

Press Release

B P Equities Private Limited

January 07, 2022

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.20		ACUITE A2 Assigned
Bank Loan Ratings	129.80		ACUITE A2 Reaffirmed
Bank Loan Ratings	87.50	ACUITE BBB+ Stable Reaffirmed Negative to Stable	
Total	270.50	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 87.50 Cr. bank facilities of BP Equities Private Limited (BEPL). The outlook is revised from '**Negative**' to '**Stable**'.

Acuite has reaffirmed the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 129.80 Cr. bank facilities of BP Equities Private Limited (BEPL).

Further, Acuite has assigned the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 53.20 Cr. bank facilities of BP Equities Private Limited (BEPL).

The revision in outlook is driven by improvement in operating performance of BEPL driven by increase in proprietary trading income. The Group has been able to improve and maintain its healthy earning performance in FY2021 and H1 FY2022. The rating further takes into account the track record of BEPL in the stock broking business, the moderate albeit steady size of clientele and an adequate financial risk profile. While the dependence on proprietary trading income continues to be high as reflected in the surge in earnings of FY2021. The improvement in financial risk profile of the Group is expected to continue to improve in FY2022 on the back of a revival in the domestic capital markets.

About the Company

Incorporated in 1997, Mumbai based BP Equities Private Limited (BEPL) is a share broking company engaged in brokerage services for various securities and providing depository services, distribution of mutual funds, and insurance broking. BEPL is promoted by holding company BP Wealth Management Private Limited. BP Wealth Management Private Limited has two subsidiary companies BP Equities Private Limited and BP Comtrade Private Limited (BCPL). BCPL, incorporated in 1994, is engaged in brokerage services and trading of commodity contracts. The business operations are currently managed by Mr. Yuvraj A. Thakker who is part of the promoter family and his team of professionals.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of BP Equities Private Limited (BEPL), BP Wealth Management Private Limited (BWPL) and BP Comtrade Private Limited (BCPL) together referred to as the BP Group. The consolidation is in view of the common shareholding, management and significant operational and financial linkages between the various companies of the group.

Key Rating Drivers

Strength

Long track record in capital markets

Mr. Babubhai P Thakker founded the BP Group in 1987 and later incorporated the company in 1997. The Group's major area of focus has been Stock Broking, Commodity Broking, Equity Research, IPO's, Mutual Fund, Insurance and Distribution. With a track record of operations of over three decades, the BP Group has established a strong client base having a mix of retail as well as institutional clients. The group is currently headed by Mr. Yuvraj A. Thakker along with a team of seasoned professionals, possessing more than two decades of experience in the equity broking and capital market related businesses. The company's research and technology driven focus has enabled it to come up with an online application/ platform 'StoXBoX' wherein the company offers sectoral baskets of equities, mutual funds, ETF's for long term and short term portfolio based on an investment strategy supported by the company's research and back-testing process. While the group is yet to demonstrate a steady growth in its stock broking businesses, the current focus of the management to develop new products and services for new client acquisitions is expected to lead to a moderate growth in revenues over the medium term.

Acuité believes that the BP group will continue to benefit from its steady HNI and institutional clientele, its healthy client relationships and its experienced management team backed by a favourable capital market environment.

Adequate Risk Management Systems

BP Group continues to have an adequate risk management system. It manages risk by monitoring Value -at-Risk (VaR), time based squaring off, value based squaring off etc. The backend operations team also manages risk through monitoring each and every transaction that takes place. This is particularly relevant for its proprietary trading positions.

Acuité believes the group's risk management practices will remain adequate and support the continuity of its broking and trading operations.

