



Press Release
Choice Equity Broking Private Limited
July 21, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	60.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+** ' (read as **ACUITE triple B plus**) on the Rs. 40.00 Cr. bank facilities of Choice Equity Broking Private Limited (CEBPL). The outlook remains '**Stable**'.

Acuite has reaffirmed the short-term rating of '**ACUITE A2+** ' (read as **ACUITE A two plus**) on the Rs. 60.00 Cr. bank guarantee of Choice Equity Broking Private Limited (CEBPL).

Rationale for the rating

The rating factors in CEBPL's parent support (wholly owned by Choice International Limited), healthy capital structure, experienced management and established position in its segment. The rating takes into account the group's low leveraged profile and Tangible Network (excluding revaluation reserve and intangible assets) which stood at 0.48x as on March 31, 2023 and Rs. 426.44 Cr. as on March 31, 2023, respectively. The rating also takes into account improvement in earnings profile marked by its PAT of Rs. 60.07 Cr during FY2023 (FY2022:- Rs.53.60 Cr. and FY2021:- Rs.16.71 Cr.) Acuite takes cognizance of CEBPL's growing retail and institutional clientele, higher share of revenues from retail broking with negligible dependence on proprietary profits. Acuite also takes note of CEBPL's growth in PAT and scale of operations.

The rating is however constrained on account of CEBPL's revenue susceptibility to the level of volatility/ turnover in the capital markets as well as highly competitive landscape in broking business. Going forward, continued promoters support and ability of the company to sustainably improve its operating performance are key monitorables.

About the Company

Incorporated in 2010, Choice Equity Broking Pvt. Ltd (commonly known as Choice Broking) is a Mumbai-based full-service stockbroking firm. Choice broking is a subsidiary of a publicly listed financial services firm named 'Choice International Limited' that was formed in 1993.

Choice Broking offers online trading and premium financial services for an entire range of financial products like Equity, Derivatives, Currency, Commodities, Mutual Funds, wealth management, Portfolio management, Insurance, and Loan against share. The company has a depository membership with CDSL and NSDL and is a member of NSE, BSE, MCX, NCDEX, and ICEX. The brokerage charges of Choice Broking are claimed to be one of the lowest in India when compared to other full-service brokers in the industry. The company operates through a network of 68 branches across 20 states as on March 31, 2023.

About the Group

Choice International Limited was incorporated in 1993. Listed on BSE as Choice International

Limited (Choice) is more than two decades old company under the leadership of Mr. Kamal Poddar (MD). It is an end to end financial services conglomerate. Choice Group has successfully created a FinTech ecosystem which combines a suite of platforms under one roof for all financial services. The company through its multiple subsidiaries offers financial and consultancy services catering to retail and institutional clients, corporates and state and central governments.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has adopted a consolidated approach and considered the business and financial risk profile of Choice International Limited (CIL) and its subsidiaries, (the Company and its subsidiaries together referred to as the Group) for arriving at the rating. The approach is driven by common management, shared brand, and strong operational and financial synergies between the group companies.

Key Rating Drivers

Strength

Parent support & group synergies; experienced management

Choice Equity Broking Private Limited is the wholly owned subsidiary of Choice International Limited. CEBPL benefits from common management, shared brand, and strong operational and financial synergies between the group companies. Choice International Ltd was incorporated in 1993 and is engaged in providing financial services. It operates through the segments of NBFC services, Broking & Distribution, Advisory services, and IT Services Business. The company generates majority of the revenue from Broking and distribution services. It offers services like equity trading, commodity derivative trading, financial planning, currency futures trading, fund distribution, advisory, and structured products. The company conducts its business operations mainly in India. As on March 31, 2021, the group has 5 subsidiaries and 14 step down/ jointly controlled subsidiaries.

The management team is led by Mr. Kamal Poddar, a Fellow Member of the Institute of Chartered Accountants of India, is the Managing Director of Choice International Limited. He is involved in all the strategic decisions of the group. Mr. Ajay Kejriwal (Executive Director-CIL), who has experience of more than 15 years in financial markets. He possesses extensive experience in understanding the financials of companies and fund management within division. The BoD consists of 10 members, out of which 5 are independent members. The management team has more than two decades of experience in capital markets and has developed strong expertise in securities market trends, compliance and business development strategies.

Acuité believes, that the company's consolidated business profile will be supported by expertise of seasoned professional managing the operations and established track record of operations.

Comfortable capital structure

At group level, Choice group's capitalization levels were comfortable marked by tangible Networth of Rs. 426.44 Cr. as on March 31, 2023 (excluding revaluation reserve and intangible assets) as against Rs. 355.15 Cr. in FY2022 and Rs. 207.39 Cr in FY2021. Overall gearing levels of the group remained low with debt majorly comprising of short term borrowings (secured). Gearing stood at 0.48x during FY2023 as compared to 0.62x during FY2022 and 0.73x during FY2021. CEBPL (standalone) also has adequate capitalization levels marked by Networth of Rs. 145.83 Cr. as on March 31, 2023 (Rs. 110.42 Cr. as on March 31, 2022 and Rs. 79.24 Cr as on March 31, 2021) and a gearing of 0.20 times as on March 31, 2023 (0.21 times as on March 31, 2022). The increase in Networth is on account of internal accruals. The debt majorly comprises

of loans from FIs and overdraft facilities. Acuité believes that the company's comfortable capitalization levels will support its growth plans over the medium term.

