

ANAND RATHI SHARE AND STOCK BROKERS LIMITED

Brickwork Ratings upgrades the ratings of Anand Rathi Shares and Stock Brokers Limited (ARSSBL)

Particulars:

| Facilities** | Amount (Rs. Crs.) | | Tenure | Rating* | |
|-----------------------|-------------------|---------------|--|-------------------------|--------------------------|
| | Previous | Present | | Previous (June,2019) | Present |
| Fund Based | 71.00 | 60.00 | Long Term | BWR BBB (Stable) | BWR BBB+ (Stable) |
| Non Fund Based | 605.00 | 616.00 | Short Term | BWR A2 | BWR A2+ |
| Total | 676.00 | 676.00 | Rs. Six Hundred Seventy Six Crores Only | | |

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of bank loan facilities are provided in Annexure-I&II

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has upgraded the rating of Anand Rathi Share and Stock Brokers Limited to BWR BBB+ (Stable)/A2+ from BWR BBB (Stable)/A2. The rating upgrade draws strength from the company's established track record in the broking business, strong parentage (wholly owned by Anand Rathi Financial Services Limited) and improvement in financial performance. The rating is, however, constrained by intense competition in the share broking business and volatility associated with the capital market and broking business.

The Stable outlook indicates the low likelihood of a rating change over the medium term. BWR believes ARSSBL's business risk profile would remain unchanged over the medium term.



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

N.A.

KEY RATING DRIVERS

- **Credit Strengths:**

Established track record: The company has a long track record of nearly three decades and an established position in the equity broking business in India. It is one of the oldest equity broking entities in the country. ARSSBL has around 4,90,900+ clients and around 1,200+ offices spread across 360+ locations across India. The company has over 114 branch desks. Mr. Anand Rathi has five decades of diverse experience including capital market and asset-based financing space. He was the president of the Bombay Stock Exchange during 1999-2001. Mr. Pradeep Gupta is the managing director of ARSSBL and co-founder and vice chairman of the group. He has over three decades of experience in the capital market, specifically in equity broking. The company is also supported by a senior management team with vast experience in the financial services space.

Strong parentage and support group: Anand Rathi Shares & Stock Brokers Limited is a 100% subsidiary of Anand Rathi Financial Services Limited (ARFSL). ARFSL, the flagship company of the group, holds the majority stake in various entities of the group engaged in different lines of business, namely, equity, commodity and currency broking, the non banking financial services through two entities, wealth management, insurance broking and investment banking. The group has a successful track record of more than 25 years in diversified businesses. ARSSBL gets funding support from parent and group companies in the form of equity and credit lines. During FY20, ARFSL infused Rs. 10 Crs capital into ARSSBL. The company also has an outstanding loan of Rs. 155.79 Crs as on 31 March 2020 from group company. As on 31 December 2019, the group level networth stood at Rs. 578.53 Crs, and the consolidated net gearing stood at 4.15 times. The consolidated revenue for the group stood at Rs. 548.89 Crs with a profitability of Rs. 58.20 Crs. for nine months ended 31 December 2019.

Improving financial performance of ARSSBL: The company's financial indicators are witnessing a steady improvement, with the operating income and profit after tax for FY20 (provisional) increasing to Rs. 237.33 Crs and Rs. 7.38 Crs, respectively, from Rs.228.39 Crs and



Rs. 4.95 Crs during FY19. The improvement was largely driven by an increase in equity broking volumes during the year. Given the buoyancy in equity markets and the expected increase in broking volumes, BWR believes the company will continue to improve its total revenues and profitability in FY21. The gearing levels also reduced 2.41 times as on 31 March 2020, against 3.66 a year ago.

