May 28, 2025

Zerodha Capital Private Limited: [ICRA]A1+ assigned for commercial paper programme; ratings reaffirmed for existing limits

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial Paper	-	100.00	[ICRA]A1+; assigned
Non-convertible debentures	100.00	100.00	[ICRA]AA- (Stable); reaffirmed
Long-term/Short-term bank lines – Others	300.00	300.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Total	**400.00**	**500.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating factors in Zerodha Capital Private Limited's (ZCPL) strong promoter group and its synergies with the Group's broking franchise [Zerodha Broking Limited (ZBL), flagship entity of Zerodha Group]. The shared brand name, common promoters and strategic importance to the Group strengthen ICRA's belief that ZCPL will receive adequate and timely support from its promoter group, as and when required. The ratings also consider the company's comfortable capitalisation, improving profitability trajectory and healthy asset quality. The ratings are, however, constrained by the modest scale and nascent stage of operations as well as the limited diversification in the liability mix.

Supported by the strong broking franchise and reach of the Zerodha brand, ZCPL witnessed a healthy scaleup in its loan against securities (LAS) book to Rs. 381 crore as on December 31, 2024, up by 3.2 times YoY, though on a modest base. Moreover, with benefits of the improving scale of operations, it reported a net profit of Rs. 8.8 crore (annualised return on assets (RoA) of 3.7%) in 9M FY2025 compared to the average net profit of Rs. 5.1 crore (RoA of 4.6%) during FY2023 to FY2024. The net worth stood at ~Rs. 170 crore with a gearing of 1.4x as of December 31, 2024. As per the management, the promoter group is also in the process of investing Rs. 125 crore (through compulsorily convertible preference shares) in the near term to support the company's growth target. While the gearing is still expected to increase as ZCPL scales up its operations, it is projected to remain below 4 times over the long term.

ZCPL's loan book remains exposed to credit, market and technology risks, given the nature of the underlying assets. In this regard, any adverse event in the capital markets could erode the value of the underlying collateral stocks. Nevertheless, comfort is drawn from the Group's established presence in the securities broking business and its understanding of the associated risks and risk management.

The Stable outlook on the long-term rating reflects ICRA's expectation that ZCPL will continue to benefit from the synergies arising from the Group's established franchise and track record in the capital markets. Moreover, timely and adequate support from the Group is envisaged to be forthcoming, which, coupled with the calibrated growth strategy, is expected to continue supporting a comfortable capitalisation and profitability trajectory.

Key rating drivers and their description

Credit strengths

Part of strong promoter group – ZCPL, a non-deposit taking base layer retail non-banking financial company (NBFC), is a part of Zerodha Group. ZBL, closely held by the promoters, pioneered the discounting broking business model in India and has become the largest domestic stockbroker, in terms of earnings, and the second largest, in terms of active National Stock

Exchange (NSE) clients. As on December 31, 2024, the Group's active NSE client base stood at 81 lakh, accounting for a 16% share of the industry-wide NSE active clients. The Group's flagship entity, ZBL, had reported a consolidated net profit of Rs. 5,496 crore in FY2024 with a return on net worth of 56%. While the performance remained healthy until 9M FY2025 despite some moderation in revenues amid rising competitive intensity, it was significantly impacted by the onset of regulatory headwinds in recent months. As the company's revenue profile remains highly dependent on the retail futures & options (F&O) segment and interest income from client cash collateral, its performance is sensitive to investor sentiment and capital market activity, particularly the derivatives segment. ICRA, however, takes note of ZBL's recent foray into margin trade funding (MTF), which is expected to reduce dependency on broking income to some extent. Going forward, while a moderation in the profitability trajectory on account of regulatory headwinds, rising competitive intensity and softening interest rates cannot be ruled out, it is expected to remain healthy. ZBL's capitalisation profile remains comfortable. It's sizeable net worth in exchanges supports ZBL in meeting the working capital requirements for its broking operations without relying on any fund/non-fund-based borrowings.

