

September 30, 2025

SBICAP Securities Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	4,300.00	4,600.00	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	4,300.00	4,600.00	

*Instrument details are provided in Annexure I

Rationale

The rating continues to factor in the strong parentage of SBICAP Securities Limited (SSL), which is a subsidiary of SBI Capital Markets Limited (SBICAP), a wholly-owned subsidiary of State Bank of India (SBI; rated [ICRA]AAA (Stable)¹). The rating also considers SSL's strong retail franchise, supported by its position as a bank brokerage house, its diversified revenue profile given its presence in the loan distribution segment, and its healthy financial profile with strong profitability and comfortable capitalisation.

SSL's importance to the parent is evident from the support received by it in the form of senior management deputations/transfers from the SBI Group, board oversight, customer sourcing and cross-selling support, and access to the bank's retail clientele and branch network. The company also benefits from SBI's direct supervision through its Department for Associates and Subsidiaries. It complements the bank's product offering by providing broking services to its clients and also serves as a captive sourcing (for retail loans) partner for the bank. SSL also derives financial flexibility in fund-raising due to its strong linkages with the parent and the shared brand name.

The rating also considers the traction in SSL's margin trade funding (MTF) book and the simultaneous increase in its borrowings. Nevertheless, the company's capitalisation profile remains comfortable with adequate headroom to support growth. As on June 30, 2025, SSL's reported net worth was Rs. 2,188 crore and the gearing stood at 1.5 times. ICRA notes the management's intent to operate at a leverage of 3.0-3.5 times in the medium term. The rating also factors in the credit and market risks associated with the e-margin business, given the nature of the underlying assets, the volatility associated with capital market related businesses and the intense competition in the retail broking space.

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a step-down subsidiary of SBI – SSL is a subsidiary of SBICAP, which is a wholly-owned subsidiary of SBI. SSL helps augment SBI's product portfolio by providing broking services to its clients and also serves as a captive sourcing (for retail auto and home loans) partner for the bank. Additionally, from April 2025, the company started distributing high-ticket education loans for the bank. SSL's importance to the parent is evident from the support received by it in the form of senior management deputations/transfers from the SBI Group, board oversight, access to the bank's retail clientele and branch network. It also benefits from SBI's direct supervision through its Department for Associates and Subsidiaries. The strong parentage and shared brand name strengthen ICRA's assumption that SSL will receive timely and adequate support (both financial and operational) from SBICAP and SBI, if required. Further, the company derives significant financial flexibility due to the shared brand name, which is evident from the competitive cost of borrowings.

¹ Basel III Tier II bonds, infrastructure bonds and fixed deposit programme are rated [ICRA]AAA (Stable) by ICRA

Diversified revenue mix – SSL is actively involved in the distribution of SBI’s home loan and auto loan products. It earns commission for the same without any loss-sharing arrangement as the underwriting is done by the bank. The share of loan distribution fees in the overall net operating income (NOI) has been in the range of 43-53% while the share of broking income remains in the range of 41-52%². Hitherto, the revenue mix used to be in favour of broking income in the first half of the fiscal, given the cyclical nature of the retail (auto and home) lending business. However, with the company’s foray into the distribution of high-ticket education loans, which tends to be concentrated in the first half of the fiscal, the skewed timing of revenue generation is expected to reduce gradually. The presence of loan distribution income in the revenue mix provides stability to SSL’s revenue profile that would have otherwise been dependent on capital markets, which are inherently volatile in nature. Further, the company has a presence in the third-party financial product distribution business, which accounts for 3-11% of the NOI.

SSL’s net interest income was negligible/negative in recent years due to its largely interest-free MTF facility. However, the loss of interest income was offset by higher broking volumes and the consequent rise in broking income. Subsequently, from April 2023, SSL started charging interest on MTF facility availed for more than 30 days³ and it reported its first-ever meaningful quarterly net interest income (Rs. 12 crore in Q2 FY2025) after the launch of MTF. Nevertheless, it is noted that the average holding period in MTF tends to be closely linked to capital market sentiment, which is inherently volatile in nature.

