

## Almondz Global Securities Limited

October 06, 2022

### Rating

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	5.00 (reduced from 18.73]	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
<b>Total facilities</b>	<b>5.00</b> <b>(₹ Five crore only)</b>		

Details of instruments/facilities in Annexure-1

\*CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to the term loan with immediate effect, as per the request of Almondz Global Securities Limited and 'No Dues Certificate' received from the bank that has extended the facilities rated by CARE Ratings.

### Detailed rationale and key rating drivers

The rating for bank facilities of Almondz Global Securities Limited (AGSL) take a consolidated view based upon financial and business profile of AGSL and its wholly owned subsidiaries, namely, Almondz Global Infra-Consultant Limited (AGICL), Almondz Finanz Limited (AFL), Skiffle Healthcare Services Limited (Skiffle), Almondz Financial Services Limited (AFSL), North Square Projects Private Limited (NSPPL) and Almondz Commodities Private Limited (ACPL) and strong financial linkages amongst the companies and operating under a common promoter and management.

The rating continues to derive strength from comfortable capitalisation profile, low overall gearing and comfortable liquidity position. The rating also takes into account the established presence in capital market-related businesses of the group and its growing base in the other non-financial businesses where it has ventured into.

The rating strengths are however partially offset by the group depending on infrastructure advisory business (through AGICL) for revenue growth which have longer collection period. The rating is further constrained by the group's moderate profitability indicators with majority of its net profits being generated from its distillery business, through PAPL.

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

Furthermore, the Almondz group had planned to merge AGICL with AGSL and the first and second motion application of the said merger was filed with the National Company Law Tribunal (NCLT) in April 2020 and May 2021. However, in line with the recent regulatory guidelines regarding segregation of business for advisory/ consultancy and the broking, it was decided to withdraw the application of merger and corresponding approval from NCLT has been received.

### Rating sensitivities

#### Positive Factors - Factors that could individually or collectively lead to positive rating action/upgrade:

- Ability to profitably scale-up the various business
- Maintaining comfortable capitalisation profile with gearing below 1x

#### 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 1x

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

## Detailed description of the key rating drivers

### Key rating strengths

**Comfortable capitalisation profile:** The capitalisation level of the group remains comfortable to support its current scale of operations. AGSL (consolidated) reported tangible net worth of ₹178 crore and total debt of ₹21 crore as on March 31, 2022, up by 12% y-o-y and 32% y-o-y, respectively. The company remains largely equity funded and does not plan to increase its borrowing level in FY23. This has led to the group being able to maintain low gearing levels which stood at 0.12x as on March 31, 2022. The capitalisation profile of the group is expected to remain comfortable in the near to medium term.

**Established presence in capital market and increasing presence in distillery and infrastructure advisory:** AGSL has an established track record in manufacturing, capital market and infrastructure advisory with the group being able to generate business from distillery (through PAPL), wealth management (through AGSL-standalone and AFSL) and infrastructure advisory (through AGICL and partly AGSL-standalone).

Incorporated in 1994, AGSL has more than two decades of track record of operations in the financial & capital market-related business such as advisory and consulting in the areas of debt & equity capital market, broking in equity and debt market, distribution of financial products and trading and investment in debt market. The group's management planned to shift its focus towards infrastructure advisory business through (AGICL) and distillery business (through PAPL). Along with it, the company also has presence in healthcare business through Skiffle Healthcare and lending business through Almond Finanz. Currently, the distiller business contributes to around 80% of the group's profits remaining coming from broking, lending and infrastructure consultancy business. Healthcare business is yet to achieve break even.

AGICL is engaged in infrastructure advisory, wherein 50% of its business is generated through roads and highways and remaining through various other sectors. Around 80% of the business for AGICL are generated through government contracts, which are bade by AGICL either solely, through JVs or through associate companies. Majority of the revenue of the group emanates from advisory/consultancy and broking business with 84% of revenue in FY22 up from 70% of revenue in FY21.

PAPL, incorporated in 2015, is a grain-based distillery with an installed capacity of 55 kilo litres per day (KLPD) of extra neutral alcohol and 30 KLPD for ethanol, and a bottling plant for Indian Made Foreign Liquor and Indian Made Indian Liquor. The plant generates around 79% of the profits to the group. PAPL reported profit after tax of ₹29 crore in FY22 up from ₹28 crore in FY21.