ZBL and ZCPL have the same ultimate promoters, who are Directors on the boards of both companies. Additionally, some of ZBL's seasoned senior leaders hold board positions at ZCPL. The Group's promoters enjoy sizeable cash flows from the flagship business and have been investing in early-stage businesses in sectors such as fintech, edtech, and healthcare. Given the shared brand name, common promoters and the strategic importance to the Group, ICRA believes that ZCPL will receive adequate and timely support (financial as well as operational) from its promoter group, as and when required.

Synergies arising from access to a strong brand and franchise – ZCPL enjoys access to an established brand, i.e. Zerodha, which is associated with a wide customer base as reflected by the NSE active client base of the Group's broking franchise. The sizeable demat holdings of the large client base offer a large potential target segment for ZCPL. The company continues to scale up its loan book through lending within the Group's franchise. Operational synergies are expected to continue supporting it in keeping its cost structure under control while scaling up, which can otherwise be high in a retail lending business. Moreover, comfort is drawn from the Group's established presence in capital markets and its understanding of the associated risks and risk management.

ZCPL endeavours to offer retail LAS with loan-to-value (LTV) of around 45% against the approved list of stocks and mutual funds at a flat lending rate to all customers. The company's operations remain largely digital with low reliance on human intervention. In this regard, it is noted that the Group develops the technological platforms for its core operations in-house (through entities such as Zerodha Technology Private Limited). Following the demonstrated track record of developing technology platforms for the broking franchise, the Group has leveraged its experience to develop the core modules for the lending business.

Comfortable capitalisation and track record of profitable operations since inception – ZCPL's capitalisation is characterised by a net worth of ~Rs. 170 crore, a capital-to-risk weighted assets ratio (CRAR) of 36% and a gearing of 1.4 times as on December 31, 2024 (provisional basis). As per the management, the promoter group is in the process of investing Rs. 125 crore through compulsorily convertible preference shares in the near term to support the company's growth aspirations. Going forward, while the financial leverage is expected to rise with the scaleup in operations, it is likely to remain comfortable supported by further equity infusions (if required) from the promoter group.

As per the management's stated intent, the company plans to maintain a leverage of less than 4 times over the longer term. Overall, timely and adequate financial support from the Group is expected to aid the calibrated scaleup of the operations while maintaining adequate capitalisation. Moreover, notwithstanding the modest scale of operations, ZCPL has maintained a track record of profitable operations since inception, supported by its frugal cost structure. It reported a net profit of Rs. 8.8 crore (RoA of 3.7%) in 9M FY2025 compared to Rs. 7.3 crore in FY2024 (RoA of 4.7%) and Rs. 2.8 crore in FY2023 (RoA of 4.5%).

Credit challenges

Nascent stage of operations with modest scale – Leveraging its established presence in capital markets, the Group commenced lending against shares through ZCPL in 2021. Hence, its track record in lending remains limited. Supported by the strong broking franchise, ZCPL witnessed a healthy scaleup in the LAS book to Rs. 381 crore as on December 31, 2024, up by 3.2 times YoY, though it remains modest. Going forward, the company's ability to ensure the healthy scaleup of the loan book while exercising good control on the asset quality will remain a key monitorable. ICRA notes that the asset quality has remained healthy with negligible credit costs since inception. As of December 31, 2024, the asset quality remained healthy with nil gross non-performing advances (GNPAs) and negligible credit costs since the commencement of operations.

With calibrated growth since the commencement of operations in 2021, ZCPL has expanded its borrowing franchise with the lender base increasing to five lenders from one lender in March 2024. Going forward, its ability to further expand its liability profile while borrowing at competitive rates would be imperative for scaling up the operations profitably. The funding requirement of the broking franchise remains limited with sizeable free net worth after adjusting for proprietary investments and margin placements at exchanges.

High dependence on technology; exposure to market and credit risks – ZCPL's loan book remains exposed to credit, market and technology risks. Given the volatility in the securities market, the value of collateral can fluctuate rapidly, necessitating robust technological systems for real-time tracking and risk management. In this regard, uninterrupted technological operations are essential for real-time monitoring of collateral values, ensuring that the entity can promptly square off positions to avoid potential losses. The ratings also remain susceptible to regulatory changes. Going forward, the company's ability to respond to evolving regulatory landscapes will remain imperative.

