



Press Release

Arete Securities Limited (ASL)

March 27, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facility - Overdraft	60.00 (Reduced from Rs. 100.00 crore)	IVR BBB+ / Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+ / Stable (IVR Triple B Plus with Stable Outlook)	Rating reaffirmed	Simple
Total	60.00 (Rupees Sixty Crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities of ASL which continues to derive strength from experienced promoters, reputed customer base and comfortable capital structure. The ratings are however partially constrained by interest rate risk and competition.

Infomerics Ratings expects outlook to remain stable on the expectations of stable scale of operations coupled with healthy profitability margins and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in the scale of operations while maintaining current credit and liquidity profile.



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Downward Factors

- Any substantial losses incurred in trading activities due to interest rate risk and/or any increase in debt leading to deterioration in capital structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters: ASL has a long track record of operations of more than two decades in providing financial services. The promoter, Mr. Kamal Somani, CA, has experience of nearly four decades in investment banking, broking and corporate finance. Also, Mr. Ankit Somani, director has master's in management and has 14 years of experience in the financial services industry with experience in mutual fund distribution, risk management, sourcing, placement and pricing of debt securities.

Reputed Customer Base: ASL has a reputable and established clientele. ASL 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. ASL is having 400 to 500 clients (mainly provident funds trust) in various part of country.

Comfortable capital structure and debt protection metrics: ASL's capital structure is comfortable marked by overall gearing ratio which stood at 0.31x as on 31st March 2024 from 0.30x as on 31st March 2023 on back of accretion of profits to reserves and surplus. The same is reflected as per 31st December 2024 (prov.) numbers with overall gearing ratio which stood at 0.23x. As on 31st March 2024, ASL's tangible net worth stood at a moderate Rs. 50.19 crore from Rs. 46.50 crore as on 31st March 2023. ASL does not have any long-term debt on its book. Furthermore, ASL's interest coverage ratio despite the decline stood at a comfortable 3.06x in FY24 (refers to period 1st April 2023 to 31st March 2024) (FY23 : 21.64x). Infomerics Ratings expects ASL's capital structure to remain comfortable over medium term on back of expectations of generation stable cash accruals.



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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

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

Liquidity –Adequate

ASL has been earning a moderate level of GCA for the last few years and the same is expected improve 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 stood at ~34% for the period April 24 – Jan 25.

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



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(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*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income#	16.21	18.58
EBITDA	5.92	5.87
PAT	4.69	3.81
Total Debt	14.09	15.48
Tangible Net Worth	46.50	50.19
EBITDA Margin (%)	38.46	33.82
PAT Margin (%)	28.95	20.53
Overall Gearing Ratio (x)	0.30	0.31
Interest Coverage (x)	21.64	3.06

* Classification as per Infomerics' standards.

Total Income = Sale amount of securities – Purchase amount of securities + Other operational income + Other income – Stock adjustment

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024 – 25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023 -24	Date(s) & Rating(s) assigned in 2022 - 23	Date(s) & Rating(s) assigned in 2021 -22
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1.	Overdraft	Long Term	60.00	IVR BBB+ / Stable (March 27, 2025)	IVR BBB+ / Stable (March 29, 2024) IVR BBB+ / Stable (Oct 18, 2023)	IVR BBB+ / Stable (Jan 24, 2023)	IVR A+ (CE) / Stable (May 11, 2022)



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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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 and definition of ratings please visit www.infomerics.com.

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facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Overdraft	--	-	9.58%	Revolving	60.00	IVR BBB+ / Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-arete-securities-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Name of the company/Entity	Consolidation/Combined Approach

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.