

March 28, 2025

## Orbis Financial Corporation Limited: Ratings reaffirmed and rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short-term fund-based/Non-fund based others	1,000.00	1,500.00	[ICRA]A (Stable)/[ICRA]A1; reaffirmed and assigned to enhanced amount
Short term fund-based lines	-	100.00	[ICRA]A1; assigned
<b>Total</b>	<b>1,000.00</b>	<b>1,600.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings continue to take into account Orbis Financial Corporation Limited's (Orbis) established fee-based services portfolio, its strong profitability trajectory, and comfortable capitalisation profile. The company reported a strong performance in H1 FY2025 with a net profit of Rs. 90 crore, profit after tax (PAT)/net operating income (NOI) of 49% and return on equity (RoE) of 24%. In this regard, ICRA is cognizant that the key revenue contributor, i.e. treasury income, comprises interest income derived from the cash collateral placed primarily by foreign portfolio investors (FPIs), which is linked to the volume of transactions and trading positions undertaken by the respective clients. Thus, with the decline in trading activity from November 2024 and the easing of systemic interest rates, a moderation in the trajectory of cash collateral and hence revenues and profitability cannot be ruled out. Nonetheless, Orbis' performance in Q3 FY2025 is estimated to have been maintained at healthy levels.

Orbis' funding requirement is largely driven by the buffers it needs to maintain over the margins placed by its clients at the exchanges, which are largely funded by bank guarantees (BGs). Hence, its funding requirement and net worth are driven by the cash margins required to maintain adequate buffers. ICRA notes that Orbis' capitalisation profile remains comfortable, supported by strong internal accruals. Based on the available BGs, the company can place 15-20% of the effective margins placed by the clients on exchanges without any incremental fund-based borrowings. As on September 30, 2024, Orbis' capitalisation was characterised by a net worth of ~Rs. 784 crore (of which ~Rs. 181 crore remains encumbered for BG facilities).

The ratings, however, remain constrained by Orbis' high revenue concentration towards a few clients and the limited diversification in its revenue profile. With the increase in the scale of operations and the cash collateral placed by the clients, interest income on cash collateral has grown significantly in recent periods, leading to higher profits. ICRA takes note of the recent moderation in the share of treasury-related income in the overall NOI, though it remains high. High client concentration and limited diversification in the revenue stream with significant contribution from treasury income can lead to volatility in earnings. The risks get further exacerbated by the intense competition among custodians, primarily dominated by global custodian banks, and the significant reliance on technology for the clearing and fund management operations.

### Key rating drivers and their description

#### Credit strengths

**Fee-based services portfolio** – Orbis is a Securities and Exchange Board of India (SEBI)-registered custodian, which offers end-to-end capital market related services such as custodial, fund accounting, clearing, depository, trusteeship and other allied services. It primarily offers custodial services to institutional clients like FPIs, portfolio management services (PMS), foreign direct investment (FDI), domestic institutional investors (DIIs), and alternative investment funds (AIFs). It also provides clearing

services to trading members (TMs) and FPIs. As on December 31, 2024, the company was catering to 398 FPIs, 490 FDIs, 390 PMS, 173 AIFs, and 3,026 high-net-worth individuals (HNIs)/non-resident Indians (NRIs) and corporates.

ICRA notes that the material size and high frequency of transactions in custodial and clearing operations lead to an increased risk of errors and their consequences, exposing the company to operational risks.

**Strong profitability** – Orbis has reported strong profitability in recent years with average PAT/NOI and RoE of 46% and 23%, respectively, during FY2021 and H1 FY2025. The profitability trajectory has been supported by the sizeable increase in the interest income earned on the cash collateral of its clients, growing custodial fees amid the increase in custodial assets, and the improvement in the cost structure on account of the gradual seasoning of clients onboarded through referral arrangements with referral & related expenses, as a percentage of total revenues, moderating<sup>1</sup>. The strong performance continued in H1 FY2025 with the company achieving a net profit of Rs. 90 crore, PAT/NOI of 49% and RoE of 24%. However, the main revenue contributor, i.e. treasury income, comprises interest income derived from the cash collateral placed primarily by FPIs, which is linked to the volume of transactions and trading positions undertaken by the respective clients. Thus, with the decline in trading activity from November 2024 and the easing of systemic interest rates, a moderation in the trajectory of the cash collateral and hence revenues and profitability cannot be ruled out. Nonetheless, Orbis' performance in Q3 FY2025 is estimated to have been maintained at healthy levels.

