

## Rating Update

April 10, 2018 | Mumbai

### Marwadi Shares and Finance Limited

**Update as on April 10, 2018**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

- Significant change in market position and earnings
- Significant deterioration in capital position
- Diversification into unrelated businesses

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from Marwadi Shares and Finance Ltd (MSFL) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

#### **About the Company**

The Marwadi group comprises MSFL, Marwadi Commodity Broker Pvt Ltd (MCBPL), Marwadi Finlease Ltd (MFL), and Marwadi Stock Broking Ltd (MSBL). MSFL, incorporated in 1992, is in the equity broking business and is a member of the National Stock Exchange of India and the Bombay Stock Exchange. It offers depository services under National Securities Depository Ltd and Central Depository Services (India) Ltd. MCBPL, incorporated in 2002, offers commodity broking services and is a member of Multi Commodity Exchange of India Ltd, National Commodities and Derivatives Exchange Ltd, Ahmedabad Commodity Exchange, and NCDEX Spot Exchange Ltd. MFL is engaged in margin funding activities, while MSBL offers equity broking services.

## DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, [www.crisil.com](http://www.crisil.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com), or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL

## Rating Rationale

March 30, 2017 | Mumbai

### Marwadi Shares and Finance Limited

*Rating outlook revised to 'Stable'; Ratings removed from 'Notice of withdrawal'*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.410 Crore
Long Term Rating	CRISIL BBB+/Stable (Outlook revised from 'Positive' and Rating Reaffirmed; Removed from 'Notice of withdrawal')
Short Term Rating	CRISIL A2+ (Rating Reaffirmed; Removed from 'Notice of withdrawal')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has removed its ratings on the bank facilities of Marwadi Shares and Finance Limited (MSFL; part of the Marwadi group) from 'Notice of Withdrawal' due to non-receipt of a no objection certificate from bankers in line with the requirement of CRISIL's revised withdrawal policy. These ratings were earlier placed on 'Notice of Withdrawal' for 180 days on August 22, 2016, at the company's request.

Furthermore, CRISIL has reaffirmed its ratings on the MSFL's bank facilities at 'CRISIL BBB+/CRISIL A2+'. The outlook on the long-term rating has been revised to **'Stable'** from 'Positive' because of year-on-year decline in the group's market share and profitability in fiscal 2016 owing to subdued retail participation.

The ratings continue to reflect the Marwadi group's adequate capitalisation and sound risk-management practices. These strengths are partially offset by modest market share in the capital-market related businesses, geographical concentration in revenue, and susceptibility to inherent uncertainties.

#### Analytical Approach

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of MSFL and its wholly owned subsidiaries engaged in capital market-related businesses, collectively referred to as the Marwadi group.

## Key Rating Drivers & Detailed Description

### Strengths

#### \* Adequate capitalisation

Absolute networth of Rs 345 crore as on December 31, 2016, is adequate for the group's scale of operations. Gearing was also healthy at 0.2 time. Networth coverage for receivables outstanding for more than six months is also comfortable. The group is expected to maintain conservative gearing philosophy and capitalisation will remain adequate over the medium term.

#### \* Sound risk management policies

The group sets client trading limits upfront and monitors client-wise exposure on a real-time basis. It also sets client-wise maximum scrip order quantity limit and maximum single order value limit for cash as well as futures and options segments. With regard to exposure to futures and options segments, clients are required to maintain standardised portfolio analysis of risk margins. Brokerage includes exposure margin, as specified by stock exchanges. Also, the group keeps the sale proceeds of clients' stocks and fresh purchase of stocks in the margin account and pool account, respectively. Consequently, it has additional buffer to absorb losses because of sudden decline in markets. These measures help the group keep bad debt under control.

### Weakness

#### \* Modest market share in capital market-related businesses

Share in the capital market space remains modest; market share in the equity broking segment declined marginally to 0.12% during the nine months of fiscal 2017 and fiscal 2016, from 0.14% during fiscal 2015. Though the group is also engaged in commodities broking, loans against shares, and margin-funding businesses, share of these is relatively small. Ability to sustain market share in the equity broking business and establish presence in other segments remain key monitorables. Furthermore, operations are geographically concentrated as 90% of branches are in Gujarat.

#### \* Susceptibility to uncertainties inherent in capital market operations

Capital markets are inherently volatile as they are driven by economic and political factors as well as investor sentiment. Given the group's focus on equity and commodity broking and related activities, business will be driven by the state of capital markets.

