

Tipsons Financial Services Private Limited: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit	50.00	SMERA A2 (Reaffirmed)

SMERA has reaffirmed the short-term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs.50.00 crore bank facility of Tipsons Financial Services Private Limited (TFSPL). The rating draws comfort from the long track record of operations in bond trading and established market presence. The rating is also strengthened by the customer profile (institutional) and low gearing level. However, the rating is constrained by the competitive nature of the bond trading market and associated operating risks.

TFSPL reported revenue of Rs.7467.23 crore in FY2015 as against Rs.3305.28 crore in FY2014, registering revenue growth of ~125 per cent. Despite an increase in the overall turnover, the company's net brokerage income decreased from Rs.3.08 crore in FY2014 to Rs. (1.08) crore in FY2015. The company further registered a strong revenue growth in FY2016 (Provisional), as revenues from bond trading increased to Rs.11,406.62 crore. This growth in volume has been supported by placement of Ujwal Discom Assurance Yojana (UDAY) bonds.

TFSPL boasts of a strong clientele including provident funds, scheduled commercial banks, mutual funds and large corporates. The company's healthy financial profile is marked by low gearing levels of 0.28 times in FY2015 and 0.11 times in FY2016.

TFSPL primarily deals with corporate bonds and has limited presence in the G-Sec segment, the larger and more liquid segment of the debt market. Moreover, the company's competitors have a diversified market presence with robust risk management systems and practices.

Rating Sensitivity Factors

- Diversification into equity trading or broking
- Extreme swings in yields
- Risk management policies and systems

Outlook-Stable

SMERA believes that the outlook on TFSPL's rated facilities will remain stable over the medium term on account of the company's established operations, market position and experienced management. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its financial profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
25 Feb, 2015	Cash Credit	50.00		SMERA A2	-

About the Company

TFSPL, established in 1993, is an Ahmedabad-based bond (corporate and G-secs) trading firm promoted by Mr. Jitendra Shah. For FY2014-15, the company reported profit after tax (PAT) of Rs.8.67 crore on total income of Rs.7467.23 crore, as compared with PAT of Rs.5.21 crore on total income of Rs.3312.19 crore in the previous year.

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ABOUT SMERA

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