**Comfortable capitalisation** – With strong accruals in recent years and regular equity infusions<sup>2</sup>, Orbis' capitalisation profile has remained comfortable with nil fund-based borrowings. As on September 30, 2024, Orbis' capitalisation was characterised by a net worth of ~Rs. 784 crore (of which ~Rs. 181 crore remains encumbered for BG facilities). The company primarily relies on BG facilities for its clearing operations, which are backed by a 25% cover of the fixed deposits. As on December 31, 2024, Orbis had sanctioned BG limits of Rs. 790 crore and fund-based overdraft limits of ~Rs. 115 crore from 10 lenders. While the company previously had BG lines from banks rated AA- or lower (28% of BG limits), it has recalibrated its banking relationships in light of the recent change in the guidelines for the acceptance of BGs only from banks rated AA or above by clearing corporations.

### Credit challenges

**Limited diversification in revenue profile with high dependency on capital markets** – Orbis has various interrelated offerings for custodial and allied services. However, the revenue profile remains characterised by limited diversification with treasury/interest income accounting for about 65% of the gross revenues in H1 FY2025, followed by custodial fee and clearing fee. Custodial fee is typically earned as a percentage of the average assets under custody (AUC) while treasury income comprises interest income derived from the cash collateral placed primarily by the FPIs, which is linked to the volume of transactions and trading positions undertaken by the respective clients. Orbis witnessed a 22% decline (computed basis month-end figures) in earning cash collateral between September 2024 and January 2025. This was due to the declining trading activity, given the phased implementation of the regulatory measures aimed at curtailing hyperactive retail participation in index derivatives starting November 20, 2024, though it remained in line with the FY2024 average. Thus, Orbis' operations continue to be linked to the inherently volatile capital markets and its revenue profile and profitability remain vulnerable to market performance.

**Modest scale of operations** – Orbis has witnessed a significant scaleup of operations in recent years. Although it has continued to garner market share in AUC, the same remained modest at 0.57% as of December 2024 (0.47% in March 2023). Orbis' custodial and clearing business is also exposed to concentration risks. Despite declining moderately with the scaleup of operations, the concentration of business metrics across top clients remains high. While the top 10 clients in custodial operations accounted for 35% of Orbis' overall AUC in December 2024, the top 5 clients in the professional clearing business

<sup>1</sup> 35% in H1 FY2025, 32% in FY2024, 40% in FY2023, 47% in FY2022

<sup>2</sup> ~Rs. 298 crore during FY2021-FY2024 and Rs. 102 crore in FY2024

accounted for ~29% of the overall cash collateral (significant driver of NOI). Moreover, following the record increase in cash collateral placed by clients in the clearing business amid the surge in clearing volumes in equity derivatives, Orbis is witnessing a decline in recent months due to regulatory changes and temperedness in market trends. A track record of relatively steady performance over a sustained period across market cycles is yet to be established.

**Elevated competition, high dependence on technology and evolving regulatory environment** – Given the highly regulated nature of the industry, custodial and clearing businesses face significant regulatory risk. Ensuring compliance with evolving regulations is crucial. Recent changes, such as uniform exchange charges, measures to curb exuberance in the futures & options (F&O) segment, including rationalisation of weekly index derivatives and increased margins on expiry days, are being phased during November 2024-April 2025. These, along with the hike in securities transaction tax, pose risks to the clearing volumes and profitability of professional clearing members. Additionally, with high reliance on technology for trade execution, fund management poses operational and reputational risks.

