

Goldman Sachs (India) Securities Private Limited

December 07, 2018

Summary of rating action

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

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in the strong parentage of Goldman Sachs (India) Securities Private Limited (GSISPL), by virtue of being a part of The Goldman Sachs Group, Inc. (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 takes 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 to the Group – GSISPL is wholly owned by Goldman Sachs (Mauritius) LLC, which is ultimately held by The Goldman Sachs Group, Inc. (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 the GS Group as it represents the GS Group's presence in the Indian subcontinent. The importance of the entity to the 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 to be forthcoming in case of exigencies.

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

Strong position 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 comprises FPIs through its global associations, albeit the share of the domestic business has been on an upward trend. GSISPL also has a significant presence in the investment banking space with the entity involved in various marquee merger and acquisition (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 and investment banking, the company acts as a captive business process outsourcing (BPO) centre for its global operations 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 remains adequately capitalised with a net worth of Rs. 1,156 crore and nil leverage as on March 31, 2018 (net worth of Rs. 1,274 crore as on 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.

Liquidity position

GSISPL needs funds for meeting margin requirements at the bourses which is met by margin deposits from clients and company’s own funds. The entity maintains a conservative liquidity profile consisting of adequate cash and other liquid assets based on an assessment of its various businesses, along with bank lines to meet additional funding requirements. At present, GSISPL had no outstanding borrowing (excluding margin deposits from clients).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA’s Credit Rating Methodology for Brokerage Houses ICRA’s Approach for Rating Commercial Papers
Parent/Group Support	Parent/Group Company: Goldman Sachs (Mauritius) LLC ICRA expects promoter group, Goldman Sachs Group, Inc (rated A3(Stable)/P-2 by Moody’s) to be willing to support GSISPL, in case of exigencies, given the strategic importance of GSISPL, close linkages and presence of shared brand-name.
Consolidation / Standalone	Standalone

About the company

Goldman Sachs (India) Securities Private Limited (GSISPL) was incorporated in 2006, marking the foray of the Goldman Sachs Group into 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, 2018. 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)

	FY2017	FY2018
Total assets	5,599	4,620
Total income	982	1,040
Profit after tax	386	390

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 (FY2019)			Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	FY2019	FY2018	FY2017	FY2016
				Dec-2018	Jan-2018		
1 Commercial Paper Programme	Short Term	2,000	-	[ICRA]A1+	[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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