

Press Release

RRS Shares and Stock Brokers Private Limited

March 27, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.60 Cr.
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 13.60 crore bank facilities of RRS SHARES AND STOCK BROKERS PRIVATE LIMITED (RRSPL).

RRSPL, established in 2000, is a Mumbai-based share broking company promoted by Mr. Jayant Shah, Mr. Hitanshu Shah and Mr. Parag Shah. The company is a member of NSE, MCX-SX apart from being a depository participant of CDSL. The promoters also have other group companies, JRS Shares and Stock Brokers Private Limited and RRS Commodities Private Limited.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

- **Established market presence and experienced promoters**

RSSPL has established presence in the share broking business for more than two decades and operates mainly in Mumbai and Gujarat. The company has around 3500 active clients supported by a network of 45 sub brokers and benefits from the extensive experience of its promoters, Mr. Jayant Shah and Mr. Hitanshu Shah. The promoters collectively possess more than three decades of experience in the equity trading, broking and other capital market related businesses. The established presence of the company and extensive experience of the promoters have helped the company to maintain long term relations with clients. The company has also diversified its operations into different segments - insurance, mutual funds and new issues and also caters to institutional clients.

- **Adequate capitalisation and comfortable liquidity profile**

The company has healthy capitalisation supported by tangible networth of Rs. 14.98 crore as on 31 March, 2018 compared to Rs. 14.52 crore in the previous year. The gearing is comfortable at 0.30 times as on 31 March, 2018 as against 0.34 times in the previous year. The total debt of Rs. 4.84 crore includes long term borrowing of Rs. 1.40 crore and short term borrowing of Rs. 3.08 crore as on 31 March, 2018. Also, the company's liquidity profile continues to remain comfortable with high margins maintained with stock exchanges, investments in liquid assets and moderate utilisation of bank limits.

Weaknesses

- **Highly competitive and fragmented share broking industry**

The company is exposed to intense competition in the broking industry with declining brokerage charges introduction of algorithmic trading sub-broker attrition and emergence of new players with technology driven and cost effective business models. Further the importance of brick and mortar stores have also reduced due to the increasing trend of online transactions. Going forward the competition is expected to keep the broking yields under pressure.

Liquidity Position

RRSPL has bank facilities comprising of bank overdraft and bank guarantee which are primarily used for the capital market business. The bank overdraft has relatively moderate utilization. It has maintained unencumbered cash and bank balance of Rs. 4.12 crore as on March 31, 2018. Acuite believes the liquidity position will remain comfortable over the near to medium term in the absence of any long term debt obligations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	27.23	25.75	27.62
Total Income (Net of Interest expense)	Rs. Cr.	4.10	4.18	4.08
PAT	Rs. Cr.	0.46	0.71	0.46
Net worth	Rs. Cr.	14.98	14.52	13.80
Return on Average Assets (RoAA)	(%)	0.86	1.34	0.65
Return on Average Net worth (RoNW)	(%)	1.55	2.52	1.70
Total Debt/Tangible Net Worth	Times	0.30	0.34	0.31
Gross NPA	(%)	NA	NA	NA
Net NPA	(%)	NA	NA	NA

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

None

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>

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
14-Feb-2018	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
23-Sep-2016	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Short Term	0.50	ACUITE A4+ (Assigned)

29-Jun-2015	Proposed Secured Overdraft	Short Term	5.30	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	5.30	ACUITE A4+ (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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE A4+ (Reaffirmed)
Proposed Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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