

March uptick in brokerages tapping debt market

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There has been a year-on-year (Y-o-Y) increase in the number of brokerages tapping the debt market for capital. There were at least 12 entities which filed offer documents on the National Stock Exchange (NSE) as of mid-March for debt issuances, shows a *Business Standard* analysis.

This is twice the number seen in the whole of March last year. The study is based on manual perusal of documents as available, and should be considered indicative. The increase comes even as the Reserve Bank of India (RBI) restrictions on fund-raising through banks come into effect from April 1.

Recent filings include Axis Securities, HDFC Securities, IDBI Capital Markets and Securities, IIFL Capital Services, Kotak Securities, and Motilal Oswal Financial Services Limited. This is in addition to the names which were also seen in March last year, such as HSBC Investdirect Financial Services, Angel One, ICICI Securities, JM Financial Services, Aditya Birla Money, and Cholamandalam Securities.

Emails sent to the issuers did not elicit any reply till press time. The RBI released new norms on funding capital market intermediaries like brokerages in February. The norms are primarily expected

Rising market share

Share of top 10 brokers in equity cash segment turnover (in %)



*Data as of January 2026 for FY26; turnover measures value of securities changing hands

Source: Sebi

to affect proprietary entities trading on their own account, as well as those who depend on intraday credit lines for various business activities. This comes even as the top brokers have begun to manage larger amounts of business, with the top 10 gaining increased market share over the last ten years.

"More players are expected to explore debt markets and tap the money-market borrowing space," said Deep Inder Singh, vice president at rating agency Icra.

Proprietary traders, or broking entities trading on their own account, had historically enjoyed the benefit of a capital multiplier by using bank guarantees (BGs) to place margins with exchanges. Under this structure, they were required to provide collateral equivalent to only 50 per cent of the BG amount, enabling them to generate ₹100 crore of

bank guarantees with just ₹50 crore of collateral.

This leverage, combined with the additional yield earned through interest income on fixed deposits placed as collateral for availing BGs, allowed such proprietary traders to generate pre-tax returns on equity of as much as 20-25 per cent using hedged arbitrage strategies, according to Singh. This compared favourably with the high single-digit to low double-digit returns earned by players that did not have access to this capital-efficient structure.

With the RBI now mandating 100 per cent cash collateral against bank guarantees, the level of leverage available to proprietary traders is set to decline materially. In response, some participants may choose to fund their activities through alternative instruments such as non-convertible debentures (NCDs) or

commercial paper issued to high-net-worth individuals.

Many of the existing BGs would have been renewed in recent months and are, therefore, expected to remain in force until their respective maturities, as the revised RBI norms apply only to newly issued guarantees. Consequently, the use of BGs under the earlier framework is unlikely to cease immediately on the April 1 RBI deadline, but is expected to taper off gradually as older arrangements expire. As a result, the impact on brokers with sizeable proprietary trading operations is likely to be staggered rather than abrupt.

Brokers also tapped bank lines to meet their working capital requirements. This was funded through BGs and intraday lines from banks. The intraday lines will no longer be viable for enhancing margin placement ability on an intraday basis. This part of the business can still make use of BGs but the costs may go up on switching to such guarantees from intraday lines, according to Singh.

The RBI circular has limited impact on the ₹1 trillion worth of money borrowed by brokerages for onward lending to their clients for stock market activities through their margin trading facility. Much of the margin trading book was funded by money market instruments and non-banking financial companies (NBFCs) already.