramp-up of the MTF book provide some stability

<sup>2</sup> Market share as per ICRA's calculations; market share excluding proprietary trades

to the overall earnings profile. Net broking income accounted for ~55% of NOI in FY2025 (~52% in FY2024), followed by net interest income (NII; FY2024 and FY2025: 39% each) and fee-based revenues, such as distribution, etc. (FY2024: 9% and FY2025: 7%). KSL is also exposed to credit and market risks on account of the MTF lending book, given the nature of the underlying assets and funding risks due to the nature of its borrowings. Its ability to maintain adequate asset quality while ramping up the lending book would remain a monitorable.

**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 of discount brokers. Measures to curb exuberance in the F&O segment, including rationalisation of weekly index derivatives and increased margins on expiry days, were implemented in a phased manner during November 2024 to April 2025. These measures, along with the hike in securities transaction tax, pose risks to capital market volumes and profitability, particularly of 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 and KSL’s ability to offer uninterrupted services will be imperative for maintaining customer experience.

### Liquidity position: Strong

KSL’s funding requirement is primarily for placing margins at the exchanges and growing the MTF book. Its margin utilisation was in the range of 18-22% (basis month-end data) during October 2024 to March 2025, with the average cash margin placed on exchanges (including client funds) aggregating ~Rs. 10,500 crore during this period. As on May 31, 2025, KSL had total borrowings of ~Rs. 11,085 crore, which falls due in the next three months (till August 2025). Against this, it had an unencumbered cash and bank balance and liquid investments of Rs. 604 crore and drawable but unutilised lines of Rs. 2,522 crore. Additionally, the MTF book, which is callable on short notice, stood at Rs. 10,688 crore while the proprietary investment book that can be liquidated at short notice to generate liquidity, if required, stood at Rs. 1,024 crore. KSL also enjoys financial flexibility, as it is a subsidiary of KMBL, and the same is evident from the regular CP issuances and competitive borrowing cost.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – A deterioration in KMBL’s credit profile or a change in KSL’s strategic importance to the parent or a decline in the linkages with the parent would be a negative factor.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Stockbroking &amp; Allied Services</a>
Parent/Group support	Parent: Kotak Mahindra Bank Limited KSL is a subsidiary of KMBL, which holds a 75% stake in the company. The strong parentage and shared brand name strengthen ICRA’s expectation that KSL will receive timely and adequate operational support from KMBL, if needed. The company also enjoys significant financial flexibility by virtue of being a subsidiary of KMBL. It draws the advantage of strong operational linkages with the bank as demonstrated by the senior management depositions from the bank along with customer sourcing and cross-selling support.
Consolidation/Standalone	Standalone

## About the company

Kotak Securities Limited (KSL), a subsidiary of Kotak Mahindra Bank Limited (KMBL), was incorporated on July 20, 1994. It provides securities broking in the cash equities segment, equity derivatives, commodity and currency derivatives segment, depository services, and primary and secondary market distribution services. It is also registered as a portfolio manager with the Securities and Exchange Board of India (SEBI) and as a mutual fund advisor with the Association of Mutual Funds in India (AMFI). Moreover, it acts as a corporate agent of Kotak Mahindra Life Insurance Company Limited. Depending on market opportunities, the company maintains a proprietary trading book as well.

KSL's net worth stood at Rs. 10,009 crore as on March 31, 2025, compared to Rs. 8,420 crore as on March 31, 2024. It reported a PAT of Rs. 1,638 crore in FY2025 compared to Rs. 1,312 crore in FY2024.

