



Press Release
RAJASTHAN GLOBAL SECURITIES PRIVATE LIMITED
November 13, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-

Rating Rationale

Acuite has assigned long term rating of **ACUITE A- (read as ACUITE A minus)** on Rs. 150 crore bank loan facilities of Rajasthan Global Securities Private Limited. The outlook is 'Stable'.

Rationale for rating assigned

The rating assigned considers the established presence of the company for the last 28 years along with the extensive three decades of experience of its promoter Mr. Lalit Dua in the capital markets. The rating factors in the healthy and low leveraged capital structure of the company supported by a networth of Rs. 1,300 crores as on March 31, 2023. The Networth of the company stood at Rs. 1,678 crore as on September 30, 2023 along with total debt of Rs. 370 crore translating into a low gearing of 0.22 times. Further, the rating takes into consideration the lending segment of the company which is strengthened by an improving loan book and sound asset quality metrics. The loan book of the company grew to Rs. 598 crore as on September 30, 2023 as against Rs. 295 crore and Rs. 289 crore as on March 31, 2023 and March 31, 2022 respectively. RGSPL's on time portfolio as on September 30, 2023 stood at 100 percent with NIL Non-performing assets.

The rating is however constrained by limited portfolio seasoning and geographical concentration of its loan portfolio along with susceptibility of its earnings profile to the level of volatility or any adverse movements in the capital markets.

About the company

Incorporated in 1995, Rajasthan Global Securities Private Limited (RGSPL) is a Non-Deposit taking Systemically Important Non-Banking Finance Company (ND-SI-NBFC). RGSPL is engaged in the business of making investments, trading, special situations, various types of arbitrages. It has also taken anchor allotment as a QIB in several IPOs consistently of both mainboard and SMEs. The major operating revenue and business model of the company however remains of making long-term value investments and deriving long-term and short-term profits from its stock market investments including arbitrage activities. RGSPL also has a lending business segment through which it offers a one stop destination to small and medium size enterprises and real estate developers. It has a product design of last mile lending for real estate developers (mostly affordable housing) for group housing/plotted projects (only in Delhi-NCR) against the projects developed/to be developed by them. The complete lending is based upon securitized collateral linked it to cash based escrow which makes it a multiple trier security for RGSPL. The company is promoted by Mr. Lalit Dua who has over three decades of experience in the industry.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Rajasthan Global Securities Private Limited (RGSPL).

Key Rating Drivers

Strength

Established track record of operations and extensive experience of the promoters

Incorporated in 1995, Rajasthan Global Securities Private Limited (RGSPL) is a Non-Deposit taking Systemically Important Non-Banking Finance Company (ND-SI-NBFC). RGSPL is engaged in the business of making investments, trading, special situations, various types of arbitrage for the last 28 years. It has also taken anchor allotment as a QIB in several IPOs consistently of both mainboard and SMEs. The company also generate interest income through its lending segment. RGSPL has a joint lending partnership with CSL Finance Limited where it lends to various developers in the Delhi NCR area.

The company is promoted by Mr. Lalit Dua, first generation entrepreneur who has over 3 decades of experience in the capital markets. The company is managed by a qualified and well experienced senior management team along with Mr. Dua. The extensive experience of the promoters and management in special situations, making long-term and short-term investments in capital markets and last mile lending to affordable housing real-estate developers based out of Delhi-NCR has helped in building a strong network of Rs. 1,300 crores with zero net debt and initial minimal equity which is 100 percent owned by the promoters and total AUM of Rs. 1,320 crores (including earning assets) as on March 31, 2023. Acuité believes that the company's business profile will continue to benefit from the established presence in the capital markets, backed by strong managerial support.

Healthy capital structure and strong resource raising ability

The capital structure of the company is supported by a strong network of ~Rs. 1,678 crore as on September 30, 2023 and total debt of Rs. 370.26 crore resulting in low gearing of 0.22 times. As on March 31, 2023 the company has nearly nil debt obligations and a network of Rs. 1,300 crores. The company has established relations with 10 lenders including private sector banks and financial institutions. The company avails loan against securities to invest in short term capital market opportunities.

RGSPL's capitalisation levels remain healthy reflected by overall Capital Adequacy Ratio of 88.17 percent as on September 30, 2023 (106.86 percent as on March 31, 2023), mainly by way of Tier I capital of 88.12 percent (106.64 percent as on March 31, 2023).

