



## RATING RATIONALE

25 March 2022

### C R Kothari and Sons Stock Broking Private Limited

### Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs. 32 Crs. of C R Kothari and Sons Stock Broking Private Limited

#### Particulars:

Instruments / Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2020)	Present
Non Fund Based	32.00	32.00	Short Term	BWR A4+ Reaffirmed	BWR A4+ Reaffirmed
<b>Total</b>	32.00	32.00	<b>Rupees Thirty-Two Crores Only</b>		

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

\*\* Details of Bank Loan facilities is provided in Annexure-I&II

Note: The rating advisory for delay in rating review was published in December 2021

#### RATING ACTION

Brickwork Ratings (BWR) reaffirms BWR A4+ ratings for the non fund based short term bank loan facilities amounting to Rs.32 Crs of C R Kothari and Sons Stock Broking Private Limited (CRKSSBPL or the company). The rating reaffirmation factors in the experience of promoters and improved profitability and net worth. However, the rating is constrained by earnings volatility due to susceptibility and uncertainties inherent in capital market business and high competition in the industry.

BWR has essentially relied on audited financial upto FY21, unaudited figures upto H1FY22, publicly available information and information/clarifications provided by the company's management.

#### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

#### KEY RATING DRIVERS

- **Credit Strengths:-**

**Experience of promoters:** The promoters of the Company have more than three decades of experience in trading in capital markets. In addition to CRKSSBPL, the promoters are managing other group companies which are engaged in a similar line of business. The company is promoted by the Kothari family and headed by director Shri. Sanjay Kothari. He is



supported by an experienced board of directors and a professional management team having one decade's experience in the industry.

**Adequate Net worth supported by incremental net profits:** The company's tangible networth improved to Rs 54.57 Crs as on 31 March 2021 and to Rs 59.17 Crs as on 30 Sept 2021 as against Rs 45.41 Cr as on 31 March 2020. Increase in networth was mainly supported by retention of net profits. The company recorded net profit of Rs 9.26 Crs for FY21 as against Rs 2.16 Crs for FY20, and achieved net profit of Rs 4.60 Crs during HY ended 30Sept 21. During FY21, Shri Hemant Kothari and Shri Pradeep Kothari had transferred their entire shareholding in the Company to Shri Sanjay Kothari (98.82%) and Smt Archana Kothari (1.18%). The borrowings of the company are mostly in the nature of unsecured loans from associate companies. The gearing ratio stood at 1.77x as of 30 Sep 2021 and 1.86 as on 31 March 21 as against 1.19x as on 31 March 2020. The Company avails the bank guarantee facilities for meeting its business requirements to be maintained as per regulatory requirements. BWR believes the company's capital position is adequate to pursue growth and cover for any asset-side risks over the medium term.

- **Credit Risks:-**

**Volatility in capital markets:** The company is exposed to the inherent volatile nature of capital markets. The business of the company is heavily dependent on the stock market regulations as well as on the economic scenario at domestic and global levels.

**Highly competitive segment:** Broking, investment advisory and wealth management offers vast growth potential. Industry, however, is very competitive with the presence of a large number of players. It has low entry barriers; Hence, industry risk is higher as compared to other industry

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its 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 significant improvement in the financial risk profile, including a substantial increase in revenue and profitability, while maintaining gearing, will be rating positives.

**Negative:** A significant deterioration in business volumes, or the earnings and capital profile, will be rating negatives.

#### **LIQUIDITY INDICATORS: ADEQUATE**

As on 30 Sept 2021, the company had liquidity of Rs. 73.29 Crs, i.e., bank balance equivalents of Rs. 20.43 Crs, unencumbered fixed deposits of Rs. 51.37 Crs, apart from fixed deposits for margin funds with exchange against no stipulated debt obligation.



## COMPANY PROFILE

C R Kothari and Sons Stock Broking Pvt Ltd (CRKSSBPL), incorporated in September 2004, is mainly involved in proprietary trading in capital market and also broking business. Directors of the company are Pradeep Kothari, Alok Kothari, Hemant Kothari and Sanjay Kothari. C R Kothari group comprises of C R Kothari and Sons Stock Broking Pvt Ltd, C R Kothari and Sons Shares and Stock Brokers Pvt Ltd, Robust Finvest Pvt Ltd, Chartered Gold Financial Services Pvt Ltd, and C R Kothari and Sons Equities Pvt Ltd & C R Kothari & Sons Commodities Pvt Ltd.

C R Kothari and Sons Group of Companies has its core presence in Stock Broking, Investment, Arbitrage, Depository Services since last three decades. C R Kothari and Sons Group are members of the National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Depository Participant – Central Depository Services (I) Limited. The group has vast experience in capital market and marked its presence in four states: Maharashtra, Gujarat, Rajasthan and Uttar Pradesh having Branch steps in Mumbai, Baroda, Jaipur, Ajmer and Kanpur

## KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY20	FY21
Result Type		Audited	Audited
Trading Volume	Rs in Crs	12027.72	11972.49
Net Revenue from Operation *	Rs in Crs	29.47	31.79
Profit After Tax	Rs in Crs	2.16	9.26
Tangible Networkth	Rs in Crs	45.41	54.57
Total Debt/TNW	Times	1.19	1.86

*\*After reducing the cost of operations and change in inventories*

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil**



**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) (2022)			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 (2021)	Date(s) & Rating(s) assigned in Year T-2 (2020)	Dates(s) & Rating assigned in Year T-3 (2019)
1	Non Fund Based	Short Term	32.00	BWR A4+ (Reaffirmed)	NA	BWR A4+ 24 Dec 20	BWR A4+ 30 Mar 19
	<b>Total</b>		<b>32.00</b>	<b>INR Thirty Two Crores Only/-</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit

[www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)
- [Short Term Debt Rating](#)

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**C R Kothari and Sons Stock Broking Pvt Ltd**  
**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Sl. No.	Name of Bank	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1	HDFC Bank	Bank Guarantee	-	15.00	15.00
2	UCO Bank	Bank Guarantee	-	17.00	17.00
		TOTAL	-	32.00	32.00

Total INR Thirty Two Crores only.

**ANNEXURE II**

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

**ANNEXURE III**

**List of entities consolidated : NA**

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