

September 30, 2024

Day1 Advisors Private Limited: Update on Material Event requiring a review

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debentures (NCD) Programme	150.00	150.00	[ICRA]AAA(CE) (Stable); outstanding
Total	150.00	150.00	

Rating Without Explicit Credit Enhancement	[ICRA]B-
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*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Description of Material event requiring a review

The Securities and Exchange Board of India (SEBI), vide its interim order dated September 19, 2024, directed Axis Capital Limited (ACL) to restrain from taking new assignments in the capacity of a merchant banker, arranger or underwriter for any issue / offer for sale of securities in the debt segment, till further order. SEBI expressed concerns over the underwriting commitment provided by ACL in certain NCD issuances facilitated by the ACL. The order allows ACL to respond within 21 days from the date of the receipt of the order. ACL is evaluating all available legal remedies in respect of the order. The rating assigned to the NCD programme of Day1 Advisors Private Limited (Day1/the company) are based on the strength of an underwriting commitment from Axis Capital Limited (ACL). The underwriting commitment is unconditional and irrevocable and has a well-defined payment mechanism to ensure the timely servicing of the debt obligations.

Impact of the Material event requiring a review

Considering the interim prohibition on ACL from taking new assignments in the capacity of a merchant banker, arranger or underwriter for any issue / offer for sale of securities in the debt segment, till further order, ACL's incremental business, if any, especially in these segments, would be impacted. However, ICRA notes the modest share of the NCD products (with underwriting commitment) in the overall business and revenue profiles of the ACL. The revenue from the debt business was ~5% of the total revenue of ACL during FY2024. Hence, the order is unlikely to materially alter the profitability and capitalisation profile of ACL and thus, its credit profile remains unaltered, characterised by established market position, strong franchise, comfortable capitalisation and strong profitability and liquidity. While the order prohibits ACL from taking new assignments in the debt segment, it can continue its equity segment operations including IPO management, advisor for merger & acquisitions, advisor for investment banking and institutional broking business as usual.

Basis discussions with ACL, ICRA understands that the SEBI order is not retrospective in nature and ACL will honour its existing underwriting commitments, including the underwriting commitment provided for the rated NCDs of Day1 in the event that Day1 fails to meet the payments as per the transaction terms and a 'Purchase Event' materialises (at least five business days prior to the NCD maturity date), so that the payments to the investors can take place in a timely manner. ICRA notes that the financial and liquidity profile of ACL remains comfortable to repay the redemption obligations. Supported by the industry tailwinds, ACL reported strong performance in investment banking and institutional broking segment in FY2024. It reported its highest ever net operating income of Rs. 564 crore in FY2024, translating to a year-on-year increase of 38%. In FY2024, the net profit stood Rs. 152 crore compared to Rs. 142 crore in FY2023. ACL has a track record of strong profitability with 5-year

average return on equity¹ (RoE) of 22.6% (between FY2020 and FY2024). ACL's capitalisation was characterised by a net worth of Rs. 1,345 crore and gearing (including unsecured portion of bank guarantee and underwriting obligation) of ~0.7 times. Additionally, the overall liquidity requirement of ACL is limited to placing margins at the exchanges for its broking business. ACL also had comfortable on-balance sheet and off-balance sheet liquidity in the form of cash and cash equivalents, sanctioned and unutilised bank lines, intra-day bank limits and bank guarantees. While ACL remains largely debt free on the reporting date, ICRA notes that the fund-based limits are utilised during the month.

ICRA will continue to monitor the redemption of the Day1's NCDs underwritten by ACL. As per the transaction documents, if the call option is not exercised by October 13, 2024, an 'asset sale event' will be triggered and as per ACL's underwriting commitment, ACL will have unconditional, irrevocable and unequivocal right to proceed to act as an arranger for the sale of the pledged shares under the transaction documents.

Please refer to the following link for the previous detailed rationale that captures the Key rating drivers and their description, Adequacy of credit enhancement, Salient covenants of the rated facility, Liquidity of rating without explicit credit enhancement and rating with credit enhancement, Rating sensitivities and Key Financial Indicator: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Investment Companies Stockbroking & Allied Services Rating Approach - Explicit third-party support
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

Day1 Advisors Private Limited (Day1) incorporated in November 2020. At present, the entity has no operations and holds ~8.12% stake (as on September 30, 2023) in B9 Beverages Limited (Bira), which manufactures and owns the Bira91 brand of beer. The key shareholders with a 100% stake in Day1 are Mr. Ankur Jain, who is also the Managing Director at Bira, and his father, Mr. Ashok Jain.

About the underwriting commitment provider

ACL is a wholly-owned subsidiary of Axis Bank Limited (Axis Bank) and is engaged in the investment banking and institutional equities broking business. It is one of the leading institutional brokerage houses among domestic brokers and has also established a credible position in the investment banking segment in India. As of March 31, 2024, ACL's board has nominee directors from Axis Bank - Mr. Amitabh Chaudhary (MD and CEO, Axis Bank) and Mr. Ganesh Sankaran (Group Executive for Wholesale Banking, Axis Bank). In FY2024, ACL reported a profit after tax (PAT) of Rs. 152 crore on net operating income of Rs. 564 crore compared with a PAT of Rs. 142 crore on an operating income of Rs. 410 crore in FY2023. ACL's capitalisation profile was characterised by a net worth of Rs. 1,345 crore and nil gearing as of March 31, 2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹Net profit and net worth adjusted for other comprehensive income

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	Long Term	70.00	30-Sep-2024	[ICRA]AAA (CE) (Stable)	30-Jan-2024	[ICRA]AAA (CE) (Stable)	02-Jan-2023	[ICRA]AAA (CE) (Stable)	31-Mar-2022	Provisional [ICRA]AAA (CE) (Stable)
			-	-	17-Apr-2023	[ICRA]AAA (CE) (Stable)	26-Apr-2022	[ICRA]AAA (CE) (Stable)	-	-
NCD	Long Term	80.00	30-Sep-2024	[ICRA]AAA (CE) (Stable)	30-Jan-2024	[ICRA]AAA (CE) (Stable)	02-Jan-2023	Provisional [ICRA]AAA (CE) (Stable)	-	-
			-	-	17-Apr-2023	[ICRA]AAA (CE) (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible Debentures (NCD) Programme	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 (p.a.)	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0IFR07021	NCD	Apr-22	8.24%	Apr-25	70.00*	[ICRA]AAA(CE) (Stable)
INE0IFR07047	NCD	Apr-23	9.65%	Apr-25	80.00*	[ICRA]AAA(CE) (Stable)

Source: Company, *part payment has been made for both the NCDs totalling Rs. 44.2 crore till date

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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Branches



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