

Press Release

Guiness Securities Limited (GSL)

March 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.00 crore bank facilities of Guinness Securities Limited. The outlook is '**Stable**'.

Guinness Securities Limited (GSL) was established in the year of 1986, as a Kolkata-based share broking company promoted by Mr. Kamal Kumar Kothari. The company is engaged in providing financial services such as share broking, Depository Participant services, Future & Option trading and Mutual Fund among others. The company is a member of National Stock Exchange, Bombay Stock Exchange, Multi Commodity Exchange apart from being a depository participant of NSDL and CDSL.

Key Rating Drivers

Strengths

- **Modest market presence and experienced promoters**

GSL has established presence in the share broking business for more than three decades and operates mainly in Kolkata, Mumbai and Delhi. The company has around 50,139 clients comprising mainly of high net worth individuals and retail customers. The promoter possess more than three decades of experience in the equity trading, broking and other capital market related businesses along with Mr. Dharmendra Kothari, Mr. Kunal Vasumallik, Mr. Tarun Kanti Sengupta and Mr. Pradeep Kumar Sarkar. The established presence of the company and extensive experience of the promoters have helped the company maintain long term relations with clients. The company has also diversified its operations into different segments - insurance, mutual funds and new issues.

- **Adequate capitalization and moderate liquidity profile**

The company has healthy capitalization supported by tangible networth of Rs. 32.72 crore as on 31 March, 2017 compared to Rs. 22.33 crore in the previous year, mainly on account of increase in capital and retention of current year profit. The gearing is moderate at 1.87 times as on 31 March, 2017 as against 1.18 times in the previous year. The total debt of Rs. 61.03 crore includes long term borrowing of Rs.0.30 crore and short term borrowing of Rs. 60.74 crore as on 31 March, 2017. The short term borrowings are self-liquidating in nature.

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.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of GSL.

Outlook: Stable

SMERA believes GSL will continue to benefit over the medium term from its experienced management, adequate capitalization and moderate liquidity. The outlook may be revised to 'Positive' in case the company is able to improve its capitalization and liquidity. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues, or in case of deterioration in the company's liquidity and capitalization.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.00	14.06	19.20
EBITDA	Rs. Cr.	3.63	3.57	5.52
PAT	Rs. Cr.	0.27	0.62	0.70
EBITDA Margin	(%)	25.93	25.39	28.76
PAT Margin	(%)	1.93	4.43	3.64
ROCE	(%)	8.22	8.25	20.32
Total Debt/Tangible Net Worth	Times	1.87	1.18	1.70
PBDIT/Interest	Times	1.21	1.37	1.42
Total Debt/PBDIT	Times	9.94	5.32	5.45
Gross Current Assets (Days)	Days	2066	1628	1463

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

On 26 October'2017 CRISIL Limited (CRISIL) has migrated Guinness Securities Limited's Long-Term and Short-Term Issuer Rating to the non-cooperating category as 'CRISIL BB-/A4+ (ISSUER NOT COOPERATING)'

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB/Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+

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ABOUT SMERA

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