

March 18, 2026

HDFC Securities Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based/Non-fund based bank lines	300.0	300.0	[ICRA]AAA (Stable); reaffirmed
Commercial paper programme	13,000.0	13,000.0	[ICRA]A1+; reaffirmed
Total	13,300.0	13,300.0	

*Instrument details are provided in Annexure I

Rationale

The ratings continue to factor in HDFC Securities Limited's (HSL) strong parentage in the form of HDFC Bank Limited (HDFC Bank¹; ~94% stake in HSL), its linkage with the parent and the shared brand name. HSL's importance to the parent is evident from the support received by it in the form of senior management deputations/transfers, customer sourcing and cross-selling, and access to the bank's retail clientele and branch network. The strong parentage and shared brand name strengthen ICRA's expectations that the company will receive timely and adequate support (financial as well as operational) from HDFC Bank, if needed. ICRA notes that the bank participated in the last rights issue, infusing ~Rs. 1,000 crore in Q1 FY2025. HSL also derives significant financial flexibility in fund-raising due to its parentage. Additionally, it benefits from being a well-established retail franchise, supported by its position as a bank-backed brokerage house.

The ratings also consider HSL's healthy financial profile, characterised by strong profitability and adequate capitalisation. While the company has witnessed some moderation in its performance in the current fiscal because of the overall decline in capital market activity, ICRA notes that the metrics remain healthy despite being lower than the peak performance levels seen in preceding years. Further, although recent policy changes² are expected to weigh on derivatives trading volumes, the impact on HSL is likely to be limited given its relatively lower dependence on broking revenue from derivatives.

While reaffirming the ratings, ICRA has taken note of the significant growth in HSL's debt-funded e-margin (margin trading facility; MTF) business. This, coupled with the increasing working capital requirement amid the evolving regulatory landscape and the high dividend payouts by the company, has been resulting in a rise in its financial leverage level. HSL's gearing increased to 4.2 times as on December 31, 2025 from 2.4 times as on March 31, 2025, though lower than the peak level of 4.7 times recorded as on March 31, 2024. Given the short-term nature of the MTF book, short-term borrowings through commercial paper (CP) account for a considerable portion of the borrowings. The ratings also take into account the credit and market risk associated with the e-margin business, given the nature of the underlying assets, the risks 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 in the form of HDFC Bank – HSL is a subsidiary of HDFC Bank, which holds a 94% stake in the company. The company helps augment the bank's services portfolio and enjoys customer sourcing and cross-selling support along with access to the bank's retail clientele and branches. HDFC Bank has a nominee director on HSL's board. The strong parentage and shared brand name strengthen ICRA's assumption that the company will receive timely and adequate support (both financial and

¹ Rated [ICRA]AAA (Stable)/[ICRA]A1+

² Increase in securities transaction tax (STT) and RBI's circular on capital market exposure norms for banks

operational) from the bank, if required. In this regard, HDFC Bank participated in the last rights issue, infusing about Rs. 1,000 crore in Q1 FY2025. Further, it derives significant financial flexibility due to its parentage, which is evident from the wide investor base and the competitive cost of its money market borrowings.

Established track record in retail broking – HSL, a full-service securities brokerage house, is primarily a retail broking player (~99% of total broking volumes and 95% of broking income for 9M FY2026 were from the retail segment). The company has a strong retail franchise, supported by its position as a subsidiary of HDFC Bank. As on January 31, 2026, it had a National Stock Exchange (NSE) active client base of 14.3 lakh customers, translating to a market share of 3% and a top 6 position in the market, with a strong franchise and a higher-vintage clientele. Moreover, it remains a prominent player in the MTF segment with an estimated market share of ~9% as on January 31, 2026, driven by its competitive funding cost. HSL plans to ramp up its institutional broking business and has augmented its institutional broking team recently, though this segment is yet to achieve a similar market position as the retail broking business. ICRA also notes that the company launched its discount broking platform 'HDFC SKY' on September 25, 2023. However, the share of discount broking volume and income in the overall revenue mix has remained negligible thus far.

Given the impact of the revised regulatory framework for index options and tempered capital market activity amid subdued investor sentiment, industry-wide trading volumes came under pressure Q3 FY2025 onwards. As a result, HSL also witnessed a 14% dip in cash average daily turnover (ADTO) in 9M FY2026 compared to FY2025. However, the company reported healthy growth in futures & options (F&O) ADTO in contrast to the industry-wide trend because of a relatively small market share in overall F&O volumes, though broking income from this segment remained flat. Nonetheless, the retail market share in 9M FY2026, in terms of broking volumes, remained rangebound at 2.4% for the cash segment while increasing to 1.0% for the F&O segment (from 0.6% in FY2025).

