



Press Release

Marwadi Shares & Finance Limited

April 01, 2021

Ratings

Sr. No	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term/Short Term Fund based facilities – Overdraft	250.00	IVR A-/ Stable/ IVR A2+ (IVR Single A Minus with Stable Outlook and IVR Single A Two Plus)
2	Short Term Non-Fund based facilities – Bank Guarantee	1890.00	IVR A2+ (IVR Single A Two Plus)
	Total	2140.00	

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings assigned to the bank facilities of Marwadi Shares & Finance Limited (MSFL or the company) considers established track record of group and experienced promoters, healthy retail broking business, healthy scale of operations with improved margins and comfortable capitalization. These are partially offset by susceptibility to uncertainties inherent in the capital market business and Intense competition.

Key Rating Sensitivities

- **Upward Factors**
 - Sustained improvement in financial performance & profitability margins

- **Downward Factors**
 - Substantial decline in trading volumes and profitability.
 - Changes in the regulatory environment



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established Track Record of Group and Experienced Promoters - Marwadi Shares and Finance Limited (MSFL) is a financial service provider based at Rajkot, Gujarat and is a part of Marwadi Group. The company was promoted in 1992 as a private limited company and was converted to public limited company in 2006. The company has an established operational track record in the equity broking business. MSFL has over 3.75 lakh active clients and spread across 241 locations covering 11 states across India and 117 branches of its own. The company is promoted by Mr. Ketan H Marwadi, Mr. Deven H Marwadi & Mr. Sandip H Marwadi and has more than 25 years of experience in stock broking business. This extensive experienced of promoters and the long-established track record of the group has helped to build healthy relationship with their clientele.

Healthy retail broking business - The company's revenue has increased by ~9% from Rs. 169.37 crore to Rs. 184.69 crore in FY2020 and is driven by increasing in trade volumes & increase in retails clients. MSFL offers broking services, both in cash equity and derivatives market segment and distributes third party products such as mutual funds, insurance bonds, fixed deposits, IPOs etc. Majority of the total operating income is from retail clients whereas the remaining are from institutional clients.

Healthy scale of operations with improved margins – During FY2020, the company earned a PAT of Rs. 27.47 crore registering a growth of 13% Y-o-Y. The increase in PAT has been largely contributed by profit on arbitrage of shares and increase in interest income which grew from Rs. 39.32 crore & 59.35 crore in FY2019 to Rs. 56.33 crore & Rs. 68 crores respectively in FY2020 on account of increase in interest income on fixed deposit. During 9MFY21, total income grew to Rs. 174.88 crores as increase were seen in both profit on arbitrage of shares (29% of Total operating income) as well as brokerage income (31% of Total operating income). EBITDA & PAT margins remained healthy and stood at 44.51% & 14.86% respectively in FY2020 which has improved from FY2019. The company has successfully managed to maintain & improve its profitability margins over the years.



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Comfortable capitalization - The company's tangible net worth stood at Rs. 301.44 crore as on March 31, 2020. The gearing was low and stood at 0.87 times as on March 31, 2020 as against 1.43 times as on March 31, 2019. As on March 31, 2020, the company had its entire borrowings through overdraft & bank guarantee for meeting the working capital requirement and as a security deposit in favour of various exchanges. The company's major bank facilities are non-fund based in nature, despite that the Interest coverage ratio stood healthy at 2.91x in FY2020.

A. Key Rating Weaknesses

Susceptibility to uncertainties inherent in the capital market business - MSFL engaged in the stock broking business and the stock market is volatile in nature, Market index like Sensex and Nifty goes up and down throughout the day and 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.

Intense Competition - Broking is a highly volatile and cyclical business with the presence of many established players who provide significant competition to the other fragmented and small players. The competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players This limits the profitability margins of the industry.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Service Industry

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Marwadi Shares & Finance Limited has maintained adequate liquidity of Rs. 31.63 crores against no stipulated repayment schedule of the long-term loan as on 31st March 2020. The company average fund-based utilisation levels of ~45% over the past 12 months period ended Feb 2021. Current ratio for FY20 was 1.18x and quick ratio was 1.12x indicating adequate liquidity. Although it has a higher utilisation of the bank guarantee, most of its



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working capital facility such as overdraft facilities utilisation remained low and same is secured against FDs and Shares. which may provide a liquidity cushion for urgent requirements.

About the Company

Marwadi Shares and Finance Limited (MSFL), the flagship company of the Marwadi group, was established in 1992 by Mr. Ketan H Marwadi, Mr. Deven H Marwadi and Mr. Sandip H Marwadi. The company was promoted in 1992 as a private limited company and was converted to public limited company in 2006. Promoters of MSFL have more than 25 years of experience in the capital markets. It is a member of the National Stock Exchange of India and Bombay Stock Exchange.

Marwadi Shares and Finance Limited (MSFL) is a financial service provider with varied interest that include equity and commodity trading, retail broking depository participants, internet-based trading, institutional business, NPS, IPO and mutual fund distribution, Institutional and Corporate house trading and Merchant Banking Services etc.

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	169.37	184.69
EBITDA	58.01	82.21
PAT	23.88	27.47
Tangible Net worth	259.24	301.41
Adjusted Tangible Net worth	245.53	287.09
EBITDA Margin (%)	34.25	44.51
PAT Margin (%)	14.10	14.86
Overall Gearing Ratio (x)	1.51	0.91

*As per Infomerics Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Overdraft	Long Term/ Short Term	250.00	IVR A-/ Stable/ IVR A2+ (IVR Single A Minus with Stable Outlook and IVR Single A Two Plus)	NA	NA	NA
2	Bank Guarantee	Short Term	1890.00	IVR A2+ (IVR Single A Two Plus)	NA	NA	NA
Total			2140.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



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widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Overdraft	-	-	Revolving	250.00	IVR A-/ Stable/ IVR A2+ (IVR Single A Minus with Stable Outlook and IVR Single A Two Plus)
Long Term Bank Facilities – Bank Guarantee	-	-	Less than a year	1890.00	IVR A2+ (IVR Single A Two Plus)
Total				2140.00	