

Jambuwala Commodities Private Limited

Instrument	Amount (in INR Crore)	Rating Action (January 2016)
Short Term Bank Lines - Unallocated	40.00	[ICRA]A4 reaffirmed

ICRA has reaffirmed the ratings of [ICRA]A4 (pronounced ICRA A four) to the Rs. 40 crore fund and non fund based bank lines of Jambuwala Commodities Private Limited (JCPL). The rating factors in the inherent volatility in the Jambuwala group's primary business of commodity broking that is prone to cyclical downturns, a relatively small presence in commodity broking, and weak levels of operating profitability. However, the rating concerns are moderately mitigated by the group's long experience in commodity markets and the promoters' ability to leverage its relationships with high-volume local HNI clients.

Jambuwala Commodities Private Limited (JCPL), promoted by the Jambuwala family, is an Ahmedabad-based brokerage house primarily engaged in the business of commodity broking with a history of over 45 years of cotton trading in the state of Gujarat. The Jambuwala Group commenced its futures broking operations in 2001 through R.P. Jambuwala & Co, in the Ahmedabad Commodity Exchange. Later in 2008, the promoters incorporated JCPL in order to obtain membership in the two National Commodity Exchanges (viz. Multi Commodity Exchange of India (MCX) and National Commodity and Derivatives Exchange (NCDEX)). JCPL is a trading member in both these exchanges. Jambuwala Group had initially established itself as cotton processing business house, which allowed the promoters to gain insights into the commodity markets located within the major hubs of Gujarat and Rajasthan. The company also undertakes equity broking activity through one of its group companies named Jambuwala Capital Services Private Limited (JCSPL).

In FY2015, the net broking income of JCPL increased by ~17% from Rs. 0.17 Crore to Rs. 0.20 Crore. However with moderation in net interest income and trading income (which contribute ~65% of the total revenues in FY2015), the total revenue earned by JCPL declined from Rs. 0.62 Crore to Rs. 0.58 Crore. The shrinkage in total revenues can be attributed to low levels of interest income from Fixed Deposits as aggregate client margins during most of the year remained low and due to a decline in commodity trading income given the headwinds faced by the commodity segment. In H1FY2016, the net broking income for JCPL improved by an annualized ~161% to Rs. 0.26 Crore due to increase in commodity broking volumes and improvement in yields. Supported by improvement in the net interest income and the trading income as well, the total revenues for JCPL increased by ~66% (annualized) to Rs. 0.48 Crore during H1FY2016.

In order to bring down costs, JCPL utilised its manpower-bandwidth by extending it to its sister company JCSPL to scale up its equity broking business. As a result, JCPL's costs declined to Rs. 0.47 Crores in FY2015 from Rs. 0.49 Crores in FY2014. The total cost in H1FY2016 was Rs. 0.14 Crore. JCPL reported net profits of Rs. 0.11 Crores (RoE of 3.38%) vis-à-vis Rs. 0.09 Crores in FY2014 (RoE of 3.70%). The reported PAT in H1FY2016 was Rs. 0.22 Crore (RoE of 7.37%).

In FY2015, the client traded volumes declined substantially to Rs.13,113.78 Crores (from Rs. 29,717.72 Crores in FY2014). Due to this decline in volume, the market share of JCPL declined to 0.21% in FY2015 from 0.29% in FY2014. In H1FY2016, the trading volumes reported were Rs. 7,042.88 Crore, representing a market share of 0.20%. Commodity broking yields for the company improved to 0.15 bps in FY15 and to 0.38 bps in H1FY16 from 0.06 bps in FY14.

In FY2015, the company converted a portion of the loan extended by the director into equity. Post this change, the gearing of JCPL moderated to 0.46 (from 0.73 in FY2014) on a networth of Rs. 3.34 Crores as on March 31, 2015 (vis-a-vis Rs. 2.39 Crores as on March 31, 2014). In H1FY16, the gearing reduced further with the loan from director drawn down and stood at 0.34 on a net worth of Rs. 3.56 Crore as on September 30, 2015.



JCPL's capital requirement is mainly for meeting margin requirements at the exchange houses as the company is not involved in any margin funding activities for its clients. In case of margin shortfalls the company has ready access to un-utilised bank lines and client-stock repository.

Company Profile

Jambuwalla Commodities Pvt Ltd (JCPL) is an Ahmedabad-based brokerage house that is mainly involved in commodity broking at MCX and NCDEX. In FY2015, JCPL reported a PAT of Rs. 0.11 Crores on total income of Rs. 0.61 Crores (vis-à-vis a PAT of Rs. 0.09 Crores on total income of Rs. 0.74 Crores in FY2014) with a gearing of 0.46 (vis-à-vis a gearing of 0.73 in FY2014) and Net Worth of Rs. 3.34 Crores (Rs. 2.39 Crores in FY2014).

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