Comfortable capitalisation – SSL’s capitalisation profile remains comfortable with adequate headroom to support growth, considering the pace of internal accruals. As on June 30, 2025, the reported net worth was Rs. 2,188 crore and the gearing stood at 1.5 times. With the incremental growth in the MTF book being largely debt funded, the leverage may increase slightly in the medium term. In this regard, ICRA has noted the management’s intent to operate at a leverage of 3.0-3.5 times in the medium term.

Strong profitability, though moderation likely due to industry headwinds – SSL has reported healthy profitability over the years with a 4-year average profit after tax (PAT)/NOI of 29.6% and a return on net worth (RoNW) of 36.6% during FY2021-FY2024. Despite the changes in derivatives trading regulations and cautious investor sentiment in H2 FY2025, the overall performance in FY2025 remained healthy supported by the strong first half and the company’s presence in the loan distribution business. SSL’s PAT/NOI was 30.9% and RoNW was 33.1% in FY2025. Amid the evolving broader domestic and global market conditions, cautiousness among investors has continued till date, modestly impacting the profitability in Q1 FY2026. Nevertheless, the same remained satisfactory with PAT/NOI and RoNW of 24.9% and 21.8%, respectively, in Q1 FY2026.

Credit challenges

Exposed to risks inherent in capital market related businesses as well as credit and market risks associated with MTF – The trading volumes and revenues of securities broking companies remain susceptible to the inherently volatile capital markets, which are cyclical in nature. Nonetheless, SSL’s presence in the loan distribution business is expected to partially shield its overall profitability during market downturns. Further, its presence in the MTF segment exposes it 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. SSL forayed into the MTF business in FY2022 and it ramped up this book to Rs. 3,437 crore as on June 30, 2025 from Rs. 600 crore as on March 31, 2023⁴. Herein, its ability to maintain adequate asset quality while ramping up the lending book would remain monitorable.

² Period under consideration: FY2021 to Q1 FY2026; Includes broking income, depository participant charges, account opening and subscription charges, and net interest income

³ Subsequently reduced to 23 days during the course of FY2024

⁴ Peak quarter-end MTF book stood at Rs. 3,494 crore as on December 31, 2024

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, measures to curb exuberance in the futures & options (F&O) segment, hike in securities transaction tax, has impacted overall market volumes and profitability across players, 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 exposes the company to operational and reputational risks. While SSL did not report any technical glitch⁵ in 5M FY2026, there were three technical glitches in FY2025. Herein, maintaining uninterrupted services will be crucial for customer experience.

Liquidity position: Strong

SSL’s funding requirement is primarily for placing margins at the exchanges and funding the MTF book. Its margin utilisation ranged between 20% and 34% (basis month-end data) during September 2024 to August 2025, with the daily average cash margin placed on exchanges aggregating Rs. 600-820 crore during this period. Outstanding borrowing of Rs. 3,550 crore, as on July 31, 2025, is falling due over the next two months while the company had an unencumbered cash and bank balance of Rs. 248 crore and drawable but unutilised lines of ~Rs. 1,211 crore as on July 31, 2025. Additionally, it has an MTF loan book of Rs. 3,135 crore, which is short term in nature. SSL also enjoys financial flexibility, as a subsidiary of SBI, and the same is evident from the regular fund-raising at competitive borrowing costs.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A significant deterioration in the credit profile of the ultimate parent (SBI) or a major change in the company’s shareholding or linkage with the parent could lead to pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Stockbroking and Allied Services
Parent/Group support	Ultimate parent: SBI Immediate parent: SBI Capital Markets Limited SSL is a step-down subsidiary of SBI. The strong parentage and shared brand name strengthen ICRA’s expectation that SSL will receive timely and adequate support (financial as well as operational) from SBI if required.
Consolidation/Standalone	Standalone

About the company

Incorporated in FY2006, SBICAP Securities Limited (SSL) is a subsidiary of SBI Capital Markets Limited, which is a subsidiary of SBI. The company operates as the retail broking arm of the SBI Group. SSL provides trading facilities on Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Multi-Commodity Exchange (MCX). It is also a depository participant at National Securities Depository Limited (NSDL) and Central Depository Securities (India) Limited (CDSL). Along with the broking business, SSL started sourcing and distribution activities in FY2015. It sources financial assets (home loans, auto loans and education

⁵ Interruptions impacting trading for more than five minutes

loans) for the ultimate parent company – SBI. Another of its business verticals deals with the distribution of mutual funds, bonds, insurance, sovereign gold bonds, and corporate deposits to its retail customers.

