

December 13, 2022

## Goldman Sachs (India) Securities Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	2,000	2,000	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>2,000</b>	<b>2,000</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating factors in the parentage of Goldman Sachs (India) Securities Private Limited (GSISPL) by virtue of being a part of the Goldman Sachs Group, Inc. (GS; rated A2 (Stable)/P-1 by Moody's). The company underpins GS' presence in India and remains strategically important to the Group with operational and financial linkages. It has a shared brand name and enjoys access to the Group's network of foreign portfolio investors (FPIs) through its global franchise. The rating also factors in GSISPL's track record and established presence in institutional broking and investment banking businesses, healthy capitalisation, and strong liquidity position. These strengths are partially offset by its exposure to capital markets, which are inherently volatile. Nevertheless, the diversified revenue profile provides some comfort.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage by virtue of being a part of GS** – GSISPL is wholly owned by GSIA Holdings (Singapore) Pte. Ltd, which is ultimately held by GS. GS is a multinational financial institution engaged in investment banking, investment management, securities, consumer banking and other financial services. GSISPL's importance to the Group is reflected by it being closely held within the Group, the presence of a shared brand name and operational and financial linkages. ICRA expects support from GS to be forthcoming in case of any exigencies, given the company's strategic importance to the Group as it represents the Group's presence in the Indian subcontinent. The company also draws the advantage of access to the Group's network of FPI clients.

**Established presence in institutional equity broking and investment banking** – GSISPL has a significant presence in the investment banking space and has been involved in various marquee deals over the years. It also has a strong franchise in the institutional broking business, given its position as a global bank sponsored broking house with a market share of ~2% in the equities segment (excluding proprietary volumes) and 0.1% in the derivatives segment (excluding proprietary volumes). Its clientele includes FPIs through its global associations. While GSISPL's equity market share has remained range-bound over the last couple of years, the derivatives market share has dipped given the intense competition in the segment. Nonetheless, the company remains among the top players in the institutional broking segment.

**Diversified revenue profile with track record of healthy profitability and capitalisation** – GSISPL's income profile remains diversified. Besides equity broking and investment banking, the company offers support services to the Group's global operations (on a cost-plus basis) through its office in Bengaluru, which provides it with stable fee income. While a portion of its non-binding investment advisory business (to offshore GS entities) was transferred to another Group entity in FY2021, fee income remains sizeable.

The company's profitability indicators remain healthy with GSISPL reporting a net profit (excluding other comprehensive income) of Rs. 369.0 crore, net profitability or profit after tax/net operating income (PAT/NOI) of 39.3% and a return on equity (RoE) of 18.1% in FY2022 compared to Rs. 243.9 crore, 31.9% and 14.1%, respectively, in FY2021.

GSISPL's capitalisation remains healthy with a net worth of Rs. 2,220 crore and nil leverage as on March 31, 2022. Traditionally, the company paid sizeable dividends. However, there has not been any dividend payout in the last 3 years in order to augment the net worth, given the higher capital requirement. This resulted in healthy accretion to the reserves during the said period. ICRA expects future dividend payouts to remain a function of the optimum capitalisation envisaged by the company. Further, GSISPL has access to sufficient unutilised bank lines that can be used for meeting additional funding requirements.

## Credit challenges

**Exposed to risks inherent in capital market related businesses** – GSISPL's revenues remain susceptible to the inherent volatility and cyclicity of the capital markets. Any sharp movement in the capital markets could impact the company's financial performance. However, the diversified nature of the revenue profile provides some comfort. In FY2022, broking income accounted for 34% of the NOI (PY: 40%), while fee-based income like investment banking and the services business accounted for 49% of the NOI (PY: 34%), followed by net interest income at 17% of the NOI (PY: 26%).

## Liquidity position: Strong

GSISPL's funding requirement is primarily for placing margins at the exchanges, met through a combination of client and own funds. Its margin utilisation ranged between 50% and 60% (basis month-end data) during the six months ending March 31, 2022. The company had an unencumbered cash and bank balance of Rs. 1,889 crore and nil borrowings outstanding as on March 31, 2022. Further, it has tied up sizeable bank lines, which remained unutilised as on that date and can be used to meet additional funding requirements. Thus, GSISPL's liquidity profile is expected to remain strong.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – The rating could be revised in case of a deterioration in the credit profile of the parent or the weakening of the linkage with the parent.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Entities in the Brokerage Industry</a> <a href="#">Rating Approach – Implicit Support from Parent or Group</a>
Parent/Group support	Immediate Parent Company: GSIA Holdings (Singapore) Pte. Ltd. Ultimate Parent Company: GS ICRA expects support from GS to be forthcoming in case of exigencies, given the strategic importance of GSISPL as well as the close linkages and shared brand name.
Consolidation/Standalone	Standalone

## About the company

GSISPL was incorporated in 2006, marking the foray of GS into the Indian markets. GSISPL is wholly owned by GSIA Holdings (Singapore) Pte. Ltd., which is ultimately held by GS. GSISPL is primarily engaged in equity broking, deal advisory and investment banking and provides services to the offshore entities of the Group. Globally, the Group is one of the largest players in the investment banking business. GSISPL houses the Group's domestic (India-based) institutional broking and investment

banking business. The other prominent entities of the Group in the domestic market are Goldman Sachs (India) Finance Pvt. Ltd. (non-banking financial company), Goldman Sachs (India) Capital Markets Pvt. Ltd. (primary dealer) and Goldman Sachs (India) Alternative Investment Management Pvt. Ltd. (AIF investment manager).

#### Key financial indicators (audited)

GSISPL (standalone)	FY2020	FY2021	FY2022
Total assets	5,512.2	6,146.9	8,852.4
Total income	889.1	772.4	947.8
Profit after tax (PAT)*	321.4	243.9	369.0

Source: Company, ICRA Research; Amount in Rs. crore; \*Excluding other comprehensive income

#### Status of non-cooperation with previous CRA: Not applicable

#### Any other information: None

#### Rating history for past three years

	Instrument		Current Rating (FY2023)			Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on November 30, 2022 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Dec 13, 2022	Jan 21, 2022	Jan 22, 2021	Jan 20, 2020
1	Commercial paper	Short term	2,000	Nil	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

#### Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate (%)	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial paper – Yet to be placed	NA	NA	NA	2,000	[ICRA]A1+

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

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