Earnings profile

Choice Group reported total operating income from key business verticals of Rs. 385.07 Cr. for FY2023 as compared to Rs. 1271.82 Cr. in FY2022 and Rs. 168.74 Cr. in FY2021. The businesses at Group level are categorized as Equity & Broking, Insurance Broking, Wealth Management, Retail Loan Distribution, Management Consulting, Government Advisory and Others. The group reported total revenue (not adjusted for inter segment revenue) of Rs. 408.45 for FY2023 where Broking business contributed Rs. 248.44 Cr followed by Advisory services (Rs. 97.96 Cr), NBFC services (Rs. 47.04 Cr) others (Rs. 15.01 Cr). The Group reported PAT of Rs. 60.07 Cr. for FY2023 as compared to Rs. 53.60 Cr. for FY2022 and Rs. 16.71 Cr. for FY2021. At Standalone level, CEBPL reported a PAT of Rs. 31.98 Cr. for FY2023 as compared to Rs. 28.78 Cr. for FY2021. Brokerage Income was the major component of total revenue for CEBPL at Rs. 169.60 Cr. as on March 31, 2023. Acuité believes that despite an improvement in Choice Group earning profile, its business operations would remain susceptible to inherent risks in capital market and overall economic environment.

Weakness

Risks involving general economic and market conditions

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. Also, revenues generated from businesses like broking, wealth management, private client broking and investment advisory business, are directly related to the volume and value of the transactions. Any adverse market movement (downturn) would result in decline in transaction volumes leading to a decline in the group's revenues received from commissions earned from such businesses. While the Group continues to benefit from its business model the level of activity in the equity, commodities and F&O markets will be key determinant of its revenue profile and future growth trajectory. 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

- Changes/ dilution in shareholding and promoter support
- Movement in Business volumes & operating performance
- Change in profitability metrics due to sharp movement in capital market
- Changes in regulatory environment & regulatory actions against the company

Material Covenants

CEBPL is subject to covenants stipulated by its lenders/investors in respect of minimum Networth stipulation.

Liquidity Position

Adequate

Business growth of Choice Group has been supported by the group's internal accruals, the company's dependence on debt is very low as reflected in low gearing of 0.48 times as on March 2023. Hence, the company has no significant term debt obligations over the near term. The company currently has Cash and bank balance of Rs. -251.96 crore as on March 31, 2023. CEBPL has bank facilities comprising of bank guarantee and overdraft facilities, which are used for margin requirements. CEBPL has BG limits of Rs. 90.00 Cr. and OD facilities of Rs. 90.00 Cr. Acuité believes the liquidity position will remain adequate in the near to medium term.

Outlook : Stable

Acuité believes that Choice Group will maintain 'Stable' credit risk profile over the medium term supported by its well-established position in the capital markets and experienced management. The outlook may be revised to 'Positive' in case of a sizeable improvement in its earnings translating to an improvement in its Networth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability metrics and lower than expected growth of Choice group.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)
Operating Income	Rs. Cr.	220.47	146.05
PAT	Rs. Cr.	31.98	28.78
PAT Margin	(%)	14.51	19.71
Total Debt/ Tangible Networth	Times	0.20	0.21
PBDIT/ Interest	Times	23.19	19.95

* Ratios as per Acuite's Calculations

Key Financials (Consolidated)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr.	385.07	271.82
PAT	Rs. Cr.	60.07	53.60
PAT Margin	(%)	15.60	19.72
Total Debt/ Tangible Networth	Times	0.48	0.62
PBDIT/ Interest	Times	4.97	6.02

*Ratios as per Acuite's calculations

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 May 2022	Secured Overdraft	Long Term	40.00	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Guarantee	Short Term	30.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB+ Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1	Choice International Limited ("CIL")	Holding Company
2	Choice Equity Broking Private Limited ("CEBPL")	Subsidiary
3	Choice Consultancy Services Private Limited ("CCSPL")	Subsidiary
4	Choice Finserv Private Limited	Subsidiary
5	Choice Capital Advisors Private Limited	Subsidiary
6	Choice Insurance Broking India Private Limited	Subsidiary
7	Choice Portfolio Management Services Private Limited	Step-down Subsidiary (Subsidiary of CEBPL)
8	Choice Wealth Private Limited	Step-down Subsidiary (Subsidiary of CEBPL)
9	Choice Corporate Services Private Limited	Step-down Subsidiary (Subsidiary of CEBPL)
10	Choice Connect Private Limited	Step-down Subsidiary (Subsidiary of CEBPL)
11	Choice Tech Lab Solutions Private Limited	Step-down Subsidiary (Subsidiary of CEBPL)
12	Shreeyam Securities Private Limited	Step-down Subsidiary (Subsidiary of CEBPL)
13	SKP Green Ventures Private Limited ("SKP-GV")	Step-down Subsidiary (Subsidiary of CCSPL)
14	Bhadla Three SKP Green Ventures Private Limited	Step-down Subsidiary (Subsidiary of "SKP-GV")
15	Bikaner Three SKP Green Ventures Private Limited	Step-down Subsidiary (Subsidiary of "SKP-GV")
16	Fatehgarh Four SKP Green Ventures Private Limited	Step-down Subsidiary (Subsidiary of "SKP-GV")
17	Thoughts Consultants Jaipur Private Limited	Jointly Controlled Operations of Subsidiary -CCSPL
18	CCSPL · I & R	Jointly Controlled Operations of Subsidiary -CCSPL
19	Mars Planning and Engineering	Jointly Controlled Operations of Subsidiary -CCSPL
20	CCSPL • PD&EX JV	Jointly Controlled Operations of Subsidiary -CCSPL

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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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