

Almondz Global Securities Limited

October 06, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term bank facilities	18.73 (reduced from 21.50)	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Reaffirmed and Outlook revised from Negative
Total Facilities	18.73 (Rs. Eighteen crore seventy three lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE, while assigning rating for the bank facilities of Almondz Global Securities Limited (AGSL), has taken a consolidated view based upon financial and business profile of AGSL and its six wholly owned subsidiaries namely Almondz Global Infra Consultant Limited (AGICL), Almondz Finanz Limited (AFL), Almondz Commodities Private Limited, Almondz Wealth Advisors Limited, North Square Project Private Limited and Skiffle Healthcare Services Limited. This has been done as all these entities have strong financial linkages and operate under a common promoter and management.

The rating continues to derive strength from comfortable capitalization profile, low overall gearing at 0.12 times as on March 31, 2021 and comfortable liquidity position. The rating also takes into account group's experienced promoter and management team and its long track record of operations with established presence in capital market related business.

The rating strengths, are however partially offset by change in overall business trajectory of the company as it shifts from the core financial businesses to engineering consultancy and non-financial businesses as evidenced by increased focus towards engineering consultancy such as infrastructure advisory business (through AGICL) and distillery business (through Premier Alcobev Private Limited (PAPL)-associate company), longer working capital cycle in infra business with debtors of Rs.15 crore on total assets of AGSL of Rs.35.84 crores as on March 31, 2021, modest earning profile with group reporting net profit of Rs.18.5 crore in FY21 and NBFC arm remaining range bound over the last few years.

Going forward, the ability of AGSL to scale up its operations in infrastructure advisory and distillery business, effectively manage working capital cycle in infrastructure advisory business while improving the profitability and maintaining the capitalization profile would be the key rating sensitivities.

Further, the group plans to merge AGICL with AGSL, and the merger has already been approved by the Board of Directors of AGSL. The first motion application for the merger has been filed with the NCLT in April 2020 and subsequently the second motion application has been filed and the matter is pending with court as on date and is expected to be finalized by the end of current fiscal. CARE will continue to monitor the developments in this regard.

Rating Sensitivities

Positive factors- *Factors that could individually or collectively lead to positive rating action/upgrade*

- Ability to profitably scaleup the infrastructure advisory business
- Maintaining comfortable capitalization profile with gearing below 1 times

Negative factors- *Factors that could individually or collectively lead to negative rating action/downgrade*

- Decline in profitability, asset quality and/or scale of operations of the group (including that of its subsidiaries) due to the change in business strategy of the group
- Significant increase in debtors
- More than envisaged increase in borrowings with gearing rising above 1 times.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team: The group is promoted by Mr. Navjeet S Sobti, who has more than 30 years of diverse experience in Indian financial services spanning across Corporate Finance, Money Markets, and Merchant Banking.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Mr Sobti continues to be one of the largest shareholders in holding company, Avonmore Capital and Management Services Limited (Avonmore). Avonmore held 56.87% in AGSL as on March 31, 2021. AGSL has an experienced Board of 9 members with 1 promoter director and has experienced second line of management to carry out business operations in an efficient manner.

Comfortable capitalization: The capitalization level of the group remains comfortable to support its current scale of operations. AGSL (consolidated) reported tangible net worth of Rs.158.44 crore and total debt of Rs.18.39 crore as on March 31, 2021 vis-à-vis tangible net worth of Rs.136.48 crore and total debt of Rs.21.85 crore as on March 31, 2020. On a consolidated basis, AGSL has maintained conservative leverage policy with consolidated gearing of 0.12 times as on March 31, 2021 (0.16 times as on March 31, 2020). However, adjusted for contingent liabilities of Rs.31.38 crore; the gearing will be 0.31 times as on March 31, 2021. The capitalization profile of the group is expected to remain comfortable in the near to medium term.

Increasing focus on non-financial business supported by merger of AGICL with AGSL which is under process: AGSL was incorporated in 1994 and has more than two decades of track record of operations in the financial and capital market related business such as advisory and consulting in the area of debt and equity capital market, broking in equity, commodity and debt market, distribution of financial products and trading and investment in debt market. However, with the Indian capital market being hugely impacted post IL&FS crisis in Sept 2018; the group's management planned to shift its focus towards infrastructure advisory business through (AGICL) and distillery business (through PAPL). With the increasing focus of the group towards infrastructure advisory business, the group plans to merge AGICL with AGSL and the first motion application of the merger has been filed with the NCLT in April 2020. Subsequently, the second motion application was filed and the matter is pending in court. As per management, the merger is expected to be completed in the current fiscal. Also, the revenue generated through distillery business will only contribute 50% to the bottom line of AGSL; it being an associate company. The company's track record of managing new businesses in a sustainably profitable manner will be critical for its credit profile.

