



Press Release

Marwadi Shares & Finance Limited

August 04, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
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)	Reaffirmed
Short Term Non-Fund based facilities – Bank Guarantee	1890.00**	IVR A2+ (IVR Single A Two Plus)	Reaffirmed
Total	2140.00		

**Includes Proposed OD of Rs.20 crore.*

***Includes Proposed BG of Rs.310 crore.*

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings reaffirmed to the bank facilities of Marwadi Shares & Finance Limited (MSFL or the company) continues to derive comfort from 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 31.24% from Rs.184.69 crore in FY2021(A) and is driven by increasing in trade volumes & increase in retails clients. This has contributed to increasing profitability from Rs. 27.47 crore to Rs. 48.06 crore in FY2021(A). 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. Furthermore, in FY2021(A), the company has recorded a growth in PAT of 75% to Rs. 48.06 crores. The increase in PAT has been largely contributed by profit from brokerage income in FY2021(A) from Rs.53.62 crore to Rs. 98.73 crore. EBITDA & PAT margins remained stable & healthy & stood at 42.62% & 19.68% respectively in FY2021(A) which has improved from FY2020. The company has successfully managed to maintain & improve its profitability margins over the years.

Comfortable capitalization



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The company's tangible net worth stood at Rs. 349.374 crore as on March 31, 2021 (A). The gearing was low and stood at 0.43 times as on March 31, 2021(A) as against 0.87 times as on March 31, 2020. As on March 31, 2021(A), 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 4.47x in FY2021(A).

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. 52.60 crores against no stipulated repayment schedule of the long-term loan as on 31st March 2021(A). The company average fund-based utilisation levels of ~45% over the past 12 months period ended May 2021. Current ratio for FY2021(A) was 1.17x and quick ratio was 1.16x indicating



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adequate liquidity. Although it has a higher utilisation of the bank guarantee, most of its 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	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	184.69	242.38
EBITDA	82.21	103.31
PAT	27.47	48.06
Tangible Net worth	301.41	349.74
Adjusted Tangible Net worth	287.09	308.17
EBITDA Margin (%)	44.51	42.62
PAT Margin (%)	14.86	19.68
Overall Gearing Ratio (x)	0.91	0.49

*As per Infomerics Standards

Status of non-cooperation with previous CRA: Nil



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Any other information: Nil

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 2020-21 (Dated: April 01, 2021)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
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)	IVR A-/ Stable/ IVR A2+ (IVR Single A Minus with Stable Outlook and IVR Single A Two Plus)	NA	NA
2	Bank Guarantee	Short Term	1890.00**	IVR A2+ (IVR Single A Two Plus)	IVR A2+ (IVR Single A Two Plus)	NA	NA
Total			2140.00				

*Includes Proposed OD of Rs.20 crore.

**Includes Proposed BG of Rs.310 crore.

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 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 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating
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)



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Total	2140.00	
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

(<https://www.infomerics.com/admin/prfiles/lenders-Marwadi-Shares-Finance-Limited-4-aug-21.pdf>)

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Overdraft	Simple
2.	Bank Guarantee	Simple

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.