

September 26, 2025

## Prabhudas Lilladher Financial Services Private Limited: Rating reaffirmed

### Summary of rating action

| Instrument*                    | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action        |
|--------------------------------|--------------------------------------|-------------------------------------|----------------------|
| Short-term fund based – Others | 35.0                                 | 35.00                               | [ICRA]A2+ reaffirmed |
| <b>Total</b>                   | <b>35.00</b>                         | <b>35.00</b>                        |                      |

\*Instrument details are provided in Annexure I

### Rationale

While arriving at the rating, ICRA has considered the consolidated financials of Prabhudas Lilladher Advisory Services Private Limited (PLAD) or the PL Capital Group. It has taken a consolidated view of PLAD and its subsidiaries, including Prabhudas Lilladher Financial Services Private Limited (PLFS) and Prabhudas Lilladher Private Limited (PLPL), given the operational and business synergies in addition to the shared name and management experience. PLFS serves as the lending arm and primarily offers loan against shares (LAS) facilities to PL Capital Group's retail, HNI & corporate clientele, while PLPL is primarily engaged in securities broking

The rating factors in the PL Capital Group's long track record with diversified presence in capital market and allied businesses, and an improved profitability notwithstanding recent moderation amid industry-wide headwinds. The Group reported its best-ever performance in FY2025 supported by strong performance in H1FY2025. Thereafter, while the performance has moderated from Q3 FY2025 onwards, brokerage income showed early signs of recovery in Q1 FY2026. The rating is also supported by the Group's augmented capitalisation profile with a net worth of Rs. 296 crore and gearing of 0.8 time as of June 30, 2025, following an equity raise of Rs. 74 crore in FY2025. This provides headroom to support the near-to-medium-term growth.

With respect to PLFS, the NBFC arm of the Group, loan book expanded to Rs. 125 crore as of June 30, 2025 — marking a 15% growth compared to its level in March 2024. The asset quality remained healthy over the past two years, with nil non-performing assets (NPAs). In Q1 FY2026, however, loan accounts of Rs 1 crore turned delinquent, resulting in a gross NPA of 0.6%. PLFS' capitalisation profile is characterised by net worth of Rs. 118 crore, gearing of 0.7 times and solvency ratio (NNPA/net worth) of 0.7% as of June 30, 2025. Its borrowing profile remains concentrated, relying on a limited lender base and inter-corporate deposits.

The rating, however, remains constrained by the Group's modest scale of operations in capital market as well and lending businesses. The ratings are also constrained by the Group's exposure to the evolving regulatory environment, intense competition, and risks inherent in capital market-related businesses. The Group's legacy asset quality issues pertaining to sticky debtors and non-performing loans have been cleaned up with write-off of stressed exposures in recent fiscals. However its investment book comprising of mid and small cap companies (21% of consolidated net worth as of March 31, 2025) remains exposed to the inherently volatile capital markets. The rating also factors in credit and market risks inherent in capital market-linked lending activities, such as margin trading facilities (MTF), T+5 receivables, and cash margin funding under PLPL, as well as loans against shares (LAS) business under PLFS, given the volatile nature of the underlying securities.

## Key rating drivers and their description

### Credit strengths

**Long track record and diversified presence in capital markets** – The PL Capital Group has been engaged in the capital market space for over seven decades and is a prominent name in the securities broking industry. As of June 30, 2025, it was catering to over 1.6 lakh clients (47,761 National Stock Exchange (NSE) active clients) through a network of 14 branches and over 1,300 franchisees. PLPL also has an established institutional desk, catering to over 120 active clients as of June 2025, comprising mutual fund houses, insurance companies, domestic institutional investors (DIIs) and foreign portfolio investors (FPIs). In addition to securities broking, the Group, through its various subsidiaries, offers a diversified portfolio of services such as equity & commodity broking, lending, distribution of financial products, portfolio management services (PMS), wealth management, and merchant banking. The share of income from these services accounted for ~53% of its total income<sup>1</sup> in FY2025 (36% in FY2024).

