

Press Release

B P Equities Private Limited

May 31, 2019

Rating Reaffirmed



| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 217.30 Cr. |
| Long Term Rating | ACUITE BBB+ / Outlook: Negative (Rating Reaffirmed; Outlook Revised) |
| Short Term Rating | ACUITE A2 (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs. 217.30 crore bank facilities of B P Equities Private Limited (BEPL). The outlook is '**Negative**'.

BEPL was incorporated in 1997 and is a Mumbai-based share Broking Company promoted by holding company BP Wealth Management Private Limited, Mr. Yuvraj A. Thakker and Mrs. Padmini A. Thakker. The company is a member of BSE Limited, NSE India Limited and Multi Commodity Exchange (MCX) with 1000 trader work stations. The company is engaged in share broking and also provides depository services, distribution of mutual funds, and insurance broking.

BCPL was incorporated in 1994 and is engaged in brokerage services and trading of commodity contracts. The company is a member of MCX, NCDEX and NMCE Commodity broking.

Analytical Approach

Acuite has consolidated the business and financial risk profiles of BP Equities Private Limited (BEPL), BP Wealth Management Private Limited (BWMPL) and BP Comtrade Private Limited (BCPL) together referred to as the BP Group. The consolidation is in view of the common management and significant operational and financial linkages. Extent of consolidation: full.

Key Rating Drivers

Strengths

- Experienced management:**

Formerly known as Babubhai Purshottam Stock Brokers Pvt. Ltd., BP Equities Pvt. Ltd. is engaged in stock broking and is a part of BP Group established by Mr. Babubhai Purshottam Thakker. The group benefits from the extensive experience of its management including Mr. Yuvraj Thakker, Mr. Rajeev Peethambaran Menon and Umakant Bapulal Contractor all of whom possess more than two decades of experience in the equity trading, broking and other capital market related businesses. Mr. Yuvraj Thakker has enabled the group in verticals like advisory Portfolio Management, Non-Banking Finance and Fin-Tech etc. Mr. Rajeev Menon has been in charge of numerous functions in BP Wealth and instrumental in acquisition of NSE Membership and rebranding of the group.

The group has built a client base of 32,000 retail clients and 50 institutional clients supported by network of 16 branches and 220 franchises. The group also has a mobile based application for trading for its customers. Acuite believes that the established market presence and experienced promoters of the group have helped maintain long standing relations with its client base.

- Strong Presence in capital markets**

The group has been in the capital market business for more than three decades and is engaged in brokerage services for various securities, providing depository services, distribution of mutual funds and insurance broking. It has offices in Mumbai, Pune, Ahmedabad, Chennai, Kolkata, Jaipur and other cities. The group has diversified its operations with presence in different segments along with a diversified customer base including both retail and institution clients. The group registered an operating income of Rs. 54.05 crore in FY2018 as against Rs. 46.48 crore in FY2017. This was driven by an increase in both proprietary trading income and brokerage income with retail clients having a larger share than

institutional clients in terms of trading volumes. Acuite believes that the ability to sustain both proprietary and brokerage income will be a crucial rating sensitivity factor.

- **Robust Risk Management System**

BP Group has a robust risk management system. It manages its risk at all three levels; front office, mid office and back office. For front office, the group uses Odin financial software and mid office manages risk by monitoring tick by tick VaR which is instrument by instrument VaR issued by SEBI, time based squaring off, value based squaring off etc. The back office manages risk through monitoring each and every transaction that takes place. Acuite believes the group's risk management practices will be crucial to manage its customer risk profiles.

Weaknesses

- **Susceptibility of operating income to capital market activity and intense competition:**

The brokerage of the group is linked to participation from both retail & institution players. In the event of sustained decline in stock market prices due to factors including US yield rate and domestic macroeconomic headwinds, performance of the market may be impacted. This will in turn affect volumes & performance of players like BP Group. The rising competition from other trading applications & shift towards online trading is also altering the competitive landscape of the industry. The profits from proprietary trading business are also linked to the movement of the capital market and availability of adequate trading opportunities commensurate with the risk-return preferences of the investors. Acuite believes its operating performance i.e. revenue growth & profitability margins will continue to be significantly aligned to the performance of the domestic capital market.

