



Press Release

Suresh Rathi Securities Private Limited (SRSPL)

July 22, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Previous Ratings	Rating Action	Complexity Indicator
Fund Based - Long Term Bank Facilities	9.00	IVR BBB-/Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Proposed Fund Based – Long Term Bank Facilities	25.00	IVR BBB-/Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Non-Fund Based - Short Term Bank Facilities	75.00	IVR A3 (IVR Single A Three)	-	Assigned	Simple
Total	109.00 (Rs. One hundred and nine crore)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics ratings has assigned its rating to the bank facilities of SRSPL on account of improved earnings profile, comfortable capital structure, and experienced promoters with established track record. However, these ratings are constrained by intense competition in broking industry, uncertainties inherent in the capital market business and limitations against the group company.

Outlook is stable on account of consistent growth in financial profile and expected continuation of the growth momentum on the back of established track record in the broking industry coupled with addition of new client base.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in the trading volumes resulting in improvement in overall financial profile of the company while maintaining healthy profitability, comfortable capital structure and liquidity.

Downward Factors

- Depletion in the customer base leading to lower brokerage income in the medium term impacting the earnings profile.
- Any significant deterioration in the liquidity position of the company from its current levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improved earnings profile

The operating income of SRSPL has improved significantly by ~59% on y-o-y basis and stood at Rs. 61.79 crore in FY24 (refers to the period 1st April 2023- 31st March 2024) primarily on account of increase in trading volume coupled with addition of new clients. Further profitability margins of SRSPL marked by EBITDA and PAT Margins stood comfortable at ~28.57% and 12.54% respectively in FY24. (Vi-a-vis 18.09% and 4.09% respectively in FY23). IVR expects that the profitability margins will continue to improve on the back of higher trading volumes and increase in active clients, further improved market sentiments should enhance the core trading income and broking income in the near term.

Comfortable capital structure

Capital structure of SRSPL stood comfortable with tangible net worth of Rs 46.87 crore and nil gearing for FY24 as SRSPL has no long-term debt. TOL/TNW of SRSPL has increased to 3.15x in FY24 (vis-à-vis 2.05x in FY23) due to increase in creditors on account of higher trading volumes. Further the interest coverage ratio has also improved in FY24 and stood at 2.60x (vis-à-vis 1.57x in FY23).



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Experienced Promoters with established track record

SRSPL was incorporated in 1997 and has an established track record of more than two decades in the equity broking business. The Chairman of company, Mr. Suresh Rathi, promoter of the company is a Chartered Accountant with over 40 years of experience in finance and broking business. Mr. Saurabh, promoter of the company is an MBA graduate with a rich background in stock market activities since 2005. The company is managed by a team of professionals to execute and monitor the work undertaken for satisfactory completion of work.

Key Rating Weaknesses

Intense Competition

Capital market trading is a highly volatile and cyclical business with the presence of many established players who provide significant competition to the other fragmented and small players. The competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players. This limits the profitability margins of the industry.

Litigations against group company of SRSPL

During, May 2023, Maharashtra Protection of Investors Deposits (MPID) has declared 16 broking firms as financial establishments in NSEL case based on the allegations that these brokers accepted money from Investors and failed to repay them as promised. This involves Suresh Rathi Commodities Private Limited (SRCPL), group company of SRSPL. The high court has directed all these commodity broker to pay brokerage they have earned through these commodity transactions. SEBI has cancelled the license of SRCPL during 2023 being not a fit and proper as per regulations.

However, management clarified that there will not be any financial obligations arising out of case of SRCPL as they have paid the brokerage to the authorities which they have earned through these transactions and in case any financial obligations of SRCPL is unlikely to impact the credit profile of SRSPL as it is a group company not a subsidiary.



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IVR believes that any further developments regarding SRSPL, will be a key monitorable.

Susceptibility to uncertainties inherent in the capital market business

SRSPL is engaged in the stock broking business and the stock market is volatile in nature, Market index like Sensex and Nifty goes up and down throughout the day and 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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

Liquidity – Adequate

SRSPL has adequate liquidity marked by GCA of Rs. 8.17 crore for FY24 and same is expected to improve further with increase in scale of operations. The company maintains adequate cash and bank balance of Rs.28.16 crore as on 31 March 2024 to meet its liquidity requirements. Average working capital utilisation of SRSPL for the last 12 months ending Feb 2024 stood very low at ~9%.



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About the Company

Suresh Rathi Securities Pvt. Ltd (SRSPL) was established in the year 1997 by acquiring NSE - BSE membership and became depository participant with CDSL in the year 1999. SRSPL clientele includes retail, HNIs, corporates, institutions and trusts.

Financials (Standalone):

For the year ended* As on	INR in Crore	
	31-03-2023	31-03-2024
	Audited	Audited
Total operating income	38.63	61.79
EBITDA	6.99	17.66
PAT	1.58	7.75
Total Debt	0.00	0.23
Tangible Net Worth	39.20	46.87
<u>Ratios</u>		
EBITDA Margin (%)	18.09	28.58
PAT Margin (%)	4.09	12.54
Overall Gearing (x)	0.00	0.00
Interest Coverage (X)	1.57	2.60

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Bank Facilities – Overdraft	Long Term	9.00	IVR BBB-/Stable	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
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2.	Fund Based Bank Facilities – Proposed	Long Term	25.00	IVR BBB-/Stable	-	-	-
3.	Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	75.00	IVR A3	-	-	-

Name and Contact Details of the Rating Director:

Name: Sree Harsha Tel: (022) 62396023 Email: sree.harsha@infomerics.com	Name: Amey Joshi Tel: (022) 62396023 Email: amey.joshi@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Overdraft	-	-	-	9.00	IVR BBB-/Stable
Proposed- Working capital bank facility	-	-	-	25.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	75.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SureshRathi-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.