

**Press Release**  
**Equirus Capital Private Limited**

September 06, 2021



**Rating Withdrawn**

<b>Instruments Rated*</b>	Rs. 5.61 Cr.
<b>Long Term Rating</b>	ACUITE BBB+ (Withdrawn)

\* Refer Annexure for details

**Rating Rationale**

Acuité has withdrawn the long term rating of '**ACUITE BBB+** (read as **ACUITE TRIPLE B plus**) to the 5.61 Cr bank facilities of Equirus Capital Private Limited (ECPL). The rating is being withdrawn as per request received from the client in line with Acuite's policy.

**About the Group**

Incorporated in 2007 by Mr. Ajay Garg, ECPL is a Mumbai-based investment banking and capital market advisory company. ECPL's key focus areas are rendering advisory services in the BFSI, IT Sector. ECPL has three subsidiary companies, namely Equirus Securities Private Limited (ESPL), Equirus Digital Private Limited (EDPL) and Equirus Wealth Private Limited (EWPL). ESPL provides equity research, institutional equities, stock broking and portfolio management services, EDPL operates a software platform by the name "Propeluss" for fundraising, acquisitions, strategic partnerships among start-ups, investors and corporates. EWPL is engaged in the business of distribution of financial products and offers advisory services in the area of wealth management to High Networth Individual's (HNI). Equirus Group offers various advisory products and services under segments such as capital markets, institutional equities, wealth management, portfolio management services.

**Analytical Approach**

Acuité has consolidated the business and financial risk profile of Equirus Capital Private Limited (ECPL), and its subsidiaries Equirus Securities Private Limited (ESPL), Equirus Digital Private Limited (EDPL) and Equirus Wealth Private Limited (EWPL), together referred to as the 'Equirus Group' (EG). The consolidation is in view of common management, shared brand name and significant financial and operating linkages between the various entities of the group. Extent of Consolidation: Full.

**Key Rating Drivers**

**Strengths**

**• Business model based on support from marquee investors**

Equirus Group is promoted by Mr. Ajay Garg, who has over two decades of experience in Investment Banking through his previous association with DSP Merrill Lynch and MAPE advisory group. Besides Mr. Garg, the flagship company ECPL has raised equity from marquee investors, Mr. Rakesh Jhunjhunwala and The Federal Bank Limited (FBL). FBL has invested in ECPL in the form of equity and convertible preference capital which were fully converted into equity in FY2021.

Equirus Group has been able to build a team of seasoned professionals with domain and legal expertise. Besides Mr. Ajay Garg (Founder & Managing Director), Mr. Ajit Deshmukh (Director), has over two decades of experience in the IT Industry and Investment Banking industry and has handled technology leadership position at Citigroup and US Department of Defense. Mr. Rajiv Agarwal – Director, is Managing Director at RARE Enterprises and has been associated with RARE for over a decade. Mr. Harsh Dugar – Director, is the head of wholesale banking division at the Federal Bank Ltd having expertise in the field of corporate banking with around two decades of experience with HDFC Bank.

Equirus Group's gamut of product offerings include advisory and investment banking services, broking,

wealth management services and related services. The group has also developed a software 'Propeluss' for fund raisings, acquisitions, strategic partnerships among start-ups, investors and corporates. Since clients generally prefer one-stop solution, the group has tied-up with Federal Bank (FBL) to offer funding support to these deals, whenever required. As per the arrangement with FBL, the deals being structured by EG will be referred to FBL for funding solutions, whenever required. Hence, EG will be able to keep its capital requirement at modest level, while meeting the customer's requirement of advisory and funding support. The group's various verticals have significant alignment between themselves.

The team has, since inception, handled over 150 deals i.e. capital market transactions including deals in M&A and PE deals for the group. Equirus' clientele includes Shankara Building Products, L&T Finance Holdings, MSTC Ltd, Infosys, amongst others. EG's multi-disciplinary expertise and established network of key management employees helps in identifying business opportunities and converting them into deals.

Acuité believes that the group will continue to benefit from support of these resourceful investors and experienced management team and its ability to cater to reputed clientele.

### **Weaknesses**

- Susceptibility of the operating performance to volumes in the capital markets and deal pipeline amidst a subdued operating environment**

The group's services are linked to the number of deals in the M&A space and the volumes in capital markets. Any slowdown in the pipeline of these deals will impact the revenue profile of players such as Equirus Group, since a large number of the investment banking outfits will be competing for the same deals. Since there is a significant time lag between identification of a new deal and its final fructification, the pipeline of deals needs to be robust at all points of time. This is mostly on account of the fact that most of the deals taken up for preliminary screening may not eventually materialize, and hence may not generate any revenues for the company. The low hit ratio inherent in this business makes it imperative that the initial screening process are robust and conversion to final deal is done as quickly as possible.

Acuité believes that the level of activity in the capital markets will continue to impinge the revenue profile of these players and future growth trajectory.

### **Rating Sensitivities**

Not Applicable

### **Material Covenants**

None

### **Outlook**

None

### **Liquidity position: Adequate**

The group maintained adequate liquidity position marked by Net Cash Accruals (NCA) of ~Rs. 5.90 crore as on March 31, 2021 as against negative Rs. 6.43 Cr. as on March 31, 2020. The cash & bank balance stood at Rs. 9.90 crore as on March 31, 2021. The current ratio stood at 1.67 times as on March 31, 2021 as against 1.16 times as on March 31, 2020.

### **About the Rated Entity - Key Financials**

	<b>Unit</b>	<b>FY21 (Actual)</b>	<b>FY20 (Actual)</b>
Operating Income	Rs. Cr.	62.21	40.76
PAT	Rs. Cr.	3.40	(8.49)
PAT Margin	(%)	5.47	(20.84)
Total Debt/Tangible Net Worth	Times	0.36	0.36
PBDIT/Interest	Times	5.62	(5.77)

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

None

### **Any other information**

None

#### Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
10-Sep-20	Preference Share Program	Long term	5.61	ACUITE BBB+/Negative (Reaffirmed; Outlook revised from Stable)
13-Sep-19	Preference Share Program	Long term	5.61	ACUITE BBB+/Stable (Assigned)

#### \*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Not Applicable	Preference Share Program	Not Applicable	Not Applicable	Not Applicable	5.61	ACUITE BBB+ (Withdrawn)

#### Contacts

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#### About Acuité Ratings & Research:

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