

Goldman Sachs (India) Securities Private Limited

January 03, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	2,000.00	[ICRA]A1+; assigned
Total	2,000.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 2,000 crore¹ commercial paper programme of Goldman Sachs (India) Securities Private Limited (GSISPL)².

Rationale

The ratings factor in the strong parentage of GSISPL by virtue of being a part of the Goldman Sachs group (GS Group) and the strategic importance of the company. GSISPL represents the GS Group's presence in the Indian subcontinent with its importance underlined by the presence of a shared brand name and that it is wholly indirectly owned by The Goldman Sachs Group, Inc. Furthermore, the company also draws advantage from access to the foreign portfolio investor (FPIs) clientele of GS Group. The rating also factors in the strong presence of GSISPL in institutional broking with significant offshore clientele, prominent presence in investment banking and the strong financial performance indicators of the company. The rating further take into account the comfortable liquidity position of the company with low gearing and comfortable capitalisation levels with low additional capital requirement and the strong risk management systems in place. ICRA takes note that most of GSISPL's revenues are linked to capital markets, which are inherently volatile in nature. However the diversified revenue profiles provide some comfort.

Key rating drivers

Credit strengths

Strong parentage and importance of company to the group – GSISPL is wholly owned by Goldman Sachs (Mauritius) LLC which is ultimately wholly owned by The Goldman Sachs Group, Inc ("Goldman Sachs") (GS; rated A3(stable)/P-2 by Moody's). Goldman Sachs is a multinational finance company engaged in investment banking, investment management, securities, and other financial services. GSISPL is strategically important to GS Group as it represents the GS Group's presence in the Indian subcontinent. The importance of the entity to GS group is supported by the company being closely held within the group and the presence of a shared brand name. ICRA expects support from GS Group to be forthcoming in case of exigencies.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

Strong risk management systems with the company adopting the global best practices of its parent – GSISPL’s risk management systems remain robust with the company adopting similar approach to risk management and leveraging the same operational infrastructure as GS Group which has been developed through their experience in various global markets and across various business cycles and global events.

Strong position of the company in institutional equity broking and investment banking – GSISPL has a significant presence in the institutional equity broking space with a competitive market share. Further, the company’s clientele also comprises of FPIs through its global associations, albeit the share of their domestic business has been on an upward trend. GSISPL also has significant presence in the investment banking space with the entity involved in various marquee M&A and fund raising deals over the years.

Diversified revenue profile and healthy profitability indicators – GSISPL’s income profile remains diversified. Besides equity broking, the company also acts as a captive BPO for its global operation for which it earns a stable fee income for the services offered (on a cost plus basis).

Adequate capitalisation levels and comfortable liquidity profile – GSISPL’s remains adequately capitalised with a net worth of Rs. 1,274 crore and nil leverage as of March 31, 2017. GSISPL’s broking business has a comfortable liquidity profile with moderate utilisation of the margins placed with stock exchanges and availability of bank lines which can be drawn down to meet additional margin requirements.

Credit challenges

Businesses linked to the capital markets which are cyclical in nature - With a majority of the company’s revenues being linked to the inherently volatile capital markets, the company’s revenue profile and profitability remain vulnerable to market performance. ICRA notes that any downturn in the capital markets may impact the company’s financial performance.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

ICRA’s Credit Rating Methodology for Brokerage Houses

ICRA’s Approach for Rating Commercial Papers

About the company

Goldman Sachs (India) Securities Private Limited

Goldman Sachs (India) Securities Private Limited (GSISPL) was incorporated in 2006, marking the foray of the Goldman Sachs group in the Indian markets. GSISPL is closely held within the group with Goldman Sachs (Mauritius) LLC holding the entire stake (with the nominal ownership of a single share by another GS group company) in the company as on March 31, 2017. GSISPL is primarily engaged in equity broking, deal advisory and investment banking. Globally, the Goldman Sachs Group is one of the largest players in investment banking.

Key financial indicators (audited)

	FY 2016	FY 2017
Total assets	5,247	5,599
Total income	1,225	982
Profit after tax	487	386

Amounts in Rs. Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2018)			January 2018	Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)		FY2018	FY2016	FY2015
1 Commercial Paper Programme	Short Term	2,000	-	[ICRA] A1+	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Commercial Paper	NA	NA	7-365 days	2,000.00	[ICRA]A1+

Source: Goldman Sachs (India) Securities Private Limited

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About ICRA Limited:

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