Weakness

Susceptibility to uncertainties inherent in the capital markets business

Broking is a highly volatile and cyclical business with the presence of a large number of established players who provide significant competition to the other fragmented and small players. The company's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. Trading volume and earnings depend heavily on the level of trading activity in capital market. The group's revenue has been significantly dependent on proprietary trading income which is inherently volatile. During FY 2020 the group reported EBITDA level losses of Rs. 7.43 Cr which were primarily attributable to a sharp decline in its trading income from Rs. 12.9 Cr in FY2019 to Rs. 1.8 Cr in FY 2020. This decline in operating revenues led to sub-optimal

absorption of overheads and consequently operating losses. However, with improvement in market conditions the group reported EBITDA level profits of Rs. 42.59 Cr. in FY2021. The group's brokerage income has remained stagnant over the years and stood at around Rs. 8 Cr. during FY2020 and H1 FY2022. The unaudited financial results for the first 6 months of the FY2022 indicate a sustained uptick in proprietary trading income at ~Rs. 52.56 Cr which will ensure a healthy level of earnings in FY2022. Given the competition from larger brokerages and technology-focused new entrants, the ability of the group to grow its brokerage revenues on a sustainable basis will be a key monitorable.

Acuité believes that the level of activity in the capital markets will continue to be a key determinant of its revenue profile and future growth trajectory.

Rating Sensitivity

- The earnings trajectory over the medium term
- Any changes in management and ownership pattern
- Changes in regulatory environment

Material Covenants

BEPL is subject to covenants stipulated by its lenders/investors in respect of minimum networth stipulation.

Liquidity Position: Adequate

The group maintained cash and bank balances of Rs. 19.14 Cr as on March 31, 2021. The group has limited dependence on working capital borrowings; the overdraft limit of the group remains moderately utilised at 20 percent to 30 percent. Acuité believes that the liquidity of the group is likely to remain healthy over the near to medium term with improved cash accruals and low debt repayment obligations.

Outlook: Stable

Acuité believes BP Group will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while achieving sustained improvement in operating margins and certain growth prospects in the brokerage business. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Key Financials - Standalone / Originator

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	123.55	15.87
PAT	Rs. Cr.	32.42	(7.49)
PAT Margin	(%)	26.24	(47.19)
Total Debt/Tangible Net Worth	Times	0.14	0.40
PBDIT/Interest	Times	51.84	(4.96)

Key Financials (Consolidated)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.		
		124.22	16.37
PAT	Rs. Cr.	32.13	(8.51)

PAT Margin	(%)	25.86	(52.00)
Total Debt/Tangible Net Worth	Times	0.09	0.23
PBDIT/Interest	Times	48.36	(5.94)

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Oct 2020	Bank Guarantee	Short Term	23.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB+ Negative (Reaffirmed)
	Secured Overdraft	Long Term	25.00	ACUITE BBB+ Negative (Reaffirmed)
	Secured Overdraft	Long Term	50.00	ACUITE BBB+ Negative (Reaffirmed)
	Bank Guarantee	Short Term	60.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	45.00	ACUITE A2 (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE BBB+ Negative (Reaffirmed)
	Secured Overdraft	Long Term	10.30	ACUITE BBB+ Negative (Reaffirmed)
31 May 2019	Bank Guarantee	Short Term	23.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	37.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	60.00	ACUITE A2 (Reaffirmed)
	Secured Overdraft	Long Term	10.30	ACUITE BBB+ Negative (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB+ Negative (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Negative (Reaffirmed)

	Cash Credit	Long Term	12.00	ACUITE BBB+ Negative (Reaffirmed)
16 Mar 2018	Cash Credit	Long Term	99.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	10.30	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	108.00	ACUITE A2 (Upgraded from ACUITE A3+)
29 Nov 2016	Cash Credit	Long Term	104.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	7.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	93.00	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	16.80	ACUITE A2 Reaffirmed
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A2 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	59.00	ACUITE A2 Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	53.20	ACUITE A2 Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE BBB+ Stable Reaffirmed Negative to Stable
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+ Stable Reaffirmed Negative to Stable
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB+ Stable Reaffirmed Negative to Stable
Central Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB+ Stable Reaffirmed Negative to Stable

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Shreyans Mehta Senior Analyst-Rating Operations Tel: 022-49294065 shreyans.mehta@acuite.in	

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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