



## Press Release

### SPA Global Private Limited (SGPL)

December 30, 2020

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	25.00	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]	Re-affirmed
Long Term Bank Facilities	20.00	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]	Assigned
<b>Total</b>	<b>45.00</b> <b>(Rupees Forty Five Crore Only)</b>		

\*CE rating based on the limits fully secured by pledge of Central Government securities & State Development Loans in CSGL account with 7.5% margin.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of SPA Global Private Limited (SGPL) derive comfort from the bank limits being fully secured by the pledge of Central Government securities & State Development Loans in CSGL account with 7.5% margin. This pledge of Central Government securities & State Development Loans in CSGL account results in credit enhancement in the rating of the said bank facilities to IVR AA+ (CE)/ Stable Outlook [IVR Double A Plus (Credit Enhancement) with Stable Outlook] against the unsupported rating of IVR BBB/ Stable [IVR Triple B with Stable Outlook].

Further, the rating derives strength from secured trading mechanism, experienced promoters, repetitive business from reputed customer base and comfortable capital structure. The rating is however constrained by low profitability, interest rate risk and competition

#### Key Rating Sensitivities:



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### **Upward Factors**

- Substantial & sustained improvement in the revenue & EBITDA margin while maintaining the debt protection metrics

### **Downward Factors**

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics
- Any substantial losses incurred in trading activities due to interest rate risk

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

#### **Key Rating Strengths**

##### **Cash Credit facilities secured by pledge of securities**

The Cash Credit and overdraft facilities sanctioned by the Bank are primarily secured against the pledge of Central Government securities & State Development Loans in CGSL A/c maintained with the Bank with 7.50% margin, thus ensuring highly secured bank facilities, having negligible credit risk.

##### **Secured trading mechanism**

The Company 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 created by RBI where buyer has to deposit the money and seller has to deposit the securities through their own banker. RBI gives securities to the buyer and money to the seller. Therefore the system of buying and selling of securities are covered by RBI. Thus, the transaction mechanism makes it fully secured resulting in least credit risk. Repayment of State Development Loans (State Government Securities) in times of stress if any is managed by RBI by ways & means (WMA) advances or otherwise. The other risk which is interest risk is negligible looking at the nature of securities.

##### **Experienced promoters**



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The company has a long track record of operations of more than a decade in providing financial services. Mr. Kamal Somani, the promoter of SPA Global Private Limited has an experience of nearly 3 decades in investment banking, broking and corporate finance.

### **Repetitive business from reputed customer base**

The Company has a reputable and established clientele. The Company 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.

### **Comfortable capital structure**

The Total outside liabilities to Tangible Net Worth of the Company stands strong at 0.12x as at FY19 & 0.73x as at FY20.

### **Key Rating Weaknesses**

#### **Low profitability**

The EBITDA margin remains low (below unity) at 0.48%, 0.20% & 0.08% in FY18, FY19 & FY20 respectively which is inherent to business. Resultantly, PAT margin also stood low at 0.32%, 0.16% & 0.05% in FY18, FY19 & FY20

#### **Interest rate risk**

All the securities are exposed to an inherent interest rate risk which depends on various factors & market conditions, although movement of interest rates are low in Government securities.

#### **Competition**

The industry is characterized by competition from various players to tap the market share at competitive pricing.

#### **Analytical Approach:**

- Unsupported Rating: Standalone



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- Credit Enhancement (CE Rating): CE rating based on the limits fully secured by pledge of Central Government securities & State Development Loans in CSGL account with 7.5% margin

### Applicable Criteria:

- Rating Methodology for trading Companies
- Financial Ratios & Interpretation (Non- Financial Sector)

### 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 scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained low at 40% during the six months ended November 30, 2020.

### About the Company

SPA Global Pvt. Ltd. works as a G Secs dealer and supply G Secs to various retirement funds such as Provident Fund, Pension Funds, Gratuity funds and Insurance Companies etc. The company also deals in Corporate bonds & Mutual funds.

### Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	318.66	386.72
EBITDA	0.64	0.30
PAT	0.52	0.19
Total Debt	0.00	0.00
Tangible Net Worth	8.73	6.10
EBITDA Margin (%)	0.20	0.08



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PAT Margin (%)	0.16	0.05
Overall Gearing Ratio (x)	0.00	0.00

**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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (June 19, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit (G. Sec. Only)	Long Term	25.00	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]	-	-
2.	Overdraft (Against G. Sec)	Long Term	20.00	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]	-	-	-

**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).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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
Fund based (Long Term) Cash Credit (G. Sec. only)	-	-	-	25.00	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]
Fund based (Long Term) Overdraft (Against G. Sec.)	-	-	-	20.00	IVR AA+ (CE)/ Stable Outlook; [IVR Double A Plus (Credit Enhancement) with Stable Outlook]



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\* CE rating based on the limits fully secured by pledge of Central Government securities & State Development Loans in CSL account with 7.5% margin.