

November 27, 2019

Karvy Data Management Services Limited: Rating downgraded and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund Based/ Non-fund Based	370.59	370.59	[ICRA]BB (CE) (Negative) ISSUER NOT COOPERATING** downgraded from [ICRA]BBB (CE) (Negative) ISSUER NOT COOPERATING; and withdrawn
Total	370.59	370.59	

*Instrument details are provided in Annexure-1

**Issuer did not cooperate; based on best available information.

Rating without explicit credit enhancement

[ICRA]BB- ISSUER NOT COOPERATING

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/ facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/ facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The rating of Rs. 370.59 crore on Long-term Fund Based/Non-fund Based is driven by an unconditional and irrevocable guarantee given by Karvy Data Management Services Limited's (KDMSL) parent entity KSBL.

The ratings on the instruments of Karvy Stock Broking Limited (KSBL) were downgraded on the basis of a SEBI enforcement order. The order¹ is expected to impact the KSBL's operations negatively which in turn would affect the debt repayment capacity of KSBL ([Click here for KSBL rationale](#)).

The rating of [ICRA]BB (CE) (Negative) ISSUER NOT COOPERATING on Rs. 370.59 crore Long-term Fund Based/Non-fund Based programme stands withdrawn. The rating was withdrawn at the request of the rated entity in accordance with ICRA's policy on withdrawal and suspension ([click here for policy](#)).

Key rating drivers

The key rating drivers have not been captured as the rating has been withdrawn.

¹ SEBI order dated November 22, 2019 (https://www.sebi.gov.in/enforcement/orders/nov-2019/ex-parte-ad-interim-order-in-respect-of-karvy-stock-broking-limited_45049.html)

Rating Sensitivities: Not applicable

Liquidity position: Not applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Brokerage Houses Approach for rating debt instruments backed by third-party explicit support ICRA's Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	The assigned rating is based on the unconditional, irrevocable corporate guarantee extended by KSBL, the parent company of KDMSL
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

The previous detailed rating rationale is available on the following link: [Click here](#)

About the company

Hyderabad-based Karvy Data Management Services Limited (KDMSL), a step-down subsidiary of Karvy Stock Broking Limited, was incorporated in April 2008. It provides business and knowledge process services. The company started off as a pure-play back office service provider in 2008 and has moved on to operate in business verticals like e-governance, telecom and banking. It also focuses on Government project related mandates such as NPR biometric, UID, PAN card related services, e-TDS, etc. It enjoys strong support from the Karvy Group and has established working relationships with several key government departments.

Karvy Stock Broking Limited

The Karvy Group is a well-diversified business group that spans the entire financial services spectrum as well as data processing and managing segments. It caters to over 70 million individual investors in various capacities and provides investor services to over 600 corporate houses, comprising the best of Corporate India.

Karvy Stock Broking Limited is the broking arm of the Karvy Group. It provides broking and wealth management services to its clients. KSBL provides a combined account facility that caters to all investment opportunities such as equities, derivatives, currency, IPOs, mutual funds and NCDs.

Status of non-cooperation with previous CRA:

KDMSL has been classified it as issuer not cooperative vide release dated November 12, 2019 by Acuite Ratings and Research Ltd. The reason provided by the above rating agency was non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

Rating history for last three years

Instrument	Type	Current Rating (FY2020)		Rating 27-Nov-19	Rating 18-Nov-19	Rating History for the Past 3 Years			
		Amount Rated	Amount Outstanding			FY2019	FY2018		FY2017
						29-Mar-19	06-Apr-18	27-Feb-18	23-Nov-16
1 Long term (fund based/non-fund based)	Long term	370.59	NA	[ICRA]BB (CE) (Negative) ISSUER NOT COOPERATING; withdrawn	[ICRA]BBB (CE) (Negative) ISSUER NOT COOPERATING	[ICRA]A (SO) (Negative)	[ICRA]A+(SO)(stable)	[ICRA]A+ (SO) (stable)	[ICRA] A+(SO)(Stable)

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
NA	Short-term Debt Programme	NA	NA	NA	370.59	[ICRA]BB (CE) (Negative) ISSUER NOT COOPERATING; withdrawn

Source: Company data

Annexure-2: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Sahil Udani

+91 22 6114 3429

sahil.udani@icraindia.com

Sudam S Shingade

+91 22 6169 3425

sudam.shingade@icraindia.com

Rohan Rustagi

+91 22 6114 3414

rohan.rustagi@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6169 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:

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ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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