



**Press Release**  
**Marwadi Shares And Finance Limited**  
**March 08, 2024**

**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Non Convertible Debentures (NCD)</b>	100.00	Not Applicable   Withdrawn	-
<b>Non Convertible Debentures (NCD)</b>	100.00	PP-MLD   ACUITE A-   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	100.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	100.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE PP-MLD A- (read as ACUITE Principal Protected Market Linked Debentures A minus)**' on the Rs. 100.00 Cr. principal protected market linked debentures of Marwadi Shares and Finance Limited (MSFL). The outlook is '**Stable**'.

Acuite has withdrawn long term rating on Rs. 100 Crore principal protected market linked debentures instrument of Marwadi shares and Finance Limited (MSFL) without assigning any rating as Instrument is fully repaid and no longer an outstanding obligation of the company. The rating is being withdrawn on account of the request received from the company and the NDC received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument.

**Rationale for the rating**

The rating factors in MSFL's healthy capital structure, experienced management and support of resourceful promoters and established position in its segment. MSFL has comfortable capitalization with a tangible networth of Rs. 784.56 Cr. as on December 31, 2023 . The networth is supported by healthy internal accruals. The rating also takes into account improvement in profitability metrics of MSFL. MSFL reported a PAT of Rs.113.78 Cr. for FY2023 as compared to Rs. 76.29 Cr. for FY2022. PAT levels for December 31,2023 stood at Rs.144.14 Cr. The company saw an increase in volumes traded in retail client base. The improvement in financial risk profile of the company is expected to continue to improve in FY2024 on the back of a revival in the domestic capital markets. The rating is however constrained on account of MSFL's susceptibility to the level of volatility in the capital markets as well as highly competitive landscape in broking business. For the past couple of years most of the broking companies have witnessed significant traction in broking volumes on account of sharp rebound and volatility in capital/ commodity markets which may not be sustainable. Going forward, continued promoters support and ability of the company to improve its operating performance are key monitorables.

**About the company**

Gujarat based, Marwadi Shares and Finance Private Limited (MSFL) was incorporated by first generation entrepreneurs Mr. Ketan Marwadi, Mr. Deven Marwadi and Mr. Sandeep Marwadi in 1992 with an objective to provide financial services to meet the emerging needs of the investor community. The Company became a corporate member of the National Stock Exchange of India (NSE) in 1996 and launched depository services of

Depository Participant under National Securities Depository Limited (NSDL) in 1999. MSFL has a branch network of around 111 branches and franchise/sub-broker network of around 481.

**Unsupported Rating**  
Not Applicable

### **Analytical Approach**

Acuite has taken standalone business and financial risk profiles of Marwadi Shares and Finance Limited to arrive at the rating.

### **Key Rating Drivers**

#### **Strength**

##### **Promoter's experience in the capital markets**

The company has been engaged in capital markets for around 3 decades having presence in almost all segments such as equity, derivatives, currency, commodities across all the major domestic exchanges. The Company has Trading & Clearing membership of NSE & BSE and is a depository participant of NSDL & CDSL. The management team of MSFL is led by Mr. Ketan Marwadi, Mr. Deven Marwadi and Mr. Sandeep Marwadi and their professional team. The company has been through various business cycle and have emerged strong as seen in their robust financial and operational profile. MSFL has 111 branches and a network of 481 franchise/sub-brokers having presence in 9 states mainly Gujarat. Mr. Ketan Marwadi (Chairman & MD) has around 3 decades of experience in capital markets and has developed strong expertise in securities market trends, compliance and business development strategies. He was member of Executive Committee (F&O Segment) of NSE and Director – ANMI Board. Presently Mr. Ketan Marwadi is representing broker community to NSE as a member of NSE-Advisory Committee. The management team are responsible for day-to-day trading activities across various segments and other surveillance measures as a part of risk management practices and networking and communications aspects. Acuite believes that group will continue to benefit from experienced management and established track record of operations.

##### **Adequate Risk Management Systems**

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

##### **Healthy profitability metrics**

MSFL's profitability metrics were healthy on account of increase in traded volumes. MSFL has been able to onboard higher ticket size retail clients over the past years which has enabled it to register steady growth in its brokerage income. MSFL's PAT margins have improved to 32.13 percent for FY2023 from 25.84 percent for FY2022. The improvement in earning profile of the company was driven by increase in interest income & trading income. MSFL reported a PAT of Rs.113.78 Cr. for FY2023 as compared to Rs.76.29 Cr. for FY2022. PAT levels for December 31, 2023 stood at Rs. 144.14 Cr. Acuite takes cognizance of the improvement in MSFL'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. The unaudited financial results for the 9M

FY2024 indicate a sustained uptick in investment income which will ensure a healthy level of earnings in FY2024. 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.

### ESG Factors Relevant for Rating

Marwadi Shares & Finance Limited, has a diversified revenue stream with a majority portion accruing from the financial services sector. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behaviour. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry. The company's board comprises of a total of nine directors out of which two are independent directors and two are female directors. MSFL maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. MSFL also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances, litigations, and regulatory penalties for the company, if relevant. In terms of its social impact, MSFL is actively engaged in community development programmes through its CSR committee.

### Rating Sensitivity

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

### Liquidity Position Adequate

MSFL has bank facilities comprising of bank guarantee and overdraft facilities, which are used for margin requirements. The bank guarantee has 100 percent utilization levels, while overdraft facilities have low utilization level. The company had a cash and bank balance of Rs 211.27 Cr. as on December 31, 2023. As on December 31, 2023, the company had BG limits of Rs. 2351 Cr. and OD facilities of Rs. 130 Cr. Acuité believes the liquidity position will remain adequate in the near to medium term.

### Outlook- Stable

Acuité believes MSFL 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	FY2023 (Actual)	FY2022 (Actual)
Operating Income	Rs.	354.12	

	Cr.		295.18
PAT	Rs. Cr.	113.78	76.29
PAT Margin	Rs. Cr.	32.13	25.84
Total Debt/Tangible Net Worth	Rs. Cr.	0.51	0.32
PBDIT/Interest	Rs. Cr.	4.01	3.77

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

Not Applicable

**Any other information**

None

**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. Acuite' 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
09 Mar 2023	Principal protected market linked debentures	Long Term	100.00	ACUITE PP-MLD A-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	100.00	ACUITE PP-MLD A-   Stable (Reaffirmed)
20 Sep 2022	Principal protected market linked debentures	Long Term	100.00	ACUITE PP-MLD A-   Stable (Reaffirmed)
	Proposed principal protected market linked debentures	Long Term	100.00	ACUITE PP-MLD A-   Stable (Assigned)
23 Mar 2022	Proposed principal protected market linked debentures	Long Term	100.00	ACUITE PP-MLD 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	INE138I08034	Principal protected market linked debentures	03 Oct 2022	Not avl. / Not appl.	03 Jun 2024	Complex	100.00	PP-MLD   ACUITE A-   Stable   Reaffirmed
Not Applicable	INE138I08026	Principal protected market linked debentures	19 Apr 2022	Not avl. / Not appl.	19 Oct 2023	Complex	100.00	Not Applicable   Withdrawn

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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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