

Press Release

Jupiter Capital Private Limited

June 23, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 100.00 crore
Long Term Rating	ACUITE Provisional A- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE Provisional A-**' (**read as ACUITE Provisional A minus**) on the Rs. 100.00 Cr bank facilities of Jupiter Capital Private Limited. The rating withdrawal is in accordance with Acuité's policy on withdrawal of ratings. The rating is withdrawn based on the request received from the company.

Jupiter Capital Pvt Ltd ("JCPL") was founded by Mr Rajeev Chandrasekhar in 2005, is an Investment & Financial services firm headquartered in Bangalore. JCPL has been registered as an NBFC-SI with RBI since September, 2009. JCPL has an extensive portfolio of public and private investments through acquisitions, direct investments joint ventures and debt book. The company makes investment across sectors with focus on Engineering & Technology Services, Media & Entertainment, Hospitality & Wellness, Real Estate & Infrastructure and Technology-enabled consumer internet and business platforms. JCPL's co-investors include global leaders such as Star, Goldman Sachs, Cisco and NOL. JCPL also owns an aircraft and provides charter flight services.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Jupiter Capital Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Resourceful Promoter supported by Experienced Management Team:

The founder, Mr. Rajeev Chandrasekhar, known amongst other things for pioneering private investments into Indian Telecom sector and presently, Member of Parliament at Rajya Sabha started the organisation in 2005. He was on the Board of Directors as promoter director till January, 2020. Though he has stepped down from the Board, he continues to remain the ultimate shareholder of the company. Presently, the operations are overseen by the Board of Directors with the support of qualified and experienced management team. The management of JCPL is led by Mr. Sudhakar Gande, CEO who has prior experience in the areas of Investment Banking, Corporate Finance, Venture Development and Management, etc. and has also held leading positions in banks. The management of JCPL also comprises of CFO and Investment Director, all of whom have prior experience in the Financial Services Sector and have demonstrated the ability to survive through business cycles.

Apart from overseeing the day-to-day operations, the management team is responsible for making investments and divestments decisions. Over the years, JCPL has built-up an Equity Book of ~Rs. 1,332 and Debt Book of ~Rs. 282 Crore as on September, 2020 (Provisional). The management has demonstrated the ability to monetize their investments at higher than expected IRR and able to make profit on their monetizations.

Acuité believes that the company will continue to benefit from its experienced Management Team backed by a resourceful promoter which will aid the company in its future growth trajectory.

• High Capitalisation Level:

JCPL commenced its operations in 2005 and its Assets under Management (AUM) has grown to ~Rs. 1,615 Cr. as on September 30, 2020 (Provisional) from ~Rs. 1,430 Cr. as on March 31, 2019. The AUM of ~Rs. 1,615 Cr.

comprised of Equity Book of ~Rs. 1,332 Cr and Debt Book ~Rs. 282 Cr. as on September 30, 2020 (Provisional). This growth has been on the back of its high net worth of ~Rs. 1,684 Cr. as on September 30, 2020 (provisional). The networth has been built up from internal accruals by way of profit from divestments. The Capital Adequacy Ratio (CAR) stood at 67.12% as on September 30, 2020 (provisional) and 60.32% as on March 31, 2020 (Provisional). As the company has high capitalisation buffers, the reliance on external borrowing has been minimal. The overall debt stood ~Rs. 95 Cr. and gearing of 0.06 times as on September 30, 2020 (Provisional). Out of the total debt of Rs. 95.74 Cr, ~Rs. 60 Cr. is against the aircraft operated by JCPL which will be hived off to a separate entity post demerger. This will further enhance the liquidity buffers on account of low debt servicing obligations and opex commitments.

Acuité believes that the ability of the company to maintain high capitalisation level with low gearing will support the growth requirements of the company.

Weaknesses

- **Weak Asset Quality:**

JCPL started its operations in 2005 with a focus in building up its Equity Book, however, since the past two years JCPL has expanded its operations to creating a debt book as well. JCPL built a Debt Book of ~Rs 282 Cr as on September 30, 2020 (Provisional) and ~Rs 219 Cr as on March 31, 2020 (Provisional). These loans were majorly extended in the form of Venture Debt and individuals. On account of relatively less stringent underwriting policy, JCPL faced significant asset quality pressures and credit costs in the past. The company's gross non-performing assets (GNPAs) stood at ~26 percent as on September 30, 2020 (Provisional) and ~33 percent as on March 31, 2020 (Provisional). The company has already created ~99 percent provisions against the delinquent assets.

