

Press Release

Shree Naman Securities And Finance Private Limited

February 26, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs.15.15 Cr.
Long Term Rating	ACUITE BB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.15.15 Cr. bank facilities of Shree Naman Securities and Finance Private Limited (SNPL) . The outlook is '**Stable**'

The rating reaffirmation takes into account SNPL's operational track record of over two decades and experienced management led by Mr. Jayesh Shah who has more than three decades of experience in the industry.

The rating further factors in SNPL's declining retail broking volumes, high reliance on proprietary trading activities coupled with moderate financial performance. The company's broking activities continue to face pressure due to high competition from new age brokerages.

About the company:

Shree Naman Securities and Finance Private Limited (SNPL) is a Mumbai-based financial and stock broking house incorporated in the year 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 a self-clearing member in F&O & Currency. The company is registered as a Depository Participant with CDSL.

Key rating drivers:

Strengths

• **Long operational track record and experienced management**

The company was incorporated in the year 1995 and is engaged in the business of proprietary trading and providing broking services in dealing of shares & securities in capital & derivatives segment. 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.

Weaknesses

• **Subdued Brokerage Activities**

Though the company's brokerage segment as witnessed some uptick in volumes during H1FY2021, it may continue to face challenges on account of increasing competitiveness with the advent of new age brokerages with technology driven and cost effective models.

Further, 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.

• **Reliance on proprietary trading for operations**

The company's high dependence on uncertain income from proprietary trading has led to losses of Rs.1.91 Cr. in FY2020 and Rs.1.27 Cr. in FY2019. Income from proprietary trading comprised 39% of total revenue during FY2020 vis a vis 40% during FY2019. Though the company reported profit after tax (PAT) of Rs.1.41 Cr. (Provisional) during H1FY2021, income from proprietary trading comprised 70% of the total revenue. Acuite believes higher proportion of proprietary income in the total operational income has led to increased susceptibility of margins due to volatility in the stock market.

• **Moderate financial performance**

Falling retail brokerage volumes coupled with higher reliance on proprietary trading has resulted in moderate financial performance. The company's brokerage volumes have been declining across all segments. During FY2020, the company reported total volumes of Rs.14942 Cr. [P.Y.:Rs.22235 Cr.] which marginally improved to Rs.8319 Cr. during H1FY21. Despite some uptick in brokerage volumes and profitability (PAT of Rs.1.41Cr.) during H1FY2021, the earnings profile and profitability continues to be moderate.

Rating Sensitivities

- Ability to scale up operations and profitability
- Changes in regulatory environment

Material Covenants

None

Liquidity Position: Adequate

SNPL reported unencumbered cash and bank balances of Rs.6.83 Cr. (Provisional) as on September 30, 2020. The bank overdraft facilities of the company had average utilisation of ~70% for six months ended September 30,2020. Acuite believes that the liquidity of the company is likely to remain adequate over the near term on account of funding support from directors and low debt repayment obligations.

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 improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's brokerage volumes and thereby revenues, profitability and cash accruals or deterioration in its capital structure leading to weakening of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	4.31	5.36
PAT	Rs. Cr.	(1.91)	(1.27)
PAT Margin	(%)	(44.45)	(23.66)
Total Debt/Tangible Net Worth	Times	0.39	0.62
PBDIT/Interest	Times	0.09	0.51

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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
November 28,2019	Overdraft	Long Term	2.40	ACUITE BB-/Stable (Downgraded from ACUITE BB/Stable)
	Overdraft	Long Term	2.25	ACUITE BB-/Stable (Downgraded from ACUITE BB/Stable)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee	Short Term	7.50	ACUITE A4 (Downgraded from ACUITE A4+)
September 05,2018	Overdraft	Long Term	2.40	ACUITE BB/Stable (Assigned)
	Overdraft	Long Term	2.25	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Assigned)

*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 (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Mohit Jain Senior Vice President- Rating Operations Tel: 022-49294029 mohit.jain@acuite.in</p> <p>Shrey Khandelwal Analyst - Rating Operations Tel: 022-49294072 shrey.khandelwal@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022 - 49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,000 credit 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 Mumbai.

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