

Inani Securities Limited

June 07, 2019

Rating			
Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	0.25	CARE B+; Issuer not cooperating (Single B Plus) Issuer not Cooperating *	Issuer not cooperating: Revised from CARE BB-; Issuer not Cooperating (Double B Minus; Issuer not cooperating) On the basis of best available Information*
Short-term Bank Facilities	6.25	CARE A4; Issuer not cooperating* (A Four Issuer not cooperating*)	Issuer not cooperating based on best available information*
Total Facilities	6.50 (Rupees Six Crore and Fifty Lakh Only)		

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

CARE had, vide its press release dated April 04, 2018, placed the rating(s) of Inani Securities Limited (ISL) under the 'Issuer non-cooperating' category as ISL had failed to provide information for monitoring of the rating. ISL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated May 31, 2019, June 03, 2019, June 04, 2019 and June 05, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Detailed description of the key rating drivers

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 decrease in Total Operating Income (TOI), decline in profitability margins and deterioration of interest coverage in FY19 (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.

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.2.85 crore & Rs.2.09 crore in FY18 & FY19 respectively and the net worth at Rs.16.01 crore as on March 31, 2018 as compared to other peers in the industry.

Decline in profitability margins

The profitability margins of the company declined as compared to FY18, however remained satisfactory, marked by PBILDT and PAT margin at 37.74% & 7.12% in FY19 respectively due to decrease in PBILDT in absolute terms coupled with increase in financial expenses.

High creditor days

The operating cycle of the company remained comfortable during review period. However, the creditor days of the company remained high at 427 days in FY18.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; based on best available information

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.

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.

Comfortable capital structure and debt coverage indicators

The capital structure of ISL is comfortable marked by debt equity and overall gearing ratio which remained below unity at 0.05x & 0.21x respectively as on March 31, 2018. Further, the debt coverage indicators of the firm remained comfortable marked by interest coverage ratio and Total debt/GCA at 4.55x & 3.46x in FY18.

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 19th, 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 FY19, ISL had a Profit after Tax (PAT) of Rs.0.15 crore on a total operating income of Rs.2.09 crore, as against PAT and TOI of Rs.0.83 crore and Rs.2.85 crore, respectively, in FY18.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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 B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	6.25	CARE A4; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	0.25	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE BB-; Stable (28-Apr-17)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	6.25	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE A4 (28-Apr-17)	-

**Issuer did not cooperate; based on best available information*

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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

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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.

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