

Rating Rationale

Anand Rathi Share And Stock Brokers Limited

28 June 2019

Brickwork Ratings reaffirms the ratings with revision in outlook for the Bank Loan facilities of ₹. 676 Crores of Anand Rathi Share And Stock Brokers Limited

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 2018)	Present
Fund Based	175	71	Long Term	Issuer Not-Cooperating BWR BBB (Pronounced as BWR Triple B) Rating under Watch with developing implications	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)
Non Fund Based	460	605	Short Term	Issuer Not-Cooperating BWR A2 (Pronounced as BWR A Two) Rating under Watch with developing implications	BWR A2 (Pronounced as BWR A Two)
Total	635	676	INR Six Hundred Seventy Six Crores Only/-		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities are provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, unaudited H1FY19, publicly available information and clarification provided by the company. The rating draws strength from the established track record of the company in broking business, experience promoters in financial sector, strong parentage (a wholly owned by Anand Rathi Financial Services Limited) and diversified revenue profile of Anand Rathi Group.

The rating is however, constrained by intense competition in share broking business, and volatility associated with the capital market and broking business. Audited full year financial performance of FY 19 of company also needs to be monitored



The rating had been put 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. However, based on recent SEBI order defining Anand Rathi Commodity Limited (ARCL) as “**Not Fit and proper for commodity derivatives broker**”, company has mentioned that though SEBI order rejects the application of registration of ARCL, it has no impact on other businesses of Group. Based on company's comment as mentioned above, BWR removes the rating watch with developing implications. The group's alleged involvement in NSEL and the ongoing EOW probe will be key monitorable.

Description of Key Rating Drivers

- **Credit Strengths:**

Established track record of the company in broking business: The company has almost three decades of experience and has established position in India. ARSSBL has about 4,63,900+ clients, about 1,250+ offices which are spread across 360+ locations across India. The company has 150+ it's own branches.

Experience promoters in financial sector: Mr. Anand Rathi has experience of more than 50 years. He is gold medalist Chartered Accountant and has spent around 25 years of his career with Aditya Birla group at various senior position. He was the president of the BSE for two terms. Mr. Pradeep Gupta is Managing Director of ARSSBL and co-founder of the group. He has over three decades experience in security market. Mr. Vishal Laddha and Mr. Roop Bhutra are executive directors of the company.

Strong parentage (a wholly owned by Anand Rathi Financial Services Limited): Anand Rathi Shares & Stock Brokers Limited (ARSSBL) is a 100% subsidiary of Anand Rathi Financial Services Limited (ARFSL). ARFSL ,flagship company of the group, holds majority stake in various entities which are engaged in various line of business namely, Wealth Management, NBFC, Insurance Broking, Investment Banking, equity, currency broking.

Diversified group profile: Anand Rathi Group comprises of entities named 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 diversified into activities like Financial services, stock broking facilities, wealth management, advisory etc.

- **Credit Risks:**

Intense competition and volatility associated with the share broking business: There is intense competition in the business and the volatility associated with this sector. Due to the advent of new players which charges no commission from the investor and provide easy access via mobile application, the stock broking industry has become highly competitive. This also limits the profitability margins of the industry.

Financial Performance during FY19: Since financial performance of the company as on 31 March 2019 is yet to be prepared, BWR has limited information to that extent. Financial performance of FY19 will be monitorable.



During H1FY19, company has reported total operating income of Rs. 109.66 Crs and PAT of Rs 4.03 Crs as against total operating income of Rs. 251.27 Crs and PAT of Rs 15 Crs (Including gain on account of sale of securities) from during FY18. Overall, FY19 financial need to be monitored.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Anand Rathi Share And Stock Brokers Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Anand Rathi Shares & Stock Brokers Limited (ARSSBL) is a 100% subsidiary of Anand Rathi Financial Services Limited. ARSSBL is a member of BSE and NSE and operates in the cash as well as derivative segment in both exchanges. Group was established in 1991 as Navratan Capital & Securities Private Limited, later got converted into a Public Limited company in 2007 as Anand Rathi share and Stock Broker Limited engaged in the business of stock broking firm.

Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Operating Revenue	Rs in Crs	171.21	251.27
EBITDA	Rs in Crs	14.17	59.88
PAT	Rs in Crs	5.33	15.25
Tangible Net worth	Rs in Crs	68.34	85.48
Total Debt/Tangible Net worth	Times	0.23	2.54
Current Ratio	Times	1.12	1.13

Rating History for the last three years

Sn	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	Overdraft	Long Term	71.00	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	Issuer Not-Cooperating BWR BBB (Pronounced as BWR Triple B) Rating under Watch with developing implications	-	Issuer Not-Cooperating BWR BBB (Pronounced as BWR Triple B) Rating under Watch with developing implications
2	Bank Guarantee	Short Term	605.00	BWR A2 (Pronounced as BWR A Two)	Issuer Not-Cooperating BWR A2 (Pronounced as BWR A Two) Rating under Watch with developing implications	-	Issuer Not-Cooperating BWR A2 (Pronounced as BWR A Two) Rating under Watch with developing implications
Total			676	₹ Six Hundred Seventy Six Crores Only/-			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Financial Institutions](#)
- [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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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