



## Press Release

### Arete Capital Service Private Limited (ACSPL)

May 19, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term fund-based bank facility – Overdraft	20.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Rating Revised	Simple
Long term fund-based bank facility – Cash Credit (G.Sec. Only)	0.00 (Reduced from 25.00)	-	Withdrawn	Simple
<b>Total</b>	<b>20.00</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in rating of the bank facilities of Arete Capital Service Private Limited factors in overall decline in trading volume and profitability.

The rating continuous to 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.

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths



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### **Experienced Promoters**

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

### **Reputed Customer base**

The Company has a reputable and established clientele. The Company 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**

The Company 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 company 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 overall gearing ratio of the company stood strong at 0.00x as on March 31, 2023 (Provisional). Total debt of the company stood at Rs.0.01 crore which is in the form of working capital (CC/OD). The company has not availed any long-term debt. Interest coverage of the company stood adequate at 4.70x in FY23 (Provisional). TOL/TNW of the company has Improved from 0.92x in FY22 to 0.17x in FY23.



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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 Trading Companies](#)

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

[Criteria on Rating Outlook](#)

#### **Liquidity – Adequate**

The Company 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. The company 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 March 31, 2022.

#### **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 company also deals in Corporate bonds & Mutual funds.

#### **Financials (Standalone):**

INR in Crore



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For the year ended/ As on*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Income#	10.17	13.12
PAT	1.11	0.59
Total Debt	5.15	0.01
Tangible Net Worth	7.84	8.42
PAT margin (%)	10.72	4.52
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 (January 24, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Feb 10, 2022)	Date(s) & Rating(s) assigned in 2020-21
1.	Overdraft	Long-term	20.00	IVR BBB+/ Stable	IVR A-/ Stable	IVR AA+ (CE)/ Stable	-
2.	Cash Credit (G.Sec only)	Long-term	25.00	Withdrawn	IVR A-/ Stable	IVR AA+ (CE)/ Stable	-

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**About Infomerics:**



## Press Release

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://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	-	-	-	20.00	IVR BBB+/ Stable

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



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**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-AreteCapital-may23.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](http://www.infomerics.com).

