



## Press Release

### **Marwadi Shares & Finance Limited (MSFL)**

**August 25, 2023**

The revised press release is provided in relation to the Press Release published dated July 04, 2023.

The revised press release mentions the following:

- Detailed explanation of covenants of the rated instrument/facilities

Link to the press release dated July 04, 2023, published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-marwadi-shares-4jul23.pdf>

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long term/Short term bank facility – Overdraft	150.00 (Reduced from Rs.180 crore)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)	Reaffirmed	Simple
Short term bank facility – Bank Guarantee	2,250.00 (Enhanced from 1,960 crore)	IVR A1 (IVR A One)	Reaffirmed	Simple
<b>Total</b>	<b>2,400.00</b>			
Proposed Non-Convertible Debentures (NCDs)	150.00	IVR A/ Stable (IVR A with Stable outlook)	Assigned	Simple

\*The proposed NCDs of Rs.150.00 crore shall be issued on private placement in one or more tranches

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The aforesaid rating action on the bank facilities 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:**



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### **Upward Factors**

- Sustained improvement in financial performance & profitability margins.

### **Downward Factors**

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

### **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 3.97 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**

The brokerage income of the company 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 and 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. The EBITDA & PAT margin of the company has improved to 46.92% & 25.19% respectively in



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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 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 \(Non- Financial Sector\)](#)



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### [Criteria on Rating Outlook](#)

#### **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 ~39% over the past 12 months period ended Feb 2023 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.

#### **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	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	295.26	354.18
EBITDA	138.53	211.46



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PAT	76.29	113.78
Total Debt	137.81	280.65
Tangible Networth	400.21	540.28
EBITDA Margin (%)	46.92	59.70
PAT Margin (%)	25.19	32.10
Overall Gearing Ratio (x)	0.34	0.52

\* 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:

Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Overdraft	Long Term/ Short Term	150.00	IVR A/ Stable/ IVR A1	<ul style="list-style-type: none"> <li>IVR A/ Stable/ IVR A1 (Date: April 06, 2023)</li> </ul>	<ul style="list-style-type: none"> <li>IVR A/ Stable/ IVR A1 (Dated: January 30, 2023)</li> <li>IVR A/ Stable/ IVR A1 (Dated: August 02, 2022)</li> </ul>	<ul style="list-style-type: none"> <li>IVR A-/Stable/IVR A2+ (Dated: August 04, 2021)</li> <li>IVR A-/Stable/IVR A2+ (Dated: April 01, 2021)</li> </ul>
Bank Guarantee	Short Term	2,250.00	IVR A1	<ul style="list-style-type: none"> <li>IVR A1 (Date: April 06, 2023)</li> </ul>	<ul style="list-style-type: none"> <li>IVR A1 (Dated: January 30, 2023)</li> <li>IVR A1 (Dated: August 02, 2022)</li> </ul>	<ul style="list-style-type: none"> <li>IVR A2+ (Dated: August 04, 2021)</li> <li>IVR A2+ (Dated: April 01, 2021)</li> </ul>
Proposed NCD	Long Term	150.00	IVR A/ Stable	-	-	-
NCD	Long Term/ Short Term	0.00 (Reduced from 45.00)	-	-	<ul style="list-style-type: none"> <li>Withdrawn (Dated: January 30, 2023)</li> </ul>	<ul style="list-style-type: none"> <li>IVR A-/Stable/IVR A2+ (Dated: April 01, 2021)</li> </ul>



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					<ul style="list-style-type: none"><li>IVR A/ Stable/ IVR A1 (Dated: August 02, 2022)</li></ul>	<ul style="list-style-type: none"><li>October 05, 2021)</li><li>IVR A- /Stable/IVR A2+ (Dated: August 09, 2021)</li></ul>
Proposed NCD	Long Term/ Short Term	0.00 (Reduced from 105.00)	-	-	<ul style="list-style-type: none"><li>Withdrawn (Dated: January 30, 2023)</li><li>Provisional IVR A/ Stable/ IVR A1 (Dated: Oct 31, 2022)</li><li>Provisional IVR A/ Stable/ IVR A1 (Dated: August 02, 2022)</li></ul>	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (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](http://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 Bank Facility – Overdraft	-	-	-	150.00	IVR A/ Stable/ IVR A1
Short Term Bank Facility – Bank Guarantee	-	-	-	2,250.00	IVR A1
Proposed NCD	-	-	-	150.00	IVR A/ Stable

**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-shares-jul23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:**



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The Company shall comply with the Applicable Laws concerning listed debentures;  
The Company shall do all other acts (if any) necessary for the purpose of assuring the legal validity of these presents, and in accordance with the Company's Memorandum and Articles of Association.

To comply with corporate governance, fair practices code prescribed by SEBI.

Notification of any potential Event of Default or Event of Default Obtain, comply with and maintain all licenses / authorizations.

Provide details of any litigation, arbitration or administrative proceedings that may have a material adverse effect.

Maintain internal control for the purpose of (i) preventing fraud on monies lent by the Company; and (ii) preventing money being used for money laundering or illegal purposes.

Comply with any monitoring and/or servicing requests from Debenture Holders and the Debenture Trustee.

**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](http://www.infomerics.com).