### Key rating weaknesses

**Increasing focus on non-financial business:** The company has entered into healthcare business through Skiffle Healthcare and lending business through Almond Finanz. Currently, the distiller business contributes to around 80% of the group's profits and the remaining coming from broking, lending and infrastructure consultancy business. Healthcare business is yet to achieve break even. The group's management planned to shift its focus towards infrastructure advisory business through (AGICL) and distillery business (through PAPL).

**Moderate earning profile with high dependence on the distillery business:** AGSL's dependence on distillery business, through its associate (PAPL) remains high with PAPL contributing to around 79% of the net profits of the group. Profitability profile of other business verticals 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. Furthermore, 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. AGSL (consolidated basis) reported similar level of profit after tax (PAT) in FY22 with ₹18.55 crore as against ₹18.46 crore on total income of ₹72 crore (+10% y-o-y). The operating profits of AGSL on consolidated level came down by 36% y-o-y on account of rise in interest expenses (+83% y-o-y), despite rise in share of profits by subsidiaries and associates of AGSL.

**Longer working capital cycle in infrastructure advisory business:** With majority of the business of AGICL (80%) being focused towards government sector, the collection period is longer with more than 120 days, as compared to private sector, forming 20% of business of AGICL, wherein the collection period is within 30-60 days. The management plans to increase the proportion of private sector in the business of AGICL which will improve the collection period for the company.

**Liquidity:** Adequate

The liquidity profile of the group remains comfortable on the back of low leverage. The group has consolidated debt of ₹21 crore as on March 31, 2022 and against this, the group had liquidity of ₹29 crore in THE form of cash and cash equivalents and bank balances.

### 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 Financial Services Limited
- Skiffle Healthcare Services Limited
- North Square Projects Private Limited

### Applicable Criteria

[Rating Methodology: Consolidation](#)

[Policy on Default Recognition](#)

[Financial Ratios – Financial Sector](#)

[Criteria on Assigning 'Outlook' or 'Credit Watch' to Credit Ratings](#)

[Rating Methodology - Services Sector](#)

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

### About the Company

AGSL is incorporated in 1994 and is the flagship company of Almondz Group. Avonmore is the holding company of AGSL. Avonmore is held by Innovative Money Matters Private Limited (37.30% stake in Avonmore), Rakam Infrastructures Private Limited (18.50% stake in Avonmore), Navjeet Singh Sobti (8.55% stake in Avonmore) and others in promoter group held 0.02% as on June 30, 2022. 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.

Consolidated Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23 (UA)
Total operating income	65.84	72.15	16.48
PAT	18.46	18.55	3.82
Interest coverage (times)	8.85	5.30	6.42
Total Assets	208.30	246.12	NA
Net NPA (%)	0.09	0.00	NA
ROTA (%)	9.48	8.16	NA

A: Audited; UA: Unaudited

NA: Not Available

**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	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	12-04-2022	0.00	Withdrawn
Fund-based - LT-Bank Guarantee	-	-	-	-	5.00	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 (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB-; Stable (06-Oct-21)	1)CARE BBB-; Negative (22-Sep-20)	1)CARE BBB-; Negative (09-Oct-19)
2	Fund-based - LT-Bank Guarantee	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Oct-21)	1)CARE BBB-; Negative (22-Sep-20)	-

\*Long term

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

Sr. No.	Name of 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 instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

**Contact us****Media Contact**

Name – Mradul Mishra

Phone: +91-22-6754 3596

E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)**Analyst Contact**

Name: Gaurav Dixit

Phone: +91-11-4533 3235

E-mail: [gaurav.dixit@careedge.in](mailto:gaurav.dixit@careedge.in)

Name: Neha Kadiyan

Phone: 8130340369

E-mail: [Neha.Kadiyan@careedge.in](mailto:Neha.Kadiyan@careedge.in)

Name: Deepshi Panda

E-mail: [deepshi.panda@careedge.in](mailto:deepshi.panda@careedge.in)**Relationship contact**

Name: Swati Agrawal

Phone: +91-11-4533 3200

E-mail: [swati.agrawal@careedge.in](mailto:swati.agrawal@careedge.in)**About us:**

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