

## Press Release

Shree Naman Securities And Finance Private Limited

September 07, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	-	ACUITE A4   Reaffirmed
Bank Loan Ratings	4.65	ACUITE BB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	15.15	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite' has reaffirmed the long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) on Rs 4.65 Cr on bank facilities of Shree Naman Securities and Finance Pvt Ltd (SNPL). The outlook is 'Stable'.

Acuite' has reaffirmed the short-term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs. 10.50 Cr bank guarantees of Shree Naman Securities and Finance Private Limited (SNPL).

The rating continues to factor in the strength derived from the experienced management led by Mr Jayesh Shah having more than three decades of experience in the industry. The rating factors the established track record of operations. The company has been in the operations for around three decades. The rating also considers although modest but improvement in profitability metrics and overall increase in the volume traded in SNPL. The company reported a profit of Rs 7.24 Cr in FY2022 as compared to Rs 4.85 Cr in FY2021. The company reported losses of Rs 1.91 Cr in FY2019. Acuite takes account of SNPL's improved profitability metrics and overall increase in the volumes traded.

The rating is however constrained on account of SNPL's modest scale of operations, revenue susceptibility to the level of volatility/ turnover in the capital markets as well as highly competitive landscape in broking business.

## About the company

Incorporated in 1995, Shree Naman Securities and Finance Private Limited (SNPL) is a Mumbai based financial and stock broking house. Mr. Jayesh Shah is the owner/promoter of the company. He has more than three decades of experience in the industry. The company 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.

## Analytical Approach

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

## Key Rating Drivers

### Strength

#### **Established track record and experienced management:**

SNPL is a Mumbai based Company is majorly engaged in providing proprietary trading and broking services in dealing of shares & securities in capital & derivatives segment. The Company 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 promoted by 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. Mr Rajesh Desai is responsible for the day-to-day running of the business.

Acuité believes that SNPL will continue to benefit from experienced management and established track record of operations.

#### **Modest Earnings Profile; albeit improving**

The company reported profit of Rs 7.24 Cr in FY22 as compared to Rs 4.85 Cr in FY21. The company reported losses of Rs 1.91 Crores in FY20. The company's revenue comprises majorly of Proprietary Trading income with a share of 87.54%. Brokerage income comprises 9.20% of the total revenue. The company's volumes traded have increased to 27,847 Cr in FY22 from 17,087 Cr in FY21 (14,942 Cr in FY20). The overall volumes traded have increased since FY20 due to improvement in market sentiment.

Acuité believes that SNPL's ability to improve its scale of operations and its profitability will remain a key monitorable

### Weakness

#### **Reliance on proprietary trading for operations.**

The company is highly dependent on proprietary trading. Share of proprietary trading income has increased significantly from FY2020 onwards. Share of proprietary trading income as a percentage of total revenue has increased to 87.54% in FY22 compared to 39% in FY20. Share of brokerage income has reduced from 40% as on March 31, 2020 to 9.20% as on March 31, 2022. The Company's brokerage Segment continue to face challenges on account of increasing competitiveness with the advent of new age brokerages with technology driven and cost-effective models.

Acuité 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.

#### **Susceptibility to uncertainties inherent in the capital markets business;**

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. Any adverse market movement (downturn) would result in decline in transaction volumes leading to a decline in the group's revenues received. Acuité believes that while most of the broking companies have witnessed significant traction in broking volumes during FY2021 on account of sharp rebound in capital markets, the same may not be sustainable. Trading volume and earnings depend heavily on the level of trading activity in capital market. The company's revenue has been significantly dependent on proprietary trading income which is inherently volatile.

Acuité 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

- Earnings trajectory over the medium term
- Ability to profitability scale up operations.
- Changes in regulatory environment
- Business volumes & operating performance
- Change in profitability metrics due to sharp movement in capital market

## Material Covenants

None

## Liquidity Position

### Adequate

SNPL reported unencumbered cash and bank balances of Rs.11.86 Crores (Provisional) as on March 31,2022. The bank overdraft facilities of the company had average utilisation of ~43.44% for six months ended June 30, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the near term on account of improved earnings profile and low debt repayment obligations.

### Outlook:

Acuité 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.

## Key Financials - Standalone / Originator

Particulars	Unit	FY 2022 (Provisional)	FY2021 (Actuals)
Operating Income	Rs. Cr.	17.53	12.16
PAT	Rs. Cr.	7.24	4.85
PAT Margin	(%)	41.30	39.84
Total Debt/Tangible Net Worth	Times	0.25	0.22
PBDIT/Interest	Times	5.80	3.83

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

Not Applicable

## Any other information

None

## Applicable Criteria

- 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
26 Feb 2021	Bank Guarantee	Short Term	7.50	ACUITE A4 (Reaffirmed)
	Secured Overdraft	Long Term	2.25	ACUITE BB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)

	Secured Overdraft	Long Term	2.40	ACUITE BB-   Stable (Reaffirmed)
28 Nov 2019	Secured Overdraft	Long Term	2.40	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
	Secured 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+)
05 Sep 2018	Secured Overdraft	Long Term	2.25	ACUITE BB   Stable (Assigned)
	Secured Overdraft	Long Term	2.40	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4   Reaffirmed
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4   Reaffirmed
Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE BB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB-   Stable   Reaffirmed

## Contacts

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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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