

March 23, 2026

Cholamandalam 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	250.00	400.00	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	250.00	400.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in Cholamandalam Securities Limited's (CSEC) strong parentage as it is a subsidiary of Cholamandalam Investment and Finance Company Limited (CIFCL; rated [ICRA]AA+ (Positive)/[ICRA]A1+), which is a leading player in the domestic vehicle finance segment and a part of one of India's largest conglomerates – Murugappa Group. CSEC derives operational, managerial and financial support from CIFCL and both entities share a common brand name. Operationally, CSEC is able to leverage CIFCL and Murugappa Group's diverse presence and businesses for augmenting its franchise and reach. Going forward as well, ICRA expects timely capital, liquidity and other support from CIFCL and Murugappa Group to be forthcoming, if required.

While reaffirming the rating, ICRA takes note of CSEC's modest scale of operations, moderate financial profile and high dependence on capital market-related activities, which are inherently cyclical in nature. With the significant increase in margin trade funding (MTF) exposures, the company witnessed a corresponding rise in indebtedness during the year. As on December 31, 2025, the capitalisation profile was characterised by a net worth of Rs. 81 crore (supported by a capital infusion of Rs. 25 crore in 9M FY2025) and gearing of 2.6 times on a provisional basis. With the management planning to ramp up MTF further, the financial leverage is likely to rise from the current levels, though it is expected to be maintained below 4.5 times. The rating also takes into account the credit and market risks associated with margin funding exposures, intense competition in the retail broking space, high dependence on technology and the evolving regulatory environment.

CSEC witnessed a moderation in its performance in the current fiscal on account of a decline in broking income amid industry headwinds. It reported a net profit of Rs. 5 crore in 9M FY2026 (44% YoY decline), profit after tax (PAT)/Net operating income (NOI; gross revenues adjusted for interest expenses, referrals/commissions/sub-brokerage, trading income, fair value gains, dividend income and other non-operating income) of 8% and annualised return on equity (RoE) of 8% compared to Rs. 8 crore, 13% and 18%, respectively, in 9M FY2025. While the recent tightening of bank lending to capital market intermediaries and the hike in securities transaction tax (STT) on derivatives are expected to have a limited direct impact on the company, the possibility of these measures along with evolving domestic and global developments impacting industry-wide trading volumes cannot be ruled out. Any such decline, coupled with a potential increase in reliance on market borrowings, could have a bearing on CSEC's operating performance.

Key rating drivers and their description

Credit strengths

Strong parentage – CSEC is a part of Murugappa Group, which is one of India's largest conglomerates founded in 1994, with a presence in engineering, financial services, auto components, cycles, abrasives, farm inputs, fertilisers, sugar, plantations, bio-products, and general insurance. CIFCL, which is the flagship entity of the Group in the financial services space (one of the 10

listed entities in the Group) and a leading player in the vehicle finance industry, directly holds ~92% in CSEC while the balance (8%) is held indirectly through Cholamandalam Leasing Limited (formerly Cholamandalam Home Finance Limited (CHFL); 100% subsidiary of CIFCL).

The company is expected to derive operational, managerial and financial support from CIFCL. CSEC's board has three directors, including two from CIFCL. Operationally, CSEC derives synergies by tapping the captive customer and vendor bases of Murugappa Group. The Group's franchise and reach, coupled with its established presence across various businesses and franchises, augur well for CSEC to execute its business plans. ICRA expects timely capital, liquidity and operational support from CIFCL and Murugappa Group to be forthcoming, if required.

Credit challenges

Modest scale of operations – CSEC has been engaged in broking operations for over three decades and currently serves a modest client base across retail and institutional segments, with 26,765 active retail clients and more than 50 institutional clients as on December 31, 2025. Despite its long operating track record, the overall scale of operations remains modest as the Group's focus on this business segment remained measured till the recent past. Supported by industry tailwinds, the company's cash average daily turnover (ADTO) increased meaningfully in recent years to Rs. 600 crore in 9M FY2026 from Rs. 177 crore in FY2023, notwithstanding headwinds in recent periods. While CSEC witnessed an expansion in the market share of cash volumes (excluding proprietary) to 0.39% in 9M FY2026 from 0.21% in FY2023, the same remains low, underscoring the modest scale compared with larger industry peers. The company has significantly scaled up its presence in the MTF segment in the current fiscal. Aided by industry tailwinds and competitiveness in raising market borrowings, CSEC expanded its MTF book to Rs. 222 crore as on December 31, 2025, up 50% YoY. However, despite the scaleup, its market share in industry-wide MTF remains negligible at less than 1%.