PLFS is the NBFC arm of PL Capital Group and is a wholly-owned subsidiary of the holding company – PLAD. The company has been engaged in supporting the funding requirements of the clients of PL Capital Group through LAS facilities since 2007. PLFS previously offered promoter funding loans and advances as well. However, following asset quality challenges in this segment since FY2019, the company discontinued these offerings, and the same has significantly run down in the subsequent period. The LAS facilities are in the form of callable overdraft facilities for a tenure of 1 year wherein PLFS charges interest rates in the range of 10-16% with an average yield of ~ 14%. These facilities are renewed on a quarterly basis upon consideration of interest servicing track record, margin availability etc.

**Improved profitability notwithstanding recent moderation amid industry-wide headwinds** - The Group reported its best-ever performance in FY2025. While the growth momentum from FY2024 continued in H1FY2025 amid industry tailwinds, the trading activity moderated in the second half due to subdued investor sentiment and regulatory changes in November 2024. Nonetheless, the Group reported a 34% y-o-y increase in NOI in FY2025. Additionally, in FY2025 there were provision reversals following the write-offs<sup>2</sup> done in preceding four years. Overall, with higher revenues and improved cost metrics, net profit rose to Rs. 57 crore in FY2025, with PAT/NOI improving to 27.6% (16.9% in FY2024) and RoE clocking 25.4%. In Q1FY2026, brokerage income showed early signs of recovery following the moderation in preceding two quarters. However, profitability was lower than FY2025 level, as fee income remained muted amid ongoing market adjustments. Despite this, performance was satisfactory, with PAT/NOI at 14.0%, and annualized RoE of 8.9%—notably higher than the average RoE of 3.6% recorded over FY2015–FY2023, a period during which the Group’s performance remained subdued.

PLFS, at a standalone level, reported a weakening of profitability in FY2025 compared to FY2024, with return on assets (RoA) 1.2% and RoE of 2.0%, compared to 2.7% and 4.4%, respectively in FY2024. This moderation in performance was primarily attributed to a rise in borrowing costs amid elevated systemic interest rates, coupled with an increase in operating expenses driven by augmentation of management bandwidth. However, in Q1FY26, PLFS showed early signs of recovery with profitability ratios rebounding to annualized RoA of 2.5% and annualized RoE of 4.1%. From a capitalization standpoint, PLFS had a net worth of Rs. 118 crore, gearing of 0.7 times, and a strong solvency ratio (NNPA/net worth) of 0.7% as of June 30, 2025. Its borrowing profile remains concentrated, relying on a limited lender base and inter-corporate deposits.

The Group’s consolidated capitalisation remains adequate with an estimated consolidated net of Rs. 296 crore and gearing of 0.8 times as of June 30, 2025. The Group avails debt in the holding company (PLAD), broking business (PLPL) and lending business (PLFS). While borrowings were historically low, they have increased in recent years due to higher working capital

<sup>1</sup> Total income is defined as the sum of net brokerage income, net interest income, advisory fee, distribution income, depository income, portfolio management fee, other fee, proprietary trading income, gains from investments, other income

<sup>2</sup> The Group had undertaken cleanup of legacy bad assets aggregating Rs. 77 crore during the four-year period ending March 2024.

needs and loan book expansion. The amalgamation<sup>3</sup> with Conviction Capital Private Limited (CCPL) in FY2024 added Rs. 71 crore to the Group's debt, resulting in a sharp increase in gearing from 0.9 times in March 2023 to 2.2 times in April 2023. However, leverage improved to 0.9 time by March 2025, supported by partial debt repayment, an equity infusion of Rs. 74 crore, and a sizeable increase in internal accruals during FY2025.

### Credit challenges

**Modest scale of operations** – Notwithstanding the long track record and presence in multiple capital market related businesses, the Group's scale of operations remains modest. It offers broking services to retail and institutional clients, accounting for 75% and 25%, respectively, of its gross broking income. While the Cash ADTO has expanded considerably with a CAGR of ~30% during FY2020–FY2025, its cash market share<sup>4</sup> has remained modest at 0.4% since FY2023.

