



Press Release
RRS Shares and Stock Brokers Private Limited
October 23, 2023
Rating Downgraded

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

Rating Rationale

Acuite has downgraded the short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.60 Cr bank facilities of RRS Shares & Stock Brokers Private Limited (RRSPL).

Reason for downgrade

The revision in the rating is primarily on account of an overall decline in the profitability metrics and volumes traded. Its operating revenue declined to Rs. 3.50 Cr in FY2023 as against Rs. 4.80 Cr in FY2022. The company reported a PAT of Rs. 0.06 Cr in FY2023 as compared to Rs. 0.45 Cr in FY2022. The rating is further constrained by 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. The rating continues to derive strength from in the established track record of management having experience of around three decades in the broking segment.

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

RRSPL is present in the market for over two decades; however its operations remain modest, resulting in subdued profitability. Its operating revenue declined to Rs. 3.50 Cr in FY2023 as against Rs. 4.80 Cr in FY2022. The company reported a PAT of Rs. 0.06 Cr in FY2023 as compared to Rs. 0.45 Cr in FY2022. Brokerage Income was the major component of total revenue for the company at Rs. 3.49 Cr. as on March 31, 2023.

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

All 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, 2023, whereas the bank guarantee facilities are almost fully utilised. RRSPL has maintained unencumbered cash and bank balance of Rs. 10.83 crore as on March 31, 2023.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23(Actual)	FY22(Actual)

Operating Income	Rs Cr.	3.5	4.8
Profit after tax (PAT)	Rs Cr.	0.06	1.15
PAT margin	%	1.68	23.96
Total debt / Tangible Net worth	Times	0.18	0.09
PBDIT / Interest	Times	1.6	4.7

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Jul 2022	Secured Overdraft	Long Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Proposed Secured Overdraft	Long Term	2.60	ACUITE A4+ (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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