Healthy financial profile with strong profitability and adequate capitalisation – HSL has demonstrated strong profitability over the years, reflected in the healthy 10-year average profit after tax/net operating income (PAT/NOI) of 47.0% and robust return on equity (RoE) of 40.3% during FY2017-9M FY2026. Notwithstanding this track record, the industry witnessed a moderation in trading volumes from Q3 FY2025, which impacted HSL's performance. In line with the broader industry trend, HSL's NOI declined by 9.4% YoY in 9M FY2026, primarily due to lower broking income. Despite this, the company continued to report strong earnings, with PAT/NOI and annualised RoE at 40.7% and 25.5%, respectively, in 9M FY2026.

Even though the company's profitability is strong, sizeable dividend payouts limit the accretion to reserves. This, coupled with the increase in borrowings to meet the working capital requirement and the ramp-up in the MTF book, resulted in an uptick in HSL's gearing to 4.2 times as on December 31, 2025 from 2.4 times as on March 31, 2025, though lower than the peak level of 4.7 times as on March 31, 2024. Given the short-term nature of the MTF book, short-term borrowings through CP account for a considerable portion of the borrowings. Capitalisation, however, remains adequate even though the gearing is elevated compared to historical levels.

Credit challenges

Exposed to risks inherent in capital market-related businesses as well as credit and market risks associated with MTF business – HSL's revenues remain dependent on capital markets, which are inherently volatile in nature. Furthermore, the company forayed into the MTF business in FY2019 and it ramped up its gross MTF book to Rs. 10,545 crore as on January 31, 2026 (net MTF of Rs. 8,130 crore) from Rs. 226 crore as on March 31, 2019. Thus, the company is exposed to credit and market risks on account of the MTF lending book, given the nature of the underlying assets (as any adverse event in the capital markets could erode the value of the underlying collateral stocks) and funding risks due to the nature of its borrowings. In this regard, its ability to maintain adequate asset quality while ramping up the loan book would remain 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 regulatory changes, such as uniform exchange charges, increase in minimum holding value of basic service demat account, and measures to curb exuberance in the F&O segment, including increase in contract size, rationalisation of weekly index derivatives and increased margins on expiry days, were introduced in H2 FY2025. These, along with the recent hike in securities transaction tax (STT), and rationalisation of expense ratio slabs in mutual funds could impact the profitability of entities operating in the securities broking industry.

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, as seen with HSL's five technical glitches³ in 11M FY2026. Maintaining uninterrupted services will be crucial for customer experience.

Liquidity position: Adequate

Margin utilisation, basis month-end data, ranged between 41% and 67%, with the average cash margin placed on exchanges (including client funds) amounting to Rs. 5,095 crore during the 9-month period ended December 2025 (increased to Rs. 6,589 crore in Q3 FY2026, following the shift to gross reporting for the MTF segment). As on January 31, 2026, HSL had total outstanding borrowings of Rs. 15,317 crore, which was due for repayment within three months, while it had an unencumbered cash and bank balance of Rs. 1,487 crore and drawable but unutilised fund-based bank lines of Rs. 2,540 crore. Additionally, its short-term loan book, which can be liquidated at short notice to generate liquidity if required, stood at Rs. 10,545 crore as on January 31, 2026. HSL also enjoys financial flexibility as it is a subsidiary of HDFC Bank and the same is evident from the regular CP issuances, large investor base and competitive borrowing cost.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A revision in the credit profile of the parent (HDFC Bank) or a significant change in the company's shareholding or linkage with the parent could lead to pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Stockbroking & Allied Services
Parent/Group support	HDFC Bank HSL is a subsidiary of HDFC Bank, which holds a ~94% stake in the company. The strong parentage and shared brand name strengthen ICRA's assumption that HSL will receive timely and adequate support (financial as well as operational) from HDFC Bank, if required. The company also enjoys significant financial flexibility as it is a subsidiary of HDFC Bank. It draws the advantage of strong operational linkages with the bank as demonstrated by the senior management deputations/transfers from the bank along with customer sourcing and cross-selling support.
Consolidation/Standalone	Standalone

About the company

HDFC Securities Limited (HSL), a subsidiary of HDFC Bank, is engaged in securities broking. The company was incorporated in 2000 as a joint venture between HDFC Bank Limited, HDFC Limited and Indocean eSecurities Holdings Limited for offering capital market services like broking and distribution of financial products. It became a subsidiary of HDFC Bank in FY2006 following the acquisition of HDFC Limited's stake by the bank. Subsequently, HDFC Bank acquired the shares held by Indocean

³ Interruptions impacting trading for more than five minutes

eSecurities Holdings Limited in FY2014, increasing its stake to ~89% and further to ~98% in FY2015. Since then, the bank has been actively engaged in the management of HSL. As on December 31, 2025, HDFC Bank's stake stood at ~94%.

HSL offers online and offline broking services, margin trade financing and distribution of third-party products like mutual funds and insurance products through a network of 129 branches. The company reported an all-time high PAT of Rs. 1,125 crore in FY2025 on NOI of Rs. 2,391 crore compared to Rs. 951 crore and Rs. 2,032 crore, respectively, in FY2024. The PAT stood at Rs 662 crore in 9M FY2026 on NOI of Rs. 1,625 crore compared to Rs. 874 crore in 9M FY2025 on NOI of Rs. 1,843 crore.

