Press Release

Findoc Investmart Private Limited (FIPL)

December 29, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	125.00 (Enhanced from Rs.85.00)	IVR BBB+/ Stable Outlook [IVR Triple B with Stable Outlook]	Rating revised and removed from INC category	Simple
Short Term Bank Facilities	310.00 (Enhanced from Rs.140.00)	IVR A2 [IVR A Two]	Rating revised and removed from INC category	Simple
Short Term Bank Facilities (Proposed)	75.00	IVR A2 [IVR A Two]	Rating revised and removed from INC category	Simple
Total	**510.00 (Rupees Five Hundred and Ten Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank loan facilities of Findoc Investmart Private Limited (FIPL) derives strength from experienced promoters and team of management with over decades of experience in the capital market industry, improved operating income with healthy profitability margins, adequate capitalisation with conservative gearing policy and strong risk management policy. The ratings however constrained by risks associated with proprietary trading business, which remains key earnings driver, dependence on capital markets, which are inherently volatile and cyclical in nature and increasing competitive business segment.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the total operating income of the company on the back of increase in customer base and higher revenue contribution from its existing customers

Downward Factors

- Deterioration in capital structure due to any un-envisaged incremental borrowings
- Depletion in the customer base leading to lower brokerage income in the medium term
- Any significant deterioration in the liquidity position of the company from its current levels

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and team of management**

  FIPL, promoted by experienced promoters Hemant Sood and Chander Shekhar, and supported by Nitin Shahi, has a long-established track record in capital markets. The company is managed by a team of professionals, with key managers having over decades of experience.

- **Improved operating income with healthy profitability margins**

  FIPL's scale improved at CAGR by 76% from FY20 to FY23, with a year-on-year improvement by 41% remained at at Rs.312.65 crore in FY23 (FY22: 221.44 crore), mainly due to increase in income from securities trading and professional income. FIPL reported revenue of Rs.153.15 crore in 1HFY24, with IVR expecting it to reach Rs.367.57 crore in FY24 due to India's strong economy, domestic demand, infrastructure investment, and a resilient financial sector. The EBITDA margin declined yet remained healthy at 42.96% in FY23 (FY22: 48.84%), largely due to increased employee costs. subsequently the PAT margin declined to 30.70% in FY23 (FY22: 36.33%).

- **Adequate capitalisation with conservative gearing policy**

  The capital structure of the company has continued to be remained strong marked by overall gearing and total outside liabilities/tangible net worth (TOL/TNW) of 0.01x and 1.17x respectively in FY23 (FY22: 0.01x and 1.22x respectively) with low debt profile of the company. Owing to above the debt coverage indicators marked by interest coverage ratio and total debt to GCA stood at 267.68x and 0.03x respectively in FY23 (FY22: 32.42x and 0.03x respectively).

- **Strong risk management policy**

  FIPL follows a stringent risk management policy where the policy document clearly defines the nature of customer transactions, setting up client exposure limits in cash segment and F&O segment, Script wise exposure limits in cash and F&O segment, order limits and limit rules for the client. The policy also includes a well-defined square up process which is run daily to regularize various risk diameters or margin calls.

Key Rating Weaknesses

- **Risks associated with proprietary trading business, which remains key earnings driver**

  FIPL, a company involved in jobbing, arbitrage trading, and algorithm-based trading, reported a proprietary trading income of Rs.299 crore in FY23 (FY22: Rs.199 crore), highlighting the high variability of earnings due to its high dependence on capital markets. The company's creditworthiness and risk management in this business will remain crucial in the future.

- **Dependence on capital markets, which are inherently volatile and cyclical in nature**

  FIPL's revenues and profitability are heavily reliant on capital market performance, exposing it to volatility. The company's core business activity, proprietary trading, is also vulnerable. The increasing competition in equity broking is putting pressure on average yields, and the industry's margin is expected to remain high, requiring monitoring of FIPL's ability to acquire new clients.

- **Increasing competitive business segment**

  Broking business in India is highly competitive and FIPL fierce competition from large broking firms. Large broking firms are in a better position to reduce operating expenses and maintain their margins. Broking business in India is becoming increasingly competitive with reducing brokerage fees and volatile volumes. However, the company is having synergies from its group companies. Findoc Capitalmart Private Limited which is engaged in financial retailing business.

Analytical Approach: Standalone

Applicable Criteria:

Criteria for assigning rating outlook

Rating Methodology for Service Sector Entities

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The company has a high cash and bank balance, primarily used for bank guarantees and trading margins. As of March 31, 2023, it had a cash and bank balance of Rs.445.71 crore. The company's liquidity position remains adequate, with negligible repayments in FY24, no plans for external debt, and unutilized BG limits of Rs.70 crore as of November 30, 2023. Thus, the overall liquidity position of the company remained **Adequate**.

About the Company

Incorporated in August, 2010 Findoc Investmart Private Limited (FIPL), a Ludhiana-based equity broking firm, is a corporate member of both the National Stock Exchange of India and Bombay Stock Exchange. It offers full spectrum equity, derivatives, currency broking, and commodity derivative services, and provides depository services and professional services.

FIPL provides depository services, professional services, loan syndication, consultancy, broking, and trading in various segments, including BSE-CASH, NSE-CASH, CD-NSE, and NSE-Commodity derivatives. FIPL, part of the Findoc Group of Punjab, engages in various sectors including financial retailing, NBFC, commodity broking, outdoor advertising, real estate development, and trading electronics and healthcare devices. During FY24 FIPL relocated from Chandigarh to Gift City Gujarat, benefiting from monthly stamp duty savings, and its WOS company, FindocInvestmart (IFSC) Private Limited, is also located in Gift City Gujarat.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	221.27	312.41
EBITDA	108.06	134.21
PAT	80.46	95.99
Total Debt	2.72	2.84
Adjusted Tangible Net worth	278.92	374.82
EBITDA Margin (%)	48.84	42.96
PAT Margin (%)	36.33	30.70
Overall Gearing Ratio (times)	0.01	0.01

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	**Name of Instrument / Facilities**	**Type**	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**
Press Release					**15-Sep-2023**	**27-Sep-2022**	**–**
1.	Fund Based – Intraday Limit	Long Term	185.00	IVR BBB+/ Stable	IVR BB+/ Negative; ISSUER NOT COOPERATING*	IVR BBB / Stable	–
2.	Non-Fund Based – Bank Guarantee	Short Term	310.00	IVR A2	IVR A4+; ISSUER NOT COOPERATING*	IVR A3+	–
3.	Non-Fund Based – Proposed	Short Term	75.00	IVR A2	IVR A4+; ISSUER NOT COOPERATING*	IVR A3+	–

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Intraday Limits	–	–	–	185.00	IVR BBB+/ Stable
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	310.00	IVR A2
Short Term – Non-Fund Based – Proposed Bank Guarantee	–	–	–	75.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-Findoc-dec23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.