



Rating Rationale

SPA Securities Limited

1st March 2017

Brickwork Ratings reviews the ratings for the Bank Loan Facilities of Rs. 58.00 Cr of SPA Securities Limited.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	54.00	53.18	Long Term	BWR BBB- (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BBB (Pronounced as BWR Double B Plus) Outlook: Stable Upgrade
Non-Fund Based	4.00	4.32	Short Term	BWR A3 (Pronounced as BWR A Four Plus)	BWR A3 (Pronounced as BWR A Four Plus) Reaffirmation
Total	58.00	58.00	INR Fifty eight crores only		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Long term rating has been upgraded 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 FY14 – FY16, provisional H1FY17 statement, projected financial results of FY17 – 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 in FY16, 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 exerts pressure on the profitability of the firm. It is also reserved due to limited product diversification since the company mainly deals with the bonds.

Going forward, maintaining the revenue generation capability of the company with an improvement in the profitability of the company, 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 has achieved Rs. 2604.95 Cr of net sales in FY16 as against Rs. 3008.56 Cr in FY15. However, the net income/operating profit margin and the PAT margin have remained stable at 0.11% & 0.06%, respectively, despite of decline in trading sales.



The TNW has improved marginally in FY16 and stood at Rs. 26.60 Cr, due to retention of profit into the business, and the Total Debt/TNW (gearing) has also remained stable at a very moderate level of 0.54X in FY16.

The liquidity ratio and the debt coverage position seemed to be average in FY16 with slight improvement in the liquidity. On a provisional basis, it has achieved net sales of Rs. 927.27 Cr and a PAT of 2.60 Cr.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount	Rating	31 st Dec 2016	25 th August 2015	27 th May 2014
1	Cash Credit/Overdraft	Long Term	Rs. 53.18 Cr	BWR BBB (Outlook: Stable)	BWR 'Rating Not Reviwed'	BWR BBB- (Outlook: Stable)	BWR BBB- (Outlook: Stable)
2	Bank Guarantee	Short Term	Rs. 4.32 Cr	BWR A3	BWR 'Rating Not Reviwed'	BWR A3	BWR A3

Hyperlink/Reference to applicable Criteria

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

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**For print and digital media**

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.