

## Anand Rathi Share and Stock Brokers Limited

March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	1,400.00	CARE A-; Stable / CARE A1	Reaffirmed
Market linked debentures	50.00	CARE PP MLD A-; Stable	Reaffirmed
Commercial paper	50.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in ratings to long-term and short-term debt instruments and bank facilities of Anand Rathi Share and Stockbrokers Limited (ARSSBL) consider the company's experienced management, longstanding presence in the broking industry, and its strategic role in the Anand Rathi Group and further considers improving earnings profile. However, these strengths are partly offset by higher debt levels, modest scale of operations, inherent market risks, competitive pressures in its core broking business, and an evolving regulatory landscape.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in the overall credit profile of the parent, Anand Rathi Financial Services Limited (ARFSL).
- Improvement in the market share of the company on a sustained basis.
- Significant improvement in the earnings profile of the company on a sustained basis.
- Improvement in cost to income ratio below 60% on a sustained basis.

#### Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in credit profile of the parent, ARFSL.
- Material change in the ownership stake held by parent, ARFSL leading to moderation in support stance of the parent, ARFSL.
- Deterioration in the market share impacting broking income of the company.
- Moderation in the earnings profile and liquidity of the company.
- Increase in gearing (including non-fund-based debt) beyond 4x on a sustained basis.

### Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has taken a view based on the standalone financial profile of ARSSBL and factoring in its linkages with the ARFSL/Anand Rathi Group, as the company has shared brand name, board representation, managerial and operational support.

### Outlook: Stable

CARE Ratings believes ARSSBL will continue to demonstrate a stable business profile with the expectation of need-based timely support from the parent company, given the strategic importance, shared brand name and management control.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Group's long track record in financial services domain and strategic importance of ARSSBL to the Anand Rath group

Established in 1994, ARSSBL boasts over 31 years in broking and is led by seasoned professionals. Managing director, Pradeep Gupta is also a co-founder of the company with three decades' experience and has laid the foundation for the institutional broking and investment services arm. Roop Bhootra, CEO of the investment services arm, and Vishal Laddha, CEO of the institutional equity arm and a well-known chartered accountant and sales trader, have been with the company since its inception. ARSSBL, a wholly owned subsidiary of Anand Rath Financial Services Limited (ARFSL) with a consolidated net worth of ₹4,671 crore as on March 31, 2024, drives the group's investment services. The Anand Rath Group, led by founder and chairman Anand Rath, a gold medallist chartered accountant with over 50 years' experience, is divided in investment services (handled by ARSSBL), wealth management, and non-banking financial company (NBFC).

ARFSL, the parent company, along with other promoters holds 47.27% (ARFSL: 19.92%, other promoters: 27.35%) in Anand Rath Wealth Limited (ARWL). Anand Rath Wealth Limited is a well-established a group company in the wealth segment with consolidated assets under management (AUM) of ₹76,402 crore. ARWL's market capitalisation is ~₹15,400 crore with ARFSL's stake valuing to ~₹3,068 crore. Anand Rath Insurance Brokers Limited is 100% held by ARFSL, caters insurance products and risk management strategies with 300+ corporate clients.

ARSSBL forms the group's broking arm and complements wealth management by providing distribution services. Considering ARSSBL's importance to the group, in FY24, promoters demonstrated their commitment by infusing ₹50 crore through a rights issue and extending ₹494 crore in debt support.

#### Improved earnings profile and diversified income streams

ARSSBL is a trading member of different stock exchanges such as NSE, BSE, and MCX. It has a basket of diversified products being offered, including broking services in all segments (equity, derivatives, commodities, and currency), lending in the form of margin trade funding (MTF), third-party financial products distribution (mutual fund, bonds, corporate fixed deposits, IPO, and portfolio management services among others).

In FY24, the company's total revenue grew by 46% to ₹683 crore mainly driven by interest income and brokerage income. Further, the company's profit after tax (PAT) reported in FY24 was ₹79 crore, resulting in PAT margin of 11.51% which is 320 basis points improvement year-over-year (y-o-y) basis. This increase is supported by decline in cost to income ratio in FY24 considering economies of scale. The return on total asset (ROTA) and return on net worth (RONW) stood at 3.75% and 24.80%, respectively, in FY24. In 9MFY25, the company reported a total income of ₹ 645 crore and a PAT of ₹ 85 crore. The ROTA and RONW for this period were 3.80% and 26.36%, respectively.

The company has been focusing on having a diversified revenue stream to reduce its dependency on broking income which is volatile as it is driven by the market activities. In 2017, brokerage revenue formed 80% of the total income which due to strategic diversification in distribution of non-broking products, has reduced to 53% followed by interest income which forms 37% in 9MFY25.

CARE Ratings noted the improvement in the earnings profile, however, in the ongoing scenario in capital markets, ARSSBL's ability to sustain the earnings growth while maintaining the profitability going forward will remain a key monitorable.

## Key weaknesses

### Increased debt levels

ARSSBL's debt (incl. non-fund-based) levels has increased from ₹1,018 crore as on March 31, 2023, to ₹1,230 crore as on March 31, 2024, and further to ₹1,505 crore as on December 31, 2024. The debt levels are increased to support the growing MTF book and increased margin requirements with the exchanges.

ARSSBL's margin trading facility (MTF) book has grown from ₹377 crore as on March 31, 2023, to ₹617 crore as on March 31, 2024, and ₹ 843 crore as on December 31, 2024. Since FY23, overall broking industry witnessed an increase in the MTF lending and this is expected to result in increased capital raising and debt levels of the brokers. Even though, the promoter has shown support by infusing ₹50 crore through rights issue and has extended debt support of ₹494 crore to ARSSBL, its prospective debt levels remain key monitorable with fund-based gearing expected to remain range bound under 3x, which is 2.41x as on December 31, 2024.

