Press Release

Findoc Investmart Private Limited

September 27, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	85.00	IVR BBB / Stable Outlook [IVR Triple B with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	140.00	IVR A3+ [IVR A Three Plus]	Assigned	Simple
Short Term Bank Facilities (Proposed)	75.00	IVR A3+ [IVR A Three Plus]	Assigned	Simple
Total	**300.00 (Rupees Three Hundred Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Findoc Investmart Private Limited (FIPL) derived strength from experienced promoters and team of management with over decades of experience in the capital market industry, improved operating income with healthy profitability margins, adequate capitalisation with conservative gearing policy and strong risk management policy. The ratings however constrained by risks associated with proprietary trading business, which remains key earnings driver, dependence on capital markets, which are inherently volatile and cyclical in nature and increasing competitive business segment.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the total operating income of the company on the back of increase in customer base and higher revenue contribution from its existing customers
- Improvement in risk management system

Downward Factors

- Deterioration in capital structure due to any un-envisaged incremental borrowings
- Depletion in the customer base leading to lower brokerage income in the medium term
- Any significant deterioration in the liquidity position of the company from its current levels
- Changes in the regulatory environment

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and team of management**

  FIPL is promoted by Mr. Hemant Sood and Mr. Chander Shekhar. Mr. Hemant Sood having more than a decade of experience and Mr. Chander Shekhar is having more than 5 years of experience in the capital markets. They are well supported by the other director Mr. Nitin Shahi, having more than two decades of experience in the capital markets. This extensive experienced of promoters and the long-established track record of the group has helped to build healthy relationship with their clienteles. Apart from directors, the company is managed by team of professionals to execute and monitor the work undertaken for satisfactory completion of work. Further all the key managerial associated with this company for more than decades.

- **Improved operating income with healthy profitability margins**

  The scale of the company has increased from Rs.57.26 crore in FY20 to Rs.168.02 crore and further increased to 223.93 crore in FY22 owing to amalgamation that has taken place during the FY21 with Findoc Commodities Private Limited and increasing income derived from trading segment, professional services, broking services & interest income coupled with addition of new clientele. Further till June 30, 2022 company has already achieved revenue of Rs.98.73 crore. The profitability margins remained healthy on the back of increase in the scale of operation and corresponding economies of scale associated with it. Further FIPL has successfully managed to maintain its profitability margins over the years.

- **Adequate capitalisation with conservative gearing policy**
  The overall financial performance was supported by higher traded turnover and increase in active clients resulting in sizeable accretion to reserves, further improved market sentiments should further enhance the core trading income and broking income in the near term. The networth base has increased from Rs.192 crore as on March 31, 2021 to Rs.279 crore as on March 31, 2022. The capital structure of the company has remained comfortable marked by overall gearing and total outside liabilities / tangible net worth (TOL/TNW) of 0.01 times and 1.13 times respectively as on March 31, 2022 mainly due to low debt profile of the company only comprise of unsecured loans from promoters, related parties and term loan availed from the banks. Further gearing has remained low because debt has been availed largely to fund the margin trading facility of clients. Despite healthy business prospectus, gearing is not expected to increase materially over the medium term.

- **Strong risk management policy**
  FIPL follows a stringent risk management policy where the policy document clearly defines the nature of customer transactions, setting up client exposure limits in cash segment and F&O segment, Script wise exposure limits in cash and F&O segment, order limits and limit rules for the client. The policy also includes a well-defined square up process which is run daily to regularize various risk diameters or margin calls.

Key Rating Weaknesses

- **Risks associated with proprietary trading business, which remains key earnings driver**
  FIPL is engaged in jobbing, arbitrage trading and algorithm-based trading under this segment. The proprietary trading business remains exposed to market risk and thus the variability of earnings remains high because of its high dependence on capital markets. The company track record in this business, it reported proprietary trading income of Rs.195 crore in FY22 (YoY growth of 41%) (as against Rs.139 crore in FY21). Going forward, its ability to maintain a healthy track record in this business, while ensuring adequate risk monitoring measures to manage the portfolio and market risk, would remain critical from a credit perspective.

