

August 28, 2025

Master Capital Services Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short-term non-fund based bank lines	100	100	[ICRA]A2+; reaffirmed
Total	100	100	

*Instrument details are provided in Annexure I

Rationale

The rating continues to factor in Master Capital Services Ltd's (MCSL) long track record and established position in capital market related businesses, its adequate capitalisation for the current scale of operations, and healthy profitability. Despite the industry-wide headwinds that led to a moderation in its performance in H2 FY2025 and Q1 FY2026, MCSL's profitability showed signs of a quarter-on-quarter (QoQ) recovery in Q1 FY2026. The company reported a profit after tax/net operating income (PAT/NOI) ratio of 47.4% and a return on equity (RoE) of 18.9% for the quarter. A sizeable portion of MCSL's funding requirement arises from margin placement on exchanges, which is primarily met through bank guarantees and intraday lines. Additionally, funds are required to support the expansion of the margin trading facility (MTF) book, although its scale remains modest. As on June 30, 2025, the capitalisation profile was characterised by a gearing of 0.4 times and a net worth of Rs. 470 crore. Excluding on-balance sheet borrowings from related parties, the gearing was lower at 0.1 times.

The rating is constrained by low revenue diversification, with income primarily derived from broking and proprietary trading activities. With net brokerage¹ and trading income accounting for ~75% of its total income², MCSL's profitability remains sensitive to capital market activities. ICRA also notes that the proprietary trading income, which is exposed to idiosyncratic risks, accounts for about 50% of the profit before tax (PBT). Moreover, the company remains exposed to intense competition in capital markets, the evolving operating and regulatory environment, and the associated technology-related risks.

Key rating drivers and their description

Credit strengths

Long track record and established position in capital market related businesses – Incorporated in 1994, MCSL is the flagship company of the Master Group and is predominantly engaged in capital market and allied businesses. Besides equity broking (primarily catering to retail segment), it has a small presence in commodity broking, currency broking, margin trade funding and distribution of financial products. The company also undertakes proprietary trading operations, which have scaled up significantly in the last four years. MCSL has a pan-India presence with a network of 55 branches and 721 franchisees as of June 2025 and an active National Stock Exchange (NSE) client base of 63,508 (Total clients 3,53,005) (0.1% of total NSE active clients as of June 2025).

Adequate capitalisation for current scale of operations – Supported by healthy internal accruals in recent years, MCSL's net worth increased to Rs. 470 crore as on June 30, 2025 from Rs. 338 crore as on March 31, 2024. The capitalisation profile remains adequate for the current scale of operations with a gearing of 0.4 times as of June 2025. ICRA notes that a significant part of the debt is from related parties; excluding this, the leverage stood at 0.1 times. Nonetheless, it is observed that a sizeable portion of the borrowings from related parties is in the form of deep discount bonds maturing in the upcoming

¹ Net brokerage income is defined as the difference between gross brokerage income and sub-brokerage commission paid

² Total income is defined as the sum of net brokerage income, net interest income, distribution income, depository income, professional income and proprietary trading income

quarters. The sanctioned fund-based lines (bank overdraft against fixed deposits (FDs) and working capital loans) are used as liquidity backup for placing additional margins at the exchanges. The company also had non-fund based lines and intraday lines, aggregating Rs. 605 crore and Rs. 350 crore, respectively, as of June 2025, which are utilised for placing margins at the exchanges.

Healthy profitability, notwithstanding recent moderation amid industry-wide headwinds – Supported by the favourable activity in capital markets, the company reported an improving profitability trajectory during the 4-year period ending March 2024, with an all-time high RoE of 32.1% in FY2024 and a 4-year average of 25.0%. The growth momentum continued in H1 FY2025 as well, supported by industry tailwinds. However, market-wide trading activity declined in H2 FY2025 due to the new regulatory measures implemented in November 2024 and the softening in investor sentiment, with a more pronounced impact in Q4 FY2025. As a result, MCSL experienced a 20-25% decline in revenues and a 30% drop in PAT from the peak levels recorded in earlier quarters. Nonetheless, its performance remained strong during the year, driven by the growth in broking and proprietary trading revenues in H1 FY2025 amid favourable industry tailwinds. It reported a PAT of Rs. 104 crore (Rs. 93 crore in FY2024), PAT/NOI of 51.6% (55.8% in FY2024), and RoE of 26.5% (32.1% in FY2024) in FY2025.

Following the subdued performance in H2 FY2025, MCSL recorded a QoQ recovery of ~8% in revenues in Q1 FY2026. However, this was partially offset by higher operating expenses, with the cost-to-income ratio (including trading income) rising to 70.2% from 65.3% in FY2025. Despite this, the overall performance remained healthy, though below the preceding 4-year average, with a PAT of Rs. 22 crore, PAT/NOI of 47.4%, and RoE of 18.9% versus the average RoE of 25% during FY2021-FY2024.

