



Press Release

Marwadi Chandarana Intermediaries Brokers Private Limited

(MCIBPL)

January 18, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Non-Fund Based Long Term/Short Term Bank Facilities – Bank Guarantee	140.00	IVR BBB/ Stable, IVR A3+ (IVR Triple B With Stable Outlook, IVR A three plus)	Rating Reaffirmed and Outlook Revised from Rating Watch with Developing Implications to Stable	Simple
Non-Fund Based Long Term/Short Term Bank Facilities – Proposed Bank Guarantee	210.00	IVR BBB/ Stable, IVR A3+ (IVR Triple B With Stable Outlook, IVR A three plus)	Rating Reaffirmed and Outlook Revised from Rating Watch with Developing Implications to Stable	Simple
Total	350.00			

Details of facilities are in Annexure 1

Detailed Rationale

The removal of rating watch and assignment of stable outlook to the bank facilities of MCIBPL reflects the clarity on the credit profile of MCIBPL post its merger with Chandarana Shares & Securities Pvt Limited (CSSPL).

The ratings continue to reflect improved financial risk profile and its overall performance in H1FY24 which is expected to sustain in H2FY24 and beyond. It further derives comfort from established track record of promoters, support of two established groups and comfortable capitalization. However, these rating strengths remain constrained by susceptibility to uncertainties inherent in the capital market business and intense competition.



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Key Rating Sensitivities:

Upward Factor:

- Sustained improvement in scale of operations and financial performance

Downward Factor:

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

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established Track Record of Promoters

The core promoters of MCIBPL are Mr. Ketan H. Marwadi and Mr. Jitendra A. Chandarana. Mr. Ketan Marwadi oversees the Broking and DP Business of the Marwadi group. He is a B. E. (Civil) who started his career in Gujarat Ambuja Cement Ltd. later switched over to Capital Market. He is having extensive experience of 25 years in capital market operations.

Mr. Jitendra A. Chandarana is well known for his expertise in technical and arbitrage trading in Indian stock & commodities market and has more than 2 decades of experience in the field.

Support of two established groups.

Marwadi Chandarana Intermediaries Brokers Private Limited is an entity promoted by Marwadi Shares and Finance Limited (*Rated IVR A/IVR A1 Stable Dated September 13, 2023*) & Chandarana Intermediaries Brokers Private Limited.

Marwadi Group is identified by its flagship company Marwadi Shares and Finance Limited (MSFL). MSFL is a leading financial service provider stockbroker company for 28 years and is based at Rajkot.

Chandarana Intermediaries Brokers Private Limited incorporated in 2003, Rajkot based company, is engaged in the business of arbitrage trading and jobbing on securities market since more than a decade.

The extensive experience of these two-group company in capital market will help MCIBPL to grow its business.



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Healthy scale of operation with improving margins post-merger:

The company's overall revenue has increased significantly by 140% to Rs.254.25 crore in FY23 and further stood at Rs.139.62 crores in H1FY24 on account of increase in trading volume. The EBITDA and PAT also remained high due to increase in TOI and reduced expenses. The total debt of the merged entity stood at Rs.105.00 crores which are Inter Corporate deposits from one of its group companies (Chandarana Intermediaries Brokers Pvt Ltd.). The net worth improved on account of merger to reach a level of Rs.303.74 which is expected to improve further.

Comfortable capitalization

The company's tangible net worth improved to Rs. 303.74 crore as on March 31, 2023 (A-post merger) as against Rs.94.10 crore as on March 31, 2022. However, the company has invested in shares and CCDs of group companies as a result of which the adjusted tangible net worth stood at Rs. 320.91 crores in FY23 as against Rs.86.84 crores in FY22. The gearing stood almost negligible at 0.35x in FY23 as the company does not have any fund-based limits. The company plans to avail bank guarantee limits of Rs.210.00 crore in FY24 and FY25 for the purpose of meeting the working capital requirement and as a security deposit in favor of various exchanges.

Capex Plans:

MCIBPL plans to construct the Marwadi Chandarana Group's new "Corporate Centre" at Mumbai with total cost of Rs. 260.20 crore spread over FY24-FY26 funded through debt of Rs.180 crore and balance through equity. During FY24, MCIBPL already spent total of Rs.35.27 crores on acquisition of land, stamp duty and expenditure on levelling of land which is funded through internal accruals. As per the tentative layout plans, the corporate centre is to have total built-up area of 2.13 Lac Sq. ft.

Key Rating Weaknesses

Susceptibility to uncertainties inherent in the capital market business

MCIBPL engaged in the stock broking business doing algorithm-based arbitrage trading 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,



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which are inherently volatile as they are driven by economic and political factors as well as investor sentiments.

Intense Competition

Capital market trading 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 Approach

Applicable Criteria:

[Rating Methodology for Service Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity - Adequate

MCIBPL has maintained adequate liquidity in the form of gross cash accruals of Rs. 158.43 crores against no stipulated repayment schedule of the long-term loan as on September 30, 2023. The company had its entire borrowings through overdraft & bank guarantee for meeting the working capital requirement further company's major bank facilities are non-fund based in nature. Current ratio for FY2023 was 1.56x and quick ratio was 1.19x indicating adequate liquidity.

About the Company

Marwadi Chandarana Intermediaries Brokers Private Limited (MCIBPL) incorporated in August 2018, is an entity promoted by Marwadi Shares and Finance Limited & Chandarana Intermediaries Brokers Private Limited. MCIBPL runs their proprietary desk with focus on arbitrage opportunities where they capture the arbitrage opportunities as



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available in different market scenarios and mainly risk free like cash to cash, cash to FO, SLBM etc.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	96.89	108.57
EBITDA	85.89	91.95
PAT	61.69	60.19
Total Debt	99.25	109.95
Tangible Net Worth	94.07	178.87
EBITDA Margin (%)	88.64	84.70
PAT Margin (%)	58.38	54.29
Overall Gearing Ratio (x)	1.06	0.61

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)				Rating History for the past 2 years	
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (December 26, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2019-20
1.	Non-Fund Based Facilities – Bank Guarantee	Long Term/ Short Term	140.00	IVR BBB/ Stable, IVR A3+	IVR BBB/ RWDI*, IVR A3+/RWDI*	IVR BBB/ Stable, IVR A3+	-
2.	Non-Fund Based Facilities – Proposed Bank Guarantee	Long Term/ Short Term	210.00	IVR BBB/ Stable, IVR A3+	IVR BBB/ RWDI*, IVR A3+/RWDI*	IVR BBB/ Stable, IVR A3+	-

*Rating Watch with Developing Implications



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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
Non-Fund Based Long Term/Short Term Bank Facilities – Bank Guarantee	-	-	-	140.00	IVR BBB/ Stable, IVR A3+
Non-Fund Based Long Term/Short Term Bank Facilities – Proposed Bank Guarantee	-	-	-	210.00	IVR BBB/ Stable, 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-Marwadi-Chandarana-jan24.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.