

December 09, 2025

Master Capital Services Ltd: Rating reaffirmed and assigned for Non-convertible debentures

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
Non-convertible debentures	-	50	[ICRA]A-(Stable), assigned
Total	100	150	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has factored in 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 H1 FY2026, MCSL's profitability remained satisfactory and well above above pre-FY2022 levels with with PAT of Rs. 49 crore, PAT/NOI of 55.4%, and RoE of 20.7% in H1FY2026. 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 September 30, 2025, the capitalisation profile was characterised by a gearing of 0.5 times and a net worth of Rs. 496 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. 496 crore as on September 30, 2025 from Rs. 446 crore as on March 31, 2025. The capitalisation profile remains adequate for the current scale of operations with a gearing of 0.5 times as of September 2025. ICRA notes that a

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

significant part of the debt is from related parties; excluding this, the leverage stood at 0.1 times. 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. 250 crore, respectively, as of September 2025, which are utilised for placing margins at the exchanges.

Healthy profitability, notwithstanding recent moderation amid industry-wide headwinds – MCSL’s profitability in H1FY2026 moderated amid lingering impact of subdued capital market activity and lower trading volumes compared to strong performance in FY2024 and FY2025, though it remained satisfactory and above pre-FY2022 levels. NOI and proprietary trading income stood at Rs. 88 crore and Rs. 94 crore, respectively, reflecting annualized declines of 12% and 7% versus FY2025. Brokerage income softened amid muted retail participation, while net Interest income remained stable at FY2025 levels, supported by the continued scale-up of the MTF book. Operating expenses contracted by ~10% on an annualized basis, though the cost-to-income ratio stayed elevated as MCSL adapts to evolving market dynamics. Overall, profitability moderated—with PAT of Rs. 49 crore, PAT/NOI of 55.4%, and RoE of 20.7% in H1FY2026 versus Rs. 104 crore, 51.6%, and 26.5% in FY2025—but remained satisfactory and well above the historical FY2015–21 average RoE of 7%.

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 50% to MCSL’s total income in H1 FY2026. Net brokerage income accounted for 21% during the same period, while interest income comprised of 23% 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. In Q1FY2026, the cash segment saw a modest sequential recovery, but volumes declined by 14% qoq in Q2FY2026, with market share stable at 0.2%. In the F&O segment, the market share moderated to 0.4% in Q2FY2026 from 0.6% in Q1FY2026. 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. 140 crore and T+5 receivables of Rs. 53 crore as of September 30, 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 cyclicality. The quarterly average trading income over Q4 FY2025 to Q2 FY2026 is estimated to be about 20% lower than the quarterly average of Rs. 60 crore recorded during 9M FY2025. This moderation reflects transitory industry dynamics, although the performance remained broadly aligned with historical trends. 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. In H1FY2026, the company’s H1 FY2026, PBT from proprietary operations is estimated at Rs. 32 crore, accounting for 65% of overall PBT. However, ICRA notes that the company claims to be undertaking mainly hedged trades and that it has not sustained any material losses 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 0.4% in the retail F&O segment in H1FY2026 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 56% 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 H1 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 September 30, 2025, MCSL had outstanding financial obligations amounting to ~Rs. 99 crore in the form of deep discount bonds, primarily held by the promoter group. These bonds have matured in Q3FY2026 and have been replaced by inter-corporate deposits (ICDs) from the promoter group. Additionally, the company had working capital demand loan (WC DL) borrowings of Rs. 119 crore from its subsidiaries and Rs. 42 crore in overdraft (OD)/WC DL bank borrowings. Against this, MCSL had drawable unutilised fund-based bank lines of ~Rs. 165 crore and on-balance sheet liquidity of ~Rs. 6 crore as on September 30, 2025. Moreover, the short-term, callable MTF book (Rs. 140 crore as on September 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. 49 crore on net operating income (excluding trading income) of Rs. 88 crore in H1FY2026 compared to Rs. 104 crore and Rs. 201 crore, respectively, in FY2025. The net worth stood at Rs. 496 crore as on September 30, 2025.

Key financial indicators

Master Capital Services Ltd	FY2024	FY2025	H1 FY2026
	Audited	Audited	Provisional
Net operating income (NOI)*	167	201	88
Proprietary trading income	184	201	94
Profit after tax (PAT)	93	104	49
Net worth	338	446	496
Total assets	1,672	1,677	1,790
Gearing (times)	0.7	0.6	0.5
Return on net worth	32.1%	26.5%	20.7%
PAT/NOI	55.8%	51.6%	55.4%

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*	Dec 09, 2025	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
Non-fund based bank lines	Short term	100	[ICRA]A2+	Aug-28-2025	[ICRA]A2+	Sep-25-2024	[ICRA]A2+	Jul-25-2023	[ICRA]A2+	Jun-27-2022	[ICRA]A2+
Non-convertible debentures	Long Term	50	[ICRA]A-(Stable)	-	-	-	-	-	-	-	-

*Amount rated in Rs. Crore

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term non-fund based bank lines	Very simple
Non-convertible debentures	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+
Yet to be placed	Non-convertible debentures	NA	NA	NA	50	[ICRA]A- (Stable)

Source: Company

[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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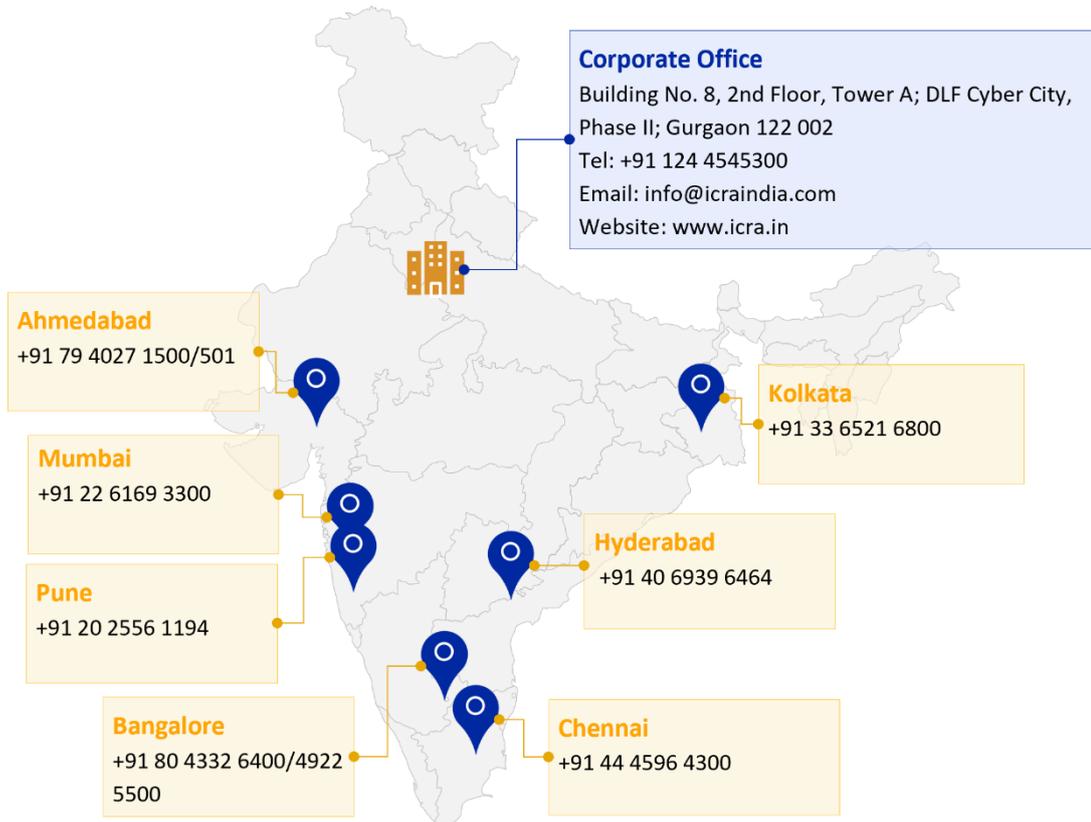


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