



Press Release

Arham Wealth Management Private Limited

December 29, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Fund Based -Long Term Bank Facilities-Overdraft	40.00 (increased from Rs.5.00 crore)	IVR BBB; Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Fund Based -Long Term Bank Facilities-Proposed Facilities	22.00 (reduced from Rs.37.00 crore)	IVR BBB; Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Non fund Based - Short Term Bank Facilities- Bank Guarantee	80.00 (increased from Rs.65.00 crore)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Non fund Based - Short Term Bank Facilities -Proposed Bank Guarantee	65.00 (reduced from Rs.100.00 crore)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Non fund Based – Long term / Short Term Bank Facilities – Revolving Loan Facility (Intra Day)	38.50	IVR BBB; Stable / IVR A3+ (IVR Triple B with Stable outlook / IVR A Three Plus)	Reaffirmed	Simple
Total		245.50 (INR Two Hundred Forty-Five Crores and Fifty lakhs only)		

Details of facilities are provided in Annexure I

Detailed Rationale

The rating reaffirmed to Arham Wealth Management Private Limited (AWMPL) derives strength from the experienced promoters, improvement in financial profile, comfortable capitalization, and adequate liquidity. The rating is however constrained by high dependency on trading income, highly competitive capital market industry with every player expanding towards the digital acquisition model, susceptibility to the risk of regulatory changes, susceptibility to uncertainties inherent in capital markets and competitive nature of industry.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its revenues while maintaining healthy capital position, liquidity and profitability.



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Downward Factors

- Substantial decline in profitability due to cyclical downturn in the market or company specific issues coupled with changes in the regulatory environment.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

Mr. Kiritbhai Manubhai Shah is the founding member and director in M/s Arham Wealth Management Pvt. Ltd. An engineer by qualification, has more than 3 decades of experience in the industry. He is actively engaged in business development by way of branch expansion of the company and has hands-on experience in risk management for the company. He supervises daily business of all branches of the company and is responsible for growth and innovation. He is well supported by a group of qualified and experienced management team. The company's research and technology driven focus has enabled it to come up with an trading app/ platform 'KleverTrade' wherein the company offers sectoral baskets of equities, mutual funds, ETF's for long term and short term portfolio based on an investment strategy supported by the company's research and back-testing process. The current focus of the management to develop new products and services for new client acquisitions is expected to lead to moderate growth in revenues over the medium term. To enable the group to enter into the foreign capital markets, the promoters have floated a wholly owned subsidiary named AWM Broking (IFSC) Private Limited, strategically located at GIFT city, Gandhinagar and also to avail applicable tax benefits.

Improving financial profile

Company's revenues have consistently increased in last three years from Rs.94.49 Crores in FY21 to Rs.244.13 crore in FY23. On the back of which the profitability of the company has also improved with company reporting PAT of Rs.14.92 Crores for FY23 when compared to Rs.11.17 Crore in FY22. EBITDA margin improved simultaneously to 9.07% (PY : 8.97%) while PAT margin is maintained at 6.04% (PY : 6.07%).

Comfortable capitalization

The company's tangible net worth stood comfortable at Rs.43.71 crore (PY : Rs.30.40 crore) as on March 31, 2023. The y-o-y increase was due to the accretion of the profits to reserves.



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The capital structure of the company stood comfortable with this increase in the networth and simultaneous reduction in the term loans to zero and low fund based sanctioned limits utilization. This is evident from the less than unity overall gearing and nil long-term debt to equity ratio.

The debt protection metrics also continued to remain comfortable during FY23 as indicated by the total debt to GCA ratio, total debt to EBITDA ratio and interest coverage ratio of 0.40x (PY : 2.44x), 0.28x (PY : 1.73x) and 4.55x (PY : 5.79x) respectively.

Key Rating Weaknesses

Highly competitive capital market industry with every player expanding towards the digital acquisition model

AWMPL's businesses are confined within the capital market industry, which faces intense competition, with multiple players offering low-cost products to clients. The industry has seen a huge transformation in the last three years, with technology-based discount brokers entering and dominating the market. The competition is expected to remain high as more players with cash burn ability propose to enter this space, further intensifying the price war in the industry. Apart from the pricing war, many players have been offering various types of incentives and rewards to gain clients. Therefore, the Angel group's key broking business remains exposed to market, economic, political and social factors that drive investor sentiment. Given the volatility in the business, brokerage volume and earnings are highly dependent on the level of trading activity in capital markets, therefore the increase in the volumes will remain a key rating monitorable.

