

Phillip Finance & Investment Services India Private Limited

Name of Instrument/Facility	Amount in Rs. Crore	Rating Action (July 2016)
Commercial Paper Programme	50.00	[ICRA] A1 Reaffirmed

ICRA has reaffirmed the rating of [ICRA] A1 (pronounced ICRA A one) for the Rs. 50 crore Commercial Paper Programme of Phillip Finance & Investment Services India Private Limited (PFISIPL). The rating is based on the combined financial and business profiles of the Indian entities of the Phillip Group¹.

The rating draws comfort from the shareholding pattern of the company with 75% of the equity being held by the Singapore-based Phillip Capital Group (via Philip Brokerage Pte Ltd) and the balance by Indian residents. The rating takes into account the negligible levels of leveraging in the balance sheets across all group entities, PFISIPL's healthy levels of capitalization and the strong expertise of the parent group in the financial services space. The rating, however, remains constrained by the small size of PFISIPL's loan book and the inherent volatility in the group's primary business of equity broking, which is prone to cyclical downturns. The rating, at the current level, reflects PFISIPL's relative positioning with other ICRA-rated margin funding houses. In ICRA's view, going forward, PFISIPL's rating would be sensitive to its ability to scale up business operations without distorting asset quality metrics.

PFISIPL, the NBFC arm of Phillip Capital India Limited (PCIPL), is mainly engaged in margin funding. PFISIPL provides funding services to the clients of PCIPL, which is primarily an institutional broking player. During H1FY2016, PFISIPL's loan book rose considerably to stand at around Rs. 85-90 crore by end-September 2015. However, post the moderation witnessed in the domestic equity markets in H2FY2016², PFISIPL's loan book shrunk sharply and stood at Rs. 51.41 crore as on March 31, 2016 (vis-a-vis Rs. 84.87 crore as on March 31, 2015). While the company has maintained its asset quality metrics so far, its ability to absorb the volatility inherent in equity markets (and related businesses) will remain a key rating sensitivity.

PFISIPL reported an increase in interest income from Rs. 7.93 crore in FY2015 to Rs. 10.59 crore in FY2016 (a ~34% growth) on account of the sharp rise in the size of its loan book (mainly during H1FY2016). With the company witnessing similar growth rates in its funding and operational expenses, the PBT growth (of around 7% in FY2016) remained subdued resulting in the company reporting a PAT of Rs. 1.65 crore in FY2016 (vis-a-vis Rs. 1.52 Crores in FY2015). As on March 31, 2016, the company had a net worth of ~Rs. 29 crore with a comfortable gearing of 0.84x time.

Following the change in ownership³ in March 2012, PCIPL had begun recovering lost ground by improving its market share from 0.26% in FY2013 to 0.46% in FY2015. However, owing to the poor performance of the domestic equity markets during FY2016, PCIPL's market share in equity broking slipped marginally to 0.43% in FY2016. The decline in volumes in FY2016 was evenly spread across institutional (15% YoY) and retail (13% YoY) segments. Consequent to the decrease in broking volumes in FY2016, PCIPL's PBT shrunk by ~61% YoY to Rs. 16.01 crore in FY2016 from Rs. 40.82 crore in FY2015.

The Phillip group is also engaged in providing commodity broking services through its group company, Phillip Commodities India Pvt Ltd (PCOM). In FY2016, PCOM reported PBT of Rs. 3.40 crore on a total income of Rs. 9.99 crore.

The liquidity position of the Indian entities of the Phillip Group remains comfortable with adequate net worth of ~Rs 360 crore as on March 31, 2016 and negligible levels of leverage, at the group level.

About the Parent Group

Started in 1975, Phillip Capital is a Singapore-based financial services group that, through its group companies, offers a range of services to retail and high net worth individuals, family offices, corporate and institutional customers. The group has a presence in over 16 countries. In March 2012, the group acquired majority

¹ Entities included are Phillip Capital (India) Pvt Ltd, Phillip Finance and Investment Services India Pvt Ltd, Phillip Commodities India Pvt Ltd and Phillip India Pvt Ltd

² Sensex dropped by 3.11% during H2FY2016

³ Various business of MF Global's India operations were bought by the Singapore-based PhillipCapital Group in March 2012 after the former filed for bankruptcy protection in October 2011.



ownership in a number of MF Global Holding's Indian subsidiaries after the latter filed for bankruptcy protection in October 2011.

About the Company

Phillip Finance & Investment Services India Private Limited (PFISIP) is the NBFC arm of Phillip Capital Group's Indian operations. 75% of PFISIP is owned by the Phillip Capital Group through one of its subsidiaries, Phillip Brokerage Pte Ltd, while the rest is owned equally by two individuals from PFISIP's senior management team. As on March 31, 2016, PFISIP had a net worth of Rs. 28.99 crore with a gearing of 0.84x times and a loan book of Rs. 51.12 crore. In FY2016, PFISIP reported a net profit of Rs. 2.42 crore as compared to a net profit of Rs. 2.25 crore in FY2015.

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