



Press Release

Pioneer Investcorp Limited

July 8, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based Bank Facilities*	120.00	IVR AA+ (CE)/ Stable [IVR Double A Plus (Credit Enhancement) with Stable Outlook]	Assigned	Complex
Long Term Fund based Bank Facilities. (Sub-Limit - Bonds)**	(120.00)	IVR A (CE)/ Stable [IVR Single A (Credit Enhancement) with Stable Outlook]	Assigned	Complex
Total	120.00 (Rupees One Hundred and Twenty crore only)			

Details of Facilities are in Annexure 1

*Credit Enhancement (CE) rating based on Pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with 5.00% margin for G-Sec (holding).

**Credit Enhancement (CE) rating based on Pledge of AAA rated Non-Convertible Corporate Bonds (NCB) with 7.50% margins, AA+ rated NCB with 10.00% margins, AA rated NCB with 12.50% margins and AA- rated NCB with 15.00% margins held by the borrower in DP account with Federal Bank.

Unsupported Rating	IVR BBB/ Stable (IVR Triple B with Stable Outlook)
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Note: Unsupported Rating does not factor in the explicit credit enhancement.

Detailed Rationale for the credit enhanced debt

The rating assigned to the bank facilities of Pioneer Investcorp Limited (PINC) is based on pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with 5.00% margin for G-Sec (holding) and pledge of AAA rated Non-Convertible Corporate Bonds (NCB) with 7.50% margins, AA+ rated NCB with 10.00% margins, AA rated NCB with 12.50% margins and AA- rated NCB with 15.00% margins held by the borrower in DP account with Federal Bank.

The rating also takes into account the sound facility structure with secured trading mechanism, low credit risk as trading is allowed only in limited type of securities and



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shorter duration of the holding period with compulsory settlement within the specified period and market risk on account of volatility in interest rates and liquidity risk.

Detailed Rationale for the Unsupported ratings

The unsupported rating assigned to the bank facilities of PINC derives strength from experienced management, reputed customer base and healthy financial risk profile of the company. The ratings are, however, constrained by relatively small scale of operations amid the competitive industry.

Key Rating Sensitivities

Upward Factor

- Substantially scaling up in operations along with increase in profitability leading to improvement in overall credit risk profile of the company.

Downward Factor

- Deterioration in the credit profile of the company and/or the lender.
- Volatility in the interest rates leading to deterioration in the business risk profile.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Management

The company's operations are headed by Mr. Gaurang Gandhi, a qualified chartered accountant and Founder of PINC Group. With over three decades of experience in the financial services industry, he has advised companies across infrastructure, pharmaceutical, realty, consumer durable, engineering industry and financial services. He is supported by highly qualified and experienced second tire management across the functions. PINC is active in trading of corporate bonds and activities related to debt securities and benefits from the promoters experienced management.

Reputed customer base

The company has a reputed and established clientele. The company majorly sells securities to Mutual Fund houses, Banks, Insurance Companies and other institutions. The respective



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entities have to strictly invest their funds in the specific securities as per government guidelines.

Sound facility structure and secured trading mechanism

PINC has entered into an agreement with Federal Bank which have stipulated the type of securities that can be purchased using this limit. The limits can only be used for the purpose of purchase of government securities, SDLs and Corporate bonds within the specified norms by the banks including margin requirements, settlement period, time limit of limit utilization etc. Thus, the usage of facility is limited by its purpose.

The company being a member of Negotiated Dealing System (NDS) participates in the primary auctions and secondary debt market trades through Federal Bank which is scheduled commercial banks permitted by RBI to participate directly. For this purpose, PINC has opened a securities account with the bank, known as gilt account. A gilt account is a dematerialized account maintained by the banks for its constituent (i.e. PINC). PINC has been given indirect access to NDS (trading platform) through the banks. The company has executed a power of attorney in favour of the Bank authorizing the Bank to dispose of the securities held in Constituent's Subsidiary General Ledger (CSGL) account towards dues to the Bank in the event of non-fulfilment of sanctioned conditions. Further, PINC is required to maintain the margin at 5% to 15.00% on a daily basis depending on the type of security traded. In the event of decline in bond value, additional margin is to be provided to replenish the margins to 5% or above as required on the existing holdings.

Low credit risk

As per the sanction terms, the bank limits are to be utilized for trading in G-sec and corporate bonds. These securities are not allowed to be held beyond 30 days and 45 days respectively, any security in the pledged basket should be churned within the stipulated time from the date of its pledging. The company has a policy of not maintaining open positions beyond 15 days in the corporate bond and G-sec segment. Hence, the credit risk associated with the pledged securities is relatively low. Further, within the corporate bonds, the company is involved in the trading in high rated (i.e. 'AAA', 'AA' rated) bonds only.



