



## Press Release

**Jainam Broking Limited (JBL)**

**November 22, 2024**

### Ratings

Facilities / Instrument	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	<a href="#">Complexity Indicator</a>
Proposed Non-Convertible Debentures (NCDs)	1000.00	IVR A-/Stable (IVR A Minus with Stable Outlook)	IVR A-/ RWDI (IVR A Minus; Rating watch with developing implications)	Resolved the rating watch and assigned Stable outlook	Simple
<b>Total</b>	<b>1000.00</b> <b>(Rupees One Thousand crores only)</b>				

**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

The resolution of the "credit watch with developing implications" and the assignment of a "Stable" outlook reflects Infomerics' assessment that the financial and credit profile of the company will not be significantly impacted by the Show Cause Notice issued by SEBI regarding its association with "Tradetron." This is due to Infomerics' expectation that the penalty amount will likely be significantly lower than initially anticipated.

The stable outlook reflects consistent improvement in the trading volumes which has resulted in improved financial profile of the company and expected improvement in trading volumes further given the established track record of the group and comfortable capitalisation.

The rating continues to derive comfort from the substantial improvement in revenues and healthy profitability and comfortable capitalization. The ratings also derive strength from experienced promoters and long track record of operations and healthy order book. The ratings however constrained by volatility associated with stock markets and intense competition.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained improvement in scale of operations and profitability margins.

#### **Downward Factors**

- Substantial decline in trading volumes and profitability.
- Changes in the regulatory environment impacting the operations of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Substantial improvement in revenue and healthy profitability**

JBL's total operating income has grown by ~5% in FY2023 compared with the previous year, on account of increase in trading volume and increase in clientele. EBITDA margins remained high and improved to 44.42% in FY2023 as against 31.17% in FY2022, mainly on account of the significant decline in professional fees paid to arbitrage traders which has reduced to Rs. 29.41 crore in FY23 (FY22: Rs.144.02 crore). In line with EBITDA margins, PAT margins also improved to 30.29% in FY2023 (21.04% in FY2022).

##### **Comfortable capitalization**

The tangible net worth of the company improved Rs 571.15 crore in FY23 (FY22: Rs.381.77 crore). The growth in tangible net worth is due to accretion of profits, along with equity issued of Rs.1.47 crore and also addition of securities premium of Rs.35.15 crore in FY23. It predominantly utilizes non-fund-based limits in the form of bank guarantees, overdraft facilities and intraday facilities for margin purposes, with almost at par utilization for bank guarantees and low utilization for overdraft facilities. The overall gearing has marginally deteriorated and stood comfortably at 0.43x in FY23 as against 0.13x in FY22. TOL/TNW has deteriorated and stood at 2.80x in FY23 as against 2.19x in FY22 due to increase in utilization of working capital



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limits and also increase in trade payables. The company will maintain an adequate capital position over the medium term.

### **Long track record of operations with experienced promoters**

JBL has a long presence in the industry for around two decades and emerged as an established player in equity broking business. The day-to-day activities of JBL are managed by Mr. Milan Parikh with vast industrial experience. He has been engaged in strategic decision making and daily operations as well as setting up the risk management systems for the company. The promoter and top management have witnessed several cycles in the capital markets business.

### **Key Rating Weaknesses**

#### **Susceptibility to uncertainties inherent in the capital market business**

JBL 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.

#### **Intense Competition**

Broking 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.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Rating Methodology for Financial Institutions/NBFCs](#)

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



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[Criteria on assigning rating outlook](#)

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

[Complexity Level of Rated Instruments](#)

### **Liquidity: Adequate**

The liquidity of the company remains adequate marked by the sufficient cash accruals as against nil long-term debt repayment obligations in FY24 and FY25. With no major capex and repayment obligations likely to be low as against the envisaged cash accruals, the liquidity is expected to remain adequate through FY24-FY25. NCD has bullet repayment during FY26 which is expected to be met through internal accruals. The free cash and cash equivalents balance stood at Rs.7.44 crore as on March 31, 2023, while average fund-based utilisation for the 10 months ended December 2023 stood at ~61%.

### **About the Company**

JBL was incorporated as a public company in 2003 by Mr Milan Parikh. The company is a registered member of National Stock Exchange (NSE [both cash and F&O segments]) and Bombay Stock exchange (BSE), Multi Commodity Exchange of India Ltd (MCX), Currency and Diamond Derivatives, Central Depository Services (I) Ltd (CDSL) and National Commodity & Derivative Exchange Ltd (NCDEX). JBL is a clearing member of the NSE in the equities, F&O and currency segments. Presently, there are two primary verticals, delta trading and broking. In the delta trading vertical, the company has specialisation in algorithmic trading and has developed a niche position in the F&O market, covering 3% of the country's option trading volumes.