The Group is also engaged in capital market funding through MTF at PLPL and LAS at PLFS. The Group's MTF book witnessed traction in FY2025 and Q1FY2026, nearly doubling to Rs. 179 crore as of June 2025 from its March 2024 level. With respect to its NBFC arm, PLFS's loan book expanded to Rs. 125 crore as of June 30, 2025 — marking a 15% growth to its level in March 2024. However, the scale of both MTF and LAS book continues to be modest, leading to limited borrower diversification. Going forward, the Group's ability to scale up its operations further while maintaining healthy asset quality and adequate capitalisation profile would remain critical from a credit perspective.

**Elevated competition, high dependence on technology, and evolving regulatory environment** – Securities broking companies rely heavily on technology for trade execution, fund management, etc. Thus, technical failures or disruptions pose operational and reputation risk. 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 also remains characterised by intense competition with susceptibility to the entry of new players. Further, while PL Capital Group has managed to synthesise healthy average revenue per client, supported by the cross-selling of wealth products and research-assisted advisory services, pricing pressure cannot be ruled out given the growing popularity of discount brokerage houses. 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 securities transaction tax (STT) and the regulator's recent interventions in the derivatives segment, aimed at curbing excessive speculation have weighed on the profitability of brokerage firms.

**Exposure to inherently volatile capital markets** – The Group's primary revenue profile remains exposed to inherently volatile capital markets with 55% of NOI from broking and advisory related income followed by 24% of NOI from capital market lending and allied activities. With most of its revenues being linked to the inherently volatile capital markets, Group's revenue profile and profitability remain vulnerable to market performance. In this backdrop, the possibility of pressure on profitability, especially during downturns, cannot be ruled out.

The collaterals in lending business comprising of LAS in PLFS and MTF in PLPL also remain exposed to the volatility in capital markets, given the nature of the underlying assets. In this regard, the LAS book under the NBFC arm remains concentrated with the top 10 client groups accounting for ~52% of the portfolio as of June 30, 2025. Though the underlying security portfolio of these clients remains diversified across stocks, any adverse event in the capital markets could erode the value of the underlying collateral stocks

<sup>3</sup> In FY2024, in a bid to streamline its group structure and consolidate the borrowings for efficient debt management, PL Capital Group amalgamated Conviction Capital Private Limited (CCPL – an SPV held by promoter) with PLAD. This resulted in an increase in the Group's indebtedness by Rs. 71 crore (due to borrowings previously held in CCPL) and a similar decline in its reserves (with an extinguishment of CCPL's investments in PLAD).

<sup>4</sup> market share has been derived by considering industry volumes inclusive of both legs of the transactions.

## Liquidity position: Adequate

PLFS primarily offers LAS, a short-term product, which is repayable on demand. Hence, given the predominantly short-tenor nature of the loans offered by PLFS, a large portion of the loan book is due within one year. PLFS funds its loan book through a mix of own funds and short-term borrowings {overdraft (OD) facility, LAS and intercorporate deposits (ICDs)}. As on June 30, 2025, against the external borrowings of Rs. 48 crore, it had a LAS book of ~Rs. 125 crore (which may be liquidated at short notice to generate liquidity if required) and drawable but un-utilised working capital lines of Rs. ~12 crore.

In the Group's broking entity, funding requirement is primarily for managing its working capital requirements and scaling up the MTF book. Average margin utilisation<sup>5</sup> stood at 51% during January-June 2025, with the monthly margin<sup>6</sup> placed on exchanges averaging Rs. 1,027 crore. As on June 30, 2025, it had an unencumbered cash and bank balance of Rs. 7 crore, drawable un-utilised bank lines of Rs. 39 crore. Additionally, it has a MTF of ~Rs. 179 crore and T+5 receivable book of ~Rs. 60 crore (which may be liquidated at short notice to generate liquidity if required) against external borrowings of Rs. 97 crore.

## Rating sensitivities

**Positive factors** – A sustained scale up in the operations while achieving healthy profitability and asset quality, and comfortable capitalisation on a sustained basis.

**Negative factors** – A deterioration in the asset quality of the lending business or a sustained decline in the broking volumes and/or yields, resulting in the weakening of the profitability. Besides, calibrated growth while maintaining prudent capitalisation and liquidity will be imperative for the credit profile.