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Healthy financial risk profile of the company

The company has a healthy financial risk profile with comfortable leveraging position. The overall gearing and TOL/TNW stood at 0.81x and 0.87x respectively as on March 31, 2021 and at 0.38x and 0.46x respectively as on March 31, 2022. The company has witnessed an increase in operating profitability in FY21 and FY22 owing to an efficient management of expenses. The EBITDA margins improved to 41.25% in FY21 from 41.07% in FY20. Further, EBITDA margin has improved to 44.95% in FY22.

Key Rating Weaknesses

Relatively small scale of operations amid the competitive industry

PINC's overall transaction value (sales of G-Sec, SDL and Corporate Bonds) stood at Rs.6627.53 crore in FY22 as compared to Rs.8198.59 crore in FY21 (FY20: Rs.20001.47 crore). The company's business performance is linked to the level of activity in the bond market which in turn is linked to the overall economic cyclicalities and other macro-economic factors. The trading activity in G-sec/corporate bonds has been picking-up pace in the recent years and the company's plans of up-scaling the business totally depends on the market situation and the management's view of the direction in which the market is heading. Also, the industry is characterized by competition from various players to tap the market share at competitive pricing.

Market risk on account of volatility in interest rates and liquidity risk

The company is exposed to market risk arising out of adverse movement of prices of the securities due to changes in interest rates. Specifically, the prices of Government securities are influenced by the level and changes in interest rates in the economy and developments in other markets including credit and capital markets, international bond markets, and policy actions by RBI. This will result in booking losses on mark to market basis. Further, in addition the company also faces liquidity risk on account of inability of the company to liquidate holdings due to non-availability of buyers for the security. Due to illiquidity, the company may need to sell at adverse prices and incur losses. However, as per the structure, the company needs to put upfront margins to the extent of 5%-15% (margins vary based on ratings of the securities) of the total limits provided by the lender.



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Analytical Approach:

- Credit Enhancement (CE) Rating: Credit Enhancement rating based on pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with 5.00% margin for G-Sec (holding) and pledge of AAA rated Non-Convertible Corporate Bonds (NCB) with 7.50% margins, AA+ rated NCB with 10.00% margins, AA rated NCB with 12.50% margins and AA- rated NCB with 15.00% margins held by the borrower in DP account with Federal Bank.
- Unsupported Rating: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Entities](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Structure Debt Transactions \(Non-securitisation Transaction\)](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate

The liquidity of the company is adequate in absence of any major long term debt repayment obligations in the near to medium term. Its average fund based working capital utilization for the 12 months ended March 2022 stood around 32.10%. As per the structure, the company needs to put upfront margins to the extent of 5%-15% (margins vary based on ratings of the securities) of the total limits provided by the lender.

About the Company

PINC is an integrated mid-market focused financial services company. The company is SEBI registered Category – I Merchant Banker and provides Investment Banking and Financial Advisory Services. It is listed on the BSE. With over 3 decades of existence, PINC offers a gamut of customized services, which includes formulating capital structure, raising capital, debt restructuring, project financing, coal consultancy and other corporate advisory services. Along with these services the company is offering its services in the area of Secondary capital market like open offer in Takeovers, Right issue, Buy-back, Mergers and Amalgamation, and valuation assignments. The company also deals in Government securities (G-Sec & SDL) and



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corporate bonds. PINC is promoted by Mr. Gaurang Gandhi, a chartered accountant, having over three decades of experience in the Indian Debt Market.

Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	25.06	26.75
EBITDA	10.34	12.03
PAT	0.63	3.67
Total Debt	100.48	48.89
Tangible Net Worth (Book TNW)	123.35	128.37
Ratios		
EBITDA Margin (%)	41.25	44.95
PAT Margin (%)	2.47	13.34
Overall Gearing Ratio (x)	0.81	0.38

*As per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (May 7, 2021)	Date(s) & Rating(s) assigned in 2020-21 (November 10, 2020)	Date(s) & Rating(s) assigned in 2019-20
1	Cash Credit (G-Sec)	Long Term	120.00	IVR AA+ (CE)/ Stable	-	-	-
2	Cash Credit (Bonds) sub limit of Cash Credit (G-Sec)	Long Term	(120.00)	IVR A (CE)/ Stable	-	-	-
3	Proposed Non-Convertible Debentures	Long Term	-	-	Withdrawn	Provisional IVR AA+ (CE)/ Stable	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities:

Name of Facility	ISIN No.	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit (G-Sec)	-	-	-	-	120.00	IVR AA+ (CE)/ Stable



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Name of Facility	ISIN No.	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit (Bonds) sub limit of Cash Credit (G-Sec)	-	-	-	-	(120.00)	IVR A (CE)/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Pioneer-Investcorp-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.