

Press Release

Orbis Financial Corporation Limited

D-U-N-S® Number: 67-580-5702

August 28, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 300.00 Cr.
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuite has assigned its short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 300.00 crore bank facilities of ORBIS FINANCIAL CORPORATION LIMITED (OFCL).

OFCL was incorporated in 2005 and commenced operations in 2009. OFCL is a wholly-owned subsidiary of Orbis Capital Limited (OCL). OFCL commenced operations primarily by providing custodian services to its clients. OFCL also provides Fund Accounting and Reporting services, derivative clearing services, trusteeship services, among others. It is registered with Securities and Exchange Board of India as a designated depository participant (for foreign portfolio investors), a clearing member on National Stock Exchange and Bombay Stock Exchange in a variety of segments as also being a Depository Participant on the National Securities Depository Limited and Central Depository Services Ltd. OFCL is also registered with SEBI as Category I Registrar & Share Transfer Agents.

Analytical Approach

Acuite has consolidated the business and financial risk profile of Orbis Capital Limited (OCL) and Orbis Financial Corporation Ltd (OFCL) together referred to as the 'Orbis Group'. The consolidation is in view of the 100 per cent stake of OCL in OFCL. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

• Experienced management team:

Orbis group's promoter and senior management have extensive experience of more than two decades in the capital-market related business. The promoter, Mr. Atul Gupta, is the Founder and Managing Director of the group. The Chief Executive Officer, Mr. Shyam Agarwal, has nearly 15 years of experience in the custody and capital markets. The company has been able to leverage the extensive experience of its management team as is also reflected in the healthy revenue growth from its custody business, while also diversifying its revenue profile. The revenue from custody operations stood at Rs. 11.0 crore for 2019 (Provisional) as compared to Rs.4.87 crore for FY 2017. The extensive experience of the management team is also reflected through the moderate AUC levels of Rs. 9,500 crore commensurate with the number of years of operations. The established presence and experienced promoters of the group has helped it to maintain long lasting relations with its clientele base.

• Steady revenue visibility:

The group operates as a custodian, whose primary activities include holding assets or securities on behalf of its clients and providing services such as clearing or settlement services, depository services, advisory services, among others. It generates fee income for providing these services to a diversified portfolio of clients. The group offers securities services to domestic and foreign institutional investors, corporates and high net worth individuals. Recently, the group has also started with trustee services across wide variety of clients including Equity funds, Alternate Investment Funds, NBFC's, Corporates, Insurance & Banking Institutions and Non-Profit organization.

• **Adequate capitalisation with steady profitability growth:**

Orbis Group reported net worth at Rs. 68.44 crore as on March 31, 2019 (Provisional) as compared to Rs. 61.39 crore as on March 31, 2018. The improvement in net worth is attributable to healthy growth in fee income coupled with moderate operating margins leading to healthy accretion to reserves. The group has reported profit after tax of Rs. 7.41 crore for FY2019 (Provisional) as against Rs.7.29 crore for FY2018. OFCL has no fund-based borrowing. Acuite believes that the group will maintain comfortable capitalization supported by strong net worth with negligible gearing along with steady accruals.

Weaknesses

• **Susceptibility of the operating income to capital market activity and regulatory changes:**

The group generates around 33 per cent of its income from clearing services, which in turn is linked to capital markets; thus it remains sensitive to market performance. Furthermore, any change in regulatory norms by Securities and Exchange Board of India that lead to increase in competitive pressures can impact the operations of the group. OFCL also faces intense competition from large brokerage houses themselves acting in the capacity of a self-clearing member and their increasing presence in capital market activities. Acuite believes that the regulatory changes in the professional clearing services and depository services and improvement market share of the group in the capital market activities will be a key rating sensitivity.

Liquidity Position

The group has an adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. Net cash accruals of the group stood at Rs.7.98 crore for FY2019 (Provisional) as against Rs.7.80 crore for FY2018, while its debt obligation were nil for both the years. The group has low reliance on working capital borrowings; the cash credit limits remained unutilised as on March, 2019 (Provisional). The group maintains cash and bank balance of Rs. 17.09 crore as on March, 2019 (Provisional). The current ratio stood at 1.15 times as on March, 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain healthy over the near to medium term.

About the Rated Entity - Key Financials(consolidated)

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	15.68	12.19	7.69
EBITDA	Rs. Cr.	3.57	2.48	(0.08)
PAT	Rs. Cr.	7.41	7.29	0.56
EBITDA Margin	(%)	22.74	20.31	(1.10)
PAT Margin	(%)	47.24	59.80	7.28
ROCE	(%)	15.45	12.19	2.14
Total Debt/Tangible Net Worth	Times	-	0.10	-
PBDIT/Interest	Times	8.65	60.29	105.29
Total Debt/PBDIT	Times	-	0.80	-

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank guarantee I	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2
Bank guarantee II	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2
Bank guarantee III	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2
Bank guarantee IV	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2
Bank guarantee V	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2
Bank guarantee VI	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2
Proposed Bank guarantee	Not Applicable	Not Applicable	Not Applicable	110.00	ACUITE A2

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About Acuité Ratings & Research:

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