



Press Release

Arham Wealth Management Private Limited

October 04, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Fund Based -Long/Short Term Bank Facilities- Overdraft	5.00	IVR BBB/Stable/IVR A3+ Outlook (IVR Triple B with Stable outlook /IVR A Three Plus)	Assigned	Simple
Fund Based -Long/Short Term Bank Facilities- Proposed Facilities	37.00	IVR BBB/Stable/A3+ Outlook (IVR Triple B with Stable outlook /IVR A Three Plus)	Assigned	Simple
Non fund Based -Long/Short Term Bank Facilities- Bank Guarantee	65.00	IVR BBB/Stable/A3+ Outlook (IVR Triple B with Stable outlook /IVR A Three Plus)	Assigned	Simple
Non fund Based -Long/Short Term Bank Facilities - Proposed Bank Guarantee	100.00	IVR BBB/Stable/A3+ Outlook (IVR Triple B with Stable outlook /IVR A Three Plus)	Assigned	Simple
Non fund Based -Long/Short Term Bank Facilities – Revolving Loan Facility (Intra Day)	38.50	IVR BBB/Stable/IVR A3+ Outlook (IVR Triple B with Stable outlook /IVR A Three Plus)	Assigned	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 assigned to Arham Wealth Management Private Limited (AWMPL) derives strength from the experienced promoters, consistent improvement in financial profile, comfortable capitalization, and adequate liquidity. The rating is however constrained by high dependency on trading income, susceptibility to uncertainties inherent in capital markets and competitive nature of industry.



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Key Rating Sensitivities:

Upward Factors

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

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 backtesting 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.

Improving financial profile



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Company's revenues have consistently increased in last three years from Rs 51.23 Crores in FY20 to Rs 126.89 Crores in FY22. On the back of which the profitability of the company has also improved with company reporting PAT of Rs. 16.87 Crores for FY22 when compared to Rs 0.19 Crore in FY20. EBITDA & PAT margins remained healthy at 15.20% & 13.29% respectively for FY2022.

Comfortable capitalization

The company's tangible net worth stood at Rs. 36.03 crore as on March 31, 2022. The gearing is comfortable at 0.32x as on March 31, 2022. The company has its major borrowings in the form of overdraft against fixed deposits & bank guarantee for meeting the margin requirement and providing security deposit in favour of various exchanges, the total fund based debt of the company stood at Rs 11.64 Crores.

Key Rating Weaknesses

High dependency on proprietary trading

Major revenue stream for the company is income from trading on behalf of their clients which stood ~78% of total revenues for FY22 when compared to ~73% in FY21 and ~85% in FY20 and hence the volatility in the revenues and profitability. Going forward the ability of the company to diversify its revenue stream and achieve stability in revenues would be key rating sensitivity.

Susceptibility to uncertainties inherent in the capital market business

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



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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](#)

Liquidity – Adequate

Arham Wealth Management Private Limited (AWMPL) has maintained adequate liquidity of Rs. 19.98 crores, unmarked FDs of 10.50 Crores, unutilised bank limits of Rs 12.90 Crores and sanctions in hand of Rs 65.00 Crores against no stipulated repayment schedule of the long-term loan as on 30 June 2022. Current ratio for FY22 stood comfortable at 2.04x and quick ratio was 1.66x indicating adequate liquidity.

About the Company

Arham Wealth Management Private Limited (AWMPL) incorporated in 2014 is a Surat based share brokerage company. BPEPL 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 &



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other advisory services. The company 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):

INR in crore

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Income	102.63	126.89
EBITDA	8.07	19.29
PAT	4.66	16.87
Tangible Net worth	15.24	36.03
Gearing (Times)	0.23	0.32
Interest Coverage (Times)	6.93	9.17
DSCR (Times)	5.28	9.01

* 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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based - Long/Short Term Bank Facilities-Overdraft	Long Term/Short Term	5.00	IVR BBB/Stable /IVR A3+	-	-	-
2.	Fund Based - Long/Short Term Bank Facilities-Proposed Facilities	Long Term/Short Term	37.00	IVR BBB/Stable /A3+	-	-	-
3.	Non fund Based - Long/Short Term Bank Facilities-Bank Guarantee	Long Term/Short Term	65.00	IVR BBB/Stable /IVR A3+			
4.	Non fund Based - Long/Short Term Bank Facilities - Proposed Bank Guarantee	Long Term/Short Term	100.00	IVR BBB/Stable /A3+			
5.	Non fund Based - Long/Short Term Bank Facilities – Revolving Loan Facility (Intra Day)	Long Term/Short Term	38.50	IVR BBB/Stable /A3+			

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About Infomerics:

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



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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.

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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
Overdraft	-	-	Revolving	5.00	IVR BBB/Stable/A3+
Proposed	-	-	Revolving	5.00	IVR BBB/Stable/A3+
Bank Guarantee	-	-	Revolving	65.00	IVR BBB/Stable/A3+
Proposed Bank Guarantee	-	-	Revolving	100.00	IVR BBB/Stable/A3+
Intra day	-	-	Revolving	5.00	IVR BBB/Stable/A3+



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Proposed Intra Day	-	-	Revolving	32.00	IVR BBB/Stable/A3+
Revolving loan facility	-	-	Revolving	18.50	IVR BBB/Stable/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-Wealth-oct22.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.