Credit challenges

Limited revenue diversification – Notwithstanding its long-standing track record in capital markets, MCSL's revenue profile remains dominated by proprietary trading and broking income. Proprietary trading operations contributed approximately 45% to MCSL's total income in FY2025 and Q1 FY2026. Net brokerage income accounted for 25% and 23% during the same periods, respectively, while interest income and other operating revenues comprised the balance. The company also undertakes the distribution of third-party financial products such as mutual funds and initial public offerings (IPOs), though revenue contribution from this segment remains insignificant.

Exposed to inherent volatility in capital markets and idiosyncratic risks associated with proprietary trading – MCSL's revenues (including proprietary trading) remain closely tied to investor sentiment and capital market performance. The implementation of new regulations in November 2024, coupled with subdued investor sentiment, led to a sharp decline in market-wide trading activity especially in Q4 FY2025. Despite this, MCSL's strong first half performance drove year-on-year (YoY) growth of 17% in cash average daily turnover (ADTO) and 36% in futures & options (F&O) ADTO in FY2025. The cash ADTO recovered by 10% on a QoQ basis in Q1 FY2026 while F&O ADTO declined further by 13%. MCSL is exposed to credit and market risks stemming from its capital market lending activities. Although the exposure remains modest, with an MTF book of Rs. 117 crore and T+5 receivables of Rs. 28 crore as of June 2025, the nature of the underlying collateral makes it susceptible to adverse market movements, which could significantly erode the value of the pledged securities.

MCSL also has sizeable proprietary trading operations, exposing it to the associated idiosyncratic risks and market cyclicity. Trading income is estimated to have declined by 28% QoQ in Q4 FY2025 amid industry headwinds though the performance remained in line with the historical average. The proprietary desk's contribution to PBT moderated to Rs. 64 crore (45% of overall PBT) in FY2025 {partially impacted by increase in securities transaction tax (STT)} from Rs. 72 crore (57% of overall PBT) in FY2024. However, ICRA notes that the company claims to be undertaking mainly fully hedged trades and that it has not sustained any material single day loss over the past 34 quarters.

Intense competition in capital markets; evolving operating and regulatory environment – The securities broking sector remains characterised by intense competition and is susceptible to the entry of new players. In this regard, while MCSL has a long-standing track record, its growth trajectory has been relatively subdued compared to some peers, particularly during the

recent bullish phase in capital markets. As a result, its market share has been on a declining trajectory, falling to 0.2% in the cash segment and 0.7% in the retail F&O segment in FY2025 from 0.7% and 1.1%, respectively, in FY2021.

Given the highly regulated nature of the industry, brokerage houses also remain vulnerable to regulatory risks. In recent years, regulatory changes have led to increased working capital requirements while more recent measures, such as the standardisation of exchange charges, hike in STT and the regulator’s recent interventions in the derivatives segment, aimed at curbing excessive speculation have weighed on the profitability of brokerage firms. These shifts have dampened capital market activity after H1 FY2025, impacting MCSL’s performance as well, given that the F&O segment contributes 60% to its gross brokerage revenue.

Moreover, securities broking companies rely heavily on technology. Thus, any technical failure or disruption can pose operational and reputational risks. In this regard, it is favourably noted that MCSL did not encounter any material technical glitches in FY2025 and Q1 FY2026. Its ability to continue to offer uninterrupted services will be imperative for maintaining customer experience.

Liquidity position: Adequate

MCSL’s liquidity requirement is primarily for placing margins at the exchanges and for funding the MTF book. The average cash margin placed at the exchanges during April-June 2025, based on month-end data and including client margins, stood at Rs. 1,553 crore. Margin utilisation during this period typically ranged between 30% and 40%, with peak utilisation at 50-55%. The company’s margin placement ability is supported by the non-fund based bank lines as well as borrowings from related parties.

As on June 30, 2025, MCSL had outstanding financial obligations amounting to ~Rs. 96 crore in the form of deep discount bonds, primarily held by the promoter group. These bonds are scheduled to mature in FY2026 and the proceeds are expected to be reinvested by the promoter group in the company through inter-corporate deposits (ICDs). Additionally, the company had working capital demand loan (WC DL) borrowings of Rs. 76 crore from its subsidiaries and Rs. 31 crore in overdraft (OD)/WC DL bank borrowings. Against this, MCSL had drawable unutilised fund-based bank lines of ~Rs. 159 crore and on-balance sheet liquidity of ~Rs. 21 crore as on June 30, 2025. Moreover, the short-term, callable MTF book (Rs. 117 crore as on June 30, 2025) can be liquidated at short notice to generate liquidity if required.

Rating sensitivities

Positive factors – An improvement in the scale of operations and market position or revenue diversification, while maintaining prudent capitalisation and healthy profitability on a sustained basis, would have a positive impact.

