

Press Release

NNM Securities Private Limited

January 31, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.40	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	2.60	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	22.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on **Rs 19.40 Cr. on bank facilities of NNM Securities Private Limited (NSPL)**. The Outlook is '**Stable**'.

Acuite has reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the **Rs. 2.60 Cr** bank facilities of **NNM Securities and Finance Private Limited (NSPL)**.

Rationale for the rating

The rating continues to factor in the strength derived from the experienced management and established track record of operations. 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 rating also considers improvement in profitability metrics and scale of operations. The company's revenue from operations are Rs 30.41 Cr. during FY2021-22 and Rs 5.48 Cr. during FY 2020-21. The company reported a profit of Rs 23.29 Cr in FY2022 as compared to Rs 2.22 Cr in FY2021. The company's scale of operations and profitability metrics have improved due to overall improvement in market sentiment. The rating is however constrained on account of NSPL's susceptibility to the level of volatility in the capital markets as well as highly competitive landscape in broking business.

Going forward, continued promoters support and ability of the company to improve its operating performance are key rating monitorable.

About the company

Mumbai based NNM Securities Private Limited (NSPL) 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.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strength

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.

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

Improvement in Scale of operations and profitability metrics:

The company's scale of operations and profitability metrics have improved due to overall improvement in market sentiment. NSPL's scale of operations as reflected in operating revenues has improved to Rs 30.41 Cr. during FY2021-22 from Rs 5.48 Cr. during FY 2020-21. The company reported an operating revenue of Rs 24.35 Cr. till December 2022. NSPL has shifted its focus towards SME segment platform and has been able to onboard high net worth clients over the past years which has enabled it to register steady growth in its operating revenue. The company's PAT margin has improved to 76.60 percent for FY2022 from 40.42 percent for FY2021. The improvement in earning profile of the company was driven by increase in trading income. NSPL's PAT have improved to Rs 23.29 Cr. during FY2021-22 from Rs 2.22 Cr. during FY 2020-21.

Acuité takes cognizance of the improvement in NSPL's profitability metrics however, the same is volatile subject to capital market conditions.

Weakness

Susceptibility to uncertainties inherent in the capital markets business; low proportion of brokerage income:

The company is highly dependent on proprietary trading. Share of proprietary trading income has increased significantly from FY2021 onwards. Share of proprietary trading income as a percentage of total revenue has increased from 35.41% in FY2021 to 89.11% in FY2022. Share of brokerage income has reduced from 34.06% during FY2021 to 7.13% during FY2022. 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. 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.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivity

- 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

NSPL reported cash and bank balances of Rs.14.10 Cr. as on March 31,2022. The company has bank guarantee facilities which has 86 percent utilization levels till December 31,2022. 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:Stable

Acuité believes NSPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while achieving sustained improvement in operating margins and certain growth prospects in the brokerage business. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars		FY2022(Actual)	FY2021 (Actual)
Operating Income	Rs Cr	30.41	5.48
PAT	Rs Cr	23.29	2.22
PAT Margin	(%)	76.60	40.42
Total debt/tangible worth	Times	0.31	0.88
PBDIT/Interest	Times	77.24	3.64

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

None

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>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2021	Secured Overdraft	Long Term	10.10	ACUITE BB (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	8.90	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
10 Aug 2020	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	10.10	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	8.90	ACUITE BB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.60	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	16.40	ACUITE BB Stable Reaffirmed
Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB Stable Reaffirmed

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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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