

**INANI SECURITIES LIMITED**
**APRIL 04, 2018**
**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	0.25	<b>CARE BB-; Stable ISSUER NOT COOPERATING* (Double B Minus ; Stable ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information
Short term Bank Facilities	6.25	<b>CARE A4 ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information
<b>Total</b>	<b>6.50 (Rupees Six crore and fifty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from Inani Securities Limited (ISL) to monitor the rating(s) vide e-mail communications dated September 12, 2017, December 12, 2017 and February 28, 2018 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of publicly available information which however, in CARE's opinion is not sufficient to arrive at fair rating. Further Inani Securities Limited has not paid the surveillance fee for the rating exercise agreed to in its Rating Agreement. The rating on Inani Securities Limited will now be denoted as **CARE BB-; Stable/CARE A4 ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

The ratings assigned to the bank facilities of Inani Securities Limited (ISL) continue to remain constrained by its small scale of operations, high creditor days, highly fragmented industry with intense competition from large number of organized players and business operations are highly dependent on movement of stock market. The rating also takes into account improved profitability margins and increase in total operating income in FY17 (refers to the period April 01 to March 31). The rating, however, continues to derive strength from experience of promoters for three decades in capital markets and long track record of the company and comfortable capital structure and debt coverage indicators, Going forward, the company's ability to improve its scale of operations, sustain its operating profits and efficient management of working capital requirements remains the key rating sensitivities.

**Detailed description of the key rating drivers**
**Key Rating weakness**
***Small scale of operations albeit increase in total operating income***

The scale of operations of the company is small marked by total operating income (TOI) of Rs.2.46 crore in FY17 and the net worth at Rs.15.18 crore as on March 31, 2017 as compared to other peers in the industry. The total operating income has increased from Rs.2.08 crore in FY16 to Rs.2.46 crore in FY17 due to increase in brokerage income at the back of increase in number and size of transactions.

The total operating income of the company declined from Rs.39.84 crore in FY16 to Rs.38.21 crore in FY17.

***High creditor days***

The operating cycle of the company remained comfortable during review period. However, the creditor days of the company remained high at 245 days in FY17 due to the retention of client's money for future trading activity as per their request. Due to long term relationship with clients, the company provides credit period to their customers for around 2-3 months. Apart, the company is engaged in trading of shares which resulted in high closing balance of sundry debtors for the year ended March 31, 2017.

***Highly fragmented industry with intense competition from large number of organized players***

ISL faces stiff competition in the stock broking industry with large number of organized players like Angel broking, Share khan.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\* Issuer did not cooperate; Based on best available information

### Key rating strengths

#### **Experience of the promoters for three decades in capital markets and long track record of the Company**

ISL was incorporated in the year 1995 and promoted by Mr. Venu Gopal Inani, Mr. Ramakanth Inani and Mr. Lakshmikanth Inani. The management team of ISL led by Mr. Lakshmikanth Inani (Managing Director) and Mr. Ramakanth Inani (Director) who has three decades of experience in capital markets and Mr. Vishnukanth Inani (WTD) has two decades of experience in capital markets along with well experienced executive team. Through their experience in this industry, they have established healthy relationship with large number of clients.

#### **Improved profitability margins**

The PBILDT margin of the company increased from 29.05% in FY16 to 39.39% in FY17 due to increase in brokerage income but the fixed costs remained same. The PAT margin of the company increased from 1.80% in FY16 to 42.13% in FY17 due to decrease in interest cost at the back of decrease in utilisation of working capital limits.

#### **Comfortable capital structure and debt coverage indicators**

The overall gearing ratio has marginally improved from 0.11x as on March 31, 2016 to 0.09x as on March 31, 2017 due to decrease in working capital utilisation limits. The PBILDT interest coverage ratio has improved from 1.58x in FY16 to 3.67x in FY17 due to decrease in interest cost coupled with increase in PBILDT levels. The total debt to GCA has improved from 7.25x in FY16 to 1.10x in FY17 due to increase in gross cash accruals (GCA) levels

**Analytical Approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

### **About the Company**

Hyderabad based, Inani Securities Private limited (ISPL) was incorporated on May 19<sup>th</sup>, 1994. Later on, the said company was converted into Inani securities Limited (ISL) on April 26, 1995 and listed in BSE. ISL was promoted by Inani family members i.e. Mr. Venu Gopal Inani, Mr. Ramakanth Inani and Mr. Lakshmikanth Inani. ISL is one of the old integrated capital intermediaries in the financial sector. Currently, ISL offers customized, end to end wealth management services and research services to its clients. ISL is a member of BSE (Cash and F&O), NSE (Cash and F&O) and depository participant of Central Depository Services India Limited (CDSL). Presently, the company has around 1000 clients.

In FY17, ISL had a Profit after Tax (PAT) of Rs.1.04 crore on a total operating income of Rs.2.46 crore, as against PAT and TOI of Rs.0.04 crore and Rs.2.08 crore, respectively, in FY16.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

#### **About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### **Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to

be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.25	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	6.25	CARE A4; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*Issuer did not cooperate; Based on best available information

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	0.25	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable (28-Apr-17)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	6.25	CARE A4; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (28-Apr-17)	-	-

\*Issuer did not cooperate; Based on best available information

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