June 27, 2024(Revised)

Julius Baer Capital (India) Private Limited: Rating reaffirmed; Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper (CP) programme	4,000.00	4,800.00	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	**4,000.00**	**4,800.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating continues to factor in the strong parentage of Julius Baer Capital (India) Private Limited (JBCIL), by virtue of being a part of Julius Baer Group (the Group), the shared brand name and the demonstrated track record of support from the Group. JBCIL is a wholly-owned subsidiary of Julius Baer Wealth Advisors (India) Private Limited (JBWA), which is wholly owned by Julius Baer Group Limited (JBGL; rated Baa1/Negative by Moody's Investors Service[1]). Bank Julius Baer & Co Limited (BJB; rated A3/Negative by Moody's) is the main operating entity of the Group. The rating also considers the established track record of the Group in wealth management with global assets under management (AUM) of CHF[2] 427 billion as of December 2023. Within the Group, JBWA operates as the wealth management arm in India with a 4-5% share[3] of the global AUM and provides JBCIL with access to the Group's clientele. The rating also factors in the company's comfortable capitalisation and adequate liquidity profile.

While reaffirming the rating, ICRA has taken note of JBCIL's moderate scale of operations and its dependency on capital markets and the consequent risk profile of the asset class, given the nature of the underlying security. Despite its exposure to volatile capital markets, JBCIL's asset quality remains healthy with nil gross non-performing assets (GNPAs) since inception. While the increase in borrowing costs in FY2023 and FY2024 amid rising systemic interest rates resulted in a moderation in the net interest margin, the overall performance remained adequate with a return on assets (RoA) of 1.5% in FY2024 (1.8% in FY2023 and 2.0% in FY2022). ICRA notes that JBCIL's foray into the bond trading business, on behalf of its clients, supports its revenue and overall profitability.

The recent scale-up in the lending business has been debt funded, leading to a rise in the financial leverage in 9M FY2024. Nonetheless, the capital infusion of Rs. 280 crore (CHF 30 million) in Q4 FY2024 has augured well for JBCIL's capitalisation. The financial leverage moderated to 3.1 times as of March 31, 2024 from 4.5 times as of December 31, 2023 (3.0 times as of March 31, 2023 and March 31, 2022). Its capital-to-risk weighted assets ratio (CRAR) stood at 25.2% as of March 31, 2024 and the company plans to maintain the CRAR at least 18% at all times. Considering the short-term nature of the loan against shares (LAS) product[4], the borrowing profile remains dominated by commercial paper (CP). Notwithstanding this, the liquidity position remains adequate with no negative cumulative mismatches across all the maturity buckets.

[1] The rating downgrade of BJB and the revision in the outlook of JBGL was on account of the concentration risk in the lending business in Europe (as reported by JBGL in its financials for Q4 CY2023) and the corresponding provisioning, resulting in a moderation in the profitability
[2] Swiss franc
[3] 4.4% as of December 2022
[4] ~10% the loan book is static in nature while the churn is faster for the remaining 90%

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a part of Julius Baer Group – JBCIL is a wholly-owned subsidiary of JBWA, which is wholly owned by JBGL. While JBWA is the wealth advisory arm of the Group's Indian operations (onshore and offshore), accounting for 4-5% of the Group's global AUM of CHF 427 billion as of December 2023, JBCIL offers lending services (against capital market assets) to the clients. In addition to resident clients, the Group manages the wealth of non-residents in other currencies. Hence, the country remains strategically important to the Group in terms of its footprint in emerging markets. The shared brand name, regular capital infusions, and managerial oversight from JBGL also support ICRA's opinion about JBCIL's importance to the Group.

JBWA has an established presence and track record in the wealth management business in India with a managed AUM of ~CHF 26 billion (resident clients only) as on March 31, 2024. JBCIL shares significant operational synergies with JBWA as the lending arm of an established wealth management/private banking practice. The association with the parent provides the company with access to a clientele with a long and demonstrated relationship in the wealth management space while its lending business complements JBWA's product portfolio.

Comfortable capitalisation – Supported by the capital infusion of Rs. 280 crore and internal accruals, the net worth increased to Rs. 967 crore[5] as of March 31, 2024 from Rs. 679 crore as of March 31, 2023. The capitalisation profile stands characterised by a gearing of 3.1 times and a CRAR of 25.2% as of March 31, 2024. In this regard, ICRA notes the company's intent to maintain a CRAR of at least 18% at all times. The financial leverage had inched-up to 4.5 times in Q3 FY2024 while the CRAR had moderated to 19.0%. However, the capital infusion in Q4 FY2024 improved the capitalisation profile.