### Outlook: Stable

The Marwadi group's adequate capitalisation and sound risk management systems will help it withstand volatility inherent in capital markets. The outlook may be revised to 'Positive' in case of significant improvement in market position and profitability, while maintaining sound systems and processes. The outlook may be revised to 'Negative' if capitalisation or market position deteriorates sharply.

## About the Company

The Marwadi group comprises MSFL, Marwadi Commodity Broker Pvt Ltd (MCBPL), Marwadi Finlease Ltd (MFL), and Marwadi Stock Broking Ltd (MSBL). MSFL, incorporated in 1992, is in the equity broking business and is a member of the National Stock Exchange of India and the Bombay Stock Exchange. It offers depository services under National Securities Depository Ltd and Central Depository Services (India) Ltd. MCBPL, incorporated in 2002, offers commodity broking services and is a member of Multi Commodity Exchange of India Ltd, National Commodities and Derivatives Exchange Ltd, Ahmedabad Commodity Exchange, and NCDEX Spot Exchange Ltd. MFL is engaged in margin funding activities, while MSBL offers equity broking services.

The Marwadi group reported a net profit of Rs 19.8 crore on a total income (net of brokerage expense) of Rs 85.4 crore for fiscal 2016, against net profit and total income (net of brokerage expense) of Rs 29.2 crore and Rs 102.9 crore, respectively, for the previous fiscal. For the nine months ended December 31, 2016, the group reported a net profit of Rs 16.5 crore on a total income (net of brokerage expense) of Rs 74.3 crore.

MSFL, on a standalone basis, reported a net profit of Rs 15 crore on a total income (net of brokerage expense) of Rs 72.4 crore for fiscal 2016, against net profit and total income (net of brokerage expense) of Rs 25 crore and Rs 90.8 crore, respectively, for fiscal 2015.

**Any other information:** Not applicable

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

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

## Annexure - Details of Instrument(s)

ISIN	Bank Facility	Date of Allotment	Coupon Rate (%)	Date of Maturity	Issue Size (Rs. Cr)	
NA	Cash Credit	NA	NA	NA	115	(CBB)
NA	Bank Guarantee	NA	NA	NA	295	CR

## Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014	
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial Paper	ST		--		--	22-08-16	Withdrawal		No Rating Change		No Rating Change
Fund-based Bank Facilities	LT/ST	115	CRISIL BBB+/Stable		No Rating Change		No Rating Change	25-05-15	CRISIL BBB+/Positive		No Rating Change
Non Fund-based Bank Facilities	LT/ST	295	CRISIL A2+		No Rating Change		No Rating Change		No Rating Change		No Rating Change

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	295	CRISIL A2+	Bank Guarantee	295	CRISIL A2+ Withdrawn
Cash Credit	115	CRISIL BBB+/Stable	Cash Credit	115	CRISIL BBB+/Positive of Withdrawn
Total	410	--	Total	410	--

## Links to related criteria

[Rating Criteria for Securities Companies](#)

[CRISILs Criteria for Consolidation](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

## For further information contact:

Media Relations	Analytical Contacts	Customer Service Help
<p><b>Saman Khan</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 3895 B: +91 22 3342 3000 <a href="mailto:saman.khan@crisil.com">saman.khan@crisil.com</a></p> <p><b>Tanuja Abhinandan</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1818 B: +91 22 3342 3000 <a href="mailto:tanuja.abhinandan@crisil.com">tanuja.abhinandan@crisil.com</a></p> <p><b>Jyoti Parmar</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1835 B: +91 22 3342 3000 <a href="mailto:jyoti.parmar@crisil.com">jyoti.parmar@crisil.com</a></p>	<p><b>Krishnan Sitaraman</b> Senior Director - CRISIL Ratings <b>CRISIL Limited</b> D: +91 22 3342 8070 <a href="mailto:krishnan.sitaraman@crisil.com">krishnan.sitaraman@crisil.com</a></p> <p><b>Ajit Velonie</b> Director - CRISIL Ratings <b>CRISIL Limited</b> D: +91 22 4097 8209 <a href="mailto:ajit.velonie@crisil.com">ajit.velonie@crisil.com</a></p> <p><b>Shailesh Sawant</b> Rating Analyst - CRISIL Ratings <b>CRISIL Limited</b> D: +91 22 3342 3053 <a href="mailto:shailesh.sawant@crisil.com">shailesh.sawant@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Re <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>

## Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

## About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

## About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 95,000 MSMEs have been rated by us.

---

## CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit [www.crisil.com/privacy](http://www.crisil.com/privacy). You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>

Last updated: April 2016

## DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the



accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, [www.crisil.com](http://www.crisil.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com), or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL