



Press Release

Arete Capital Service Private Limited (ACSPL)

January 19th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term fund-based bank facility – Overdraft	30.00 (Enhanced from Rs.20.00 crore)	IVR BBB+/Stable (IVR Triple B Plus with Stable outlook)	Reaffirmed	Simple
Total	Rs.30.00 Crore (Rupees Thirty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank loan facilities of Arete Capital Service Private Limited derive comfort from experienced promoter, reputed customer base, secured trading mechanism and comfortable capital structure. However, these rating strengths remain constrained by Interest rate risk and Competition.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while maintaining the debt protection metrics.

Downward Factors

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.
- Any substantial losses incurred in trading activities due to interest rate risk.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

ACSPL has a long track record of operations of more than a decade in providing financial services. Mr. Kamal Somani, the promoter of ACSPL has an experience of nearly 3 decades in investment banking, broking and corporate finance.

Reputed Customer base

ACSPL has a reputable and established clientele. ACSPL majorly sells securities to Retirement Funds viz. Provident Fund, Pension Fund, Gratuity Fund Trusts & Insurance Companies. The above entities have to strictly invest their funds in the specific securities as per government guidelines. ACSPL is having 400 to 500 clients (mainly provident funds trust) in various part of Country.

Secured Trading mechanism

ACSPL purchases securities in bulk at the time of issuance and keeps it in their book and sells the same to these retirement funds or insurance companies as per their need. The system of buying and selling of securities between the investors and buyers are done through a platform system created by RBI where buyer must deposit the money and seller has to deposit the securities through their own banker. Therefore, the system of buying and selling of securities are done under the transaction / payment guaranteed by the exchange.

The bank has also stipulated differential margin for different category of securities to be purchased under this arrangement. The government securities purchased by the ACSPL will be held in a designated Constituent Subsidiary General Ledger (CSGL) Account and a joint depository participant account for corporate bonds, which will be duly pledged to the bank.

Comfortable Capital Structure

The financial risk profile of the ACSPL is marked by healthy capital structure as on March 31, 2023 (A) due to company has not availed any long-term debt. Interest coverage of the ACSPL stood adequate at 3.77x in FY23. TOL/TNW of the ACSPL has Improved from 0.92x in FY22 to 0.17x in FY23 due to stable accretion of profits to reserves.



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Key Rating Weaknesses

Interest rate risk

All the securities are exposed to an inherent interest rate risk which depends on various factors & market conditions, although low in Government securities.

Competition

The industry is characterized by competition from various players to tap the market share at competitive pricing strategy.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Service Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity – Adequate

ACSPL has been earning a moderate level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. ACSPL maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained close to zero during the last twelve months ended August 31, 2023.

About the Company

Arete Capital Service Private Limited (ACSPL) [Earthwise SPA Global Private Limited] incorporated in 1996, works as a G Secs dealer and supply G Secs to various retirement funds such as Provident Fund, Pension Funds, Gratuity funds and Insurance Companies etc. The ACSPL also deals in corporate bonds & Mutual funds.

Financials (Standalone)*:

(Rs.in Crore)

For the year ended/ As on*	31-03-2022 (Audited)	31-03-2023 (Audited)
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Total Income#	10.17	12.94
EBITDA	1.50	0.85
PAT	1.11	0.58
Total Debt	5.15	0.00
Tangible Net Worth	7.84	8.41
PAT margin (%)	10.72	4.40
Overall Gearing Ratio (x)	0.66	0.00

* Classification as per Infomerics' standards

Total Income= Sale amount of G Secs (plus other operational income) – Purchase amount of G Sec.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (May 19, 2023)	Date(s) & Rating(s) assigned in 2022-23 (January 24, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Feb 10, 2022)
1.	Overdraft	Long-term	20.00	IVR BBB+/Stable	IVR BBB+/Stable	IVR A-/Stable	IVR AA+(CE)/Stable

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – Overdraft	-	-	-	30.00	IVR BBB+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AreteCapital-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.