Credit challenges

Moderate scale of operations – JBCIL undertakes the Group's capital market lending business and its clients are primarily sourced from the parent's wealth management business. As the company's focus remains towards offering LAS to high-net-worth individuals (HNIs), the growth in the scale of operations depends significantly on the performance and referrals from the wealth management business {hosted under JBWA (parent)}. Further, the growth in the loan book is driven by the overall investor sentiment in the capital markets. Thus, while the loan book increased at a compound annual growth rate of 26% during March 31, 2019 to March 31, 2022, muted capital market sentiment impacted growth in FY2023. The loan book remained modest at Rs. 2,468 crore as of March 31, 2023 compared to Rs. 2,336 crore as of March 31, 2022. Subsequently, improved capital market sentiment supported growth in FY2024 and the loan book increased to Rs. 3,716 crore as of March 31, 2024. ICRA also takes cognisance of the increase in the borrowing cost FY2023 onwards due to the tightening of the monetary policy. This resulted in a moderation in the net interest margin, thereby limiting the profitability during this period. Nonetheless, JBCIL's foray into the bond trading business, on behalf of its clients, supported the revenue and overall profitability in the last two financial years.

JBCIL's top 10 and top 20 borrowers accounted for 31% and 46%, respectively, of its total advances as on March 31, 2024. On the liability side, the top 10 investors/lenders accounted for 88% of the total borrowings outstanding, indicating high concentration.

High dependence on capital markets – Any adverse event in the capital markets could lead to an erosion in the value of the underlying collateral stocks and would result in loan recall/squaring-off of positions. This would adversely affect the company's top line as well as bottom line. Further, volatility in the capital markets limits the funding requirements of customers, leading

[5] *Adjusted for goodwill*

to fluctuations in the scale of operations and the borrowing and leverage levels. The recent foray into the bond trading business, wherein JBCIL holds the bonds in its book for 2-5 days, further increases its exposure to capital markets.

However, ICRA notes the adequacy of JBCIL's systems and processes, which is reflected by its healthy asset quality since inception. The company has an independent risk management function, which oversees the implementation of its risk-taking strategy and ensures adherence to its policies across businesses. JBCIL typically provides a loan of up to 48% of the approved equity collateral value against the statutory requirement of 50%. This provides it with some headroom in case of any fluctuation in stock valuation. The collateral value is monitored on a real-time basis with margin calls issued to the clients if the loan-to-value (LTV) exceeds the agreed threshold. ICRA notes that the trades undertaken in the bond trading business are only against confirmed orders and JBCIL's average holding period remains short (2-5 days), thus protecting it from market volatility risk to some extent.

Liquidity position: Adequate

JBCIL primarily offers LAS, a short-term loan product, which is repayable on demand. Hence, despite short-term CP constituting almost the entire share of its borrowings, the cumulative gaps remained largely positive across most maturity buckets as per the asset-liability maturity (ALM) profile as of April 30, 2024. As of April 30, 2024, the company had a free cash and bank balance of ~Rs. 195 crore and drawable but unutilised lines of Rs. 150 crore[6] against CP outstanding of Rs. 2,816 crore. Further, collections from the LAS book and the company's demonstrated ability of raising funds provide comfort.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material deterioration in the credit profile of the ultimate parent, JBGL, or any weakening in the likelihood of financial support from the ultimate parent will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Ultimate parent: JBGL Immediate parent: JBWA The rating factors in the strong parentage of JBCIL, as it is a part of Julius Baer Group. JBCIL is a wholly-owned subsidiary of JBWA, which is wholly owned by JBGL (rated Baa1/Negative by Moody's).
Consolidation/Standalone	Standalone

About the company

Julius Baer Capital (India) Private Limited (JBCIL), registered as a systemically important, non-deposit taking non-banking financial company (NBFC-ND-SI) with the Reserve Bank of India (RBI), provides finance against capital market securities (equity shares, bonds and mutual funds) and complements the wealth management business of Julius Baer Wealth Advisors (India) Private Limited (JBWA). As on March 31, 2024, JBCIL's loan book stood at Rs. 3,716 crore.

JBCIL is a wholly-owned subsidiary of JBWA, which is ultimately held by Zurich-based Julius Baer Group Limited (JBGL). JBWA provides wealth management/advisory services to HNIs, ultra HNIs and their individual-centric commercial entities. It also has

[6] *Total sanctioned limit was Rs. 250 crore*

a presence in the equity broking business and received a portfolio management services (PMS) licence from the Securities and Exchange Board of India (SEBI) in July 2020. JBWA's AUM was ~CHF 26 billion as of March 31, 2024.

JBGL offers various financial services including structured finance products, investment advisory services, Lombard financing as well as security and foreign exchange trading services. It has a presence in Europe, Asia and South America. JBGL's AUM was CHF 427 billion as of December 31, 2023.

Key financial indicators (audited)

JBCIL	Mar-22/FY2022	Mar-23/FY2023	Mar-24/FY2024
Total income	159	218	310
Profit after tax	43	47	50
Net total managed assets*	2,506	2,705	4,005
Return on managed assets*	2.0%	1.8%	1.5%
Gross gearing (times)*	3.0	3.0	3.1
Gross NPA	0.0%	0.0%	0.0%
CRAR	26.4%	26.7%	25.2%

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; * Net worth and total assets adjusted for goodwill of Rs. 33.05 crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022
					Jun 27, 2024	Feb 22, 2024	Dec 6, 2023	Jun 26, 2023	Jun 15, 2022	Aug 2, 2021
1	**CP programme**	Short term	4,800	3,331	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

