

Press Release

Affluence Commodities Private Limited

December 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short-term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs. 15.00 crore bank facilities of Affluence Commodities Private Limited. The outlook is '**Stable**'.

Incorporated in 2007, Affluence Commodities Private Limited (ACPL) is engaged in the commodity broking business. It is promoted by Mr. Dhiren Shah having experience of more than a decade in the broking industry. It is part of the Affluence group, a Gujarat based group engaged in equity and commodity broking, currency trading, and depository services. The company is a member of MCX since February 2007 and NCDEX since September 2008 dealing with commodities such as gold, silver, zinc, crude oil and other agricultural products. There are two business locations Ahmedabad and Gandhinagar.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ACPL to arrive at the rating.

Key Rating Drivers

Strengths

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

The promoter, Mr. Dhiren Mahendrakumar Shah, has been in the broking business since 2000 and has good understanding of the capital markets. Established track record in the industry enables the promoters and the group to offer a wide range of products and services to a large pool of HNI and retail clients.

- **Adequate capitalisation**

ACPL has adequate capitalisation with net worth of Rs. 13.56 Cr and gearing of 1.09 times as on March 31, 2018 (Rs. 9.35 Cr and 0.96 times, a year ago). The net worth is adequate for the current and proposed scale of operations.

Weaknesses

- **Reliance on proprietary trading for operations**

The company has high dependence on income from proprietary trading. For FY2017-18, income from proprietary trading amounted to Rs. 7.55 crore (85.39 per cent of total income of Rs. 8.83 crore). Acuité believes higher proportion of proprietary income in the total operational income will lead to increased susceptibility of profitability to volatility of the market.

- **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 proprietary 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 ACPL having modest scale of operations.

Outlook: Stable

Acuité believes that ACPL will maintain a 'stable' credit risk profile over the medium term. The company will continue to benefit from its experienced promoters. The outlook may be revised to 'Positive' if there is healthy improvement in earnings profile and strong capital structure. However, the outlook may be revised to 'Negative' in case of any significant deterioration in earnings or capitalisation.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.83	5.08	4.02
EBITDA	Rs. Cr.	7.14	2.96	1.84
PAT	Rs. Cr.	4.17	0.70	0.45
EBITDA Margin	(%)	80.81	58.22	45.72
PAT Margin	(%)	47.19	13.76	11.27
ROCE	(%)	29.13	13.75	6.23
Total Debt/Tangible Net Worth	Times	1.09	0.96	1.17
PBDIT/Interest	Times	8.79	2.05	2.87
Total Debt/PBDIT	Times	2.08	3.04	5.50
Gross Current Assets (Days)	Days	1272	1503	4470

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.57	ACUITE B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.43	ACUITE A4 (Assigned)

*Total bank guarantee of Rs. 15.00 crore.

Contacts

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About Acuité Ratings & Research:

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