

Press Release

NNM Securities Private Limited

August 10, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 22.00 crore
Long Term Rating	ACUITE BB/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

*Refer annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 22.00 crore bank facilities of NNM Securities Private Limited (NSPL). The outlook is '**Stable**'.

About NSPL

Mumbai based NNM Securities Private Limited is a financial and stock broking company incorporated in 1997. NSPL is a member of the 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). NSPL is promoted by Mr. Nikunj Mittal and Mr. Apurva Mittal.

Analytical Approach

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

Key Rating Drivers

Strengths

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

NNM Securities Private Limited (NSPL) was initially established in 1950 as a sole proprietorship firm by Mr. N N Mittal and later got converted as a private limited company in 1997. The company is engaged in financial services and brokerage services in the areas of equities & commodities, mutual funds, insurance, corporate deposits, bonds & loans to corporates and individuals. NSPL is currently managed by Mr. N N Mittal's grandsons Mr. Nikunj Mittal and Mr. Apurva Mittal. The promoters have around two decades of experience in the field of equity, derivatives and commodities advisory with proven credentials in the field of broking. The company has a diversified clientele of retail and corporate investors. The experience of the promoters and strong client relations has led the company to provide underwriting services and helps its SME and MSME clients with a successful listing on stock exchanges platform.

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

Weaknesses

- **Modest scale of operations and profitability**

NSPL has modest scale of operations as reflected in operating revenues of Rs. 6.09 crore in FY2019 which declined from Rs. 8.84 crore in FY2018. 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 the sale of investments reported for the past three years. This has resulted in high volatility in the reported net profit of Rs. 1.39 crore in FY2019 and Rs. 2.29 crore in

FY2018. The company has reported revenues of Rs. 5.64 crore and a net profit of Rs. 1.37 crore as on February 29, 2020 (provisional).

Acuite believes that NSPL's ability to improve its scale of operations and its profitability will remain a key monitorable.

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

Broking is a highly volatile and cyclical business with the 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-focused new entrants is expected to continue to impact the revenue profile of players such as NSPL having a modest scale of operations.

Rating Sensitivity

- Impact of natural calamities like Covid-19 on ongoing operations
- Movement in earnings and profitability metrics
- Changes in the regulatory environment

Material Covenants

NSPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, personal guarantees, among others.

Liquidity: Adequate

NSPL has multiple overdraft facilities with collateral comprising of property, shares and FDs. The company mainly utilizes working capital based bank facilities (with around 75 percent utilization) for capital market business and has easy access to the client's assets for meeting any fund requirement with respect to the exposure undertaken on their behalf.

Outlook: Stable

Acuite believes that NSPL will maintain a 'Stable' credit risk profile over the medium term backed by the benefits derived from its experienced promoters. The outlook may be revised to 'Positive' if there is a 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 capitalization.

About the Rated Entity - Key Financials

Particulars	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	6.09	8.84
PAT	Rs. Cr.	1.39	2.29
PAT Margin	(%)	22.85	25.93
Total Debt/Tangible Net Worth (Gearing)	Times	0.74	1.75
PBDIT/Interest	Times	2.44	4.75

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

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
17-May-2019	Overdraft	Long Term	10.10	ACUITE BB/Stable (Assigned)
	Proposed	Long Term	8.90	ACUITE BB/Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	3.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.10	ACUITE BB/Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	8.90	ACUITE BB/Stable (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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