Liquidity position: Adequate

ZCPL's liquidity position remains adequate with an unencumbered cash and bank balance of Rs. 45 crore and drawable but unutilised lines of Rs. 75 crore as on April 30, 2025. These, along with collections from the short-term LAS book, are adequate for covering the debt repayment obligations of Rs. 219 crore (principal only) till November 30, 2025. In addition to the borrowing arrangements from financial institutions and banks, ZCPL has sanctions of Rs. 250 crore from the directors. The lines provide liquidity cushions to the company in case of any exigencies. ZCPL also enjoys financial flexibility as it is a part of Zerodha Group.

Rating sensitivities

Positive factors – Significant scale up of operations while demonstrating healthy asset quality and profitability on a sustained basis would have a positive impact. Additionally, further strengthening of the credit profile of the flagship entity, i.e. ZBL, and linkages with the Group would be credit positives.

Negative factors – A material change in the linkage with Zerodha Group and/or a deterioration in the Group's credit profile would have a negative impact. Besides, weakening of the capitalisation profile due to aggressive growth and/or profitability pressure will be credit negatives.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs)
Parent/Group support	ZCPL is a part of Zerodha Group (flagship entity: ZBL). The shared brand name, common promoters and the strategic importance to the Group strengthen ICRA's belief that ZCPL will receive adequate and timely support (financial as well as operational) from its promoter group, as and when required.
Consolidation/Standalone	Standalone

About the company

Zerodha Capital Private Limited (ZCPL), a Reserve Bank of India (RBI) registered non-deposit taking base layer retail NBFC, is a part of Zerodha Group (ZBL is the Group's flagship entity). ZCPL is primarily held by Straddle Capital Private Limited (98.9% stake), which is closely held by ZBL's promoters. ZCPL actively commenced lending operations in 2021. It offers retail LAS with ticket sizes in the range of Rs. 5 lakh to Rs. 1 crore and LTV of around 45% against the approved list of stocks and mutual funds at flat yields to all customers.

As on December 31, 2024, the company had a LAS book of about Rs. 380 crore. On a provisional basis, ZCPL reported a net profit of ~Rs. 8.8 crore in 9M FY2025 on total income of Rs. 25 crore. As on December 31, 2024, its capitalisation profile was characterised by a net worth (including compulsorily convertible preference shares of Rs. 2.9 crore) of Rs. 170 crore and a gearing of 1.4 times.

Promoted by Nithin Kamath and Nikhil Kamath, ZBL is the flagship entity of Zerodha Group and is closely held by the Kamath family. It is one of the leading domestic brokers, in terms of earnings, and the second largest in terms of active NSE clients. As on December 31, 2024, the Group's active NSE client base stood at 81 lakh, accounting for a 16% share of the industry-wide NSE active clients. It reported a consolidated net profit of Rs. 5,496 crore in FY2024 with a return on net worth of 56%. While the performance remained healthy in 9MFY2025, it is expected to moderate with the onset of regulatory measures aimed at strengthening the index derivatives framework, the introduction of true-to-label charges and easing interest rates.

Key financial indicators (audited)

Zerodha Capital Private Limited	FY2023	FY2024	9M FY2025*
Total income	5.4	12.4	25.3
PAT	2.8	7.3	8.8
Total managed assets	84.4	226.3	410.4
Return on managed assets (annualised)	4.5%	4.7%	3.7%
Reported gearing (times)	0.1	0.4	1.4
Gross stage 3	7.2%	-	-
CRAR	94.6%	70.0%	35.8%

