

## RATING RATIONALE

22 May 2024

### Anand Rathi Share and Stock Brokers Limited

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

#### Particulars:

Facility / Instrument **	Amount Rated (Rs. Crs.)		Tenure	Rating#	
	Previous	Present		Previous (07 Dec 2023)	Present
<b>Fund-Based Bank Loans</b>	56.00	<b>56.00</b>	Long Term	BWR BBB+ /Stable /Removal from ISSUER NOT COOPERATING*/ Upgrade	<b>BWR BBB+ /Stable Reaffirmed and Withdrawn</b>
<b>Non-fund Based Bank Loans</b>	940.00	<b>940.00</b>	Short Term	BWR A2+ /Removal from ISSUER NOT COOPERATING* /Upgrade	<b>BWR A2+ Reaffirmed and Withdrawn</b>
<b>Total</b>	996.00	<b>996.00</b>	<b>Rupees Nine Hundred and Ninety-Six Crores Only</b>		

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

\* Issuer did not cooperate; based on the best available information.

\*\*Details of Bank Loans provided in Annexures- I

#### RATING ACTION / OUTLOOK / WITHDRAWAL

Anand Rathi Share and Stock Brokers Limited (or “the Company”) was last rated at BWR BBB+/Stable and BWR A2+ on December 07, 2023.

Now, the company has taken up with BWR for the withdrawal of the bank loan ratings, along with No Objection Certificates (NOCs) from the concerned lenders for withdrawal of the existing ratings with BWR. As per BWR’s Rating Withdrawal Policy, the ratings have been reviewed based on available information at the time of withdrawal. The ratings are reaffirmed at BWR BBB+/Stable and BWR A2+ and the ratings are simultaneously withdrawn with immediate effect.

The reaffirmation of the rating factors in the company’s well-experienced management team and long track record in the broking industry and its strategic importance to Anand Rathi Group coupled with improving profitability and increased market share in cash segment turnover. These strengths are partly offset by rising debt levels, modest scale of operations, the inherent market risk, and competitive pressures that ARSSBL is exposed to in its core broking business. The company’s ability to maintain its market share as well as continue to keep its revenue profile diversified will continue to remain the key monitorable.



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:** As per the usual terms and conditions as stipulated for the bank loan facility (as referred to in Annexure I below).

## KEY RATING DRIVERS

### Credit Strengths:-

**Established track record supported by experienced management:** The Company has a long track record of nearly three decades and an established position in the equity broking business in India and has a share of 0.99% of Equity Cash, 0.34% share in F&O, 0.83% in the Currency market and 0.38% in the Commodities market. It is one of the oldest equity broking entities in the country. The company has over 95 branches. Mr. Anand Rathi has more than 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, the managing director of ARSSBL, and the co-founder and vice chairman of the group has over three decades of experience in the capital market, specifically in equity broking. The company is supported by a professional management team with vast experience in the financial services domain.

**Strong Group support with strategic importance to the Anand Rathi Group:** Anand Rathi Share and Stock Brokers Limited (ARSSBL) a 100% subsidiary of Anand Rathi Financial Services Ltd (Flagship Company of Anand Rathi Group). ARFSL, the group's flagship company, was founded by Mr Anand Rathi in 1994 and holds the majority stake in various entities of the group, engaged in different lines of business. One of the group Companies viz. Anand Rathi Wealth Limited, engaged in the wealth management business, has been listed on the BSE and NSE platforms since 14th December 2021. ARSSBL gets financial and operational support from parent and group companies. The continued strong support from the group is a key credit strength.

**Improving net worth levels with modest gearing levels underpinned by capital infusion support:** The TNW strengthened from Rs. 256 Crs in March 2023 to Rs. 299 Crs in December 2023. The total debt has risen to Rs. 846 Crs, and due to this the gearing levels have also deteriorated from 1.65x in FY23 to 2.82x in December 2023 but it continues to be under manageable levels. Furthermore, the borrowings are utilised to comply with the requirements of revised RBI regulations and to meet the working capital requirements of the Company.

**Adequate and improving profitability:** For December 2023, the PAT has improved to Rs 53 Crs from Rs. 39 Crs in FY23 which was aided by improving market conditions and consumer confidence with a profit margin of 11.2%, benefitted by overall growth in revenue, lower staff costs and other expenses. Broking income represented about ~ 59% of total income, followed by interest income (~30%) and other income (~11%).

### Credit Risks:-

**Inherent Vulnerability and strict regulations:** The company's operating performance is linked



to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. Uncertainties and unfavorable market conditions may impact adversely on the earnings. The company started focusing on diversifying its revenue streams to other distribution products like Mutual funds, portfolio management services etc. Consequently, Broking income has reduced to 59% in December 2023 from 65% in March 2023.

Furthermore, the Company has increased its exposure in the form of margin trading facilities classified as loans in the balance sheet, which had increased from Rs. 305 Crs in March 2022 to Rs. 377 Crs in March 2023 which rose further to Rs. 585.64 in December 2023. BWR considers its classification in the books and incremental exposure as a rating sensitivity, in view of the revised regulatory guidelines.

