



Press Release

Pioneer Investcorp Limited (PINC)

November 10, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Proposed Non-Convertible Debentures	25.00	Provisional IVR AA+ (CE)/ Stable Outlook [Provisional IVR Double A Plus (Credit Enhancement) with Stable Outlook]*#
	Total	25.00	

*CE rating is based on the proposed pledge of Government securities to be held by the borrower in CSGL account with Federal Bank's Treasury department with 5% margin.

#Provisional rating is assigned based upon the proposed structure for the trading of Government securities, which will get converted into final rating post satisfying the terms of credit enhancement rating with Infomerics.

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating derives comfort from strength of the proposed structure and low credit risk as trading to be allowed only in government securities and shorter duration of the holding period with compulsory settlement within the specified period. This results in credit enhancement in the rating of the proposed instrument to **Provisional IVR AA+ (CE)/ Stable Outlook [Provisional IVR Double A Plus (Credit Enhancement) with Stable Outlook]** against the unsupported rating of **IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)**.

The rating further considers the standalone credit profile of PINC which takes into account the Stable financial risk profile of PINC and experience of the management.

These rating strengths are partially offset by a small scale of operations and Market risk on account of volatility in interest rates and liquidity risk.



Press Release

Key Rating Sensitivities

Upward Factor

- Substantial increase in the scale of operations.
- Improvement in the credit risk profile.
- Maintenance of adequate liquidity.

Downward Factor

- Deterioration in the credit profile of the company.
- Volatility in interest rates.
- Substantial deterioration in capital structure.

List of key rating drivers with detailed description

Key Rating Strengths

Sound facility structure and Comprehensive control on utilization of funds:

The amount raised from the investor as NCDs will be kept in CSGL Margin Account held with the Federal Bank along with PINC margins at all times so as to maintain a 1.2 time cover.(i.e at any point the margin cover will be 1.2 time).

A waterfall mechanism will be in place with Federal bank such that for any mark-to-market on securities, PINC's portion of the overall margin will be appropriated first. Once 85% of margin posted by PINC is utilized such, the overall position of securities held will be squared off. This will provide a complete cushion to the NCD investor's money such that the amount posted against overall margin is never at risk. This waterfall mechanism will be documented and agreed upon with Federal Bank/Other custodians, which as the custodian bank will ensure that investor's money is protected at all times given the overlay of margin posted by PINC which will bear the first loss.

The NCD amount will only be utilized as margin for buying the securities (SLR securities; G Sec and SDL) and the balance will be funded from the bank line limit from Federal Bank. At the time of sale of securities, Federal Bank will take back the amount they have funded to PINC and post that the NCD investor's rights shall be on balance amount. The amount raised from the NCDs can be kept in Federal Bank as Fixed Deposit or can be parked in PINC's OD limit for treasury management purpose. At no time, the money can flow out of Federal Bank /drawn down by PINC for any other purpose till the 1.2 times cover is maintained under over flow mechanism.



Press Release

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

As per the terms, the funds are to be kept in CSGL Margin Account held with the Federal Bank and can be utilized for trading in G-sec only. As per the structure, the holding period for G-sec is 30 days, any security in the pledged basket should be churned within the stipulated time mentioned above from the date of its pledging. The company has a policy of strict adherence to the above time limits. Hence, the credit risk associated with the traded securities are relatively low.

Stable financial risk profile with Sharp growth in profitability in FY20:

The Company has a stable financial risk profile with comfortable leveraging and liquidity position. The overall adj. gearing and TOL/ANW stood at 0.60x and 0.72x respectively as on March 31, 2020. The liquidity is adequate marked by gross cash accruals of Rs. 3.09 Crs in FY20 against no major long term debt repayment commitment. The Company has witnessed an increase in profitability in FY20 owing to an efficient management of expanses. The EBITDA and PAT margin stood at 41.07% and 6.19% respectively in FY20.

Experienced Management:

The company's operations are headed by Mr. Gaurang Gandhi; a qualified chartered accountant and Founder of PINC Group of Companies. He has worked with ICICI Ltd in the area of Project Finance. With over 30 years of experience in the financial services industry, he has advised companies across infrastructure, pharmaceutical, realty, consumer durable, engineering industry and financial services. The day to day operations and the key decision making of the company are looked after by the designated senior officials of the PINC group in the fields of resource mobilization, investments, credit selection and operations. PINC is active in trading of corporate bonds and activities related to debt securities and benefits from its experienced management.



Press Release

Key Rating Weaknesses

Small scale of operations:

The trading activity in G-sec/corporate bonds has been picking-up pace in the recent years. 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. Thus, the up-scaling of business and its impact on profitability will be a key monitorable.

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% (margins vary based on ratings of the securities) of the total limits provided by the lender.

Analytical Approach:

Credit Enhancement (CE) rating: CE rating is based on the proposed pledge of Government securities to be held by the borrower in CSGL account with Federal Bank's Treasury department with 5% margin.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Entities

Rating Methodology for Structure Debt Transactions (Non-securitisation Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)



Press Release

Liquidity: Adequate

Liquidity is adequate marked by gross cash accruals of Rs. 3.09 Crs against no major long term debt repayment commitment and overall adj. gearing ratio of 0.60 times as of March 31, 2020, giving the company sufficient headroom to raise additional debt to expand operations in the future. The Company has a favourable working capital limits utilisation with credit balances at end of the day majority of the times. Furthermore, as per the structure, the company needs to put upfront margins to the extent of 5% (margins vary based on ratings of the securities) of the total limits provided by the lender which supports the liquidity. Further, the company had cash and bank balance to the tune of Rs. 2.74 Crs as on March 31, 2020.

About the Company

PINC is an integrated mid-market focused financial services company. PINC is one of the growing integrated financial services company, listed on the BSE. The Company is a SEBI registered Category – I Merchant Banker, and provides Investment Banking and Financial Advisory Services. With over 3 decades of experience, PINC offers a gamut of customised services; include 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, Right issue, Buy-back, Mergers and Amalgamation, and valuation assignment. PINC also deals in government securities (G-Sec & SDL) and corporate bonds. PINC is promoted by Mr. Gaurang Gandhi; a chartered accountant, having over three decades of experience in the Indian Debt Market Industry.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	30.92	34.33
EBITDA	7.59	14.10
PAT	0.34	2.18
Total Debt	69.00	38.64
Adj. Tangible Net Worth	65.76	63.93
Ratios		
EBITDA Margin (%)	24.56	41.07
PAT Margin (%)	1.08	6.19
Overall Adj. Gearing Ratio (x)	1.05	0.60

*Classification as per Infomerics' standards



Press Release

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Proposed Non-Convertible Debentures	Long Term	25.00	Provisional IVR AA+ (CE)/ Stable Outlook	--	--	--

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Parthkumar Thakker

Tel: (022) 62396023

Email: pthakker@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



Press Release

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, suspend 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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Non-Convertible Debentures	--	--	--	25.00	Provisional IVR AA+ (CE)/ Stable Outlook