

Press Release

RRS Shares and Stock Brokers Private Limited

July 26, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.60	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	13.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 (RRSPL).

The rating continues to factor in the established track record of management having experience of around three decades in the broking segment. The rating also takes into account the profitability metrics and overall increase in volumes traded. The company reported a PAT of Rs. 0.45 Cr for FY2022 (Rs. 0.93 Cr for FY2021), as against a loss of 0.45 Cr for FY2020. The overall improvement in financial risk profile of the company is expected to continue in FY2023 on the back of a revival in the domestic capital markets and the increase in trading volumes. Acuite takes cognizance of growing retail clientele, higher share of revenues from retail broking with negligible dependence on proprietary profits. The rating is however, constrained due to its modest scale of operations resulting in headwinds in sustaining profitability. The rating is also constrained due to RRSPL's susceptibility to the level of volatility in the capital markets as well as highly competitive landscape in broking business from the new age digital share broking companies.

About the company

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

Strength

Established market presence and experienced promoters

RRSPL has established presence in the share broking business for more than two decades and operates mainly in Mumbai and Gujarat. The company has 1000 plus active clients supported by a network of 47 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 caters to institutional clients.

Acuite believes that the company will continue to benefit from experienced promoters.

Weakness

Modest scale of operations; albeit improving

RRSPL is present in the market for over two decades; however, its operations remain modest, resulting in subdued profitability. Its operating revenue stood at Rs. 4.80 Cr. for FY2022(provisional) as compared to Rs. 3.81Cr. for FY2021. RRSPL had reported a loss of Rs. 0.45 Cr. in FY2020, however the trading volumes have now picked up in the capital market and the company reported an improvement in PAT to Rs. 0.93 crore in FY2021 and Rs. 0.45 crore in FY2022.

Acuite believes that RRSPL's ability to improve its scale of operations and its profitability will remain a key monitorable.

Susceptibility to uncertainties inherent in the capital markets business; low proportion of brokerage income

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 company's revenue has been significantly dependent on trading income which is inherently volatile. 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.

Acuite 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

- Business volumes and operating performance
- Changes in regulatory environment

Material Covenants

None

Liquidity Position

Adequate

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 ~50 per cent on an average for the past 12 months ending March, 2022, whereas the bank guarantee facilities are almost fully utilised. RRSPL has maintained unencumbered cash and bank balance of Rs. 16.91 crore as on March 31, 2022.

Outlook

Not Applicable

Key Financials - Standalone / Originator

	Unit	FY22 (Provisional)	FY21 (Actual)
Operating Income	Rs. Cr	4.80	3.81
Profit after tax (PAT)	Rs. Cr	0.45	0.93
PAT margin	%	9.41	24.42
Total debt / Tangible Net worth	Times	0.09	0.15
PBDIT / Interest	Times	4.43	5.25

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

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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
27 Apr 2021	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
27 Mar 2019	Proposed Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
14 Feb 2018	Secured Overdraft	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	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 Bank Guarantee	Short Term	2.80	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Short Term	2.80	ACUITE A4+ (Reaffirmed)
29 Jun 2015	Secured Overdraft	Short Term	0.50	ACUITE A4+ (Assigned)
	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE A4+ Reaffirmed

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About Acuité Ratings & Research

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