*Source: Company, ICRA Research; *Unaudited numbers; 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							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 28, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Bank lines – Others	Long term/Short term	300	[ICRA]AA-(Stable)/ [ICRA]A1+	Apr-17-2025	[ICRA]AA-(Stable)/ [ICRA]A1+	Apr-30-2024	[ICRA]AA-(Stable)/ [ICRA]A1+	Feb-22-2024	[ICRA]AA-(Stable)/ [ICRA]A1+	-	-
NCD programme	Long term	100	[ICRA]AA-(Stable)	Apr-17-2025	[ICRA]AA-(Stable)	Apr-30-2024	[ICRA]AA-(Stable)	-	-	-	-
Commercial Paper	Short term	100	[ICRA]A1+	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very Simple
Non-convertible debentures	Very Simple*
Bank lines	Very Simple

** Subject to change when the terms are finalised*

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	**Commercial paper- Yet to be issued**	NA	NA	NA	100.00	[ICRA]A1+
NA	**NCD – Yet to be issued**	NA	NA	NA	100.00	[ICRA]AA- (Stable)
NA	**Bank lines – Others**	NA	NA	NA	300.00	[ICRA]AA- (Stable) /[ICRA]A1+

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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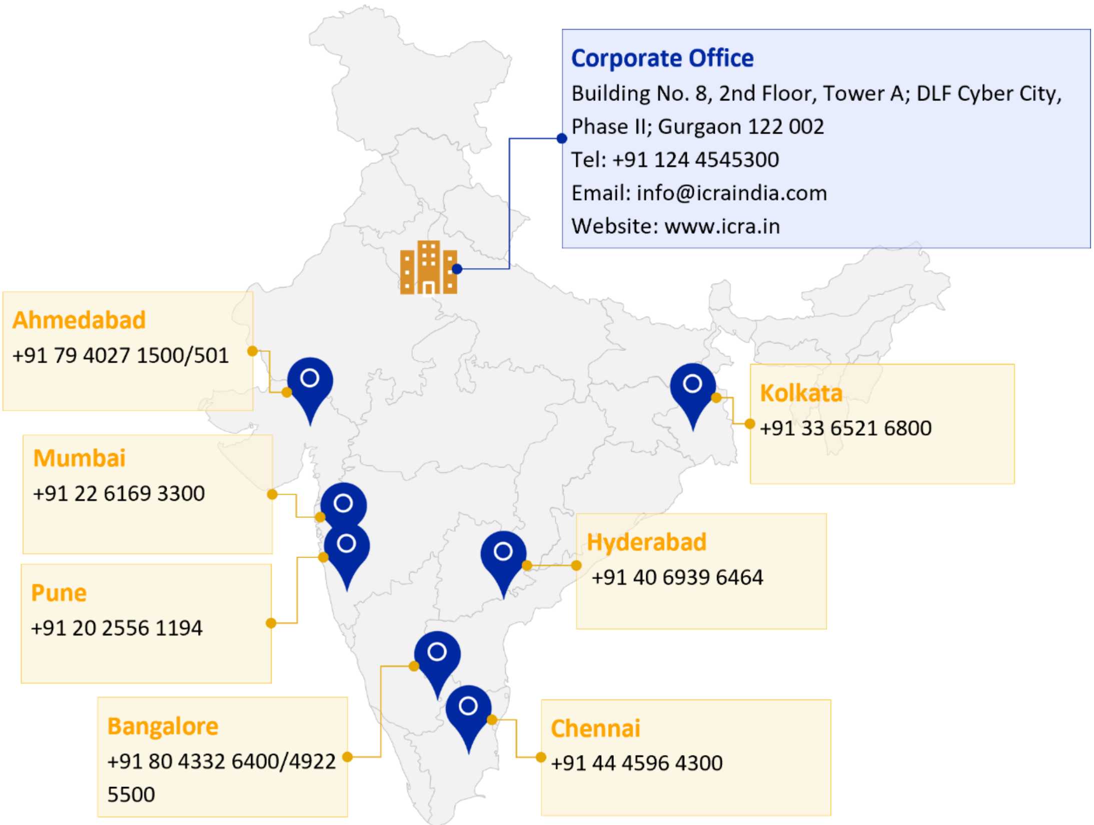

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