

Pragya Securities Private Limited

Instrument	Amount (in Rs crore)	Rating Action (April 2016)
Short term Bank Lines	35.50 (enhanced from 32.50)	Upgraded to [ICRA]A3 from [ICRA]A4+

ICRA Credit Rating on the short term scale upgraded to [ICRA]A3 (pronounced ICRA A three) from [ICRA]A4+ for the Rs. 35.50 Crore (enhanced from Rs. 32.50 Crore) Short Term Bank Lines of Pragya Securities Private Limited (PSPL)¹.

The rating upgrade takes into consideration the ability of the company to maintain broking volumes and stable profitability indicators across business cycles, its long standing experience in the equity broking business, its variable cost structures which gives them the flexibility of reigning in costs during downturns, negligible gearing levels and asset quality issues, adequate capitalization levels and strong risk management systems. The ratings however remain constrained by PSPL's relatively smaller presence in equity broking, its high geographical concentration and low diversification of business revenues. The rating, at current level, also reflects the comparative standing of PSPL across ICRA rated brokerage houses.

During FY2015, the company reported Rs. 57,153 Crores (46% Y-o-Y growth) in broking volumes. However, since the volume growth reported by the company was lower than the industry, PSPL's market share dipped from 0.08% in FY2014 to 0.07% in FY2015. The company managed to maintain its improved performance in FY2016, despite volatility seen in the market, with the broking volumes reported at Rs. 59,911 Crore (5% Y-o-Y growth). PSPL currently operates out of 12 branches and about 120 franchisees and caters to ~ 5,000 active clients. HNI clients, who trade in high volumes, are handled by PSPL's owned branched while the relatively more volatile and less chunky retail client volumes are handled by the sub-brokers. Most of the HNI clients are personal contacts of the Director, something which PSPL leverages heavily on to maintain its client base and yields. It also helps them ensure that commercials are settled timely following a trade. During FY2015, average brokerage yields inched up to 3.40 bps from 2.96 bps in FY2014 due to increase in share of the high yielding cash segment (20% in FY2015 from 17% in FY2014) in the overall volumes. In FY2016 however, the broking yields moderated to 2.92 bps owing to decline in share of cash volumes. The debtor ageing profile of PSPL remains comfortable with most of the delinquencies coming from sub-brokers rather than clients, against which PSPL has margins which gives further comfort.

PSPL's broking income improved to Rs. 8.6 Crores in FY2015 from Rs. 6.6 Crores in FY2014. Despite increase in business volumes, the Operating expenses remained stable at 11.5% of ATA in FY2015. Consequently, the company reported an improvement in operating profits to Rs. 4.4 Crores in FY2015 (vis-à-vis Rs. 3.4 Crores in FY2014). The PAT also rose to Rs. 3.1 Crore in FY2015 (RoE of 8.1%) from Rs. 2.5 Crores in FY2014 (RoE of 7.2%). In 9MFY2016, the company reported a PAT of Rs. 2.99 Crore.

PSPL has deployed strong risk management systems with negligible write-offs made on error trades in the last 5 years. PSPL also monitors client's margin on real time basis and they draw comfort from the track record of the business associates before squaring off the positions of their clients in the event of margin shortfall. PSPL accepts NSE, BSE approved shares as collateral with VAR haircut as determined by the exchange houses.

PSPL's current liquidity profile is comfortable with adequate net worth (~Rs. 41 Crore as on Mar-16) for the current scale of operations, low gearing levels and ready access to client's assets (backed by share collateral) that can be monetised within a short time.

Company profile

Pragya Group was promoted by Cholera family in 1985 at Rajkot when they started their operations as a sub-broker. Later they shifted their base to Mumbai and Pragya Securities Private Ltd (PSPL) was then incorporated in 1994. PSPL is a flagship company of the Pragya Group and is engaged in equity broking and currency trading activities at NSE, BSE and MCX –SX. PSPL is also a member of CDSL and is providing depository services to its clients. During FY2015, PSPL on standalone basis reported a net profit after tax of Rs

¹ For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



3.13 crores on a total income base of Rs 10.55 crores as compared to a net profit after tax of Rs 2.54 crores on a total income base of Rs 8.53 crores in FY2014.

Recent Results

During 9MFY2016, PSPL on standalone basis reported a net profit after tax of Rs 2.99 crores on a total income base of Rs 8.04 crores.

April 2016

For further details please contact:

Analyst Contacts:

Mr. Karthik Srinivasan (Tel No +91 22 6114 3444)
karthiks@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**Mobile: **9871221122**Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**Mobile: **9821086490**Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500