

October 25, 2024

Samruddhi Investors Services Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]BBB+ (Stable); assigned
Total	-	

*Instrument details are provided in Annexure I

Rationale

The assigned rating factors in Samruddhi Investors Services Private Limited's (SIS) healthy capitalisation profile and financial flexibility, supported by its prudent investment policy. The company had a stake of ~25% in Sanghi Industries Limited (SIL), which was divested in December 2023. This has augured well for SIS' capitalisation¹ and financial flexibility with the cashflow from the stake sale invested in liquid investments, including mutual funds and bullion trading (on arbitrage basis), for now. The company's consolidated net worth stood at Rs. 885 crore as of March 31, 2024, of which ~88% is deployed in liquid investments. While assigning the rating, ICRA has taken note of SIS' conservative leverage philosophy, whereby it is expected to maintain low leverage with borrowings not exceeding 10% of the value of the investments. In this regard, the company's dependence on borrowings has been negligible in recent quarters with a gearing of less than 0.1 times as of March 31, 2024.

These strengths are partly offset by the company's limited operational track record and its exposure to capital markets, which are inherently volatile in nature. FY2025 will be the first full year of operations for SIS, which is the Ravi Sanghi family's investment company. Hence, its performance track record across market cycles and the ability to preserve the net worth during a prolonged market downturn are yet to be established. Moreover, notwithstanding its prudent investment philosophy, adherence to the same on a sustained basis will remain imperative. ICRA has also taken note of the track record of SIS' promoters. SIS is wholly owned by family members. In this regard, ICRA is cognisant of the legal disputes between Mr. Ravi Sanghi² and his brothers. While an adverse impact is not expected on the company's financial profile, any unforeseen financial obligation on account of the family dispute would be a credit negative.

The Stable outlook on the rating takes into account ICRA's expectation that SIS will maintain its prudent investment philosophy with low leverage and substantial liquid investments.

Key rating drivers and their description

Credit strengths

Healthy capitalisation – SIS has a healthy capital position characterised by negligible dependence on borrowings and sizeable net worth of Rs. 885 crore as of March 31, 2024 compared to Rs. 601 crore as of March 2023 and Rs. 278 crore as of March 2022. SIS was the investor company in SIL with a stake of ~25%. In FY2024, the stake sale in SIL augured well for SIS' capitalisation and liquidity. The cashflow from this has been invested in liquid investments, including mutual funds and bullion trading (on arbitrage basis), supporting the company's financial flexibility and liquidity profile.

¹ In December 2023, Mr. Ravi Sanghi and family sold their controlling stake in SIL to Ambuja Cement Limited

² Earlier, Mr. Ravi Sanghi and his brothers, i.e. Mr. Anand Prakash Sanghi, Mr. Sudhir Sanghi and Mr. Girish Kumar Sanghi, managed the Sanghi Group of industries with cross-holdings in the companies managed by the family; Mr. Ravi Sanghi managed SIS

SIS has remained largely debt free, barring the modest occasional borrowings from Group companies. ICRA notes that the company may avail external borrowings of Rs. 50-100 crore in the medium term, to bridge any temporary liquidity gap, for making strategic investments. In this regard, ICRA has taken note of SIS' conservative leverage philosophy, whereby it is expected to maintain low leverage with borrowings not exceeding 10% of the value of the investments.

Prudent investment policy, though performance and adherence to the same across market cycles yet to be established – SIS has adopted a prudent investment policy, whereby it endeavours to build a diversified portfolio while executing judicious investment/trading strategies that do not rely on derivatives for directional calls, frequent portfolio churn and financial leverage. As of July 31, 2024, the size of the investment-cum-trading book was Rs. 809 crore, comprising investment in mutual funds (~Rs. 620 crore)³, hedged arbitrage position in bullion (Rs. 182 crore) and equity shares and non-convertible debentures (~Rs. 7 crore). As far as the commodity arbitrage strategy is concerned, the company takes fully-hedged positions. Moreover, it does not intend to participate in the agri-commodity segment.

Besides leveraging the expertise of leading wealth management companies, SIS has an internal investment team that meets frequently to oversee its investment decisions. Moreover, the promoter family is directly engaged in the investment decisions. Through this type of multilayered approach to investment management, SIS aspires to maintain a disciplined and risk-conscious method for managing its capital. Nonetheless, its ability to adhere to the stated investment philosophy on a sustained basis is yet to be demonstrated.