Acuité believes that the company's comfortable capitalization levels and strong resource raising ability will support its growth plans over the medium term.

Sound asset quality

The company has a joint lending arrangement with CSL Finance where the company jointly lends to various real estate developers in Delhi NCR area. The AUM of the company stood at Rs. 598 crore as on September 30, 2023 as against Rs. 295 crore and Rs. 289 crore as on March 31, 2023 and March 31, 2022 respectively. The average ticket size of the loans are Rs. 30 crore extended for a tenor of 6-36 months. The AUM of the company comprises of ~43 percent of real estate loans and ~55% of unsecured loans. The company extends short term unsecured loans to its group companies to invest in short term capital market opportunities. RGSPL's asset quality remains sound with an on-time portfolio of 100 percent and NIL Non-performing assets. The company has never recorded any NPA's on its lending portfolio.

Acuité believes that RGSPL's prudent lending policies and longstanding relationship with CSL Finance will support its ability to scale up its operations and maintain healthy asset quality.

Weakness

High concentration of loan book; susceptible to asset quality moderation

The loan book of the company as on September 30, 2023 stood at 598 crore which comprises of 55% of unsecured loans extended to its group companies. Further, the top five borrower

comprise of ~70 percent of the loan book and the entire real estate book of the company is concentrated with 17 borrowers. The company also faces geographical concentration risk as all the borrowers of the company are concentrated in the Delhi. Occurrence of events such as slowdown in economic activity any major natural calamity in the union territory could impact the cash flows of the borrowers thereby impacting credit profile of RGSPL's borrowers leading to adverse impact the asset quality of the company.

Acuite believes that the company's asset quality is susceptible to the concentration of its loan book.

Susceptibility of financial performance to the capital markets

RGSPL's primary source of income is through various transactions entered in by the company in the capital markets. The total income of the company comprises of ~95 percent of gains and income from capital markets. The company generated profit after tax of Rs. 229.38 crore for FY23 as against Rs. 264.45 crore and Rs. 283.29 crore for FY22 and FY21 respectively. The company's operating performance is directly linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. Any adverse market movement (downturn) would result in decline in the company's earning profile.

Acuite believes that the level of activity in the capital markets will continue to be a key determinant of its revenue profile and future growth trajectory.

Rating Sensitivity

- Changes/ dilution in shareholding and promoter support
- Movement in Business volumes & operating performance
- Change in profitability metrics due to sharp movement in capital market
- Changes in regulatory environment & regulatory actions against the company

All Covenants

None

Liquidity Position Adequate

Business growth of RGSPL has been supported by the group's internal accruals and the company's dependence on debt is very low as reflected in low gearing of 0.22 times as on September 30, 2023. Hence, the company has no significant term debt obligations over the near term. The company currently has Cash and bank balance Rs. 113 crore as on March 31, 2023. Further, the company total sanctioned limits of ~Rs. 990 crore. Acuite believes the liquidity position of the company will remain adequate in the near to medium term.

Outlook: Stable

Acuite believes that RGSPL will maintain 'Stable' credit risk profile over the medium term supported by its well-established position in the capital markets and experienced management. The outlook may be revised to 'Positive' in case of a sizeable improvement in its earnings translating to an improvement in its Networth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability metrics or any adverse movements in asset quality metrics of the company.

Other Factors affecting Rating

Not applicable

Key Financials - Standalone / Originator

	FY23	FY22

Particulars	Unit	(Actual)	(Actual)
Total Assets	Rs. Cr.	1330.57	1735.34
Total Income*	Rs. Cr.	297.32	328.28
PAT	Rs. Cr.	229.38	264.45
Net Worth	Rs. Cr.	1300.59	1071.21
Return on Average Assets (RoAA)	(%)	14.96	19.40
Return on Average Net Worth (RoNW)	(%)	19.34	28.16
Debt/Equity	Times	0.00	0.54
Gross NPA	(%)	NIL	NIL
Net NPA	(%)	NIL	NIL

* Total income equals to Revenue adjusted for Finance cost, Purchase of stock in trade and changes in inventory

Status of non-cooperation with previous CRA (if applicable):

Not applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE A- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Deepti Bhandarkar Lead Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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