



## Rating Rationale

Anand Rathi Commodities Ltd.

09<sup>th</sup> February 2017

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Anand Rathi Commodities Ltd.**

## Particulars

Facility Rated	Rating Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous (April-2015)	Present (February 2017)
<u>Non-Fund Based</u> Bank Guarantee	105.00	<b>75.00</b>	<b>Short Term</b>	<b>BWR A3</b> (Pronounced BWR A Three) Ratings Under Watch with developing implications	<b>BWR A3</b> (Pronounced BWR A Three) Ratings Under Watch with developing implications <i>(Reaffirmed)</i>
<b>Total</b>	<b>105.00</b>	<b>Rs. 75.00 Crores (Rupees Seventy Five Crores Only.)</b>			

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Rating Reaffirmed

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

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 the group's alleged involvement in NSEL and the ongoing EOW probe. It is further constrained by the 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.



The Rating has been placed under watch with developing implications on account of the ongoing EOW probe with regards to the group's alleged involvement in the NSEL payment irregularities. The Company has re-iterated of no wrongdoing on their part and have been co-operating with EOW throughout the investigation. All this is likely to impact the business and reputation of the Company in an adverse manner; however, the actual effect is yet to be seen.

### **Rating Outlook: Ratings under Watch with Developing Implications**

BWR believes the **Anand Rathi Commodities Ltd.** business risk profile will be maintained over the medium term. The rating outlook may be revised to 'Positive' in case the group's promoters get a clean chit in the ongoing EOW probe along with improvement in the revenues and profits. However, any adverse observation by the EOW in the ongoing probe will be considered a negative.

### **About the Company**

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.. It has its own trading platform 'OMNESYS' for the clients and a well-developed IT system support.

### **Company Financial Performance**

As per audited FY 16 financials, ARCL's Total Operating Income increased to Rs. 19.01 crs in FY 16 (v. Rs. 18.45 crs in FY 15). Profitability, both at EBIDTA & PAT improved to Rs. 1.41 crs (v. -2.75 crs in FY 16) & 0.33 crs (-2.46 crs in FY 15) respectively in FY 16 after being in the red in the previous years, primarily due to lower operating costs. Tangible Net worth showed a marginal improvement, increasing to Rs. 8.39 crs in FY 16 (v. Rs. 8.06 crs) while debt coverage ratios too improved, with ISCR & DSCR at 1.31x (v. -3.40x in FY 15) and 1.42x (v. -1.79x in FY 15) respectively. Liquidity is moderate, with Current Ratio at 1.09x (1.10x in FY 15).



**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015 15 <sup>th</sup> Apr	2014 03 <sup>rd</sup> Dec
1.	Bank Guarantee	Short Term	75.00	BWR A3	Not Rated	BWR A3	BWR A3+

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹



9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

**DISCLAIMER**

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