** As of May 31, 2024*

Complexity level of the rated instruments

Instrument	Complexity Indicator
CP programme	Very Simple*

**Subject to change based on terms of issuance*

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 / Sanction	Coupon Rate (%)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE824H14MU6	CP programme	Oct 16, 2023	8.20	Oct 15, 2024	5	[ICRA]A1+
INE824H14MV4	CP programme	Oct 17, 2023	8.20	Oct 16, 2024	3	[ICRA]A1+
INE824H14ND0	CP programme	Nov 16, 2023	8.70	Nov 14, 2024	50	[ICRA]A1+
INE824H14NL3	CP programme	Dec 22, 2023	8.05	Jun 21, 2024	21	[ICRA]A1+
INE824H14NU4	CP programme	Jan 16, 2024	8.55	Jan 15, 2025	27	[ICRA]A1+
INE824H14NW0	CP programme	Jan 25, 2024	8.45	Jul 24, 2024	5	[ICRA]A1+
INE824H14NZ3	CP programme	Jan 30, 2024	8.60	Jul 30, 2024	21	[ICRA]A1+
INE824H14OA4	CP programme	Feb 02, 2024	9.15	Jun 05, 2024	50	[ICRA]A1+
INE824H14OB2	CP programme	Feb 06, 2024	8.55	Feb 05, 2025	5	[ICRA]A1+
INE824H14OH9	CP programme	Feb 21, 2024	8.55	Feb 20, 2025	11	[ICRA]A1+
INE824H14OJ5	CP programme	Feb 27, 2024	8.60	Aug 27, 2024	10	[ICRA]A1+
INE824H14OM9	CP programme	Mar 01, 2024	8.25	Feb 28, 2025	7	[ICRA]A1+
INE824H14OO5	CP programme	Mar 04, 2024	8.68	Jun 03, 2024	270	[ICRA]A1+
INE824H14OA4	CP programme	Mar 06, 2024	8.66	Jun 05, 2024	30	[ICRA]A1+
INE824H14OR8	CP programme	Mar 07, 2024	8.64	Jun 06, 2024	216	[ICRA]A1+
INE824H14OQ0	CP programme	Mar 07, 2024	8.15	Sep 05, 2024	5	[ICRA]A1+
INE824H14OS6	CP programme	Mar 12, 2024	8.61	Jun 11, 2024	165	[ICRA]A1+
INE824H14OT4	CP programme	Mar 14, 2024	8.03	Jun 13, 2024	34	[ICRA]A1+
INE824H14OU2	CP programme	Mar 22, 2024	8.20	Jul 22, 2024	25	[ICRA]A1+
INE824H14OV0	CP programme	Mar 27, 2024	8.10	Sep 24, 2024	5	[ICRA]A1+
INE824H14OX6	CP programme	Apr 10, 2024	7.96	Jun 24, 2024	100	[ICRA]A1+
INE824H14OW8	CP programme	Apr 10, 2024	7.96	Jun 28, 2024	75	[ICRA]A1+
INE824H14OW8	CP programme	Apr 12, 2024	7.80	Jun 28, 2024	100	[ICRA]A1+
INE824H14OX6	CP programme	Apr 12, 2024	7.80	Jun 24, 2024	100	[ICRA]A1+
INE824H14OY4	CP programme	May 07, 2024	8.00	Aug 06, 2024	100	[ICRA]A1+
INE824H14OZ1	CP programme	May 10, 2024	8.17	Aug 09, 2024	60	[ICRA]A1+
INE824H14PA1	CP programme	May 13, 2024	8.35	Sep 13, 2024	50	[ICRA]A1+
INE824H14PC7	CP programme	May 15, 2024	8.25	Aug 14, 2024	50	[ICRA]A1+
INE824H14PC7	CP programme	May 16, 2024	8.30	Aug 14, 2024	125	[ICRA]A1+
INE824H14PD5	CP programme	May 17, 2024	8.30	Aug 16, 2024	200	[ICRA]A1+
INE824H14PE3	CP programme	May 21, 2024	8.30	Aug 20, 2024	100	[ICRA]A1+
INE824H14PF0	CP programme	May 22, 2024	8.25	Aug 21, 2024	300	[ICRA]A1+
INE824H14PG8	CP programme	May 24, 2024	8.09	Aug 23, 2024	400	[ICRA]A1+
INE824H14PH6	CP programme	May 27, 2024	8.07	Aug 26, 2024	200	[ICRA]A1+
INE824H14PI4	CP programme	May 29, 2024	8.10	Aug 28, 2024	200	[ICRA]A1+
INE824H14PJ2	CP programme	May 30, 2024	8.09	Aug 29, 2024	200	[ICRA]A1+
INE824H14OJ5	CP programme	May 30, 2024	8.09	Aug 27, 2024	5	[ICRA]A1+
-	CP programme (yet to be placed)	-	-	7-365 days	1,470	[ICRA]A1+

Source: Company; As of May 31, 2024

Annexure II: List of entities considered for consolidated analysis

Not applicable

Corrigendum

Rationale dated June 27, 2024, has been revised with changes as below:

The capital infusion amount in Swiss franc terms (page 1), stands corrected

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