Moreover, the industry remains dominated by bank custodians, particularly the FPI segment, which accounts for a major share of the overall industry AUC in the country, given their advantages of established franchises and large portfolios. ICRA notes that Orbis operates as an independent custodian and provides end-to-end services such as FPI registration, custodial services, fund accounting, clearing, depository and trusteeship services to its clients to enhance its value proposition. However, given the intense competitive pressure as well as the established presence of incumbents, the commission payout to referral agents remains high though ICRA notes a gradual improvement in the same. While the increasing financialisation of savings offers potential for expansion, pressure on profitability during downturns remains a concern.

### Liquidity position: Adequate

Orbis' liquidity requirement is primarily for placing margins at the exchanges and managing working capital requirements. As on December 31, 2024, Orbis had an unencumbered cash and bank balance of Rs. 28 crore against nil fund-based borrowings. Additionally, the Group had ~Rs. 95 crore of investments, which lends financial flexibility. The company, on average, deployed a total margin of ~Rs. 12,120 crore (computed basis month-end figures) at the exchanges between January 2024 and December 2024 with average margin utilisation of 51%. As on December 31, 2024, Orbis had placed cash margins (including bank guarantees) of more than Rs. 1,200 crore as margin buffers with exchanges.

### Rating sensitivities

**Positive factors** – A significant scaleup in the operations and an improvement in the market position in the clearing and custodial businesses, while achieving client diversification and retaining strong earnings and capitalisation

**Negative factors** – A sizeable decline in the AUC and/or average earning cash collateral or a build-up of receivables, resulting in a moderation in the financial profile

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Stockbroking &amp; Allied Services</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation

## About the company

Incorporated in 2005, Orbis is promoted by Mr. Atul Gupta, who held a ~28% stake in the company as on May 30, 2024. Headquartered in Gurugram, the company operates as a capital market intermediary and provides custodial, fund accounting, professional clearing, depository services, share transfer, FPI registration and trustee services to a wide array of client segments, namely FPI, PMS, FDI, DII, AIFs, and TMs. Orbis commenced operations in FY2009 as a custodian of securities and a clearing member in all market segments registered with SEBI. In FY2019, the company received a licence for offering registrar and transfer agent services and trustee services from SEBI. The trustee services are offered through a wholly-owned subsidiary – Orbis Trusteeship Services Private Limited.

On a standalone basis, Orbis reported a net profit of ~Rs. 90 crore on NOI of Rs. 183 crore in H1 FY2025 compared to Rs. 138 crore and Rs. 292 crore, respectively, in FY2024. As on September 30, 2024, its net worth stood at Rs. 784 crore on a provisional basis.

## Key financial indicators

Orbis (consolidated)	FY2023/ Mar-23	FY2024/ Mar-24
Net operating income (NOI)	179.0	294.8
Profit after tax (PAT)	89.6	141.3
Net worth	429.0	688.2
Total assets	5,040.2	4,984.7
Gearing (times)	0.0	0.0
Return on net worth	27.5%	25.3%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations

Orbis (standalone)	FY2023/ Mar-23	FY2024/ Mar-24	H1 FY2025/ Sep-24 <sup>^</sup>
Net operating income (NOI)	176.0	291.8	183.2
Profit after tax (PAT)	88.2	138.0	90.1
Net worth	426.0	683.3	783.6
Total assets	5,036.9	6,528.1	5,478.6
Gearing (times)	0.0	0.0	0.0
Return on net worth	27.2%	24.9%	24.6%

Source: Company, ICRA Research; Amount in Rs. crore; <sup>^</sup> Provisional figures; All ratios as per ICRA's calculations

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

**Any other information: None**

## Rating history for past three years

Instrument	Type	Current (FY2025)				Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Mar 28, 2025	FY2025		FY2024		FY2023		FY2022		
				Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Short term fund-based lines	Short Term	100.00	[ICRA]A1	-	-	-	-	-	-	-	-	-
Long-term/Short-term fund based/Non-fund based – Others	Long term/Short term	1500.00	[ICRA]A (Stable)/[ICRA]A1	Aug - 27- 2024	[ICRA]A (Stable)/[ICRA]A1	Dec- 12- 2023	[ICRA]A (Stable)/[ICRA]A1	-	-	-	-	-
Long-term/Short-term non-fund based bank guarantee	Long term/Short term	-	-	-	-	Nov- 9- 2023	[ICRA]A (Stable)/[ICRA]A1	Nov- 01- 2022	[ICRA]A- (Stable)/[ICRA]A2+	Feb- 08- 2022	[ICRA]A- (Stable)/[ICRA]A2+	-
						-	-	-	-	Jan- 07- 2022	[ICRA]A- (Stable)	-
Long-term/Short-term bank lines (unallocated)	Long term/Short term	-	-	-	-	-	-	-	-	Feb- 08- 2022	[ICRA]A- (Stable)/[ICRA]A2+	-
						-	-	-	-	Jan- 07- 2022	[ICRA]A- (Stable)	-

## Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term/Short-term fund based/ Non-fund based – Others	Very Simple
Short-term fund-based lines	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/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term/Short-term fund based/ Non-fund based – Others	-	-	-	1,500.00	[ICRA]A (Stable)/ [ICRA]A1
NA	Short-term fund-based intraday lines				100.00	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

Company name	Ownership	Consolidation
Orbis Financial Corporation Limited (Orbis)	Rated entity	Full
Orbis Trusteeship Services Private Limited	100%	Full

Source: Company

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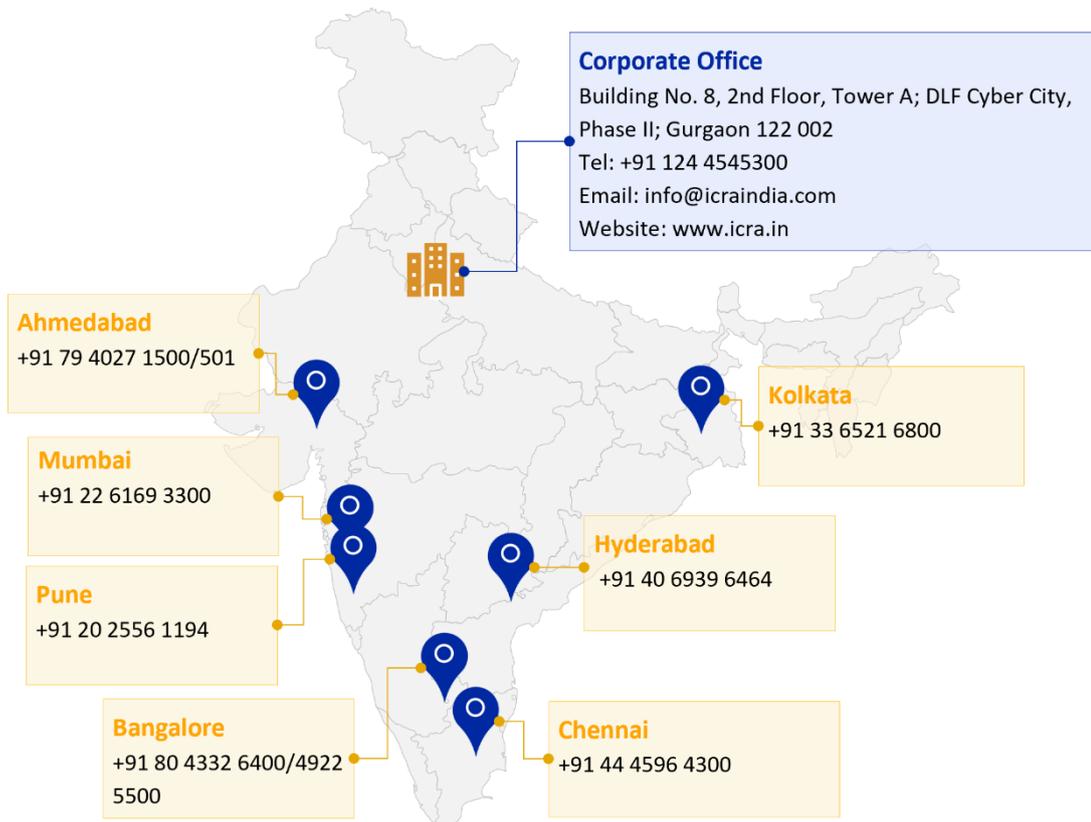
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