Liquidity Position

BP Group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. Net cash accruals for the group stood at Rs. 9.30 crore for FY2018 as against Rs. 12.17 crore for FY2017, while its maturing debt obligations were of around Rs. 0.16 crore in FY2018. Going forward, repayment obligations are estimated to be around Rs. 3.00 - 4.00 Crore every year. The group has lower reliance on working capital borrowings; the cash credit limit of the group remains moderately utilised at ~30-40 per cent. The group maintained healthy unencumbered cash and bank balances of Rs. 26.03 crore as on March 31, 2018. The current ratio of the group stands at 1.71 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain healthy over the near to medium term on account of healthy cash accruals and low debt repayments over the period.

Outlook: Negative

Acuite believes that BP Group's credit risk profile will be constrained on account of the pressures on its operating performance and the reduction in profitability in the commodities trading segment. The rating may be downgraded in case the group faces challenges in attaining improvement in its net profits and coverage indicators. The outlook may be revised to '**Stable**' if the group is able to demonstrate a significant improvement in its operating profit and coverage indicators.

About the Group

Shri Babubhai Purshottam Thakker founded BP Group as early as 1987. BP Group's major areas of delivering growth include Stock Broking, Commodity Broking, Equity Research, IPO's, Mutual Fund, Insurance and Distribution. The group acquired membership of the National Stock Exchange in the name of Yuvraj Properties & Securities Pvt. Ltd. in the year 2000 which was merged into BP Equities Pvt. Ltd. in 2007. The promoters of the group formed BP Wealth Management Private Limited in 2007 as the holding company of BP Equities Pvt. Ltd. and BP Comtrade Pvt. Ltd. which is engaged in commodity broking. The group has pan India presence with 16 branches and 220 franchises.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 54.05 | 46.48 | 23.01 |
| EBITDA | Rs. Cr. | 14.80 | 18.44 | 9.04 |
| PAT | Rs. Cr. | 8.42 | 11.43 | 3.89 |
| EBITDA Margin | (%) | 27.38 | 39.67 | 39.30 |
| PAT Margin | (%) | 15.57 | 24.59 | 16.90 |
| ROCE | (%) | 9.49 | 14.78 | 7.00 |
| Total Debt/Tangible Net Worth | Times | 0.70 | 0.46 | 0.47 |
| PBDIT/Interest | Times | 6.26 | 19.47 | 2.94 |
| Total Debt/PBDIT | Times | 4.60 | 2.21 | 3.85 |
| Gross Current Assets (Days) | Days | 978 | 1229 | 1430 |

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|---|---|
| 16-Mar-2018 | Cash Credit | Long Term | 99.00 (revised from Rs. 104.00 crore) | ACUITE BBB+ / Stable (Upgraded from ACUITE BBB / Stable) |
| | Overdraft | Long Term | 10.30 (revised from Rs. 7.00 crore) | ACUITE BBB+ / Stable (Upgraded from ACUITE BBB / Stable) |
| | Bank Guarantee | Short Term | 108.00 (enhanced from Rs. 93.00 crore) | ACUITE A2 (Upgraded from ACUITE A3+) |
| 29-Nov-2016 | Cash Credit | Long Term | 104.00 | ACUITE BBB/ Stable (Reaffirmed) |
| | Overdraft | Long Term | 7.00 | ACUITE BBB/ Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 93.00 (revised from Rs. 100.00 crore) | ACUITE A3+ (Reaffirmed) |
| 05-Nov-2015 | Cash Credit | Long Term | 104.00 | ACUITE BBB/ Stable (Assigned) |
| | Bank Guarantee | Short Term | 100.00 | ACUITE A3+ (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 12.00 | ACUITE BBB+ / Negative |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 50.00 | ACUITE BBB+ / Negative |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 10.30 | ACUITE BBB+ / Negative |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 25.00 | ACUITE BBB+ / Negative |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 37.00 | ACUITE A2 |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 23.00 | ACUITE A2 |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 60.00 | ACUITE A2 |

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About Acuité Ratings & Research:

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