### **Financials (Standalone):**

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	527.13	552.67
EBITDA	164.32	245.52
PAT	110.92	167.64
Total Debt	48.98	247.18
Tangible Networkth	385.02	572.40



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For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
EBITDA Margin (%)	31.17	44.42
PAT Margin (%)	21.04	30.29
Overall Gearing Ratio (x)	0.13	0.43
Interest Coverage (x)	14.06	13.29

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**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 (Jan 18, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Mar 27, 2021)
1.	Long term / short term bank facility	Long Term / Short Term	-	-	IVR BB+/ Negative; INC* / IVR A4+; INC* (Oct 19, 2023)  IVR BBB+/ Stable; INC* / IVR A2; INC* (Apr 10, 2023)  IVR A-/Stable & Withdrawn / IVR A1 and Withdrawn (Feb 06, 2024)	-	IVR A-/Stable / IVR A2+	IVR A-/Stable / IVR A2+
2.	Short term bank facility	Short Term	-	-	IVR A4+; INC* (Oct 19, 2023)  IVR A2; INC* (Apr 10, 2023)	-	IVR A2+	IVR A2+



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					IVR A1 and Withdrawn (Feb 06, 2024)			
3.	Proposed Non-Convertible Debentures (NCDs)	Long Term	1000.00	IVR A-/Stable	IVR A-/Stable (Feb 06, 2024) IVR A-/RWDI (Oct 15, 2024)	-	-	-

\*Issuer did not cooperate; based on best available information

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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





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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities / Instruments

Name of Facility / Instruments	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Listing Status	Rating Assigned/ Outlook
Proposed Non-Convertible Debentures (NCDs)	-	-	-	1000.00	To be listed	IVR A-/RWDI

### Annexure 2: Facility wise lender details (hyperlink to be added)

### Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:

### Indicative Term Sheet for Proposed Non-Convertible Debentures

Particulars	Proposed NCD
Issue Size (Proposed)	Rs. 1,000 Crores (Comprising of Base Issue size of Rs. 300 crore and Green Shoe Option of Rs.700 crore) In one or more tranches
Instrument type	Unsecured, rated, proposed to be listed, transferable, redeemable, taxable, non-convertible debentures
Mode of Issue	Private Placement
Face Value/ Principal	Rs. 1,00,000/- Per Debenture
Minimum subscription size	1 Debenture bearing face value of Rs. 1,00,000/- each and in multiples of 1 Debenture(s) thereafter.
Coupon Rate	9% per annum payable quarterly
Coupon Payment Frequency	Payable Quarterly



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<b>Tenor</b>	24 months from the Deemed Date of Allotment
<b>Redemption Amount *</b>	Rs. 1,00,000 per Debenture to be paid on the Redemption Date.
<b>Issue Price</b>	Rs. 1,00,000 Per Debenture
<b>Interest on Application Money</b>	This issuer does not contemplate to pay any interest on application money till allotment of Debentures.
<b>Default Interest rate</b>	In case of default in payment of principal and/or interest amount on the, additional interest @ 2% p.a. over the Coupon will be payable by the Company for the defaulting period.
<b>Issuance mode of Debenture</b>	Dematerialized, Private Placement
<b>Trading mode of the Debenture</b>	Dematerialized
<b>Settlement mode of Debentures</b>	Electronic Settlement will be effected by account to account transfer vide Reserve Bank of India's Real Time Gross Settlement System (RTGS)/ National Electronic Funds Transfer (NEFT)/ Immediate Payment Service (IMPS) etc.
<b>Objects of the Issue / Purpose for which there is requirement of funds</b>	The proceeds of this Issue shall be utilized as follows: To meet working capital
<b>Eligible Investors</b>	<p>The following categories of investors, when specifically approached are eligible to apply for this private placement of Debentures</p> <ul style="list-style-type: none"><li>• Resident Individuals</li><li>• Hindu Undivided Family</li><li>• Trust</li><li>• Limited Liability Partnerships</li><li>• Partnership Firm(s)</li><li>• Portfolio Managers registered with SEBI</li><li>• Companies and Bodies Corporate including Public Sector Undertakings.</li><li>• Commercial Banks</li><li>• Regional Rural Banks</li><li>• Financial Institutions</li><li>• Insurance Companies</li><li>• Mutual Funds</li><li>• FPIs / FIIs/sub-accounts of FIIs as per applicable laws, Rules &amp; Regulations</li><li>• Any other investor eligible to invest in these</li></ul>





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	Debentures
<b>Listing (name of stock exchange(s) where it will be listed and timeline for listing)</b>	<p>The Debentures are proposed to be listed on <b>BSE Ltd</b> ("<b>BSE</b>") within 3 trading days of the Closure Date. Provided always that the application for listing is required to be completed within 3 trading days of the Issue Closure Date.</p> <p>In case of delay in listing of securities issued on privately placement basis beyond the timelines specified above, the issuer shall;</p> <ul style="list-style-type: none"><li>• pay penal interest of 1% p.a. over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing)</li><li>• be permitted to utilise the issue proceeds of its subsequent two privately placed issuances of securities only after receiving final listing approval from Stock Exchanges.</li></ul>

**Annexure 4: List of companies considered for consolidated 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](http://www.infomerics.com).