- **Credit Risks:**

Intense competition and volatility associated with share broking: Equity broking is an intensely competitive business and is also exposed to volatility associated with equity markets. Due to the advent of many players that charge thin broking commission from clients and provide easy access via mobile applications, the stock broking industry has become highly competitive. This also limits the profitability margins of the industry. Furthermore, trading volumes, revenues and profitability go in tandem with the equity market performance and these are vulnerable to both domestic and global events.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has taken a standalone approach of Anand Rathi Share and Stock Brokers Limited for arriving at the ratings. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: A sustained improvement in financial performance, along with gearing levels

Negative: Substantial decline in broking volumes and profitability, and a sharp increase in gearing levels

LIQUIDITY INDICATORS: ADEQUATE

ARSSBL had non-lien FDs/mutual funds of Rs 67.69 Crs as of 30 June 2020 against no stipulated repayments schedule of the loan being such nature of facilities. Although it has a higher utilisation of the bank guarantee, most of its working capital limit stays unutilised, which provides an additional liquidity cushion. Additionally, the company had Rs. 19.14 Crs bank balance available at the end of 30 June 2020. The company does have any term loans.



COMPANY PROFILE

Anand Rathi Shares & Stock Brokers Limited (ARSSBL) is a 100% subsidiary of Anand Rathi Financial Services Limited. ARSSBL is in the business of equity, commodity and currency trading and is a member of all the segment of NSE, BSE, NCDEX, MCX and MSEL. The group was established in 1991 as Navratan Capital & Securities Private Limited, and was later converted into a public limited company in 2007 as Anand Rathi Share and Stock Brokers Limited. Anand Rathi Group comprises Anand Rathi Financial Services Limited (flagship company), Anand Rathi Global Finance Limited, Anand Rathi Shares & Stock Brokers Limited, Anand Rathi Commodities Limited, Anand Rathi Insurance Brokers Limited, Anand Rathi Wealth Service Limited and few more. Group activities are diversified into various financial services including lending, stock broking, wealth management, insurance and advisory, among others.

KEY FINANCIAL INDICATORS

| Key Financial Indicators | Units | FY2019 | FY2020 |
|---------------------------------|-----------|---------|-------------|
| Result Type | | Audited | Provisional |
| Operating Income | Rs in Crs | 228.39 | 237.33 |
| EBITDA | Rs in Crs | 32.63 | 36.57 |
| PAT | Rs in Crs | 4.95 | 7.38 |
| Tangible Net Worth | Rs in Crs | 83.84 | 96.92 |
| Total Debt / Tangible Net Worth | Times | 3.66 | 2.41 |
| ISCR | Times | 1.30 | 1.41 |

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

| Facilities | Current Rating | | | Rating History | | |
|----------------|--------------------------------|------------------|--|------------------|--------------------|------|
| | Tenure (Long Term/ Short Term) | Amount (Rs.Crs.) | Rating | 28 Jun 19 | 14 Mar 18 | 2017 |
| Fund Based | Long Term | 60.00 | BWR BBB+ (Stable) | BWR BBB (Stable) | *INC BWR BBB #RWDI | - |
| Non Fund Based | Short Term | 616.00 | BWR A2+ | BWR A2 | INC BWR A2 RWDI | - |
| Total | | 676.00 | Rs. Six Hundred Seventy Six Crs. Only | | | |

**INC = Issuer Did Not Co Operate*

#RWDI – Rating under watch with developing implication

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Banks and Financial Institutions**

| Analytical Contacts | Investor and Media Relations |
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Anand Rathi Share & Stock Brokers Limited - ANNEXURE I

Details of Bank Loan Facilities rated by BWR

| Sl. No. | Name of the Bank | Type of Facilities | Long Term (Rs. Crs.) | Short Term (Rs. Crs.) | Total (Rs. Crs.) |
|---|---------------------|--------------------|----------------------|-----------------------|------------------|
| 1 | Axis Bank | Overdraft | 30.00 | - | 30.00 |
| 2 | Axis Bank | Bank Guarantee | - | 250.00 | 250.00 |
| 3 | Bank of India | Overdraft | 21.00 | - | 21.00 |
| 4 | Bank of India | Bank Guarantee | - | 150.00 | 150.00 |
| 5 | IndusInd Bank | Overdraft | 9.00 | - | 9.00 |
| 6 | IndusInd Bank | Bank Guarantee | - | 90.00 | 90.00 |
| 7 | State Bank of India | Bank Guarantee | - | 70.00 | 70.00 |
| 8 | - | Proposed | - | 56.00 | 56.00 |
| Total Rupees Six Hundred Seventy Six Crs. only | | | | | 676.00 |



ANNEXURE II
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS: NA

ANNEXURE III List of entities consolidated: Not applicable

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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