Key Rating Weaknesses

Moderate earning profile: AGSL's profitability metrics have been moderate over last few years primarily on account of shift in its business profile from financial services to engineering consultancy services where the company has been in its initial years of creating pre-qualification eligibility for building its order book. Further, the advisory business has faced challenges due to Covid-19 pandemic situations over the last few quarters that affected its profitability in the infrastructure advisory business. End fiscal 2021, AGSL (consolidated) reported total income and PAT of Rs.65.84 crore and Rs.18.46 crore respectively, up from Rs.64.4 crore and Rs.4.32 crore respectively, in fiscal 2020. The improvement in profitability is mainly on account of share of profit from distillery business (done through associate company-PAPL). The group reported return on total assets (RoTA) and return on net worth (RoNW) of 9.5% and 12.5% respectively as on March 31, 2021, as against 2.47% and 3.34% respectively as on March 31, 2020.

Going forward, as the management expects its share of revenue from infra advisory business to increase; the profitability is also expected to improve.

Unsecured lending in NBFC business: The lending activities of AGSL are undertaken by its wholly owned subsidiary Almondz Finanz Limited (AFL). As on March 31, 2021, AFL's loan book stood at Rs.33 crore increased from Rs.24 crore a year ago. NBFC business remained modest over last few years. The loan book comprises unsecured loans for tenure less than a year and provided to companies/individuals known to the promoters of Almondz group. The Gross NPA was 0.10% as on March 31, 2021 as against Nil as on March 31, 2020. AFL wrote off bad debts amounting to Rs.1.02 crore in FY21 as against Rs.0.24 crore in FY20.

Longer working capital cycle in infrastructure advisory business: Almondz Group (AGSL direct as well as through wholly owned subsidiary AGICL) provide technical consultancy services in various infrastructure sectors such as Smart cities, Urban Infrastructure, Roads, Bridges, Highways, Tunnels, Water & Waste Water, Tourism, Railways & Metro Rail, Ports & Inland Waterways & Airport. Going forward, the group plans to scale up its infrastructure advisory business up with about 80% of incremental business from government projects and rest 20% from private sector players. During FY21, the company booked total revenues of approx. Rs.36 crore in infrastructure advisory business and its debtors were Rs.15 crore as on March 31, 2021, on a consolidated basis. On account of higher debtors, the working capital requirement in infrastructure advisory business remains high.

Liquidity Position: Adequate

The liquidity profile of the group remains comfortable on the back of low leverage. The group has consolidated debt of Rs.18.39 crore as on March 31, 2021 and against this, the group had total cash and cash equivalents amounting to Rs.29.01 crore as on March 31, 2021 and inventory of bonds of around Rs.6.28 crore which provides comfort to the liquidity profile.

Analytical approach: Consolidated, on account of strong financial and management linkages and corporate guarantee provided by AGSL for the bank facilities of AGICL.

Following are the wholly owned subsidiaries of AGSL:

- Almondz Global Infra Consultant Limited
- Almondz Finanz Limited
- Almondz Commodities Private Limited
- Almondz Wealth Advisors Limited
- Skiffle Healthcare Services Limited
- North Square Projects Private Limited

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Non Banking Finance Companies \(NBFCs\)](#)

[Financial Ratios – Financial Sector](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Service Sector Companies](#)

About the Company

AGSL (formerly Allianz Securities Limited) is incorporated in 1994 and is the flagship company of Almondz Group. Avonmore Capital and Management Services Limited is the holding company of Almondz Global securities holding 56.87% as at end fiscal 2021. Avonmore is 8.55% held by Mr Navjeet Sobti, promoter, director of Almondz Group. Apart from being a SEBI registered merchant banker, AGSL is also engaged in corporate finance advisory, investment banking, trading / investments in debt & equity securities, equity, commodity and fixed income broking, distribution of financial products and wealth management and NBFC business. Over last few years, the company has also entered into non-financial sector businesses such as infrastructure advisory (through 100% subsidiary), distillery (through JV) and chain of eye care clinics.

AGSL support staff spread across 5 branches, with corporate offices in Delhi and Mumbai.

Brief Financials# (Rs. crore)	FY20 (A)	FY21 (A)
	IND AS	IND AS
Total Income	64.4	65.8
PAT	4.5	18.5
Interest coverage (times)	2.1	8.9
Total Assets	181.2	208.3
ROTA (%)	2.5	9.5

#: Consolidated, A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Apr 2022	3.73	CARE BBB-; Stable
Fund-based - LT-Bank Guarantee	-	-	-	15.00	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	3.73	CARE BBB-; Stable	-	1)CARE BBB-; Negative (22-Sep-20)	1)CARE BBB-; Negative (09-Oct-19)	1)CARE BBB-; Stable (29-Aug-18)
2	Fund-based - LT-Bank Guarantee	LT	15.00	CARE BBB-; Stable	-	1)CARE BBB-; Negative (22-Sep-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Guarantee	Simple
2.	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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