### Key financial indicators (audited)

Kotak Securities Limited	FY2024	FY2025
Net operating income	2,678	3,379
Profit after tax	1,312	1,638
Net worth	8,420	10,009
Total assets	24,647	27,344
Gearing (times)	0.78	0.72
Return on average net worth	16.8%	17.8%

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: None

### 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)	Jul 08, 2025	Date	Rating	Date	Rating	Date	Rating
Non-convertible debentures	Long term	100.00	[ICRA]AAA (Stable)	Jul 11, 2024	[ICRA]AAA (Stable)	Oct 31, 2023	[ICRA]AAA (Stable)	Oct 12, 2022	[ICRA]AAA (Stable)
Long-term fund based	Long term	3,500.00	[ICRA]AAA (Stable)	Jul 11, 2024	[ICRA]AAA (Stable)	Oct 31, 2023	[ICRA]AAA (Stable)	Oct 12, 2022	[ICRA]AAA (Stable)
Long-term non-fund based	Long term	1,500.00	[ICRA]AAA (Stable)	Jul 11, 2024	[ICRA]AAA (Stable)	Oct 31, 2023	[ICRA]AAA (Stable)	Oct 12, 2022	[ICRA]AAA (Stable)
Commercial paper programme	Short term	22,500.00	[ICRA]A1+	Jul 11, 2024	[ICRA]A1+	Oct 31, 2023	[ICRA]A1+	Oct 12, 2022	[ICRA]A1+

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Very Simple <sup>^</sup>
Long-term fund based	Very Simple
Long-term non-fund based	Very Simple
Commercial paper	Very Simple

<sup>^</sup>Subject to change once 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/ Sanction	Coupon rate (%)	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	
INE028E14QX6	<b>Commercial paper programme*</b>	May-05-2025	6.70	Jul-01-2025	175.00	[ICRA]A1+	
INE028E14QX6		May-08-2025	6.70	Jul-01-2025	125.00	[ICRA]A1+	
INE028E14RQ8		Jun-16-2025	6.21	Jul-04-2025	200.00	[ICRA]A1+	
INE028E14QV0		Apr-24-2025	6.88	Jul-24-2025	600.00	[ICRA]A1+	
INE028E14QW8		Apr-30-2025	6.80	Jul-29-2025	250.00	[ICRA]A1+	
INE028E14QY4		May-06-2025	6.83	Aug-05-2025	400.00	[ICRA]A1+	
INE028E14QZ1		May-09-2025	6.85	Aug-07-2025	500.00	[ICRA]A1+	
INE028E14RA2		May-16-2025	6.84	Aug-14-2025	400.00	[ICRA]A1+	
INE028E14RB0		May-20-2025	6.70	Aug-19-2025	250.00	[ICRA]A1+	
INE028E14RC8		May-21-2025	6.67	Aug-20-2025	500.00	[ICRA]A1+	
INE028E14RD6		May-23-2025	6.64	Aug-22-2025	250.00	[ICRA]A1+	
INE028E14RF1		May-28-2025	6.58	Aug-25-2025	420.00	[ICRA]A1+	
INE028E14RE4		May-27-2025	6.58	Aug-26-2025	590.00	[ICRA]A1+	
INE028E14RI5		May-30-2025	6.58	Aug-29-2025	400.00	[ICRA]A1+	
INE028E14RH7		Jun-03-2025	6.55	Sep-02-2025	500.00	[ICRA]A1+	
INE028E14RK1		Jun-05-2025	6.53	Sep-03-2025	600.00	[ICRA]A1+	
INE028E14RJ3		Jun-05-2025	6.46	Sep-04-2025	400.00	[ICRA]A1+	
INE028E14RJ3		Jun-06-2025	6.42	Sep-04-2025	900.00	[ICRA]A1+	
INE028E14RO3		Jun-09-2025	6.15	Sep-08-2025	500.00	[ICRA]A1+	
INE028E14RN5		Jun-10-2025	6.48	Sep-09-2025	675.00	[ICRA]A1+	
INE028E14RM7		Jun-11-2025	6.17	Sep-10-2025	450.00	[ICRA]A1+	
INE028E14RL9		Jun-12-2025	6.25	Sep-11-2025	600.00	[ICRA]A1+	
INE028E14RP0		Jun-16-2025	6.27	Sep-15-2025	425.00	[ICRA]A1+	
INE028E14RR6		Jun-17-2025	6.35	Sep-16-2025	600.00	[ICRA]A1+	
INE028E14RS4		Jun-19-2025	6.30	Sep-18-2025	800.00	[ICRA]A1+	
INE028E14RT2		Jun-20-2025	6.30	Sep-19-2025	230.00	[ICRA]A1+	
INE028E14RU0		Jun-24-2025	6.27	Sep-23-2025	250.00	[ICRA]A1+	
INE028E14RU0		Jun-25-2025	6.27	Sep-23-2025	200.00	[ICRA]A1+	
<b>Proposed to be listed</b>			7-365 days	NA	NA	10,310.00	[ICRA]A1+
<b>NA</b>		<b>Long-term non-fund based</b>	NA	NA	NA	1,500.00	[ICRA]AAA (Stable)
<b>NA</b>	<b>Long-term fund based</b>	NA	NA	NA	3,500.00	[ICRA]AAA (Stable)	
<b>Not placed</b>	<b>Non-convertible debenture programme</b>	NA	NA	NA	100.00	[ICRA]AAA (Stable)	

