

Press Release

Affluence Shares And Stocks Private Limited

June 19, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned the short term rating of '**ACUITE A4+** (read as ACUITE A four plus)' on the Rs. 25.00 crore bank facilities of Affluence Shares And Stocks Private Limited.

Incorporated in 2000, Affluence shares and stocks Private Limited (Erstwhile Archi Shares and Stocks Brokers Private Limited) was taken over by Affluence group in 2012. ASSPL is a Gujarat based company engaged in equity broking, currency trading, depository services and is a registered trading member of capital market, derivatives, currency derivatives, and IPO segment of National Stock Exchange of India Ltd. (NSE) and capital market, derivatives segment of Bombay Stock Exchange Ltd (BSE). The company is promoted by Mr. Dhiren Mahendrkumar Shah and Mr. Malaybhai Shantilal Kothari

Key Rating Drivers

Strengths

- **Extensive experience of promoters in the capital markets**

The Directors, Mr. Dhiren Mahendrkumar Shah and Mr. Malaybhai Shantilal Kothari have been in the broking business since 2000 and have good understanding of the capital markets. Established track record in the industry has enabled to create a pool of large HNI and retail clients.

Weaknesses

- **Increased focus on proprietary trading**

ASSPL reported revenues of Rs. 26.00 crore in FY2018 (Provisional) as compared to Rs. 11.83 Crore in FY2017 and Rs. 5.99 crore in FY2016. The sharp growth in revenues was on the back of sharp increase in net gains from proprietary trading to Rs. 7.24 crore (adjusted with loss from equity derivative exposure) as against net loss of Rs. 1.67 crore in FY2016. The company has borrowed debt of Rs. 57.28 Crore as on 31 March 2017 majority of which is to maintain margins for proprietary trading. Borrowing of extensive short term debt to fund proprietary trading operations has resulted in increased finance cost and reduced interest coverage metrics. ASSPL's interest coverage ratio deteriorated to 2.31 times for FY2017 when compared to 5.05 times in FY2016. The company's debt to EBITDA stood high at 6.25 times in FY2017 and 13.78 times in FY2016.

Acuité believes that the company's ability to increase broking income as opposed to income from proprietary trading is critical to maintain stable revenue and financial profile of the company.

- **Susceptibility to uncertainties inherent in the capital market business and intense competition:**

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. The company's business will continue to be affected by the state of the capital markets, given its focus on equity trading and related activities. The competition from large and established players and technology shift to app based trading will continue to impact the revenue profile of players like ASSPL having modest scale of operations.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ASSPL to arrive at this rating.

Outlook: Stable

Acuité believes that ASSPL will continue to benefit from its experienced promoters and established client relationships. However the company's earnings profile and leverage remain key rating sensitivities. The outlook may be revised to positive in case of healthy earnings from broking operations and strong capital structure. However the outlook may be revised to negative in case of any significant deterioration of earnings from broking operations or decline in profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.83	5.99	3.49
EBITDA	Rs. Cr.	9.15	2.54	1.78
PAT	Rs. Cr.	3.32	1.24	0.68
EBITDA Margin	(%)	77.30	42.45	50.81
PAT Margin	(%)	28.10	20.71	19.46
ROCE	(%)	16.05	5.62	8.97
Total Debt/Tangible Net Worth	Times	5.26	4.74	5.37
PBDIT/Interest	Times	2.31	5.05	2.11
Total Debt/PBDIT	Times	6.25	13.78	18.34
Gross Current Assets (Days)	Days	2001	1598	1919

Status of non-cooperation with previous CRA (if applicable)

CARE, vide its press release dated March 5, 2018 had denoted the rating of Affluence Shares and Stocks Private Limited as 'CARE A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@acuite.ratings.in	

About Acuité Ratings & Research:

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