## Analytical approach

| Analytical Approach             | Comments                                                                                                                                                                                                                                                                                                |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable rating methodologies | <a href="#">Stockbroking &amp; Allied Services</a><br><a href="#">Non-banking Finance Companies (NBFCs)</a>                                                                                                                                                                                             |
| Parent/Group support            | Not applicable                                                                                                                                                                                                                                                                                          |
| Consolidation/Standalone        | ICRA has considered the consolidated financials of Prabhudas Lilladher Advisory Services Private Limited (PLAD) and taken a consolidated view of PLAD and its subsidiaries including PLFS and PLPL, given the operational and business synergies in addition to a shared name and management oversight. |

## About the company

Incorporated in 1983, Prabhudas Lilladher Financial Services Private Limited (PLFS) is a wholly-owned subsidiary of the PL Capital Group's holding company – PLAD. PLAD offers merchant banking services besides providing liquidity support to its subsidiaries. PLPL offers retail and institutional broking, margin funding and wealth distribution services. PLFS primarily supports the funding requirements of the broking clients of PL Capital Group through loan against shares facilities. The company operates as a non-deposit taking non-banking financial company. Following the Group's divestiture in FY2024, PLFS holds a 24% stake in PLPL valued at Rs. 57 crore. However, this change has not had any material impact on the Group's credit profile. In FY2025, PLFS reported a net profit of Rs. 2 crore on a loan book of Rs. 97 crore and net worth of Rs. 116 crore.

<sup>5</sup> computed on a month end basis

<sup>6</sup> Considering non-cash collaterals to be not less than available cash collaterals placed (basis month-end data, including client margin)

### Key financial indicators

| PLAD (Consolidated)         | FY2024 | FY2025 | Q1FY2026^ |
|-----------------------------|--------|--------|-----------|
| Net operating income        | 153    | 205    | 46        |
| Profit after tax            | 26     | 57     | 6         |
| Net worth (including MI)    | 155    | 289    | 296       |
| Total assets                | 902    | 1,038  | NA        |
| Gearing (times)             | 1.6    | 0.9    | 0.8       |
| Return on average net worth | 15.7%  | 25.4%  | 8.9%      |

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

| PLFS                             | FY2024 | FY2025 | Q1FY2026^ |
|----------------------------------|--------|--------|-----------|
| Total income                     | 16     | 16     | 4         |
| Profit after tax                 | 4      | 2      | 1         |
| Total managed assets             | 188    | 182    | 204       |
| Return on average managed assets | 2.7%   | 1.2%   | 2.5%      |
| Gearing (gross, times)           | 0.6    | 0.5    | 0.7       |
| Gross NPA                        | 0.0%   | 0.0%   | 0.6%      |

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) | 26-Sep-2025                                       | Date        | Rating    | Date        | Rating   | Date        | Rating   |
| Short term fund based Others                        | Short term | 35.0                     | [ICRA]A2+                                         | Sep-27-2024 | [ICRA]A2+ | Sep-07-2023 | [ICRA]A2 | -           | -        |
| Short-term fund-based bank facilities – Overdraft   | Short term | -                        | -                                                 | -           | -         | -           | -        | Jan-23-2023 | [ICRA]A2 |
| Short-term fund-based bank facilities (unallocated) | Short term | -                        | -                                                 | -           | -         | -           | -        | Jan-23-2023 | [ICRA]A2 |

Source: Company

### Complexity level of the rated instrument

| Instrument                     | Complexity Indicator |
|--------------------------------|----------------------|
| Short-term fund based – Others | 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 /<br>Sanction | Coupon<br>Rate | Maturity Date | Amount<br>Rated<br>(Rs. crore) | Current Rating<br>and Outlook |
|------|--------------------------------|--------------------------------|----------------|---------------|--------------------------------|-------------------------------|
| NA   | Short-term fund based – Others | NA                             | NA             | NA            | 35.00                          | [ICRA]A2+                     |