\*CP details as on June 30, 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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## ICRA Limited



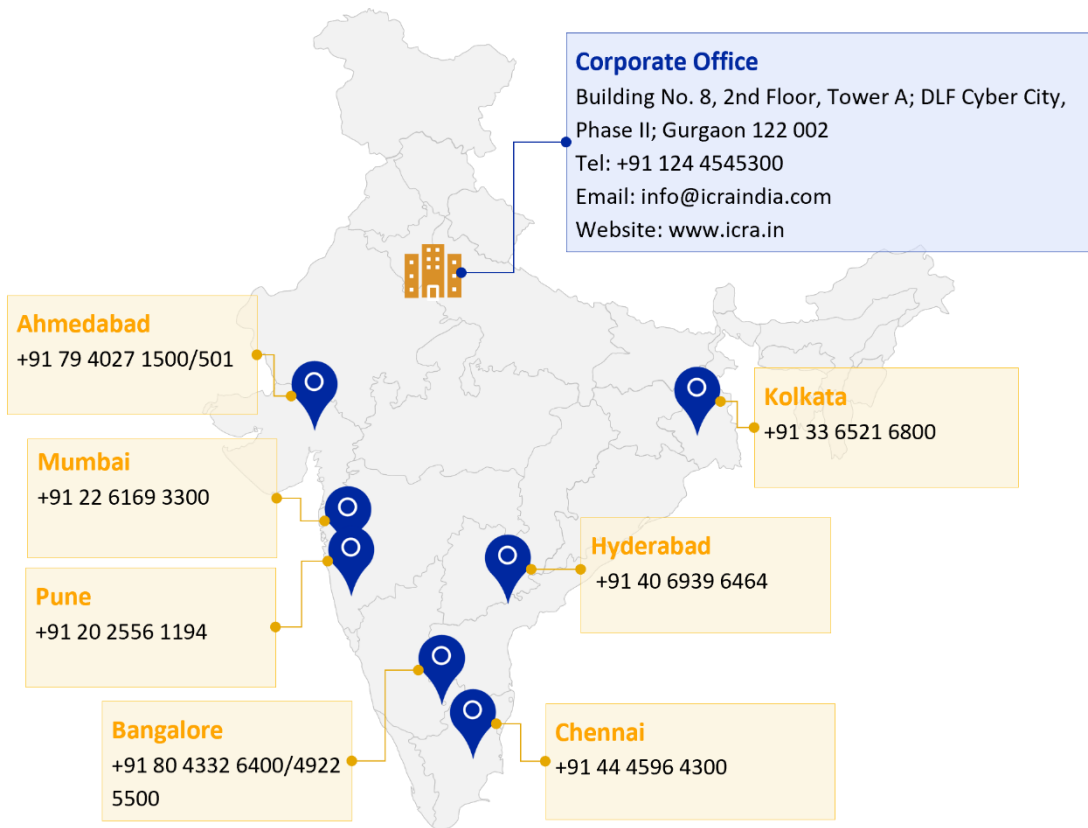
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### Branches



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