Negative factors – Sustained weakening of the profitability and/or capitalisation, affecting the financial risk profile, would be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Stockbroking & allied services
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Master Capital Services Ltd (MCSL) is a 100% subsidiary of Ludhiana-based Master Trust Ltd (MTL) and has been operating in the capital market space since 1994. It serves as the principal operating entity of MTL, given that the other business segments, including the non-banking financial company (NBFC) operations, insurance broking, land and securities dealing, and commodity trading, currently contribute marginally to the Group's overall performance. Besides equity broking (primarily catering to the retail segment), MCSL has a small presence in commodity broking, currency broking, margin trade funding and distribution of financial products. It also undertakes proprietary trading operations, which have scaled up significantly in the last five years. MCSL is a corporate member of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) and National Commodity and Derivatives Exchange (NCDEX) and primarily offers secondary market broking services to its retail customers. It has a pan-India presence with a network of 55 branches, 721 franchisees and an active NSE client base of 63,508 as of June 2025.

MCSL reported a net profit Rs. 104 crore on net operating income (excluding trading income) of Rs. 201 crore in FY2025 compared to Rs. 93 crore and Rs. 167 crore, respectively, in FY2024. It reported a net profit of Rs. 22 crore on net operating income (excluding trading income) of Rs. 46 crore in Q1 FY2026. The net worth stood at Rs. 470 crore as on June 30, 2025.

Key financial indicators

Master Capital Services Ltd	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Provisional
Net operating income (NOI)*	167	201	46
Proprietary trading income	184	201	47
Profit after tax (PAT)	93	104	22
Net worth	338	446	470
Total assets	1,672	1,677	1,743
Gearing (times)	0.7	0.6	0.4
Return on net worth	32.1%	26.5%	18.9%
PAT/NOI	55.8%	51.6%	47.4%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations * Excluding proprietary trading income

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 28, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Non-fund based bank lines	Short term	100	[ICRA]A2+	Sep-25-2024	[ICRA]A2+	Jul-25-2023	[ICRA]A2+	Jun-27-2022	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term non-fund based bank lines	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/ Yield	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Short-term non-fund based bank lines	NA	NA	NA	100	[ICRA]A2+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Deep Inder Singh
+91 124 4545 830
deep.singh@icraindia.com

Niharika Tomar
+91 124 4545 324
niharika.tomar@icraindia.com

Subhrajyoti Mohapatra
+91 80 4332 6406
subhrajyoti.mohapatra@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6169 3304
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

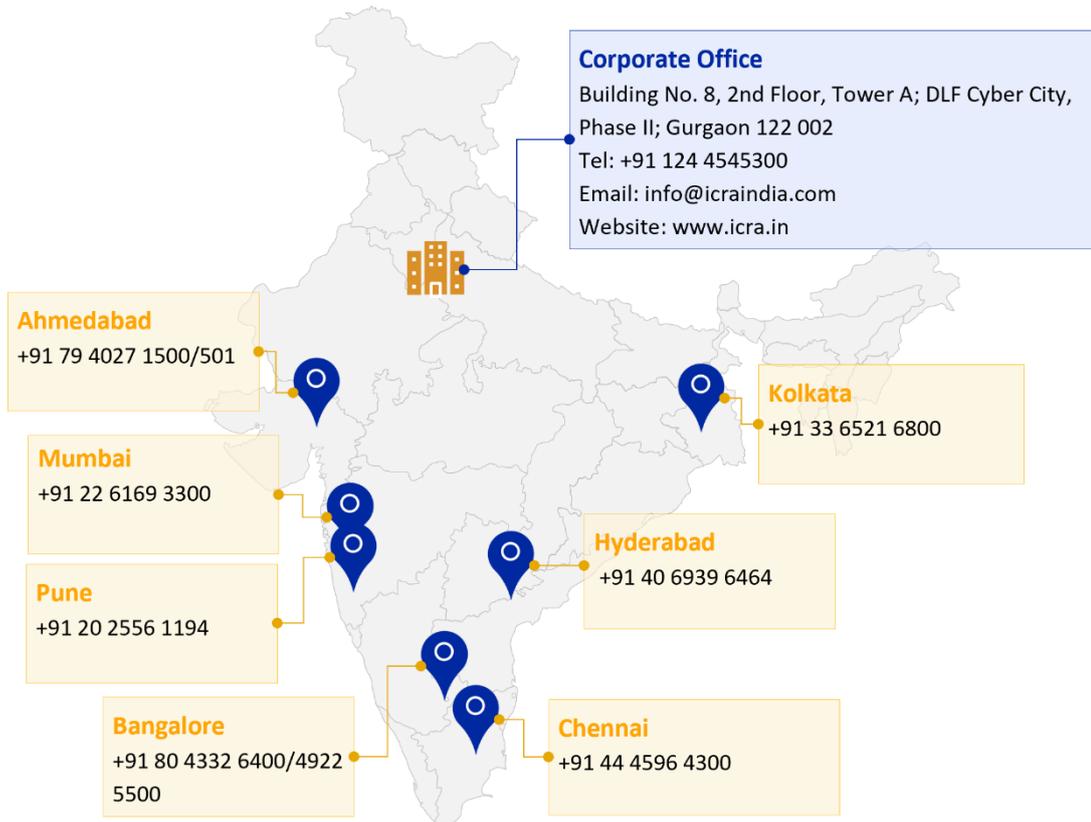


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.