

Press Release

Shree Naman Securities And Finance Private Limited (SNPL)

September 05, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.15 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 15.15 crore bank facilities of Shree Naman Securities And Finance Private Limited (SNPL). The outlook is '**Stable**'.

SNPL is a financial and stock broking house incorporated in 1995. Mr. Jayesh Shah is the owner/promoter of the company. He has more than three decades of experience in the industry. It is a member of Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) F&O Currency Derivatives segment and also a self-clearing member in F&O & Currency. The company is registered as a Depository Participant with Central Depository Services Limited.

Analytical Approach

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

Key Rating Drivers

Strengths

• Long operational track record and experienced management

The company was incorporated in 1995 and is engaged in the business of proprietary trading providing broking services in dealing of shares and securities in capital & derivatives segment. The management of the company, Mr. Jayesh Shah (Chairman of the Naman group) has more than three decades of experience in the financial services industry. Mr. Rajesh Desai (Director) has more than two decades of experience in the same domain.

• Robust risk management system

Shree Naman has a robust risk management system in place. The company registers clients only through reference of existing customer/ directors /relatives of directors/sub-brokers & remisiers. Walk-in-clients are not encouraged to open accounts. After registration of client, the account is assigned to a particular dealer and the dealer is made to understand the background of the client to enable him to understand the financial risk profile of the client. After the trade is executed, the dealer co-ordinates with the client accounts & demat department for proper completion of the executed trades in terms of pay-in/pay-out requirements of shares and funds. Margin Report, Statement of Accounts and DP statement is sent to the client on regular basis.

Weaknesses

• Reliance on proprietary trading for operations

The company has high dependence on share trading income from proprietary trading. For FY2017-18, income from proprietary trading amounted to Rs.8.16 crore (63 percent of total income) as compared to income from broking services of Rs.3.83 crore (29 percent of total income). Acuite believes that higher proportion of proprietary income in the total operational income will lead to increased susceptibility of margins due to volatility of share market.

• Inherent risk associated with the broking industry

The securities market industry has high levels of risk associated with it, as the trend in the financial sector can only be estimated and not guaranteed.

• **Susceptible to the movement in the global economy**

Broking is a cyclical business easily affected by activity levels in the financial market. Downturns such as 2008-2009 periods saw the smaller players going out of the business and also a consolidation happening in the industry.

Outlook: Stable

Acuite believes SNPL will maintain a 'Stable' business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers sustained revenue growth and profitability leading to further improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the cash accruals or deterioration in its working capital management leading to weakening of its financial risk profile particularly liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.39	11.57	6.62
EBITDA	Rs. Cr.	5.41	3.52	1.58
PAT	Rs. Cr.	2.23	0.26	-2.36
EBITDA Margin	(%)	43.70	30.46	23.93
PAT Margin	(%)	18.01	2.21	-35.67
ROCE	(%)	25.01	18.89	6.17
Total Debt/Tangible Net Worth	Times	1.36	1.78	1.70
PBDIT/Interest	Times	1.75	1.10	0.43
Total Debt/PBDIT	Times	2.43	3.46	7.51
Gross Current Assets (Days)	Days	802	1546	1897

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE BB / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4+

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About Acuité Ratings & Research:

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