Credit challenges

Limited track record of operations – While SIS has been in existence for over a decade, it was primarily the holding company of SIL with no other operations. Following the stake sale in SIL in December 2023, SIS was converted into an investment company to manage the family's wealth. Thus, FY2025 is SIS' first full year of operating as the family's investment company and the efficacy of its investment policy in producing the desired results across market cycles is yet to be established. Further, its ability to adhere to the stated investment philosophy on a sustained basis will be monitorable. ICRA also takes note of the legal disputes between the Sanghi family members, and any family settlement, which has an adverse impact on SIS' financial profile, would remain a credit negative. However, based on the legal opinion provided by the company, no such liability is likely to devolve on it.

Exposed to risks inherent in capital market related businesses and associated idiosyncratic risks – The investment book's size and associated returns remain susceptible to the inherently volatile capital markets, which are cyclical in nature. Given the nature of the underlying assets (mutual funds, listed/unlisted equity and debt, bullion, real estate, units of alternative investment funds (AIFs), real estate investment trusts (REITs), infrastructure investment trusts (InvITs) among others), any adverse event in the capital/real estate markets could erode the value of the investment book. In this backdrop, the possibility of pressure on profitability, especially during market downturns, cannot be ruled out. SIS' operations will also be dependent on timely trade execution and fund management among others and technical failures may lead to operational risk. Herein, ICRA notes the company's stated intent to stick to its prudent investment policy. Unwavering adherence to the same across market cycles will be imperative.

Liquidity position: Adequate

SIS' liquidity profile remains adequate, supported by the sizeable share of liquid investments. As of July 2024, the company's investment book stood at Rs. 809 crore, including ~Rs. 620 crore in arbitrage, overnight and liquid mutual funds. The balance primarily constituted fully-hedged arbitrage positions in bullion, which is also relatively liquid in nature. While ICRA is aware that the proportion of investments in high-quality liquid assets could reduce, depending on the evolving asset allocation mix, the share of the same is expected to remain sizeable. This, coupled with the expectation of limited dependence on external borrowings, augurs well for the liquidity profile.

³ Primarily in arbitrage funds

Rating sensitivities

Positive factors – Healthy performance on a sustained basis, while adhering to the prudent investment policy and maintaining low leverage and adequate highly-liquid investments, will be a credit positive.

Negative factors – A material increase in the borrowings over ICRA's expectation, an adverse change in the investment approach resulting in a substantial decline in liquid investments or an increase in the risk undertaken would be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Investment Companies Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Incorporated in FY2010, Samruddhi Investors Services Private Limited (SIS) is the family office of the Ravi Sanghi family. It operates under the brand name – Resolute Group. SIS was also the erstwhile holding company of Sanghi Industries Limited (SIL; engaged in production and distribution of cement under the brand – Sanghi Cement), which was acquired by Adani Group (Ambuja Cement Limited) in December 2023. After selling its stake in SIL, SIS has converted into an investment company, managing the wealth/investment book of Mr. Ravi Sanghi and family. As on July 31, 2024, the investment book (comprising investment in bullion inventory, mutual funds, non-convertible debentures and equity) was Rs. 809 crore. ICRA notes that FY2025 will be the first full year of operations of managing the investment-cum-trading book. SIS also has a subsidiary, Growthspirit Solutions Private Limited, which holds rent-yielding land and properties.

SIS reported a profit after tax (PAT) of Rs. 4 crore in FY2024 and held an investment book of Rs. 783 crore as of March 31, 2024. The overall profitability and net worth accretion were supported by other comprehensive gains of Rs. 277 crore on the sale of the SIL stake in Q4 FY2024.

Key financial indicators (audited)

SIS - Consolidated	FY2023	FY2024 [^]
Operating income	5.6	21.6
PAT	3.5	4.8
Total comprehensive income	136.7	282.2
OPBDIT/OI	84.6%	51.0%
PAT/OI	61.9%	22.2%
Total outside liabilities/Tangible net worth (times)	0.1	0.0
Total debt/OPBDIT (times)	10.8	0.3
Interest coverage (times)	7.1	9.9

Source: SSL, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; [^] Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 25, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]BBB+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not applicable

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
-	Issuer Rating	-	-	-	-	[ICRA]BBB+ (Stable)

Annexure II: List of entities considered for consolidated analysis

	SIS Ownership	Consolidation Approach
SIS	Holding company	Full consolidation
Growthspirit Enterprise Private Limited	100%	Full consolidation

Source: Company; As of March 31, 2024

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Deep Inder Singh
+91 124 4545 830
deep.singh@icraindia.com

Kruti Jagad
+91 22 6114 3447
kruti.jagad@icraindia.com

Komal Mody
+91 22 6114 3424
komal.mody@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.