

SPS Share Brokers Private Limited

Name of the Instrument/Facility	Amount (in Rs. crore)	Rating Action (December 2016)
Short-term non-fund based bank lines	25.00	[ICRA]A4; reaffirmed

ICRA reaffirms the rating of [ICRA]A4 (pronounced ICRA A four) on the Rs. 25.00 crore short-term non-fund based bank lines of SPS Share Brokers Private Limited (SPS).

The rating continues to be constrained by the inadequate diversification in the company's revenues, its declining yields in a highly competitive environment, small client base and high geographic concentration of business operations. However, these concerns are partly mitigated by the long experience of the promoters in equity broking, the flexibility in the company's cost structure and its comfortable liquidity profile. The rating, at the current level, reflects SPS's relative positioning with other ICRA-rated brokerage houses.

SPS, a fourth generation broking house, was founded in 1945 as a proprietary concern. It was registered with the Bombay Stock Exchange Limited under the trade name of Shri Pramod P. Shah, who continues to remain a dominant shareholder of the company. SPS was converted into a private limited company in 1997. As on September 30, 2016, SPS operated through 15 franchisees in western India.

SPS is a predominantly retail broking player, with 99% of the turnover being contributed by the retail segment. The company's equity broking turnover declined to Rs. 13,984 crore in FY2016 (from Rs. 17,26,634 crore in FY2015), on account of the discontinuation of services through a large number of franchisees to rein in expenses. With a sharper decline in F&O volumes, the segment accounted for 87% of the total broking volumes in FY2016 (99% in FY2015).

However, the company's yields in cash segment improved to 13.67 bps in FY2016 as compared with 11.85 bps in FY2015 and its yields in the F&O segment improved sharply to 1.36 bps in FY2016 from 0.02 bps in FY2015. Overall, its blended yields increased to 3.01 bps in FY2016 from 0.05 bps in FY2015 supported by the better in yields in the retail F&O segment.

During FY2016, with the contraction in broking volumes, SPS's net brokerage income decreased by ~46% to Rs. 3.18 crore in FY2016 from Rs. 5.89 crore in FY2015. The company's other sources of revenues (including depository income and interest income) accounted for ~11% of the total income in FY2016 vis-à-vis ~23% in FY2015. The income from the other sources declined sharply from Rs. 1.70 crore in FY2015 to Rs. 0.40 crore in FY2016 on account of a shrinkage in net interest income. Since SPS mainly operates through franchisees, it benefits from an asset-light operating model with low level of fixed operating expenses. With a marginal reduction in operating expenses (of 7% to Rs. 1.85 crore) and a significant decrease in its top-line, the company's cost-income ratio deteriorated from 26.32% in FY2015 to 51.74% in FY2016. However, SPS's PAT improved to Rs. 2.80 crore (RoE of 12.88%) from Rs 1.85 crore (RoE of 9.40%) in FY2015, primarily supported by a trading profit of Rs. 0.36 crore in FY2016 as compared with a trading loss of Rs. 3.80 crore in FY2015.

SPS's liquidity profile is moderate with a net worth of ~ Rs. 21.74 crore as on March 31, 2016, adequate margins at the exchanges, unutilised bank lines, negligible gearing and ready access to liquid assets.

Company Profile

SPS is a fourth generation broking house and one of the pioneer members of Bombay Stock Exchange. It was founded in 1945 as a proprietary concern. It was registered with the Bombay Stock Exchange Ltd. under the trade name of Shri Pramod P. Shah, who continues to remain a dominant share holder of the company. SPS is currently a corporate member of the Bombay Stock Exchange Ltd. & the National Stock Exchange of India Ltd.

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