



RATING RATIONALE

8 January 2021

Anand Rathi Share and Stock Brokers Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs 876 Crs. of Anand Rathi Share and Stock Brokers Limited

Particulars:

| Facilities** | Amount (₹ Cr) | | Tenure | Rating* | |
|-----------------------|---------------|---------------|--|--------------------------|-------------------------------------|
| | Previous | Present | | Previous (July, 2020) | Present |
| Fund Based | 60.00 | 65.00 | Long Term | BWR BBB+ (Stable) | BWR BBB+ (Stable) Reaffirmed |
| Non Fund Based | 616.00 | 811.00 | Short Term | BWR A2+ | BWR A2+ Reaffirmed |
| Total | 676.00 | 876.00 | Rs. Eight Hundred Seventy-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. 876 Crs. The rating reaffirmation draws strength from the company's established track record in the broking business, strong parentage (wholly owned by Anand Rathi Financial Services Limited (ARFSL)) and improvement in the 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 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 Shares & Stock Brokers Limited is a 100% subsidiary of 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, 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. 158.48 Crs as on 31 March 2020 from the group company. 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. The consolidated revenue for the group stood at Rs. 683.19 Crs, with a profitability of Rs. 69.49 Crs. for the nine months ended 31 March 2020.
- **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 increasing to Rs. 245.55 Crs and Rs. 6.75 Crs, respectively, from Rs.234.77 Crs and Rs. 5.98 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 2.43 times as on 31 March 2020, against 3.65 a year ago. As on 30 September 2020, ARSSBL had achieved operating income of Rs. 137.67 Crs and a profit after tax of Rs. 4.99 Crs.

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 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

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

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

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organization (WHO), has become a full-blown crisis globally, including in India. As a containment measure, the Indian Government had announced a 21-day nationwide lockdown on 24 March 2020, which was subsequently extended until 31 May 2020. As per BWR, financial institutions, mainly those lending to the retail low-income borrower segments, could be the most impacted. The 6-month moratorium announced by the Reserve Bank of India on interest and principal on bank debt has provided some cushion to the lending community to realign its collection machinery and operations during this period. However, lenders' ability to ensure credit discipline among borrowers and to collect accumulated interest and principal dues on a timely basis will be a key monitorable. 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.

LIQUIDITY INDICATORS: ADEQUATE

ARSSBL had a bank balance of Rs 34.78 Crs as of 31 December 2020 against no stipulated repayment schedule of the loan being such nature of facilities. Additionally, the company had Rs. 61.28 Crs unutilised overdraft facilities at the end of 31 December 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 segments of the 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 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 | FY2019 | FY2020 |
|--------------------------------|-----------|---------|---------|
| Result Type | | Audited | Audited |
| Operating Income | Rs in Crs | 234.77 | 245.55 |
| OPBDIT | Rs in Crs | 40.09 | 40.95 |
| PAT | Rs in Crs | 5.98 | 6.75 |
| Tangible Net Worth | Rs in Crs | 83.96 | 95.90 |
| Total Debt: Tangible Net Worth | Times | 3.65 | 2.43 |
| ISCR | Times | 1.30 | 1.78 |

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS 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-2021) | | | 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 | Date(s)& Rating(S) assigned in year T-1 - 2020 | Date(s) & Rating(s) assigned in Year T-2- 2019 | Dates(Rating assigned in in Year T-3- 2018 |
| 1 | Fund Based | Long Term | 65.00 | BWR BBB+ (Stable) | BWR BBB+ (Stable) (31 July 2020) | BWR BBB (Stable) (28 June 2019) | BWR BBB RWDI1 INC2 (14 March 2018) |
| 2 | Non Fund Based | Short Term | 811.00 | BWR A2+ | BWR A2+ (31 July 2020) | BWR A2 (28 June 2019) | BWR A2 RWDI INC (14 March 2018) |

¹ INC = Issuer Did Not Co Operate

² 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](#)

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Anand Rathi Share & Stock Brokers Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

| Sl. No. | Type of Facilities | Long Term (Rs.Crs.) | Short Term (Rs.Crs.) | Total (Rs.Crs.) |
|--|--------------------|---------------------|----------------------|-----------------|
| 1 | Overdraft | 65.00 | - | 65.00 |
| 2 | Bank Guarantee | - | 810.00 | 811.00 |
| 3 | Proposed | - | 1.00 | 1.00 |
| | TOTAL | 65.00 | 811.00 | 876.00 |
| Total Rs. Eight Hundred Seventy-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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