

## Rating Rationale

### Brickwork Ratings assigns ‘BWR A3+’ for the Bank Loan Facilities aggregating ₹ 105.00 Cr of Anand Rathi Commodities Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities of Anand Rathi Commodities Ltd (*ARCL* or ‘*the Company*’).

Facility	Amount (₹ Cr)	Tenure	Rating
Bank Guarantee (Non-Fund Based)	105.00	Short Term	<b>BWR A3+</b> (Pronounced BWR A Three Plus)
<b>Total</b>	<b>105.00</b>	<b>INR One Hundred and Five Crores only</b>	

BWR has principally relied upon the audited financial results up to FY14, projected financials up to FY16, publicly available information and information/clarifications provided by the Company.

The rating draws strength from the established track record of the Company in the commodity broking business, experienced promoters in the financial sector, strong risk management and MI systems, established business model with strong client base, strong parentage and group’s diversified revenue profile. The rating is, however, constrained by volatility in commodity broking business on account of market sentiments, imposition of commodity transaction tax leading to lower revenues and margins and uncertainty with regards to the settlement in complaint against NSEL.

#### Background:

Anand Rathi Commodities Ltd (ARCL), earlier known as Navratan Commodities Limited, is a wholly owned subsidiary of Anand Rathi Financial Services Ltd. The Company was incorporated in 1991 at Mumbai and undertakes commodity brokerage activities at National Commodity & Derivatives Exchange Limited (NCDEX), Multi Commodity Exchange (MCX) and National Multi Commodity Exchange of India Limited (NMCE). It has a dedicated team of highly capable fundamental and technical analysts with a combined experience of more than 34 man years and a dedicated advisory team to ensure that research advisory & research is relevant to clients. The Company has direct reach to customers across the country with over 200 dedicated relationship managers. ARCL has 78735 clients with 132 own branches and 776 franchisees. It has its own trading platform ‘OMNESYS’ for the clients and a well-developed IT system support.

**Risk Management-** The Company has separate team for risk management, has policy based **conservative exposure limits** & margin cover and **auto-square off mechanism** in the event of margin shortfall to the clients.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

**Robust Management Information System (MIS):** The Company has daily MIS monitoring branch efficiency, including utilisation of the capital placed with the exchange houses, monitoring client limits.

**Management:**

The Company is being managed by Mr. Anand Rathi, Mr. Pradeep Gupta, Mr. Amit Rathi and Mrs. Priti Gupta who serve as directors on the board of the company. All the directors are well qualified and experienced in the financial sector and are assisted by a team of professionals looking after various aspects of the commodity broking business.

**Financial Highlights:**

ARCL reported Net Revenue of Rs. 25.11 Cr in FY14 with an EBITDA margin of (2.23%) and PAT Margin of 5.24%. The Tangible Net Worth stood at Rs. 10.49 Cr as on March 31, 2014 with an Overall Gearing of 0.45 times.

**Rating Outlook:**

The outlook is expected to be stable for the current year. Going forward, the ability of the Company to increase its revenue & profitability, improve capitalization and maintain effectiveness of cost and risk management in the highly competitive commodity broking business would form the key rating sensitivities.

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