

Almondz Global Securities Limited

October 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has conducted the rating assessment of Almondz Global Securities Limited (AGSL) based on the consolidated approach of AGSL and its subsidiaries; hereinafter referred to as 'Group'.

The reaffirmation in the rating assigned of the bank facilities of AGSL continue to derive strength from group's established presence in capital market related business and increasing presence in infrastructure related and other business segments. The rating also continues to derive comfort from the moderate financial risk profile of the group characterized by improvement in revenue with sustained profitability reported during FY23 (refers to period April 01 to March 31), comfortable overall gearing with moderate debt coverage indicators. The rating, however, continue to remain constrained by the group's dependence on infrastructure consultancy and distillery business with majority of revenue coming from infrastructure advisory through Almondz Global Infra Consultant Limited (AGICL) while profitability and cash generation is derived from distillery business through Premier Alcobev Private Limited (PAPL). The rating also continues to remain constrained on account of working capital-intensive nature of operations indicated by elongated collection period and dependence upon timely execution of projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in overall scale of operations above 20% from existing level with sustenance in operating margin above 15%.
- Improvement in average collection period to less than 90 days on a sustained basis.

Negative factors

- Decline in scale of operations from existing level and moderation in operating margins below 8%.
- Elongation in average collection period to beyond 200 days leading to deterioration in liquidity position of the company.
- Deterioration in the capital structure with overall gearing ratio beyond 0.60x on a sustained basis
- Any delays in project execution impacting the financial performance and liquidity position of the company.

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 (100.00%)
- Almondz Finanz Limited (100.00%)
- Almondz Commodities Private Limited (100.00%)
- Almondz Financial Services Limited (100.00%)
- Skiffle Healthcare Services Limited (100.00%)
- North Square Projects Private Limited (100.00%)

Outlook: Stable

Stable outlook reflects CARE's opinion of expected improvement in turnover and profitability of the group in near to medium term led by ramp up of operations in subsidiary companies, sustained healthy margins and low external debt in the group.

Detailed description of the key rating drivers:

Key strengths

Established presence in capital market and infrastructure related business segment

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 area of debt & equity capital market, broking in equity, commodity and debt market, distribution of financial products and trading and investment in debt market. The group has also increased its presence in infrastructure advisory through AGICL. Around 80% of the business for AGICL is generated through government contracts, which are executed 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 79% of revenue in FY23 as against 84% revenue in FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Comfortable capital structure

The capital structure of the company remains comfortable with overall gearing of 0.10x as on March 31, 2023 (PY: 0.13x) as AGSL largely remains equity funded and there is no plan to raise additional borrowings. The debt coverage indicators stood satisfactory with interest coverage and total debt/GCA ratio of 2.04x (PY:1.98x) and 1.13x (PY:1.16x) respectively during FY23. The financial risk profile of the group is expected to remain comfortable in the near to medium term as there is no major capex or term debt planned in near future.

Key weaknesses

Moderate earning profile with dependence on infrastructure consultancy and distillery business

AGSL, on consolidated level, generates maximum revenue from infrastructure segment contributing around 60-62% of revenue which largely comes from AGICL. It is followed by debt & equity market operations and wealth broking activities which contribute ~20% to the overall revenue of the group.

AGSL reported PBILDT & PAT margin of 12.88% & 20.62% respectively in FY23 as against margin of 14.14% & 27.02% respectively in FY22. The PBILDT margin slightly moderated in FY23 on account of an increase in employee costs and professional fees paid to consultants. Net profitability of the company is supported by profit share (~68% on consolidated level) from distillery business through joint venture entity Premier Alcobev Private Limited in which AGSL holds 50% equity shares. The company reported TOI of Rs. 17.53 crores with PBILDT of Rs. 3.88 crores in Q1FY24 (refers to period April 01 to June 30).

Elongated working capital cycle in infrastructure advisory business

The company on consolidated level generates majority of revenue from infrastructure consultancy segment through AGICL, which involves larger collection period as majority of business is coming from government counterparties (~around 80%) leading to relatively longer time in ultimate recovery of infrastructure advisory fees in the government sector projects. However, to mitigate the same, the company has been focusing on increasing the proportion of private sector projects which involves shorter collection period. Average collection period reported at 161 days as on March 31, 2023 (PY: 167 days) and operating cycle stood elongated at 100 days as on March 31, 2023 increased from 62 days as on March 31, 2022 owing to reduced creditors period from 152 days as on March 31, 2022 to 139 days as on March 31, 2023. The company manages its working capital requirements through internal accruals and sanctioned fund- based limit of Rs. 8.86 crores having an average utilization of ~78% for the trailing eleven months ending with June 30, 2023.

Dependence upon timely execution of projects

The revenue profile of the group being largely derived from AGICL is dependent upon smooth and timely execution of infrastructure projects like roads, bridges, tunnels etc. has inherent risk of delay in execution due to site hand over, weather conditions and issues related to availability of labour etc. which may result in time and cost overrun in the projects. However, the long industry experience of promoters in infra consultancy business mitigates these risks to some extent.

Liquidity: Adequate

The liquidity position of the company is adequate and marked by expected GCA of ~Rs. 27-28 crores as against nominal repayment obligations of Rs. 1-2 crores. Liquidity position is also supported by a favourable capital structure for the group (Gearing of 0.10x as on March 31, 2023). AGSL (on a consolidated level) maintained liquidity (cash and bank balance) of ~Rs. 25.25 crore as on March 31, 2023. The overall utilisation of working capital limits also remains comfortable, and the company has no major debt funded capex planned in near future.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Stockbroking & Allied

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) and distillery (through JV).

Brief Financials (₹ crore) – Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	68.64	76.51	17.53
PBILDT	9.71	9.86	3.88
PAT	18.54	15.78	3.76
Overall gearing (times)	0.13	0.10	Not Available
Interest coverage (times)	1.98	2.04	3.77

A: Audited UA: Unaudited; Note: 'the above results are latest financial results 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: Annexure-4

Lender details: Annexure-5

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-Bank Guarantee	-	-	-	-	5.00	CARE BBB-; Stable

Annexure-2: Rating history for the 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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Oct-22)	1)CARE BBB-; Stable (06-Oct-21)	1)CARE BBB-; Negative (22-Sep-20)
2	Fund-based - LT-Bank Guarantee	LT	5.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (06-Oct-22)	1)CARE BBB-; Stable (06-Oct-21)	1)CARE BBB-; Negative (22-Sep-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the 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 for any clarifications.

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About us:

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