



Press Release

Jainam Broking Limited (JBL)

February 6, 2024

Ratings

Facilities / Instrument	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term / short term bank facility	20.00	IVR A-/Stable & Withdrawn / IVR A1 and Withdrawn (IVR A Minus with Stable outlook and Withdrawn / IVR A One and Withdrawn)	Upgraded, removed from 'Issuer Not Cooperating category' and withdrawn *	Simple
Short term bank facility	1540.00	IVR A1 and Withdrawn (IVR A One and Withdrawn)	Upgraded, removed from 'Issuer Not Cooperating category' and withdrawn *	Simple
Total	1560.00 (Rupees One Thousand Five Hundred Sixty Crore only)			
Proposed Non-Convertible Debentures (NCDs)	1000.00	IVR A-/ Stable (IVR A Minus with Stable outlook)	Assigned	Simple

* The above action has been taken at the request of JBL and 'No Objection Certificate' received from the banks who have extended the facilities, and which is rated by Infomerics.

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the non convertible debenture (NCD) of JBL derive strength from the sustained improvement in revenue 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 market and intense competition.



Press Release

Key Rating Sensitivities:

Upward Factors

- Ability to achieve projected revenue and profitability while maintaining the credit profile
- Diversification of customer base and/or diversification of revenue sources.

Downward Factors

- Substantial decline in trading volumes and profitability resulting in overall deterioration in credit profile.

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



Press Release

- **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

- **Volatility Associated with Stock Market**

The company 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. The stock market is vulnerable to both domestic and global events.

- **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:

[Policy on Default Recognition](#)

[Rating methodology for Service Industry](#)

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

[Criteria of assigning rating outlook](#)

[Policy on withdrawal of Ratings](#)

Liquidity: Adequate



Press Release

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
Ratios		
EBITDA Margin (%)	31.17	44.42
PAT Margin (%)	21.04	30.29
Overall Gearing Ratio (x)	0.13	0.43

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil



Press Release

Any other information: Nil

Rating History for last three years:

S r. N o	Name of Instrument/F acilities	Current Ratings (Year 2023-24)				Rating History for the past 3 years		
		Type	Amou nt outst andin g (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022- 23	Date(s) & Rating(s) assigne d 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	20.00	IVR A- /Stable & Withdrawn / IVR A1 and Withdrawn	<ul style="list-style-type: none"> IVR BB+/ Negative; INC* / IVR A4+; INC* (Oct 19, 2023) IVR BBB+/ Stable; INC* / IVR A2; INC* (Apr 10, 2023) 	-	IVR A- /Stable / IVR A2+	IVR A- /Stable / IVR A2+
2	Short term bank facility	Short Term	1540. 00	IVR A1 and Withdrawn	<ul style="list-style-type: none"> IVR A4+; INC* (Oct 19, 2023) IVR A2; INC* (Apr 10, 2023) 	-	IVR A2+	IVR A2+
3	Proposed Non- Convertible Debentures (NCDs)	Long Term	1000. 00	IVR A- /Stable	-	-	-	-

*Issuer did not cooperate; based on best available information

Name and Contact Details of the Rating Analyst:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com

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



Press Release

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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities / Instruments

Name of Facility / Instruments	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term / short term bank facility	-	-	-	20.00	IVR A-/Stable & Withdrawn / IVR A1 and Withdrawn
Short term bank facility	-	-	-	1540.00	IVR A1 and Withdrawn
Proposed Non-Convertible Debentures (NCDs)	-	-	-	1000.00	IVR A-/Stable

Annexure 2: List of companies considered for consolidated analysis: Not applicable



Press Release

Annexure 3: Facility wise lender details: Not applicable

Annexure 4: 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
Tenor	24 months from the Deemed Date of Allotment
Redemption Amount *	Rs. 1,00,000 per Debenture to be paid on the Redemption Date.
Issue Price	Rs. 1,00,000 Per Debenture
Interest on Application Money	This issuer does not contemplate to pay any interest on application money till allotment of Debentures.
Default Interest rate	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.
Issuance mode of Debenture	Dematerialized, Private Placement
Trading mode of the Debenture	Dematerialized
Settlement mode of Debentures	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.
Objects of the Issue / Purpose for which there is requirement of funds	The proceeds of this Issue shall be utilized as follows: To meet working capital
Eligible Investors	The following categories of investors, when specifically approached are eligible to apply for this private placement of Debentures



Press Release

	<ul style="list-style-type: none">• Resident Individuals• Hindu Undivided Family• Trust• Limited Liability Partnerships• Partnership Firm(s)• Portfolio Managers registered with SEBI• Companies and Bodies Corporate including Public Sector Undertakings.• Commercial Banks• Regional Rural Banks• Financial Institutions• Insurance Companies• Mutual Funds• FPIs /FIIIs/sub-accounts of FIIs as per applicable laws, Rules & Regulations• Any other investor eligible to invest in these Debentures
Listing (name of stock exchange(s) where it will be listed and timeline for listing)	<p>The Debentures are proposed to be listed on BSE Ltd ("BSE") 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">• 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)• 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.

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.