



## Anugrah Stock and Broking Private Limited

Instrument	Amount	Rating Action
Short Term Fund Based Bank Lines	Rs. 18 crore	ICRA]A4 (assigned)

ICRA has assigned the rating of [ICRA]A4(pronounced ICRA A four) to the Rs. 18 crore short term fund based bank lines of Anugrah Stock and Broking Private Limited.

The rating is constrained by the company's high dependence on the retail equity broking business which is going through challenging times for the last couple of years, small client base coupled with slow growth in non-broking businesses. However, the rating takes into account the company's variable cost structure with primarily franchisee based retail network, adequate network for current scale of operations and adequate risk management profile of the company for current scale of operations. The ratings at the current level also reflect Anugrah's relative positioning with other ICRA rated brokerage houses.

Anugrah Stock and Broking Pvt. Ltd. is a financial broking house established in 2003 by Mr. Arvind Kariya and Mr. Paresh Kariya. The Company provides equity trading, derivatives trading, commodities trading, depository services, currency derivatives, wealth management services and mutual funds distribution. As at September 2013, the company has 8 branches and 200 franchisees with a total client base of ~25,000 retail clients and is present mainly into the retail equity broking segment. Commodities broking services are provided by another group company, Anugrah Commodities Private Limited, which had a small market share of 0.02% for FY12-13. The infrastructure including the back end, franchisees and branches of Anugrah Stock Broking are shared with Anugrah Commodities. The group is also involved in Mutual Fund distribution and Insurance broking services through other companies, however, these businesses are currently at a negligible scale.

In line with industry trends for FY13, the equity broking turnover of Anugrah was dominated by options volumes with nearly 88% of the turnover being contributed from the derivatives segment, slightly better than the industry levels of 92%. The company was able to improve its cash market volumes by 26% on a Y-o-Y basis in FY13. As a result of rising turnover the company registered a marginal rise in its market share from 0.09% in FY12 to 0.10% in FY13. Given the muted retail participation in the equity markets, increasing competition in the retail broking space and increasing contribution of the low yielding options segment the brokerage yields in the segment have been under pressure over the past 1-2 years. As a result, the average broking yield of Anugrah witnessed a decline and stood at 2.49 bps in FY13 compared to 3.03 bps in FY12. Going forward, the ability of the company to improve its revenues and maintain its yields given the adverse capital market conditions in the retail broking segment will remain a key rating sensitivity.

In FY13, the operating income of the company grew to Rs 11.04 crores from Rs 8.44 crores largely led by the increase in the net broking income. The operating expenses of the company increased to Rs 8.02 crores in FY13 compared to Rs 6.64 crores due to increase in its Interest expense as a result of growth in borrowings. The cost to income ratio from reduced significantly from 92.47% in FY12 to 65.46% in FY13. Certain measures taken by the company to control costs such as rationalizing the headcount in its offices and an increase in the operating revenue by 31% resulted in the decline in cost to income ratio. The company incurred a loss of Rs. 2.24 on its Stock In Trade book in FY13 as compared to NIL in FY12, which suppressed its profitability and it reported a PAT of Rs 0.47 crores in FY13 compared to Rs 0.35 crores in FY12.

Anugrah has an adequate level of capitalization for its current scale of operations with a net worth of Rs 15.21 crore as on Mar-13 and a gearing of 1.32 times. The network of the company was further boosted by an equity infusion of Rs 2.4 crores in Q1FY14 by the promoters.



### **Company Profile**

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For FY13, the company reported a net profit of Rs. 0.47 crores against a total income of Rs. 11.04 crores as against a net profit of Rs. 0.35 crores against a total income of Rs. 8.44 crore in FY12.

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