- **Dependence on capital markets, which are inherently volatile and cyclical in nature**
  FIPL's revenues and profitability profile remain inherently dependent on the performance of the capital markets. This exposes the company to the volatility inherent in the capital markets. The risks are further accentuated as proprietary trading is its core business activity. Moreover, with increasing competition in equity broking, the average yields for broking players have been under pressure. With the competitive intensity in the industry expected to remain high, the pressure on the industry margin is expected to continue. Going forward, FIPL's ability to acquire new clients and manage the pressure on yields would be a key monitorable.

- **Increasing competitive business segment**
  Broking business in India is highly competitive and FIPL fierce competition from large broking firms. Large broking firms are in a better position to reduce operating expenses and maintain their margins. Broking business in India is becoming increasingly competitive with reducing brokerage fees and volatile volumes. However, the company is having synergies from its group companies. Findoc Capitalmart Private Limited which is engaged in financial retailing business.

Analytical Approach: Standalone

Applicable Criteria:
Rating Methodology For Service Sector Entities
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria for assigning rating outlook

Liquidity – Adequate
The company maintains high cash and bank balance in the form of term deposits and has also other liquid assets which are majorly utilized as margin for bank guarantees and for providing margin to exchanges for trading purposes (both for proprietary trading and its brokerage clients). The company has cash and bank balance of Rs.355.14 crore as on March 31, 2022 (vis-à-vis Rs.206.97 crore as on March 31, 2021) maintained for settlement of trades at the

end of the day and also have investment in mutual funds amounting to Rs.24.24 crore as on March 31, 2022 (vis-à-vis Rs.18.74 crore as on March 31. 2021). In addition, the company takes adequate margin from its clients to enable it to maintain liquidity (amounting to Rs.295.01 crore as on March 31, 2022) (vis-à-vis Rs.170.26 crore as on March 31, 2021). The company has negligible repayments in FY23 and has no plans to avail any external debt going forward in medium term and is not currently availing any fund based working capital limits from banks. Thus, the overall liquidity position of the company remained **Adequate**.

About the Company

Findoc Investmart Private Limited (FIPL), part of Findoc Group, is a Ludhiana based equity broking firm and depositary participant. The company was incorporated in August, 2010. FIPL is a corporate member of both National Stock Exchange of India Ltd (NSE) and Bombay Stock Exchange Ltd (BSE) and its operations include full spectrum equity, derivatives, currency broking services and commodity derivative services. The company also offers depository services through NSDL (National Securities Depository Limited) and professional services including Loan syndication and consultancy services (including cost benefit analysis, improving operational efficiencies etc.). FIPL provides broking services to Retail as well as HNI (High Networth Individuals) clients. FIPL is a trading member of BSE-CASH, NSE-CASH, CD-NSE & BSE-F&O segments, NSE- Commodity derivatives.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Provisional)
Total Operating Income	168.02	223.93
EBITDA	118.13	120.66
PAT	86.68	85.82
Total Debt	3.44	2.72
Adjusted Tangible Net worth	192.01	278.78
EBITDA Margin (%)	70.31	53.88
PAT Margin (%)	51.59	38.32
Adjusted Overall Gearing Ratio (times)	0.02	0.01

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	**Name of Instrument / Facilities**	**Type**	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2021-22**	**Date(s) & Rating(s) assigned in 2020-21**	**Date(s) & Rating(s) assigned in 2019-20**
1.	Fund Based – Overdraft against fixed deposits	Long Term	10.00	IVR BBB / Stable	–	–	–
2.	Fund Based – Intraday Limit	Long Term	75.00	IVR BBB / Stable	–	–	–
3.	Non-Fund Based – Bank Guarantee	Short Term	140.00	IVR A3+	–	–	–
4.	Non-Fund Based – Proposed	Short Term	75.00	IVR A3+	–	–	–

Name and Contact Details of the Rating Analyst:

Name: Mr. Rupesh Dhuri Tel: (022) 62396023 Email: rupesh.dhuri@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Overdraft against fixed deposit	–	–	–	10.00	IVR BBB / Stable
Long Term – Fund Based – Intraday Limits	–	–	–	75.00	IVR BBB / Stable
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	140.00	IVR A3+
Short Term – Non-Fund Based – Proposed Bank Guarantee	–	–	–	75.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Findoc-sep22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.