

## Rating Rationale

### Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 58 Cr of SPA Securities Ltd

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for Bank Loan Facilities of SPA Securities Ltd (*SSL or 'the company'*)

Facility	Amount (₹ Cr)	Tenure	Rating
<b>Cash Credit/ WCDL</b> (Fund Based)	50.00	<b>Long Term</b>	<b>BWR BBB-</b> (BWR Triple B Minus)  <b>(Outlook: Stable)</b>
<b>Overdraft Facility</b> (Fund Based)	4.00		
<b>Bank Guarantee</b> (Non-Fund Based)	4.00	<b>Short Term</b>	<b>BWR A3</b> (BWR A Three)
<b>Total</b>	<b>58.00</b>	<b>(INR Fifty Eight Crores only)</b>	

BWR has principally relied upon the audited financial results up to FY13, projected financials up to FY16, publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, the Directors' competency & vast business experience in the institutional broking business, long 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. However, the above rating strengths are partially offset by average financial profile as reflected in moderate net worth & low profit margins. The business is highly susceptible to uncertainties inherent in the capital market. The revenues from the debt market are volatile on account of significant dependence on interest rate movements, though the volatility in debt market is lower than that in the equity market. SSL's cash flow from operations will come under pressure in the event of any drop in revenues or margins.

#### Background

SSL is a closely held company established in 1994 in the name of SPA Securities Pvt Ltd. The name of the company was changed to SPA Securities Ltd in 1998. The Company is focused primarily on providing securities broking services to institutional clients and is empanelled as an approved securities broker with all the major Nationalized, Private and Co-operative banks,

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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.

### Management Profile

Mr. Kamal Somani & Mr. Sandeep Parwal are the promoter directors of the company who are actively involved in the business. Mr. Kamal Somani is a Chartered Accountant by qualification, has over three decades of experience in investment banking, securities broking & corporate finance. Mr. Sandeep Parwal is a Chartered Accountant by qualification, has a rich experience in the various aspects of financial services.

### Financial Performance

SSL has achieved the sales turnover of ₹1220 Cr in FY13 as compared to ₹1267 Cr in FY12. The company's net profit has declined from ₹0.16 Cr in FY12 to ₹0.07 Cr in FY13 due to drop in income from IPOs & brokerage commissions. Tangible Net worth stood at ₹22.71 Cr as on March 31, 2013 against ₹22.47 Cr as on March 31, 2012. Gearing ratio is observed at 1.07x in FY13, an increase from 0.55x in FY12 due to new debt borrowing in the fiscal year.

### Rating Outlook

The company's financial risk profile will remain modest over the medium term, marked by its adequate gearing and average debt protection metrics. SSL' operations in the short term are expected to be stable marked by its established position in the debt distribution segment. Going forward, healthy growth in terms of sales turnover, significant improvement in profit margins and increase in net worth by additional capital infusion by the directors, would be key rating sensitivities.

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