

The Manager – Debt Listing

February 05, 2025

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Sub.: Intimation regarding Credit Rating

Pursuant to Regulation 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part B of Schedule III of the said regulations, we wish to inform you that, CARE Ratings Limited vide its letter dated February 04, 2025, has **re-affirmed** the rating of Company's Listed, Rated, Secured, Principal Protected, Market Linked, Non-convertible Debentures at CARE PP-MLD B+ (RWD). Copy of Rating Letter is enclosed herewith.

Kindly take the same on your record and oblige.

Thanking you,

Yours faithfully,

For Reliance Securities Limited

Lav Chaturvedi

Whole-time Director

(Designated as Executive Director & CEO)

DIN: 02859336

Reliance Securities Limited

February 04, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--------------------------|------------------|----------------------|--|
| Market linked debentures | 2.00 | CARE PP-MLD B+ (RWD) | Continues to be on Rating Watch with Developing Implications |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating to the principal protected market linked debentures (PP-MLD) of Reliance Securities Limited (RSL) takes into account its volatile earnings profile and continued reduction in the scale of operations. The rating also remains constrained by the intensely competitive nature of the industry in which RSL operates. The rating continues to factor in the experienced management team along with moderate solvency profile.

The rating remains on rating watch on account of the impending resolution of the parent company, Reliance Capital Limited (RCL).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of resolution process of the parent leading to significant improvement in the overall business operations and earning profile on a sustained basis.

Negative factors

- Sustained reduction in the overall business operations impacting profitability

Analytical approach:

CARE Ratings has analysed the standalone business profile of the company, factoring its linkages with the parent company, RCL.

Outlook: Not applicable

Detailed description of key rating drivers:

Key weaknesses

Volatile earnings profile

During FY24, profits of the company declined from ₹20.28 crore in FY23 to ₹12.75 crore in FY24 primarily on account of decrease in overall broking business. Brokerage income continued to decline and stood at ₹69.12 crore in FY24 as against ₹74.87 crore in FY23.

During H1FY25, the profitability also witnessed a sharp decline where the PAT stood at ₹2.87 crores as against the PAT of ₹10.47 crore during H1FY24.

Given the slowdown in its overall business as a result of default by the parent company, the company is not borrowing any external funds and is dependent on the network to run daily operations. Given the pending resolution of RCL, the level of business activity shall continue to remain restricted. Given the high share of income from treasury activities in total income, the earnings profile remains vulnerable to market volatilities and hence earnings will continue to remain key monitorable.

Reduced scale of operations

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

As part of its cost cutting measures, the scale of operations is being reduced with the total number of branches declining to 45 as on December 31, 2024, from 112 at end of FY21. Further, the NSE active client base has also seen a downtrend and stood at 72,976 during FY24 compared with 89,847 during FY23. It further dipped to 68,513 as of December 2024 end. The turnover decreased from ₹59,78,741.24 crores in H1FY24 to ₹25,24,057 crores in H1FY25. The source for this proprietary book is from the company's own fund. In times of market downfall, the proprietary book might get impacted further impacting the capitalization of the company.

High dependence on capital market

The broking industry is currently witnessing a moderation in the active client growth as well as volumes on account of volatility in the capital market activities due to various global events. In these circumstances, many broking firms have lost their share in the active client base. Given these conditions, the company's ability to maintain its market share will remain a key monitorable. In addition to this, intense competitive pressures in the industry with discount brokerage firms seizing market share of traditional players, adversely impact the brokerage fees and margins. Large broking firms are in better position to reduce operating expenses and maintain their margins.

Key strengths

Adequate solvency profile

RSL's overall gearing stood at 0.016x as on March 31, 2024, as compared to 0.05x as on March 31, 2023. The net gearing stood at 0.01x as on March 31, 2024, as compared to 0.05x as on March 31, 2023. The debt of the company has been on a declining trend in the past few years leading to improvement in gearing. As on September 30, 2024, gearing remained largely unchanged at around 0.016x.

Liquidity: Adequate

As on December 31, 2024, the company's liquidity remained adequate with free cash and balances of ₹18.59 crore and Mutual fund investment of ₹160.62 crore, against which the company has a debt repayment of ₹2.00 crore.

Applicable criteria

[Policy on Default Recognition](#)

[Financial Ratios - Financial Sector](#)

[Broking Firms](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Market Linked Notes](#)

[Notching by Factoring Linkages in Ratings](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|--------------------|-----------------|-----------------------|
| Financial Services | Financial Services | Capital Markets | Stockbroking & Allied |

Incorporated in June 2005, RSL is a SEBI-licensed stock broking company. The company is the broking arm of RCL, which holds 100% equity stake in the company. The company provides broking services to its clients for dealing in equities, future and options, IPOs, mutual funds and debt market.

| Brief Financials (₹ crore) | FY23 (A) | FY24 (A) | 9MFY25 (UA) |
|---|----------|----------|-------------|
| Brokerage, commission, and fees | 74.87 | 69.12 | 54.55 |
| Total income | 260.62 | 212.65 | 99.87 |
| PAT | 20.28 | 12.75 | 0.22 |
| Total assets (net of deferred tax assets and intangible assets) | 640.00 | 588.48 | -- |
| ROTA (%) | 2.78 | 2.08 | -- |

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|-------------------------------------|--------------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Debentures-Market Linked Debentures | INE923I07171 | 28-Apr-2021 | Market Linked | 29-May-2026 | 2.00 | CARE PP-MLD B+ (RWD) |

Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|----------------------|---|---|--|--|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Debentures-Market Linked Debentures | LT | 2.00 | CARE PP-MLD B+ (RWD) | - | 1)CARE PP-MLD B+ (RWD) (07-Feb-24) | 1)CARE PP-MLD B+ (RWD) (08-Feb-23) 2)CARE PP-MLD B+ (RWD) (27-Dec-22) | 1)CARE PP-MLD B+ (CW with Developing Implications) (09-Feb-22) |

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|-------------------------------------|------------------|
| 1 | Debentures-Market Linked Debentures | Highly Complex |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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| <p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in</p> | <p>Analytical Contacts</p> <p>Priyesh Ruparelia Director CARE Ratings Limited Phone: +91-22-6754 3593 E-mail: Priyesh.ruparelia@careedge.in</p> <p>Geeta Chainani Associate Director CARE Ratings Limited Phone: +91-22-6754 3447 E-mail: Geeta.Chainani@careedge.in</p> <p>Shivam Katkar Analyst CARE Ratings Limited E-mail: Shivam.Katkar@careedge.in</p> |
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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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