



## Rating Rationale

SPA Securities Limited

6 Aug 2018

Brickwork Ratings reviews the ratings for the Bank Loan Facilities of Rs. 57.00 Cr of SPA Securities Limited.

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	53.18	51.00	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable Reaffirmation
Non-Fund Based	4.32	6.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmation
Total	58.00	57.00	INR Fifty seven crores only		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Long term and short term rating has been reaffirmed.**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY15 – FY17, provisional FY18 financial statement, projected financial results of FY19 and publicly available information and information/clarification provided by the company's management.

The rating has factored, *inter alia*, experienced management in the institutional broking business industry; moderate track record & established market position in the debt distribution segment and benefits that the company derives from its presence across debt & equity segments of the capital markets. BWR also factored the moderate financial risk profile over the period and limited requirement of RMS since all the broking deals for DII on exchanges are settled through their custodian.



The Rating is however, constrained by, high susceptibility to uncertainties inherent in the capital market risks and in turn credit risk which may exert pressure on the profitability of the firm. It is also reserved due to limited product diversification since the company mainly deals with bonds.

Going forward, maintaining the revenue generation capability of the company with an improvement in the profitability and debt protection metrics, would be the key rating sensitivity.

### **Rating Outlook: Stable**

BWR believes the **SPA Securities Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

SPA Securities Limited (SPASL) is a closely held company, established in the year 1994 in the name of *SPA Securities Pvt. Ltd.*, by Mr. Kamal Somani & Mr. Sandeep Parwal, who are actively involved in the business. Subsequently, it was changed to *SPA Securities Ltd.* in 1998.

The company is focused primarily on providing securities broking services to institutional clients and is empaneled as an approved securities broker with all the major Nationalized, Private and Co-operative banks, corporate houses, Insurance Companies, Financial Institutions, Asset Management Companies and Provident Fund Trusts.

SSL is a SEBI registered securities Broking Company & is a member of Wholesale Debt Market, Capital Market and Futures and Options Segment of the National Stock Exchange of India Limited.

The SPA group is well diversified in wide ranges of services such as securities broking, merchant banking, wealth management, financial advisory, corporate finance, risk management and insurance broking.

### **Company Financial Performance**

SPASL's total operating income remained flat at Rs. 2694.88 Cr in FY17 as against Rs. 2618.93 Cr in FY16. However, the net income/operating profit margin and the PAT margin have marginally improved to 0.21% & 0.12%, respectively, despite of decline in trading sales.

The TNW has improved marginally in FY17 and stood at Rs. 29.61 Cr, due to retention of profit into the business, and the Total Debt/TNW (gearing) has also remained stable at a moderate level of 0.14X in FY17. The liquidity ratio and the debt coverage position seemed to be average in FY17 with slight improvement in the liquidity.

On a provisional basis in FY18, the total operating income/sales has declined to Rs. 1908.20 Cr with a flat PAT of 4.00 Cr.

**Key Financial Indicators**

Key Parameters		FY15-16	FY16-17
Result Type	Units	Audited	Audited
Total Operating Revenue	₹ Cr	2618.93	2694.44
EBITDA	₹ Cr	2.93	5.78
PAT	₹ Cr	1.54	3.28
Tangible Networth	₹ Cr	26.41	29.61
Total/Equity	Times	0.55x	0.14x
Current Ratio	Times	1.66x	2.67x

**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount	Rating	1 <sup>st</sup> March 2017	31 <sup>st</sup> Dec 2016	25 <sup>th</sup> August 2015
1	Cash Credit/Overdraft	Long Term	Rs. 51.00 Cr	BWR BBB (Outlook: Stable)	BWR BBB (Outlook: Stable)	BWR 'Rating Not Reviewed'	BWR BBB- (Outlook: Stable)
2	Bank Guarantee	Short Term	Rs. 6.00 Cr	BWR A3	BWR A3	BWR 'Rating Not Reviewed'	BWR A3
	Total		Rs. 57.00 Cr				

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)



• [Short Term Deb](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

**DISCLAIMER**

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