Exposed to risks inherent in capital market-related businesses and moderate financial profile – CSEC derives ~48% of its NOI from broking (cash accounts for ~84% of gross broking income), which remains exposed to the inherent volatility in capital markets. Its retail broking volumes declined by 30% YoY in 9M FY2026, reflecting the full-year impact of regulatory interventions in derivatives and subdued investor sentiment amid global and domestic developments, which also dampened cash volumes. Consequently, the decline in broking income translated into an overall moderation in performance with NOI declining by 10% YoY in 9M FY2026. This, coupled with the less-than-commensurate decrease in operating expenses, resulted in weakened profitability with a net profit of Rs. 5 crore (44% YoY decline), PAT/NOI of 8% and annualised RoE of 8% compared to Rs. 8 crore, 13% and 18%, respectively, in 9M FY2025. Going forward, the company's revenue and earnings profile will remain exposed to the inherently volatile capital markets.

The company's borrowing requirements are largely driven by the scaling up of its MTF exposures. Supported by the increase in MTF exposures in line with industry trends, CSEC witnessed a rise in indebtedness during the year. As on December 31, 2025, the company's capitalisation profile was characterised by a net worth of Rs. 81 crore (supported by capital infusion of Rs. 25 crore in 9M FY2025) and gearing of 2.6 times on a provisional basis. As the MTF book expands, the leverage is expected to rise further; however, according to the management's plans, the leverage is likely to be maintained within 4.5 times over the near-to-medium term.

Elevated competition, high dependence on technology, and evolving regulatory environment – Securities broking companies rely heavily on technology for trade execution, fund management, and other operations. Thus, technical failures or disruptions pose operational and reputational risks. 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 is also characterised by intense competition and is susceptible to the entry of new players.

Regulatory changes, such as revisions in the tightening of the index derivatives framework, and higher working capital requirements for broking operations have impacted the profitability of securities brokers. Moreover, the recent tightening in

bank lending to capital market intermediaries could make more players tap money markets while exploring the debt market. Thus, an expansion in borrowing spreads for brokers cannot be ruled out completely, which in turn may constrain the profitability trajectory of securities brokers. Further, while the industry could witness a moderation in derivatives trading volumes following the recent increase in STT, the impact on CSEC is expected to remain limited as derivatives accounted for about 15% of its gross broking income and less than 9% of its NOI in 9M FY2026.

Liquidity position: Adequate

CSEC's liquidity position remains adequate with unencumbered liquid investments of Rs. 26 crore and a cash and bank balance of Rs. 1 crore as on December 31, 2025. These, along with inflows from the short-tenor MTF book of ~Rs. 222 crore (which can be liquidated at short notice to generate liquidity), are adequate against principal repayments of Rs. 212 crore till March 2026. CSEC utilises its sanctioned non-fund based bank lines, aggregating Rs. 60 crore (secured by 50% cash margins), besides cash & cash equivalents and client collateral for placing margins at the exchanges. During the 12 months ended December 2025, the peak utilisation of cash margins placed with exchanges stood comfortable. In addition to the borrowing arrangements from financial institutions, CSEC has a funding line of Rs. 220 crore from the holding company (CIFCL), which can be drawn (if required). It also enjoys financial flexibility as it is a part of the Chola Group.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material change in the expected level of support from CIFCL or a deterioration in the credit risk profile of CIFCL shall impact CSEC's rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology – Stockbroking & Allied Services
Parent/Group support	The rating factors in CSEC's strong parentage as it is a subsidiary of CIFCL. CSEC draws managerial and financial support from CIFCL, as evident from the common board members, credit lines and shared brand name.
Consolidation/Standalone	Standalone

About the company

Incorporated in 1994, Cholamandalam Securities Limited (CSEC) is a subsidiary of CIFCL and part of Murugappa Group. CSEC is a Securities and Exchange Board of India (SEBI) registered stockbroker and depository participant. The company is a member of BSE Limited and National Stock Exchange of India Limited. It is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. CSEC offers security broking, depository, and equity research services to retail, corporate, and institutional clients. Besides securities broking, it undertakes the distribution of financial products including mutual funds, Alternative Investment Funds (AIF), Portfolio Management Services (PMS), fixed deposits, bonds, life insurance and general insurance products. As on December 31, 2025, CSEC was catering to 26,765 active retail clients and more than 50 active institutional clients, supported by a network of 9 branches and 105 franchises.

