



## Press Release

### Arete Securities Limited (ASL)

October 18, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term fund based bank facilities – Overdraft	50.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
<b>Total</b>	<b>50.00</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating reaffirmation to the bank facilities of Arete Securities Limited (ASL) continuous to derive comfort from experienced promoters, reputed customer base and comfortable capital structure. However, these rating strengths remain constrained by Interest rate risk and competition.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial increase in the scale of operations.
- Maintain adequate liquidity.

##### Downward Factors

- Any substantial losses incurred in trading activities due to interest rate risk.
- Substantial deterioration in capital structure.

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

##### Key Rating Strengths

##### Experienced Promoters

The company has a long track record of operations of more than two decades in providing financial services. The promoter, Mr. Kamal Somani, CA, has an experience of nearly four decades in investment banking, broking and corporate finance. Also, Mr. Ankit Somani, director has master's in management has 14 years of experience in the financial services



## Press Release

industry with experience in mutual fund distribution, risk management, sourcing, placement and pricing of debt securities.

### **Reputed Customer base**

The Company has a reputable and established clientele. The Company majorly sells securities to Insurance companies, Pension funds and Provident funds. The above entities have to strictly invest their funds in the specific securities as per government guidelines. The company is having 400 to 500 clients (mainly provident funds trust) in various part of Country.

### **Comfortable Capital Structure**

The total debt of the company includes working capital limit (Overdraft) of Rs. 50 Cr. However, as on 31<sup>st</sup> Mach 2023, the utilization stood Rs.12.77 crore. Therefore, the company's overall gearing ratio stood at 0.30 times in FY23. The company has not availed any long-term debt. Interest coverage of the company stood adequate at 24.66x in FY23. TOL/TNW of the company stood at 0.37x in FY23.

### **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 Sector Companies](#)

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

[Criteria on Rating Outlook](#)



## Press Release

### **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 improvement in revenue from its operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained low at ~20% during the twelve months ended August-2023.

### **About the Company**

Arete Securities Limited (Erstwhile, SPA Securities Limited) is a public limited company. The company is registered with SEBI as stockbroker, depository participant and Merchant banker. The company provides wide range of services such as investment banking, securities broking (equity and debt), wealth management, investment advisory, retirement fund advisory, valuation services and various other advisory services.

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

For the year ended/ As on*	INR in Crore	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Income	15.31	16.21
EBITDA	5.03	6.74
PAT	3.50	4.69
Total Debt	1.52	14.09
Tangible Networth	43.51	46.39
EBITDA Margin (%)	32.87	41.60
PAT Margin (%)	22.63	28.95
Overall Gearing Ratio (x)	0.03	0.30

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**



## Press Release

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 (Date: January 24, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Date: May 11, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Fund based bank facilities – Overdraft	Long Term	50.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR A+ (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 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](http://www.infomerics.com).



## Press Release

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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
Overdraft	-	-	-	50.00	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-Arete-oct23.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).