

Rating Report

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**¹ for Bank Loan Facilities of SPA Securities Ltd (*SSL or 'the company'*)

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

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,

¹ Please refer to 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.

On a provisional basis, the company has achieved revenue of ~₹1500 Cr with a net profit of ₹0.85 Cr in FY14.

Detailed financials are provided in ANNEXURES at the end of the report.

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's 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.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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.

ANNEXURE I: Income Statement

(₹ Cr)	FY11 (Audited)	FY12 (Audited)	FY13 (Audited)
Gross Sales	2119.06	1266.65	1220.16
Excise Duty/Sales Tax	0.00	0.00	0.00
Net Sales	2119.06	1266.65	1220.16
Other Operating Income	14.03	14.97	7.85
Total Operating Income	2133.10	1281.62	1228.01
Operating Expenses	2130.23	1278.84	1226.55
Operating Profit Before Depreciation, Interest and Taxes	2.87	2.78	1.46
Depreciation/Amortization	0.42	0.43	0.42
Operating Profit Before Interest and Tax	2.45	2.34	1.04
Interest and Finance charges	2.03	2.61	1.33
Operating Profit Before Tax	0.42	-0.27	-0.29
Non-Operating Income(Expenses)	0.82	0.49	0.37
Profit Before Tax	1.24	0.22	0.08
Provision for Taxes	0.45	0.06	0.01
Profit After Tax	0.79	0.16	0.07

ANNEXURE II: Balance Sheet

(₹ Cr)	FY11 (Audited)	FY12 (Audited)	FY13 (Audited)
Sources of Funds			
Equity	22.77	23.00	23.11
Share capital	13.11	13.11	13.11
Reserves & Surplus	9.66	9.89	10.00
Non-current Liabilities	0.58	0.55	0.47
Long-Term Borrowings	0.02	0.00	0.00
Deferred Tax Liabilities	0.30	0.25	0.20
Long Term Provisions	0.27	0.29	0.28
Current Liabilities	44.31	21.00	73.18
Short-Term Borrowings	13.54	12.25	24.33
Trade Payables	22.90	7.11	41.33
Other Current Liabilities	6.24	1.05	7.30
Short-Term Provisions	1.62	0.60	0.21
Total Liabilities	67.66	44.54	96.76
Application of Funds			
Non-current Assets	18.53	15.02	12.83
Net Fixed Assets	2.66	2.35	1.91
Non-Current Investments	0.61	0.53	0.39
Net Intangible Assets	4.13	2.45	2.45
Long Term Loans & Advances	11.14	9.69	8.07
Current Assets	49.12	29.52	83.93
Inventories	16.96	16.41	58.15
Trade Receivables	18.50	5.49	4.25
Cash and Cash Equivalents	12.98	7.11	9.56
Short-Term Loans and Advances	0.69	0.51	11.97
Total Assets	67.66	44.54	96.76