

Rating Rationale

Brickwork Ratings assigns ‘BWR BB-’ for long-term Bank Loan Facilities & ‘BWR A4+’ for short-term Bank Loan Facilities of Shree Naman Securities and Finance Private Limited.

Brickwork Ratings assigns ‘BWR BB-’ Ratings ¹for long-term bank loan facilities & ‘BWR A4+’ for short-term bank loan facilities of Shree Naman Securities and Finance Private Limited (SNSFPL or “the Company”).

Facility	Limits (₹ Cr)	Tenure	Rating ¹
Fund Based: OD CBD	3.15 2.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook : Stable)
Non Fund Based: Bank Guarantee (BG)	10.50	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Total	15.65	(INR Fifteen Crore Sixty Five Lakhs only)	

BWR has relied upon SNSFPL’s audited financial results up to FY13, provisional financials of FY14, unaudited H1FY15 financial numbers, projected financials of upto FY16 and the information/clarifications provided by the Company.

The ratings, inter alia, factor the long operating track record of SNSFPL, experience of the management, promoters’ support, and adequate system infrastructure and risk management practices, and comfortable liquidity position of the Company. The ratings, however, are constrained by relatively low size and scale of operations, considerable reliance on single activity for operating i.e. proprietary trading activity, poor recent past financial performance, and presence in highly competitive and fragmented security trading & broking business.

Company Background and Operations

Shree Naman Securities and Finance Private Limited (SNSFPL) is a financial and stock broking house incorporated in the year 1995. Mr. Jayesh Shah is the co-owner of the Company, who also is the chairman of Shree Naman Group. Shree Naman Developers Ltd “rated as BWR BB-” is the flagship company of the group. It offers equity trading and derivative (in equity future and currency future) instrument trading services.

The Company is a member of Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) since 1995; and also a depository participant of Central Depository Services (India) Limited

¹ Please refer to www.brickworkratings.com for definition of the Ratings

(CDSL) since 2006. It has also taken the memberships of National Commodity Exchange of India Limited (NCDEX) and Multi Commodity Exchange (MCX).

Proprietary trading:

The Company is mainly engaged in the business of Arbitrage and Jobbing. It has appointed professional dealers for proprietary trading. These professional dealers carry out jobbing and arbitrage activities on behalf of the company.

Income from brokerage:

The Company also earns income from brokerage as an operating activity.

The Company has adequate system infrastructure and also undertakes adequate risk management practices.

Management Profile

Mr. Jayesh A Shah, age 54, is the co-owner of the Company and also the chairman of Shree Naman Group. He founded Shree Naman Group in 1993. Shree Naman Developers Limited “rated as BWR BB-” is the flagship company of the group. Mr. Shah is associated with various charitable institutions. He is the founder member and Vice President of the Property Redevelopers Association, Mumbai. He is also on the subcommittee of MCHI for Housing Special Assistance Department, MHADA, and reconstruction of old buildings.

Rajesh M Desai, age 52, is director of SNSFPL. He is a commerce graduate from Mumbai University and is responsible for the day to day running of the securities business.

Mr. Rakesh Pujara, CEO, is has over 22 years of work experience in the financial sector. He is associated with the company for over 16 years and is responsible for the entire day to day operations of the Company. He is an experienced ICWA (Indian Cost and Works Account).

Financial Performance

During the FY13, the SNSFPL’s operating income decreased to ₹ 8.43 Cr with a net loss of ₹ 5.84 Cr as against an operating income of ₹ 14.29 Cr with a PAT of ₹ 0.70 Cr in FY12. As per provisional figures, operating income for FY14 has increased to ₹ 10.46 Cr with a net loss of ₹ 1.79 Cr. Additionally, as per unaudited figures for H1FY15, the Company has shown tremendous growth in 1st half of FY15. Its income for H1FY15 stands at ₹ 22.65 Cr, against ₹ 10.46 Cr of operating income per FY14 provisional financials. Its PBT for H1FY15 is ₹ 17.58 Cr against a loss of ₹ 1.79 Cr per FY14 provisional financials.

Outlook

The outlook is Stable. The Company witnessed poor financial performance for the period FY11 – FY14; however it has shown tremendous growth in 1st half of FY15. The Company’s ability to sustain this growth while reducing the volatility in financial performance is key rating sensitivity factor. Further increasing the scale of operations, achieving & maintaining strong profitability, keeping comfortable capital structure are other rating sensitivity factors.

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