



RATING RATIONALE

27 July 2021

Anand Rathi Share and Stock Brokers Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs 996.00 Crs. of Anand Rathi Share and Stock Brokers Limited

Particulars:

Facilities**	Amount Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2021)	Present
Fund Based	65.00	56.00	Long Term	BWR BBB+ (Stable)	BWR BBB+ (Stable) (Reaffirmed)
Non Fund Based	811.00	940.00	Short Term	BWR A2+	BWR A2+ (Reaffirmed)
Total	876.00	996.00	Rs. Nine Hundred Ninety Six Crs. 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 reaffirmed the rating of Anand Rathi Share and Stock Brokers Limited (ARSSBL or the company) to BWR BBB+ (Stable)/A2+ for its enhanced bank loan facilities of Rs. 996 Crs. The rating reaffirmation draws strength from the company's established track record in the broking business, strong parentage (it is wholly owned by Anand Rathi Financial Services Limited (ARFSL)) 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 a 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: NA

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 5,00,000+ clients and around 1,200+ offices in 360+ locations across India. The company has over 110 branch desks. Mr. Anand Rathi has five decades of experience in various fields, including capital market and asset-based financing. He was the president of the Bombay Stock Exchange during 1999-2001. Mr. Pradeep Gupta is the managing director of ARSSBL, and the 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 Share and Stock Brokers Limited is a 100% subsidiary of ARFSL. ARFSL, the group's flagship company, holds the majority stake in various entities of the group, engaged in different lines of business, namely, equity, commodity and currency broking, non-banking financial services, 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. As on 31 March 2020, the group level networth stood at Rs. 568.20 Crs, and the consolidated net gearing stood at 4.90 times. ARSSBL's gearing was 1.68 times as on 31 March 2021, against 2.43 times a year ago.
- **Improving financial performance:** The company's financial indicators have been witnessing a steady improvement, with the operating income and profit after tax for FY21 increasing to Rs. 302.60 Crs and Rs. 13.16 Crs, respectively, from Rs.245.55 Crs and Rs. 6.75 Crs during FY20. The improvement was largely driven by an increase in equity broking volumes during the year. Given the buoyancy in equity markets and expected increase in broking volumes, BWR believes the company will continue to improve its total revenues and profitability in FY22.

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 commissions from clients and provide easy access via mobile applications, the stock broking industry has become highly competitive. This also limits the industry's profitability margins. 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, substantial increase in the networth and gearing levels of less than 0.5 times

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

LIQUIDITY INDICATORS: ADEQUATE

ARSSBL had a bank balance of Rs 9.56 Crs as of 19 July 2021 against no stipulated repayment schedule of the loan for the next one year, due to such a nature of the facilities. Additionally, the company had Rs. 88.11 Crs unutilised overdraft facilities as on 19 July 2021. The company does not have any term loan.



Coronavirus disease (COVID-19), declared a pandemic by the World Health Organization (WHO), has become a full-blown crisis globally, including in India. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact on its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

COMPANY PROFILE:

Anand Rathi Share and Stock Brokers Limited (ARSSBL) is a 100% subsidiary of ARFSL. ARSSBL is in the business of equity, commodity and currency trading, and is a member of all the segments of the NSE, BSE, NCDEX, MCX and MSEI. ARSSBL 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 ARFSL (flagship company), Anand Rathi Global Finance Limited, ARSSBL, Anand Rathi Commodities Limited, Anand Rathi Insurance Brokers Limited, Anand Rathi Wealth Limited, Anand Rathi Advisors Limited and a few more. The group's activities are diversified into various financial services, including lending, stock broking, wealth management, insurance and advisory.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY20	FY21
Result Type		Audited	Audited
Operating Income	Rs. Crs	245.55	302.60
OPBDIT	Rs. Crs	40.95	44.73
PAT	Rs. Crs	6.75	13.16
Tangible Net Worth (TNW)	Rs. Crs	95.90	111.34
Total Debt: TNW	Times	2.43	1.68

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY : NA

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

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (Year T)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable		
		Type (Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating (July 2021)	Date(s) & Rating(S) assigned in year T-1	Date(s) & Rating(s) assigned in Year T-2	Dates(s) & Rating(s) assigned in Year T-3
1	Fund Based	Long Term	56.00	BWR BBB+ (Stable)	BWR BBB+ (Stable) (8-Jan-21) BWR BBB+ (Stable) (31-Jul-20)	BWR BBB (Stable) (28-Jun-19)	INC^ BWR BBB (RWDI) (14-Mar-18)
2	Non Fund Based	Short Term	940.00	BWR A2+	BWR A2+ (8-Jan-21) BWR A2+ (31-Jul-20)	BWR A2 (28-Jun-19)	INC^ BWR A2 (RWDI) (14-Mar-18)
Total			996.00	Rs. Nine Hundred Ninety Six Crs Only/-			

^INC= Issuer Did Not Co-operate , `RWDI – Rating Watch With Developing Implications

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loan Facility: Simple

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Securities and Broking Firm](#)

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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/Lender	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	State Bank of India	Bank Guarantee	-	200.00	200.00
4	Bank of India	Overdraft	21.00	-	21.00
5	Bank of India	Bank Guarantee	-	150.00	150.00
6	Union Bank of India	Overdraft	5.00	-	5.00
7	Union Bank of India	Bank Guarantee	-	100.00	100.00
8	Bank of Baroda	Bank Guarantee	-	100.00	100.00
9	IndusInd Bank	Bank Guarantee	-	90.00	90.00
10	Federal Bank	Bank Guarantee	-	50.00	50.00
		TOTAL	56.00	940.00	996.00
Total Rs.Nine Hundred Ninety Six Crs. only./-					

ANNEXURE II

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

ANNEXURE III

List of entities consolidated: NA

For print and digital media

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instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as “Instruments”]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

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