As on June 30, 2025, SSL had a network of 165 own branches besides having representatives at some of the SBI branches. In the equity broking segment, it had an NSE active client base of 10,13,801, translating to a market share of ~2%. SSL is also the largest loan sourcing agent for the ultimate parent in the home and auto loan segments. Its third-party financial product distribution assets under management (AUM) was ~Rs. 3,166 crore as on August 30, 2025. The company reported a profit after tax (PAT) of Rs. 592 crore on NOI of Rs. 1,917 crore in FY2025. It reported a PAT of Rs. 116 crore in Q1 FY2026 on NOI of Rs. 466 crore.

Key financial indicators (audited)

SSL	FY2024	FY2025	Q1 FY2026 [^]
Net operating income (NOI)	1,580.3	1,917.3	465.6
Profit after tax (PAT)	452.1	592.3	116.1
Net worth	1,512.7	2,069.9	2,187.9
Total assets	4,853.5	5,188.4	6,205.4
Gearing (times)	1.7	1.2	1.5
Return on average net worth	34.8%	33.1%	21.8%

Source: SSL, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; [^] Limited review

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)	Sep 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	4,600.00	[ICRA]A1+	May-07-2024	[ICRA]A1+	Sep-04-2023	[ICRA]A1+	Dec-21-2022	[ICRA]A1+
				Sep-02-24	[ICRA]A1+	Oct-09-2023	[ICRA]A1+	-	-
				Mar-28-2025	[ICRA]A1+	Dec-29-2023	[ICRA]A1+	-	-
						Jan-15-2024	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
CP programme	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	Coupon rate (%)	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE212K14BU1	CP programme	Jul 10, 2025	6.48	Oct 31, 2025	100.0	[ICRA]A1+
INE212K14BV9	CP programme	Jul 25, 2025	6.34	Oct 24, 2025	50.0	[ICRA]A1+
INE212K14BW7	CP programme	Jul 29, 2025	6.35	Oct 27, 2025	150.0	[ICRA]A1+
INE212K14BY3	CP programme	Aug 25, 2025	6.40	Nov 24, 2025	100.0	[ICRA]A1+
INE212K14BX5	CP programme	Aug 26, 2025	6.38	Nov 25, 2025	200.0	[ICRA]A1+
INE212K14BZ0	CP programme	Aug 28, 2025	6.38	Nov 27, 2025	100.0	[ICRA]A1+
INE212K14CB9	CP programme	Sep 09, 2025	6.59	Dec 09, 2025	500.0	[ICRA]A1+
INE212K14CA1	CP programme	Sep 10, 2025	6.58	Dec 10, 2025	50.0	[ICRA]A1+
INE212K14CD5	CP programme	Sep 11, 2025	6.67	Dec 11, 2025	300.0	[ICRA]A1+
INE212K14CC7	CP programme	Sep 12, 2025	6.62	Dec 12, 2025	200.0	[ICRA]A1+
INE212K14CC7	CP programme	Sep 15, 2025	6.77	Dec 12, 2025	200.0	[ICRA]A1+
INE212K14CF0	CP programme	Sep 15, 2025	6.62	Dec 15, 2025	100.0	[ICRA]A1+
INE212K14CG8	CP programme	Sep 16, 2025	6.77	Dec 16, 2025	200.0	[ICRA]A1+
INE212K14CH6	CP programme	Sep 17, 2025	6.77	Dec 17, 2025	200.0	[ICRA]A1+
INE212K14CH6	CP programme	Sep 18, 2025	6.78	Dec 17, 2025	100.0	[ICRA]A1+
INE212K14CI4	CP programme	Sep 18, 2025	6.78	Dec 18, 2025	200.0	[ICRA]A1+
INE212K14CJ2	CP programme	Sep 19, 2025	6.78	Dec 19, 2025	400.0	[ICRA]A1+
INE212K14CL8	CP programme	Sep 22, 2025	6.77	Dec 22, 2025	100.0	[ICRA]A1+
INE212K14CK0	CP programme	Sep 23, 2025	6.77	Dec 23, 2025	100.0	[ICRA]A1+
INE212K14CL8	CP programme	Sep 24, 2025	6.64	Dec 22, 2025	100.0	[ICRA]A1+
INE212K14CM6	CP programme	Sep 24, 2025	6.64	Dec 24, 2025	100.0	[ICRA]A1+
-	CP programme (yet to be placed)	-	-	30-365 days	1,050.0	[ICRA]A1+