**Intense competition from existing and new age fintech brokers:** The Company faces intense competition from a large number of new age fintech broking Companies entering the market and providing low-cost products to the client. These Companies are able to attract a large number of retail clients and increase their client base since retail clients are more price sensitive and are diverting towards the technology and competitive price being offered by them. Therefore, the Company's key broking business remains exposed to market, economic and social factors that drive investor sentiment. ARSSBL is trying to mitigate the competition by offering additional value-added services which these fintech players do not/cannot provide. Given the competition from larger brokerages and technology-focused new entrants, the ability of the Company to grow its brokerage revenues on a sustainable basis will be a key monitorable.

#### **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 trading volumes with a corresponding increase in revenue and profitability.
- Diversification of earnings profile without significantly affecting the broking income.
- Improvement in market share.

##### **Negative**

- Substantial decline in broking volumes and profitability
- Increase in Gearing Levels.

#### **LIQUIDITY POSITION: ADEQUATE**

The liquidity of the company is adequate on account that as of December 31, 2023, the company's cash and bank balance stood at Rs 1636 Crs, unencumbered cash balance stood at Rs. 7.43 Crs



and undrawn sanctions stood at Rs. 240.68 Crs, against this the company has a total debt of Rs 846.16 Crs.

## COMPANY PROFILE

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Capital markets	Stockbroking & allied

Anand Rathi Share and Stock Brokers Limited (ARSSBL) was incorporated on November 22, 1991, as a private limited company under the Companies Act, 1956 in the name of Navratan Capital and Securities Private Ltd, which later got converted into a public limited company on March 21, 2007. Subsequently, 'Navratan Capital and Securities Limited' was renamed as 'Anand Rathi Share and Stock Brokers Limited' and received a fresh certificate of incorporation from the RoC on January 29, 2008. The company carries on the activity of a stock broker, research analyst, depository participant and mutual fund distributor under the corporate agent license. The company is also a trading member of the National Stock Exchange of India Ltd., BSE Limited, Multi Commodity Exchange and National Commodity and Derivatives Exchange in the wholesale debt segment, and mutual fund segment, among others. The company also provides broking services to retail clients and HNIs through online, call-n-trade and offline mediums and has a spread across more than 95 branches with 127741 active clients, 1156 franchises and 5543 terminals at March 2024.

## KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY22	FY23	9MFY24
Result Type		Audited	Audited	Unaudited
Revenue from Operations	Rs in Crs	423.27	468.63	471
PAT	Rs in Crs	51.18	38.95	53
Net Profit Margin (%)	%	12.09	8.31	11.22
Tangible Net worth	Rs in Crs	215	255	299
Gearing	Times	1.21	1.59	2.82
Total Assets	Rs in Crs	1344	1630	2594

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:** The company has no outstanding ratings under non-cooperation from other CRAs.

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (Including withdrawal and suspended)**

Sr. No.	Name of Facility/ Instrument	Current Rating (2024)			Rating History for the past 3 years		
		Type	Amount (Rs. Crs)	Rating	2023	2022	2021
1	Fund Based	Long Term	56.00	BWR BBB+ /Stable Reaffirmed and Withdrawn	BWR BBB+ /Stable /Removal from ISSUER NOT COOPERATING*/ Upgrade (07 Dec 2023)  BWR BBB-/Stable/ Migration to ISSUER NOT COOPERATING*/ Downgrade (03 Nov 2023)	BWR BBB+/Stable /Reaffirmed (03 Aug 2022)	BWR BBB+/Stable /Reaffirmed (27 Jul 2021)  BWR BBB+/Stable /Reaffirmed (08 Jan 2021)
2	Non Fund Based	Short Term	940.00	BWR A2+ Reaffirmed and Withdrawn	BWR A2+ /Removal from ISSUER NOT COOPERATING*/ Upgrade (07 Dec 2023)  BWR A3/Migration to ISSUER NOT COOPERATING*/ Downgrade (03 Nov 2023)	BWR A2+ /Reaffirmed (03 Aug 2022)	BWR A2+ /Reaffirmed (27 Jul 2021)  BWR A2+ /Reaffirmed (08 Jan 2021)
<b>Total</b>			<b>996.00</b>	<b>Rupees Nine Hundred and Ninety-Six Crores only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

Bank Loans: **Simple**

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](#)
- [Securities & Broking Firm](#)

- [Policy on Issuer Non-Cooperation](#)
- [BWR Rating Withdrawal Policy](#)

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**Anand Rathi Shares and Stock Brokers Limited**  
**ANNEXURE I - Details of Bank Facilities rated by BWR**

Sr. No.	Lender Name	Type of Facility	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	Bank of India	Overdraft	21.00	-	21.00
4	Bank of India	Bank Guarantee	-	150.00	150.00
5	Union Bank of India	Overdraft	5.00	-	5.00
6	Union Bank of India	Bank Guarantee	-	100.00	100.00
7	Bank of Baroda	Bank Guarantee	-	100.00	100.00
8	IndusInd Bank	Bank Guarantee	-	90.00	90.00
9	State Bank of India	Bank Guarantee	-	200.00	200.00
10	Federal Bank	Bank Guarantee	-	50.00	50.00
	<b>Total</b>		<b>56.00</b>	940.00	<b>996.00</b>
<b>Rupees Nine Hundred Ninety-Six Crores only</b>					

**ANNEXURE II - NCD DETAILS: N.A.**

**ANNEXURE III - List of entities consolidated: Nil**



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