

Press Release

RRS Shares and Stock Brokers Private Limited

April 26, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.60 Cr bank facilities of RRS Shares & Stock Brokers Private Limited (RRS). The outlook is '**Stable**'.

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 financial and business risk profile of RRS 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. 14.56 crore as on 31 March, 2020 as against Rs. 15.01 crore in the previous year. The gearing is comfortable at 0.16 times as on 31 March, 2020 as against 0.12 times in the previous year. The total debt of Rs.2.30 crore includes short-term borrowing of Rs.2.26 crore and unsecured loan of Rs.0.04 crore as on 31 March, 2020. It has maintained unencumbered cash and bank balance of Rs.4.97 crore as on March 31, 2020. It has liquid investments of around Rs.13.53 crore. 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: Strong

RRS has bank facilities comprising of bank overdraft and bank guarantee which are primarily used for the capital market business. The bank overdraft has low utilization marked by 16 per cent on an average for the past 6 months ending March, 2021. It has maintained unencumbered cash and bank balance of Rs.4.97 crore as on March 31, 2020. It has liquid investments of around Rs.13.53 crore.

Acuite believes the liquidity position will remain comfortable over the near to medium term in the absence of any long term debt obligations.

Outlook: Stable

Acuite believes that RRS's outlook will remain stable owing to the director's experience in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of profitability margins or if the company registers deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr	2.27	2.24
Profit after tax (PAT)	Rs. Cr	(0.45)	0.04
PAT margin	%	(19.70)	1.62
Total debt / Tangible Net worth	Times	0.16	0.12
PBDIT / Interest	Times	0.45	1.45

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Mar-2019	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)
14-Feb-2018	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	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 Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)

*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)

Contacts

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About Acuité Ratings & Research:

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