Source: SSL; Commercial paper (CP) outstanding as on September 24, 2025

Annexure II: List of entities considered for consolidated analysis

Not applicable

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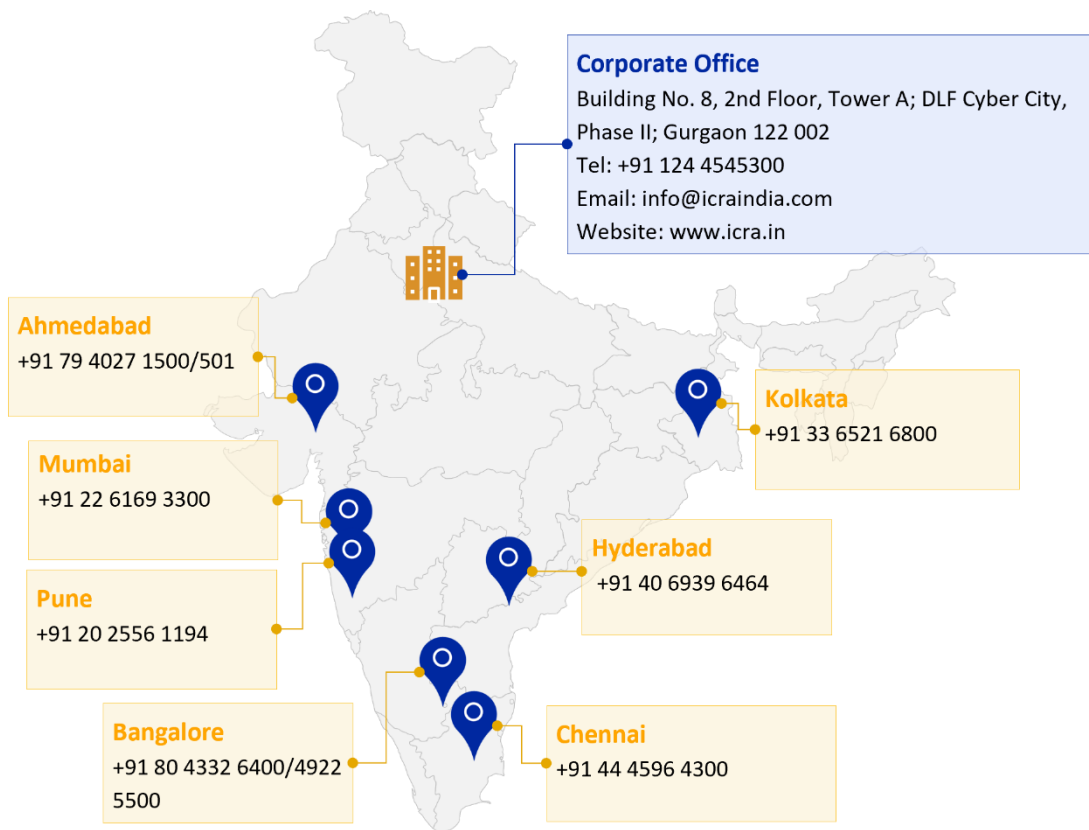
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