



## Press Release

### Arete Capital Service Private Limited (ACSPL)

March 27, 2025

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facility - Overdraft	30.00	IVR BBB+ / RWDI (IVR Triple B Plus placed on Rating Watch with Developing Implications)	IVR BBB+ / Stable (IVR Triple B Plus with Stable Outlook)	Rating placed on watch with developing implications	Simple
<b>Total</b>	<b>30.00 (Rupees Thirty Crore only)</b>				

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 placed the ratings assigned to the bank facilities of ACSPL on rating watch with developing implications following announcement of acquisition of ACSPL by Choice Equity Broking Private Limited. Infomerics will monitor the developments pertaining the proposed acquisition. As per management, the acquisition is likely to be completed before 31<sup>st</sup> March 2025.

However, the ratings continue to derive strength from experienced promoters, reputed customer base, secured trading mechanism and moderate capital structure. The ratings are however partially constrained by interest rate risk and competition.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the capital structure.

##### Downward Factors



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- Any further decline in revenue and/or EBITDA margin leading to deterioration in capital structure.
- Any substantial losses incurred in trading activities due to interest rate risk.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Experienced Promoters:** ACSPL has a long track record of operations of more than a decade in providing financial services. Mr. Kamal Somani, the promoter of ACSPL has an experience of nearly 4 decades in investment banking, broking and corporate finance.

**Reputed Customer Base:** ACSPL has a reputable and established clientele. ACSPL 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:** ACSPL 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.

**Moderate capital structure and debt protection metrics:** ACSPL's capital structure is moderate marked by overall gearing deteriorated to 3.20x as on 31<sup>st</sup> March 2024 from 0.00x as on 31<sup>st</sup> March 2023 on account of high utilization of bank borrowings. However, as per



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provisional number for period ended 31<sup>st</sup> January 2025 (Prov.), ACSPL's gearing improved to 1.13x due to lower utilization of bank borrowings. ACSPL does not have any long-term debt on its books. Additionally, ACSPL's interest coverage ratio stood at moderate 1.56x in FY24 (refers to period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024) (FY23: 3.77x). Furthermore, ACSPL's tangible net worth as on 31<sup>st</sup> March 2024 stood at a low of Rs. 8.96 crore from Rs. 8.40 crore as on 31<sup>st</sup> March 2023. Going forward, ACSPL's ability to improve its capital structure will remain key rating monitorable.

### 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 \(Non-Financial Sector\)](#)

[Policy for Placing Ratings on Rating Watch](#)

### **Liquidity –Adequate**

ACSPL 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



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moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits stood at ~25% for the period April 24 – Jan 25.

### **About the Company:**

Arete Capital Service Private Limited (ACSPL) [Earthwise SPA Global Private Limited] incorporated in 1996, works as a G Secs and corporate bonds dealer and supplies G Secs and corporate bonds to various retirement funds such as Provident Fund, Pension Funds, Gratuity funds and Insurance Companies etc. The ACSPL also deals in Mutual funds.

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

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income#	8.64	10.41
EBITDA	0.84	1.83
PAT	0.57	0.56
Total Debt	0.00	28.68
Tangible Net Worth	8.40	8.96
EBITDA Margin (%)	9.99	17.85
PAT Margin (%)	6.64	5.41
Overall Gearing Ratio (x)	0.00	3.20
Interest Coverage (x)	3.77	1.56

\* 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:**



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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	30.00	IVR BBB+ / RWDI (March 27, 2025)	IVR BBB+ / Stable (Jan 19, 2024) IVR BBB+ / Stable (May 19, 2023)	IVR A- / Stable (Jan 24, 2023)	IVR AA+ (CE) / Stable (Feb 10, 2022)
2.	Cash Credit (G. Sec. only)	Long Term	--	--	Withdrawn (May 19, 2023)	IVR A- / Stable (Jan 24, 2023)	IVR AA+ (CE) / Stable (Feb 10, 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.



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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](http://www.infomerics.com).

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### 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	--	-	1 Month MCLR + 0.10%	Revolving	30.00	IVR BBB+ / RWDI

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ACSPL-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](http://www.infomerics.com).