Key financial indicators

HDFC Securities Limited	FY2024	FY2025	9M FY2026
	Audited	Audited	Provisional
Net operating income (NOI)	2,032.3	2,390.6	1,624.7
Profit after tax (PAT)	950.9	1,125.0	661.5
Net worth	2,029.2	3,348.6	3,569.1
Total assets	14,103.2	14,031.1	21,545.2
Gearing (times)	4.7	2.4	4.2
Return on average net worth (annualised)	49.7%	41.8%	25.5%

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

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 18, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based/Non-fund based bank lines	Long term	300.0	[ICRA]AAA (Stable)	Mar 21, 2025	[ICRA]AAA (Stable)	Mar 27, 2024	[ICRA]AAA (Stable)	Dec 05, 2022	[ICRA]AAA (Stable)
				-	-	Aug 08, 2023	[ICRA]AAA (Stable)	-	-
CP programme	Short term	13,000.0	[ICRA]A1+	Mar 21, 2025	[ICRA]A1+	Mar 27, 2024	[ICRA]A1+	Dec 05, 2022	[ICRA]A1+
				-	-	Aug 08, 2023	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based/Non-fund based bank lines	Simple
Commercial paper	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
NA	LT fund-based/Non-fund based bank lines – Others	-	NA	-	300	[ICRA]AAA (Stable)
INE700G14QD7	Commercial paper	25-Sep-2025	6.75%	13-Mar-2026	350	[ICRA]A1+
INE700G14QI6	Commercial paper	26-Sep-2025	6.82%	25-Mar-2026	50	[ICRA]A1+
NA	Commercial paper (yet to be placed)*	-	-	30-365 days	12,600	[ICRA]A1+

Source: Company; *As on March 9, 2026; LT – Long term

[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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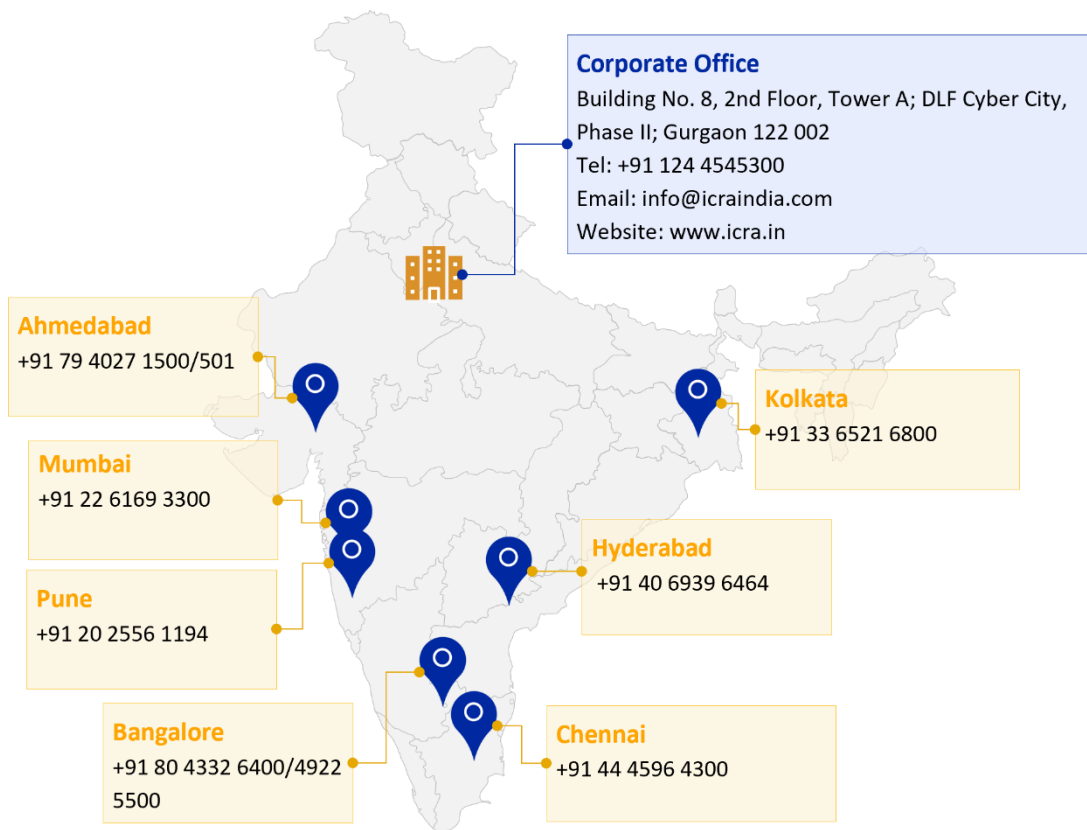
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