

Press Release

Affluence Shares and Stocks Private Limited

January 04, 2021



Rating Reaffirmed

Total Facilities Rated	Rs.25.00 Cr.
Short Term Rating	ACUITE A4 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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

The rating continues to reflect the experience of the management along with an established presence in the operating areas through other group companies. The strength is partially offset by modest scale of operations, geographic concentration and competition inherent from established players of the market.

About ASSPL:

Gujarat-based, Affluence Shares and Stocks Private Limited (erstwhile Archi Shares and Stocks Brokers Private Limited) was incorporated in 2000 and subsequently, was taken over by present promoters namely Mr. Dhiren M Shah and Mr. Malaybhai S Kothari in 2012. ASSPL is engaged in equity broking, currency trading, financial advisory services, and depository services as depository participant of Central Depository Services Limited (CDSL). It is a registered trading member of National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd (BSE). ASSPL is a flagship company of Affluence group, which also offer services like Currency Trading via Affluence Fincon Service Private Limited, commodity broking via Affluence Commodities Private Limited, Mutual funds and insurance broking services. The clientele of ASSPL primarily includes High Net-worth Individuals (HNIs).

Analytical Approach:

Acuité has considered the standalone view on ASSPL's business and financial risk profile to arrive at the rating.

Key Rating Drivers

Strengths

• **Experienced management**

Affluence group has presence in the capital market segment since 2012 and operates through three companies, namely ASSPL, Affluence Fincon Service Private Limited, and Affluence Commodities Private Limited. The company is promoted by Mr Dhiren M Shah and Mr Malaybhai S Kothari. The promoters have presence in the capital market segment since 2000, which has enabled ASSPL to create a pool of ~3500 clients (Including HNIs and retail clients). ASSPL 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 of Bombay Stock Exchange Ltd (BSE). Acuité believes that ASSPL will continue to benefit from the extensive experience of its promoters.

Weaknesses

• **Modest scale of operation**

ASSPL has modest scale of operations as reflected in operating revenues of Rs. 5.37 crore in FY2020 which declined from Rs. 8.90 crore in FY2019. The company's revenues have remained volatile, given the underlying linkages with the capital markets. Additionally, the company's revenues were

impacted on account of the loss on the sale of investments reported for FY2020. This has resulted in high volatility in the reported net profit of Rs. 0.05 crore in FY2020 and Rs. 0.39 crore in FY2019. Acuité believes that ASSPL's ability to improve its scale of operations and its profitability will remain a key monitorable.

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

Broking is a highly volatile and cyclical business with the presence of a large number of established players who provide significant competition to the other fragmented and small players. 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 competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players such as ASSPL having a modest scale of operations.

Rating Sensitivities

- Movement in earnings and profitability metrics
- Changes in the regulatory environment

Material Covenants:

None

Liquidity Position: Adequate

ASSPL has overdraft facilities of Rs.3.10 crore with collateral comprising of property, shares and FDs. The net cash accruals of ASSPL stands at Rs.0.12 crore for FY2020 against no debt obligation. The company maintained cash and bank balance of Rs.6.47 crore as on March 31, 2020.

About the Rated Entity - Key Financials:

Parameters	Unit	FY20 (Actual)	FY19(Actual)
Operating Income	Rs. Cr.	5.37	8.90
PAT	Rs. Cr.	0.05	0.39
PAT Margin	(%)	1.01	4.42
Total Debt/Tangible Net Worth (Gearing)	Times	0.38	3.62
PBDIT/Interest	Times	1.04	1.10

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

Care, vide its press release dated May 25, 2020 had denoted the rating of AFFLUENCE SHARES AND STOCKS PRIVATE LIMITED as 'CRISIL BB+/Stable (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Facilities	Term	Size of the Issue (Rs. Cr.)	Ratings/Outlook
04 Oct, 2019	Bank Guarantee	Short Term	10.00	ACUITE A4 (Downgraded from ACUITE A4+)

	Proposed Bank Facility	Short Term	15.00	ACUITE A4 (Downgraded from ACUITE A4+)
14 Aug, 2019	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Indicative)
	Proposed Bank Facility	Short Term	15.00	ACUITE A4+ (Indicative)
19 Jun, 2018	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	15.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
-	Bank Guarantee	-	-	-	10.00	ACUITE A4 (Reaffirmed)
-	Proposed Bank Facility	-	-	-	15.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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