Key financial indicators (audited)

CSEC – Standalone	FY2024	FY2025	9M FY2026*
Net operating income	112.6	78.0	54.7
Profit after tax	66.9	8.0	4.6
Net worth	43.7	76.7	81.3
Total assets	367.0	271.5	391.3
Gearing (times)	2.9	1.2	2.6
Return on average net worth	141.6%	13.3%	7.8%

Source: Company, ICRA Research; Amount in Rs. crore; *Provisional

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						
Instrument	Type	Amount rated (Rs. crore)	Mar 23, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	400.00	[ICRA]A1+	Mar 24, 2025	[ICRA]A1+	Mar 26, 2024	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
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
Not Applicable	Commercial paper*	NA	NA	NA	205.00	[ICRA]A1+
INE04JX14165	Commercial paper	Feb 23, 2026	8.4%	May 25, 2026	50.00	[ICRA]A1+
INE04JX14173	Commercial paper	Mar 12, 2026	8.10%	Mar 27, 2027	70.00	[ICRA]A1+
INE04JX14181	Commercial paper	Mar 18, 2026	8.50%	Jun 17, 2026	75.00	[ICRA]A1+

Source: Company; *Yet to be placed

Annexure II: List of entities considered for consolidated analysis

Not applicable

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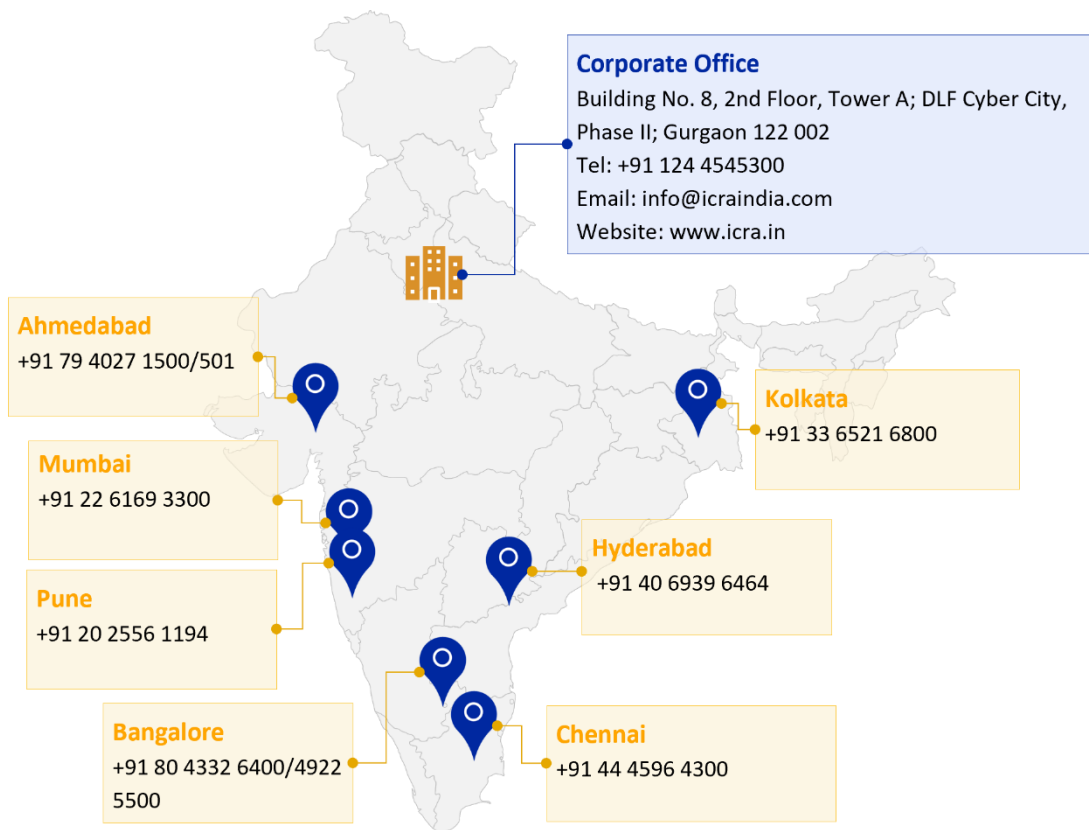
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