



**Press Release**  
**KIFS Trade Capital Private Limited**  
**August 04, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	300.00	ACUITE A-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	300.00	-	-

**Rating Rationale**

Acuite has upgraded the long term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 300.00 Cr. bank facilities of KIFS Trade Capital Private Limited (KTCPL). The outlook is '**Stable**'.

**Reason for upgrade:**

The upgrade factors in KTCPL's healthy capital structure, experienced management, support of resourceful promoters and established position in its segment. KTCPL has comfortable capitalization with a networth of Rs. 626.65 Cr. as on March 31, 2023 (provisional). The networth was supported by capital infusion of Rs. 206.58 Cr. by promoters during FY2021. The rating also takes into account improvement in profitability metrics of KTCPL over the years. KTCPL reported PAT of Rs. 101.37 Cr. for FY2023 (provisional) as compared to Rs. 130.97 Cr. for FY2022 (Rs. 106.05 Cr for FY2021). However the dependence on investment income continues to be high as reflected in the surge in earnings of FY2022.

The rating is however constrained on account of KTCPL's low proportion of core broking income in the total revenue profile, trading revenues & volume susceptibility to the level of volatility in the capital markets as well as highly competitive landscape in broking business. During FY2023, the company witnessed traction in broking volumes vis-à-vis FY2022 on account of lower activity on the retail front however during the same period KTCPL has onboarded several institutional clients which has helped the revenue grow marginally during FY2023. Going forward, continued promoters support and ability of the company to improve its operating performance are key monitorables.

**About the company**

Incorporated in 2012, Gujarat based, KIFS Trade Capital is a SEBI registered Intermediary and accordingly carrying out its business as a stock broker member. The company's operations are spread across 14 branches located in 4 states as on March 31, 2023. The company also having wide spread network of Sub-brokers and dealers. The company also provides funding facility for Primary market investment for retail category (IPO Financing).

KTCPL is promoted by the KIFS (Khandwala Integrated Financial Services) Group. The group is engaged in the businesses of capital markets activities since 1987 with presence in segments such as stocks and commodities broking, bullion refining and portfolio management services as well as any movable/ immovable properties. KTCPL is owned by KIFS International LLP through promoters, Mr. Rajesh Khandwala, Mr. Vimal Khandwala and Mr. Jayesh Khandwala.

## Analytical Approach

Acuite has taken the standalone business and financial risk profiles of KIFS Trade Capital Private Limited.

## Key Rating Drivers

### Strength

#### Promoters experience in capital markets

KIFS group is majorly engaged in the businesses of capital markets activities since 1987 with presence in segments such as stocks and commodities broking, bullion refining and portfolio management services as well as any movable/ immovable properties. KIFS Trade Capital Private Limited (KTCPL) is a SEBI registered Intermediary engaged in the stock market business and is depository participant of NSDL.

The management team of KTCPL is led by Promoter- Director Mr. Rajesh Khandwala, Mr. Vimal Khandwala and his professional team. The promoters have over 2 decades of experience in financial services industry and are well supported by seasonal management team. KTCPL has expanded its presence over the years through franchise and sub-brokers adding retail client and institutional clients. The company is supported by the KIFS Group adequately in terms of management support as well as for capital requirements. The holding company had infused Rs. 4.65 crore in FY2020 and Rs. 206.58 crore during FY2021. During FY2023, the company saw a moderation in trading volume on vis-à-vis FY2022. Going forward the company looks forward to on-board additional intuitional clients and that would drive the business further.

Acuité believes that KTCPL will continue to benefit from its steady retail and new institutional clientele, its healthy client relationships and its experienced management team backed by a favourable capital market environment.

#### Adequate Risk Management Systems

KTCPL has adequate risk management system. It manages risk by monitoring Value-at-Risk (VaR), time based squaring off, value based squaring off etc. The backend operations team also manages risk through monitoring each and every transaction that takes place. This is particularly relevant for its proprietary/arbitrage trading positions.

Acuité believes the group's risk management practices will remain adequate and support the continuity of its broking and trading operations.

#### Healthy profitability metrics

KTCPL's profitability metrics has been supported on account of increase in traded volumes specially for institutional clients, further the company has onboarded additional institutional clients during FY2022 and FY2023. KTCPL reported PAT of Rs. 101.37 Cr. for FY2023 (provisional) as compared to Rs. 130.97 Cr. for FY2022 (Rs. 106.05 Cr for FY2021). While the dependence on investment income continues to be high as reflected in the surge in earnings of FY2022. The company has maintained an equity investment portfolio of ~Rs. 370 Cr. as on March 31, 2023. The improvement in earing profile of the company was majorly driven by net gains from sale of investments.

Acuité takes cognizance of the improvement in KTCPL's profitability metrics however, the same is volatile subject to capital market conditions.

## Weakness

### Susceptibility to uncertainties inherent in the capital markets business; low proportion of brokerage income

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. Trading volume and earnings depend heavily on the level of trading activity in capital market. The company's revenue has been significantly dependent on gain on sale of investments which is inherently volatile. During FY2020 KTCPL reported total revenue of Rs. 141.88 Cr. in FY2023 as compared to Rs. 197.31 Cr. in FY2022. The group's brokerage income

has remained moderate over the years and stood at around Rs. 30-35 Cr. during FY2022 and FY2023. Given the competition from larger brokerages and technology-focused new entrants, the ability of the group to grow its brokerage revenues on a sustainable basis will be a key monitorable.

Acuité believes that the level of activity in the capital markets will continue to be a key determinant of its revenue profile and future growth trajectory.

### Rating Sensitivity

- Business volumes & operating performance
- Any changes in management and ownership pattern
- Changes in regulatory environment

### Material Covenants

KTCPL is subject to covenants stipulated by its lenders/investors in respect of minimum networth stipulation. As per confirmation received by the client, the company is adherence to all the material covenants as stipulated by its lenders/investors.

### Liquidity Position

#### Adequate

KTCPL has bank facilities comprising of bank guarantee and overdraft facilities, which are used for margin requirements. The company had a cash and cash equivalents of ~Rs 332 Cr. as on March 31, 2023 (Provisional). Acuité believes the liquidity position will remain adequate in the near to medium term.

### Outlook:

Acuité believes KTCPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while achieving sustained improvement in operating margins and certain growth prospects in the brokerage business. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)
Operating Income	Rs Cr.	79.37	61.82
PAT	Rs Cr.	101.37	130.97
PAT Margin	%	127.71	211.84
Total Debt/Tangible Networth	Times	0.05	0
PBDIT/Interest	Times	9.34	26.54

\*Operating Income does not include interest on FDs and Other Income

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

**Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 May 2023	Bank Guarantee	Long Term	200.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Guarantee	Long Term	100.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
15 Feb 2022	Proposed Bank Guarantee	Long Term	300.00	ACUITE A   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A-   Stable   Upgraded

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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