### Modest scale of operations

ARSSBL's size continues to remain modest given the company's market share. Its market share in cash segment improved to 0.97% in FY24, however, the same has declined to 0.81% in 9MFY25 and in F&O segment the market share has remained at similar of 0.33% in FY24 compared to FY23, however, the same has declined to 0.23% in 9MFY25. The decline in 9MFY25 turnover is considering intense competition in the industry and higher growth rate of the industry's volume compared to ARSSBL's volume. The market position in terms of active client base on NSE has remained at similar levels since August 2023, due to the competition from discount brokers even though the company's active client base is witnessing yearly growth (1,48,861 NSE Active clients as on January 31, 2025). As on January 31, 2025, the market position was 27th against 24th position as on March 31, 2021. However, the company's focus is on increasing the volumes and average revenue per client.

In the current correction cycle witnessed by the markets, ARSSBL's ability to sustain its market share in terms of volume and active clients will remain a key monitorable.

### Susceptibility towards regulatory changes and inherent risk in competitive capital market business

The capital market industry has experienced continuous regulatory changes aimed at enhancing transparency and preventing misuse of funds. Securities and Exchange Board of India (SEBI) has introduced several new regulations over recent years. In May 2023, a regulation prohibited brokers from using client funds for bank guarantees, increasing finance costs and funding requirements. In June 2023, SEBI mandated brokers to upstream client funds to clearing corporations in cash, FD liens, or pledged mutual fund units, raising operational and compliance costs. In July 2024, SEBI introduced guidelines requiring transparent, "True to Label" client fees. In October 2024, SEBI's new measures included upfront collection of options premiums, removal of calendar spread treatment on expiry day, a minimum ₹15 lakh contract value for index derivatives, weekly expiry derivative contracts for only one benchmark index and a 2% extreme loss margin on short options contracts.

Brokers' ability to adapt their technology, systems, and risk management to these evolving regulations without harming their business profiles is critical. ARSSBL's ability to grow its market share amid increasing competition in a highly regulated environment and pressure from low-cost brokers remains a key challenge.

### Liquidity: Strong

As on December 31, 2024, ARSSBL had a liquidity of ₹293.09 crore which includes unencumbered cash balance of ₹6.31 crore and undrawn sanctions of ₹286.78 crore, against a repayment obligation of ₹199.19 crore in the next six months. In addition to the above liquidity, the company has been maintaining sufficient margin with the exchange, over and above the required limit, thus providing additional comfort. The company's average margin utilisation was ~38% in 9MFY25. ARSSBL's MTF book is a short-

term book thus inflows from the book will also be used to meet debt obligation and is expected to receive support from Anand Rathi Group as and when required which provides additional comfort.

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Broking Firms](#)

[Short Term Instruments](#)

[Market Linked Debentures](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Capital markets	Stockbroking and allied

ARSSBL was incorporated on November 22, 1991, as a private limited company under the Companies Act, 1956 in the name of Navratan Capital and Securities Private Limited, which later got converted to a public limited company on March 21, 2007. Subsequently, 'Navratan Capital and Securities Limited' was renamed as 'Anand Rathi Share and Stock Brokers Limited' and received a fresh certificate of incorporation from the RoC on January 29, 2008. The company carries on the activity of a stock broker, research analyst, a depository participant and mutual fund distribution under the corporate agent license. The company is also a trading member of National Stock Exchange of India Limited, BSE Limited, Multi Commodity Exchange and National Commodity and Derivatives Exchange in the wholesale debt segment, and mutual fund segment, among others. The company also provides broking services to retail clients and HNIs through online, call-n-trade and offline mediums and has over 90 branches.

#### Standalone financials of ARSSBL:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total income	468.64	682.83	645.43
PAT	38.96	78.58	85.17
Overall Gearing (x) <sup>#</sup>	1.70	2.28	2.41
PAT Margin (%)	8.31	11.51	13.20
RONW (%)	17.09	24.80	26.36*
ROTA (%) <sup>##</sup>	2.65	3.75	3.80*

A: Audited UA: Unaudited; Note: these are latest available financial results

<sup>#</sup>Including fund-based only

\*Annualised

<sup>##</sup> As per calculation of CARE Ratings

#### Status of non-cooperation with previous CRA:

Not applicable

#### Any other information:

Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone) (Proposed)	-	-	-	-	50.00	CARE A1
Debentures-Market Linked Debentures (Proposed)	-	-	-	-	50.00	CARE PP MLD A-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	30-10-2028	1,275.00	CARE A-; Stable / CARE A1
Fund-based/Non-fund-based-LT/ST (Proposed)	-	-	-	-	125.00	CARE A-; Stable / CARE A1

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Market Linked Debentures	LT	50.00	CARE PP MLD A-; Stable	-	1)CARE PP MLD A-; Stable (27-Mar-24)	1)CARE PP-MLD BBB+; Stable (15-Feb-23)	-
2	Commercial Paper-Commercial Paper (Standalone)	ST	50.00	CARE A1	-	1)CARE A1 (27-Mar-24)	1)CARE A2+ (15-Feb-23)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	1400.00	CARE A-; Stable / CARE A1	-	1)CARE A-; Stable / CARE A1 (27-Mar-24)	1)CARE BBB+; Stable / CARE A2+ (16-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities**

Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Market Linked Debentures	Highly Complex
3	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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