Source: Company

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

#### Annexure II: List of entities considered for consolidated analysis

| Company Name                                           | Ownership                                   | Consolidation Approach                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prabhudas Lilladher Advisory Services Private Limited  | Parent (full consolidation)                 | ICRA has considered the consolidated financials of Prabhudas Lilladher Advisory Services Private Limited (PLAD). It has taken a consolidated view of PLAD and its subsidiaries, including PLFS and PLPL, given the operational and business synergies in addition to the shared name and management oversight. |
| Prabhudas Lilladher Private Limited                    | Rated Entity, 100%^<br>(full consolidation) |                                                                                                                                                                                                                                                                                                                |
| Prabhudas Lilladher Financial Services Private Limited | PLAD, 100% (full consolidation)             |                                                                                                                                                                                                                                                                                                                |
| PI Capital Markets Private Limited                     | PLAD, 100% (full consolidation)             |                                                                                                                                                                                                                                                                                                                |
| PL Asset Management Private Limited                    | PLAD, 100% (full consolidation)             |                                                                                                                                                                                                                                                                                                                |
| PL Wealth Private Limited                              | PLAD, 100% (full consolidation)             |                                                                                                                                                                                                                                                                                                                |
| Prabhudas Lilladher IFSC Private Limited               | PLAD, 100% (full consolidation)             |                                                                                                                                                                                                                                                                                                                |

Source: Company, ^ 24% holding through wholly owned subsidiary-PLFS

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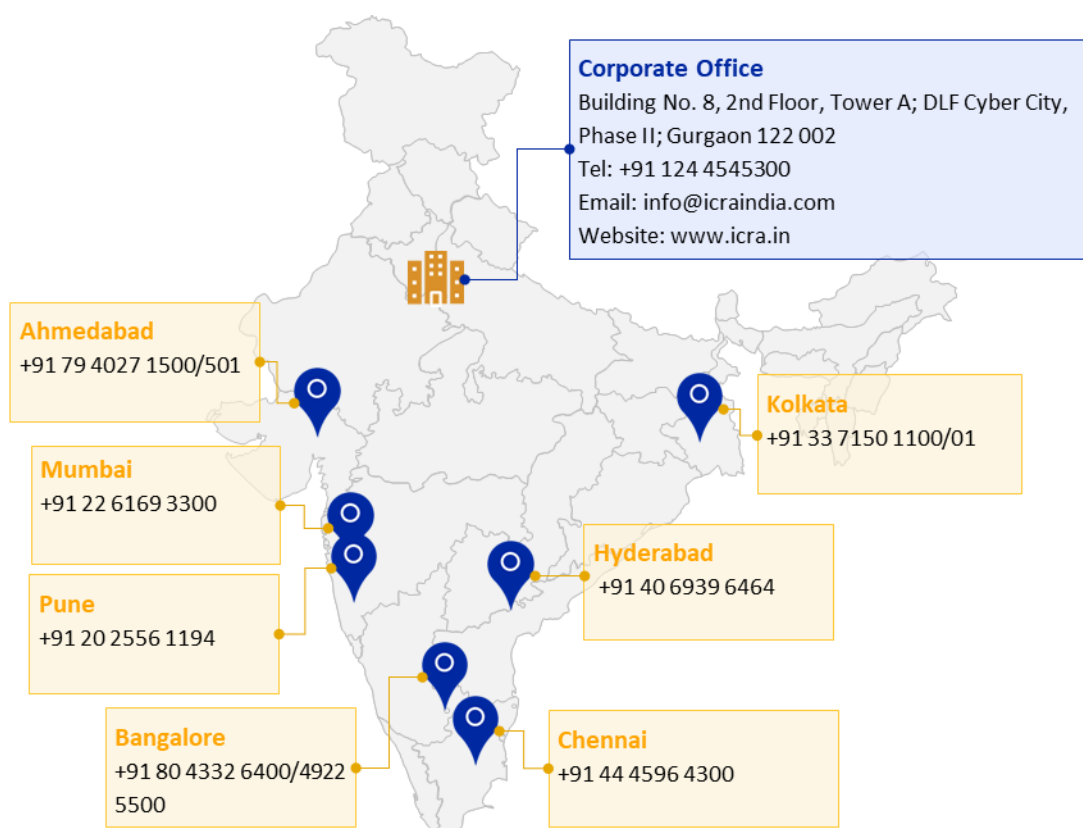


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