

Press Release

NNM Securities Private Limited

D-U-N-S® Number: 91-532-5030

May 17, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité 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. 22.00 crore bank facilities of NNM SECURITIES PRIVATE LIMITED (NSPL). The outlook is '**Stable**'.

NSPL is a financial and stock broking company incorporated in 1997. It is a member of Bombay Stock Exchange (BSE), and National Stock Exchange (NSE) for equity, F&O, and currency derivatives segments. The company is also registered as a depository participant with Central Depository Services Limited (CDSL).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long operational track record**

NSPL has long operational track record of more than two decades in the capital market business. Mr. Nikunj Mittal (Promoter & Managing Director) has more three decades of experience in the financial services industry. The company offers broking services in equity, derivatives and currency segments. The company has a good and diversified clientele of retail and corporate investors.

- **Adequate capitalisation**

NSPL has adequate capitalisation with net worth of Rs. 9.38 Cr and gearing of 1.75 times as on March 31, 2018 as against Rs. 7.11 Cr and 1.34 times as on March 31, 2017 respectively. The net worth is adequate for the current scale of operations.

Weaknesses

- **Modest scale of operations and profitability**

NSPL has modest scale of operations as reflected in operating revenues of Rs. 8.84 Cr in FY2018 as against Rs. 4.94 Cr in FY 2017 and Rs. 6.93 Cr in FY2016. The company's revenues have remained volatile given the underlying linkages with the capital markets. Additionally, the company's revenues were impacted on account of the loss on sale of investments reported for the past three years. This has resulted in high volatility in the reported net profit over this period: Rs. 2.29 Cr, Rs. 0.39 Cr and Rs. 1.65 Cr. in FY2018, FY2017 and FY2016, respectively. The company has reported revenues of Rs. 3.79 Cr till September 2018 (Provisional).

- **Susceptibility to uncertainties inherent in the capital market business and intense competition**

Broking is a highly volatile and cyclical business with 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. The competition from large and established players and technology shift to app based trading is expected to continue to impact the revenue profile of players such as NSPL having modest scale of operations.

Liquidity position:

NSPL has multiple overdraft facilities with collateral comprising of property, shares and FDs. The company mainly utilises the bank facilities (with around 80 percent utilisation) for capital market business and has easy access to the clients' assets for meeting any fund requirement with respect to the exposure undertaken on their behalf. Additionally, the company has taken short tenure loan against share facilities from NBFCs for business purposes.

Outlook: Stable

Acuité believes that NSPL will maintain a 'Stable' credit risk profile over the medium term backed by the benefits derived from its experienced promoters and adequate capitalisation. The outlook may be revised to 'Positive' if there is healthy improvement in earnings profile while maintaining adequate capital structure. However, the outlook may be revised to 'Negative' in case of any significant deterioration in earnings or deterioration in capitalisation.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	40.93	34.01	25.81
Total Income (Net of Interest expense)	Rs. Cr.	7.03	2.27	3.17
PAT	Rs. Cr.	2.29	0.39	1.65
Net worth	Rs. Cr.	9.38	7.11	6.72
Return on Average Assets (RoAA)	(%)	6.11	1.30	6.83
Return on Average Net worth (RoNW)	(%)	27.77	5.64	27.73
Total Debt/Tangible Net Worth	Times	1.75	1.34	0.96
Gross NPA	(%)	-	-	-
Net NPA	(%)	-	-	-

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.10	ACUITE BB / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	8.90	ACUITE BB / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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