



Press Release

Marwadi Shares & Finance Limited (MSFL)

August 02, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term/Short term facility – NCD	45.00* (Reduced from 150)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)	IVR A-/ Stable/ IVR A2+ (IVR A Minus with Stable Outlook; IVR A Two Plus)	Revised	Simple
Long term/Short term facility – Proposed NCD	105.00	Provisional IVR A/ Stable/ IVR A1 (Provisional IVR A with Stable outlook; IVR A One)	-	Assigned	Simple
Long term/Short term bank facility – Overdraft	180.00 (Reduced from 250)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)	IVR A-/ Stable/ IVR A2+ (IVR A Minus with Stable Outlook; IVR A Two Plus)	Revised	Simple
Short term bank facility – Bank Guarantee	1,960.00 (Enhanced from 1,890)	IVR A1 (IVR A One)	IVR A2+ (IVR A Two Plus)	Revised	Simple
Total	2,290				

Details of facilities are in Annexure 1

The rating on the Rs. 105.00 Crore proposed NCD for MSFL is provisional and the final rating is subject to:

- Appointment of a SEBI registered Debenture Trustee and signing of trust deed.
- Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions of term sheet.

Detailed Rationale

The rating upgrade of Marwadi Shares & Finance Limited (MSFL) considers robust revenue growth at a CAGR of 20% in FY2019 and FY2022 on the back of significant improvement in



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trading volume and retail client base. The rating upgrade also considers the significant improvement in financial risk profile of the company.

Further rating 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. However, these rating strengths remain constrained by susceptibility to uncertainties inherent in the capital market business and Intense competition.

Key Rating Sensitivities:

Upward Factor:

- Sustained improvement in financial performance & profitability margins.

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 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 3.97 lakh active clients and spread across 246 locations covering 14 states across India and 111 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



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The brokerage income of the company has increased to Rs.133.42 crore in FY22 to Rs.98.73 crore in FY21 on account of increase in trading volume and increase in retail client base. The retail client base of the company has increased to 5.17 lakhs in FY22 to 4.49 lakhs in FY21.

Healthy scale of operations with improved margins

Total operating income of the company has increased by ~24% to Rs.295.26 crore in FY22 as against Rs.242.38 crore in FY21 on account of increase in trading volume in FY22. EBITDA & PAT margin of the company has improved to 46.92% & 25.19% respectively in FY22 as against 42.62% & 19.68% respectively in FY21. The company has successfully managed to maintain & improve its profitability margins over the years.

Comfortable capitalization

The company's tangible net worth improved to Rs. 400.31 crore as on March 31, 2022 (A) as against Rs.324.24 crore as on March 31, 2021. The gearing stood low at 0.34 times as on March 31, 2022(A) as against 0.46 times as on March 31, 2021. 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 3.58x in FY2022(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



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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 Industry](#)

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

[Criteria on assigning rating Outlook](#)

[Policy on Provisional Rating](#)

Liquidity - Adequate

Marwadi Shares & Finance Limited has maintained adequate liquidity in the form of gross cash accruals of Rs. 81.88 crores against no stipulated repayment schedule of the long-term loan as on 31st March 2022. The average fund-based utilisation levels stood low at ~38% over the past 12 months period ended June 2022 indicating sufficient liquidity cushion. Current ratio for FY2022 was 1.16x and quick ratio was 1.08x indicating 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.

Validity of the Provisional Rating:

The provisional rating shall be converted into a final rating after receipt of the duly executed transaction documents/ completion of the steps, mentioned above within 90 days from the date of issuance of the instrument. An extension of 90 days may be granted on a case-to-case basis in line with Infomerics' Policy on Provisional Ratings.

Risks associated with provisional nature of credit rating:

When a rating is assigned to debt instruments pending execution of certain crucial documents/ steps to be taken, the rating is a 'Provisional' rating and is indicated as such by prefixing 'Provisional' before the rating symbol. Once the steps/actions are completed/ the required



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documentation is executed to the satisfaction of Infomerics, the provisional rating is converted into final rating by Infomerics. In absence of receipt of documents/ completion of steps or where such documents deviate significantly from that considered by Infomerics earlier, the provisional rating will be reviewed in line with the Policy on Provisional Ratings.

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)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	242.38	295.26
EBITDA	103.31	138.53
PAT	48.06	76.29
Total Debt	150.74	137.81
Tangible Networkth	308.17	400.21
EBITDA Margin (%)	42.62	46.92
PAT Margin (%)	19.68	25.19
Overall Gearing Ratio (x)	0.49	0.34

* Classification as per Infomerics' standards



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Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated October 05, 2021)	Date(s) & Rating(s) assigned in 2021-22 (Dated: August 09, 2021)	Date(s) & Rating(s) assigned in 2021-22 (Dated: August 04, 2021)	Date(s) & Rating(s) assigned in 2021-22 (Dated: April 01, 2021)
1.	NCD	Long Term/ Short Term	45.00	IVR A/ Stable/ IVR A1	IVR A-/ Stable/ IVR A2+	IVR A-/ Stable/ IVR A2+	-	-
2.	Proposed NCD	Long Term/ Short Term	105.00	Provisional IVR A/ Stable/ IVR A1	-	-	-	-
3.	Overdraft	Long Term/ Short Term	180.00	IVR A/ Stable/ IVR A1	-	-	IVR A-/ Stable/ IVR A2+	IVR A-/ Stable/ IVR A2+
4.	Bank Guarantee	Short Term	1,960.00	IVR A1	-	-	IVR A2+	IVR A2+

Name and Contact Details of the Rating Analysts:-

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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.



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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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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/ Short Term Facility – NCD	October 04, 2021	10.50%	October 02, 2022*	45.00**	IVR A/ Stable/ IVR A1
Long Term/ Short Term Facility – Proposed NCD	-	-	-	105.00	Provisional IVR A/ Stable/ IVR A1
Long term/Short Term Bank Facility – Overdraft	-	-	-	180.00	IVR A/ Stable/ IVR A1
Short Term Bank Facility – Bank Guarantee	-	-	-	1,960	IVR A1

*The Redemption Date being a holiday, the Redemption Amount will be paid on previous working day as per the Business Day Convention.

***The company issued first tranche of NCD of Rs.45 crore out of which subscription and allotment was made for Rs.27.10 crore.

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



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Marwadi-Shares-aug22.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.