



Press Release

Pioneer Investcorp Limited (PINC)

September 13, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Fund Based Bank Facilities – Cash Credit	120.00#	IVR BBB+ / Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/ Negative; ISSUER NOT COOPERATING * (IVR Triple B Plus with Negative Outlook; Issuer Not Cooperating) *	Rating reaffirmed, removed from the Issuer Not Co-operating category and outlook revised to stable	Simple
Total			120.00		
			(Rupees Hundred and Twenty Crore Only)		

*Issuer did not cooperate; based on best available information

#Sublimit of long-term fund-based cash credit facility - bonds worth Rs. 120 crore.

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities of PINC which continues to derive strength from stable scale of operations coupled with healthy profitability margins, low credit risk as trading is allowed only in limited type of securities and shorter duration of the holding period with compulsory settlement within the specified period, sound facility structure and secured trading mechanism, reputed customer base & experienced management. However, the ratings are partially constrained by moderate financial risk profile and market risk on account of volatility in interest rates and liquidity risk.

Infomerics Ratings expects outlook to remain stable on the expectations of stable scale of operations coupled with healthy profitability margins and improvement in financial risk profile of the overall group.

Key Rating Sensitivities:



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Upward Factors

- Substantially scaling up its operations along with improved profitability leading to improvement in overall financial risk profile.

Downward Factors

- Deterioration in the overall financial risk profile.
- Volatility in the interest rates leading to deterioration in the overall business profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Stable scale of operations coupled with healthy profitability margins:

PINC group's overall transaction volume (sales of G-Sec, SDL and Corporate Bonds) has grown y-o-y by ~57% to ~Rs. 10,005 crores in FY24 (refers to period 1st April 2023 to 31st March 2024) whereas its total operating income has grown y-o-y by ~12% to Rs. 35.57 crore in FY24 on back of growth higher transaction volume. Additionally, PINC group's EBITDA margin continues to remain healthy though marginally declined to 31.35% in FY24 vis-à-vis 33.33% in FY23 on back of higher GST payments in FY24 whereas its PAT margin improved to 9.93% in FY24 (FY23: 6.35%) on account of higher non-operational income which primarily includes higher interest income of ~Rs. 5.43 crore in FY24.

Infomerics Ratings expects PINC group's scale of operations to remain stable due to inherent volatile nature of government securities trading business where income levels are range bound due to the dependence on external factors like interest rate cycle, market conditions, trading volumes, etc. coupled with improvement in EBITDA level margins on back of rationalizing in operating expenses.

Low credit risk as trading is allowed only in limited type of securities and shorter duration of the holding period with compulsory settlement within the specified period:



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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, any security in the pledged basket should be churned within the stipulated time from the date of its pledging. PINC group has kept 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, PINC group is only involved in the trading in high rated ('AAA', 'AA') bonds only.

Sound facility structure and secured trading mechanism:

PINC group 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. PINC group being a member of Negotiated Dealing System 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 group has opened securities account with the banks known as gilt account. A gilt account is a dematerialized account maintained by the banks for its constituent. PINC has been given indirect access to NDS (trading platform) through the banks. PINC group 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 group 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.

Reputed Customer base:



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PINC group has an established clientele base. PINC group majorly sells securities to mutual fund houses, banks, insurance Companies, and other institutions. The respective entities must strictly invest their funds in the specific securities as per government guidelines.

Experienced Management:

PINC group's operations are headed by Mr. Gaurang Gandhi, a qualified chartered accountant and founder of the PINC. 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. The promoters are supported by highly qualified and experienced second tire management across the functions. PINC group is active in trading of corporate bonds and activities related to debt securities and benefits from the promoter's experienced management.

Key Rating Weaknesses

Moderate Financial Risk Profile:

PINC group's financial risk profile is moderate marked by adjusted overall gearing and adjusted total outside liabilities / tangible net worth (TOL /TNW) which stood at 2.68x & 6.18x respectively in FY24 vis-à-vis 0.66x & 0.80x in FY23 due to knocking off effect on account of investments in its associate company namely Pioneer Insurance & Reinsurance Brokers Pvt Ltd. & subsidiary namely Siddhi Portfolio Services Pvt Ltd. of Rs. 105.02 crore & Rs. 1.18 crore respectively as on 31st March 2024 from its book tangible net worth. However, as on 31st March 2023, Pioneer Insurance & Reinsurance Brokers Private Ltd. total operating income stood at Rs. 82.36 crore with EBITDA in absolute terms at Rs. 9.94 crore. Additionally, its financial risk profile is comfortable with overall gearing at 0.03x and ICR at 5.37x in FY23. Hence, the probability of investment being written off appears to be remote due to the favourable financial risk profile of its associate company namely Pioneer Insurance & Reinsurance Brokers Pvt Ltd. Additionally, PINC group's debt protection metrics are moderate as marked by DSCR and ICR which stood at 1.41x & 1.05x respectively as on 31st March 2024 vis-à-vis 1.63x & 1.62x as on 31st March 2023 on account of higher bank borrowings in FY24. PINC group's overall financial risk profile will remain a key rating monitorable.

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



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PINC group's 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 PINC group to liquidate holdings due to non-availability of buyers for the security. Due to illiquidity, PINC group may need to sell at adverse prices and incur losses. However, as per the structure, PINC group 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.

Analytical Approach: Consolidated

Infomerics Ratings has taken a consolidated view on PINC and its wholly own subsidiaries due to common management, strong operational and financial linkages between the holding company i.e. PINC & its wholly owned subsidiaries and use of same brand name "Pioneer" in case of most of the subsidiaries.

Applicable Criteria:

[Rating Methodology for Service Sector Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Rating Criteria on Consolidation of Companies](#)

Liquidity – Adequate



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Liquidity is adequate marked by gross cash accruals (GCA) of Rs.4.35 crores against no major long term debt repayment commitment. PINC group has a favourable working capital limits utilisation, with average CC utilisation at a low ~13% as of May 2024, providing adequate liquidity cushion. Furthermore, as per the structure, the PINC group needs to put upfront margins of 5% for AAA rated Government guaranteed bonds. For others such as PSU & bonds issued by banks, the margins vary based on ratings of the securities. Cash and Bank balance stood at Rs. 2.65 Crore as on March 31, 2024.

About the Company:

PINC is an integrated mid-market focused financial services company. It is a SEBI registered Category – I Merchant Banker and provides Investment Banking and Financial Advisory Services. 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 also offering its services in the area of secondary capital market like open offer in takeovers, rights issue, buy-back, mergers and amalgamation, and valuation assignment. PINC also trades in securities (G-Sec & SDL) and corporate bonds under its proprietary book.

Financials (Consolidated):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	31.88	35.57
EBITDA	10.62	11.15
PAT	2.05	4.07
Total Debt	82.16	104.41
Tangible Net Worth	139.26	147.91
EBITDA Margin (%)	33.33	31.35
PAT Margin (%)	6.35	9.93
Overall Gearing Ratio (x)	0.59	0.71
Interest Coverage (x)	1.62	1.05

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022 - 23	Date(s) & Rating(s) assigned in 2022 - 23	Date(s) & Rating(s) assigned in 2022 - 23
					March 19, 2024	Feb 20, 2023	Jan 24, 2023	July 08, 2022
1.	Long term Fund Based Bank Facilities – Cash Credit	Long Term	120.00#	IVR BBB+ / Stable	IVR BBB+/ Negative; ISSUER NOT COOPERATING *	IVR A- / Negative	IVR A- / Stable	IVR AA+ (CE) / Stable

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Analytical Contacts:

Name: Sree Harsha	Name: Amey Joshi
Tel: (022) 62396023	Tel: (022) 62396023
Email: sree.harsha@infomerics.com	Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook
Long term Fund Based Bank Facilities – Cash Credit	--	--	--	Revolving	120.00#	IVR BBB+ / Stable

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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Pioneer-Investcorp-sep24.pdf>

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

Annexure 4: List of companies considered for consolidated analysis:



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Name of the Company	Relationship with parent company	Extent of Consolidation
Pioneer Wealth Management Services Limited	Subsidiary	Full
Pioneer Money Management Limited	Subsidiary	Full
Pioneer Investment Advisory Services Limited	Subsidiary	Full
PINC Finserve Private Limited	Subsidiary	Full
Infinity.com Financial Securities Limited	Subsidiary	Full
Pioneer Fundinvest Pvt. Ltd	Subsidiary	Full
E-Ally Securities (India) Private Limited	Subsidiary	Full
Pioneer Insurance & Reinsurance Brokers Private Limited*	Associate	Full

*Control by virtue of shareholding directly and indirectly through Subsidiary i.e E -Ally Securities (India) Private Limited

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.