Susceptibility to the risk of regulatory changes

Over the last couple of years, the broking industry has witnessed continuous regulatory revisions. With the objective of further enhancing the transparency levels and limiting the misuse of funds, the Securities and Exchange Board of India (SEBI) has been introducing various changes / modification in the trading norms from time to time. AWMPL, just like other trading firm is expected to cater to all of these norms within the designated timelines by SEBI.

Susceptibility to uncertainties inherent in the capital market business



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AWMPL engaged in the stock broking business and the stock market is volatile in nature, Market index like Sensex and Nifty goes up and down throughout the day and the company's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments.

Intense Competition

Broking is a highly volatile and cyclical business with the presence of many established players who provide significant competition to the other fragmented and small players. The competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players. This limits the profitability margins of the industry.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector companies](#)

[Criteria of assigning rating outlook](#)

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

Liquidity – Adequate

Arham Wealth Management Private Limited (AWMPL) has maintained adequate liquidity marked by satisfactory gross cash accruals registered of around Rs.15 crore against no scheduled repayments and very low to nil sanctioned fund based limits utilization for the past 12 months ended on August 2023. Also the current ratio and quick ratio of the company remained satisfactory at above unity. However, the cash and bank balance remains moderate to the tune of Rs.21 crore as on March 31, 2023. Also due to the nature of the business the company reported negative operating cycle.

About the Company

Arham Wealth Management Private Limited (AWMPL) incorporated in 2014 is a Surat based share brokerage company. AWMPL is a member of BSE Ltd (BSE), National Exchange of India Ltd (NSE) & MCX Stock Exchange Limited (MCX-SX). The services provided include Broking, Research, IPO, Mutual Funds, Insurance & other advisory services. The company



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is also a Depository Participant (DP) with the Central Depository Services (India) Ltd (CDSL) and provides related services to its clients. The company also carries out trading in Commodities & Currencies apart from Equity and Futures & Options Segments of different exchanges. AWMPL is promoted by Mr. Kiritbhai Manubhai Shah.

Financials (Standalone):

For the year ended* As on	INR in crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	181.07	244.13
EBITDA	16.25	22.14
PAT	11.17	14.92
EBITDA margin (%)	8.97	9.07
PAT margin (%)	6.07	6.04
Tangible Net worth	30.40	43.71
Total Debt	28.06	6.21
Overall Gearing (Times)	0.92	0.14
Interest Coverage (Times)	5.79	4.55
Return on networth (%)	48.97	40.28

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

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 (October 04, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based -Long Term Bank Facilities-Overdraft	Long Term	40.00	IVR BBB; Stable	IVR BBB; Stable	-	-
2.	Fund Based -Long Term Bank Facilities-Proposed Facilities	Long Term	22.00	IVR BBB/ Stable	IVR BBB/ Stable	-	-
3.	Non fund Based - Short Term Bank Facilities- Bank Guarantee	Short Term	80.00	IVR A3+	IVR A3+		



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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 (October 04, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
4.	Non fund Based - Short Term Bank Facilities - Proposed Bank Guarantee	Short Term	65.00	IVR A3+	IVR A3+		
5.	Non fund Based – Long term / Short Term Bank Facilities – Revolving Loan Facility (Intra Day)	Long Term/ Short Term	38.50	IVR BBB; Stable / IVR A3+	IVR BBB; Stable/ IVR A3+		

Name and Contact Details of the Rating Analyst:

Name: Mr. Jalaj Srivastava

Tel: (079) 40393043

Email: Jalaj.srivastava@infomercis.com

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).

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Annexure 1: Details of Facilities: Not Applicable

Name of Facility/ Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned / Outlook
Fund Based -Long Term Bank Facilities- Overdraft	-	-	-	40.00	IVR BBB; Stable
Fund Based -Long Term Bank Facilities- Proposed Facilities	-	-	-	22.00	IVR BBB; Stable
Non fund Based - Short Term Bank Facilities- Bank Guarantee	-	-	-	80.00	IVR A3+
Non fund Based -Short Term Bank Facilities -Proposed Bank Guarantee	-	-	-	65.00	IVR A3+
Non fund Based – Long term / Short Term Bank Facilities – Revolving Loan Facility (Intra Day)	-	-	-	38.50	IVR BBB; Stable / IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Arham-dec23.pdf>

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



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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.