JCPL has also put in place strategy on case to case basis to resolve majority of its GNPAs. As a part of resolution process; JCPL has initiated legal proceedings against certain accounts, invoked the securities pledged, etc. The company has realised a token amount against one of its major NPA Account.

In order to mitigate the asset quality pressures in future, JCPL has revised its risk management policies and process. In line with this strategy JCPL has decided to completely withdraw from high risk venture debt financing. Further, they are in process of operationalising the new team structure for debt portfolio and is accordingly looking out to on board seasoned professionals including the Head- Debt.

Acuité believes that going forward the ability to grow its debt book while improving its asset quality will be key monitorable.

- **Volatility of Income:**

JCPL started its operations with a focus on building in Equity Book. However, the revenue from Equity Book depends highly on the return on investment/gains, i.e. profits on sale of investments which in turn depends on the performance of a particular industry/sector in which it has invested. This volatility is reflected in profit on sale of Investments which was ~Rs. 60 Cr as on March 31, 2020 (Provisional) and ~Rs. 90 Crore as on March 31, 2019. The company has however set out plan for divestments for the next three years. JCPL also owns a Charter Aircraft and provides charter flight services. The charter flight services have helped the company in giving a stable income inflow to a certain extent. During the period of Covid-19, income from charter flight services faced some headwinds and hence in the current year (FY21), the income from charter flight services may be lower. It will be pertinent to mention that JCPL is in the process of transferring this business to another entity. The demerger is expected to be in place by the end of FY2021 and the appointed date of demerger shall be 01.04.2020

In order to mitigate this volatility, JCPL has expanded its operations to creating a debt book as well since the past two years. This enables the company in having a steady income flow by way of interest income. The interest income for the FY2020 (Provisional) stood at ~Rs. 21 Cr and ~Rs. 25 Cr as on March 31, 2019. Going forward, JCPL will focus on growing its debt book and thus interest income is expected to grow.

Acuité believes that the ability of the company and management to mitigate the risks associated with volatility of income would be crucial.

Rating Sensitivity

- Changes in management.
- Decline in asset quality.
- Timeliness of monetization of investments

Liquidity Position: Adequate

JCPL's liquidity buffers primarily depend on its cash inflows (collections from debt book, charter flight income and divestment income) vis. a vis. the cash outflows (disbursements, new investments, debt servicing commitments, operating expenses). The income by way of divestments has been and is expected to remain volatile owing to its nature of business. However, the liquidity is adequately supported by stable collections from its debt book. JCPL has not offered moratorium to its borrowers and the borrowers continued servicing their obligations. JCPL, had however taken moratorium from one of its lenders. The liquidity is further supported by way of Charter Flight Income. JCPL has fixed monthly obligations (Debt servicing obligations and operating expense) range between Rs. 6-7 Cr for the H2FY21 against which it had a liquid balance of Rs. 41.24 Cr. in the form of unencumbered cash and bank balance as on September 30, 2020. Apart from the collections from clients, JCPL is also augmenting its resources through the NCD to support their liquidity.

Rating Sensitivities

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	1723.21	1755.82
Total Income (Net of Interest Expense)	Rs. Cr.	126.23	121.19
PAT	Rs. Cr.	26.81	54.45
Net Worth	Rs. Cr.	1604.49	1589.35
Return on Average Assets (RoAA)	(%)	1.54	3.06
Return on Average Net Worth (RoNW)	(%)	1.68	3.45
Total Debt/Tangible Net Worth (Gearing)	Times	0.06	0.08
Gross NPAs	(%)	33.68	45.70
Net NPAs	(%)	0.37	18.86

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

Not Applicable

Material Covenant

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
22 Dec 2020	Proposed Non-Convertible Debenture	Long Term	20.00	ACUITE Provisional A-/Stable (Assigned)
	Proposed Non-Convertible Debenture	Long Term	80.00	ACUITE Provisional A-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Non-Convertible Debenture	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE Provisional A- (Withdrawn)
Proposed Non-Convertible Debenture	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE Provisional A- (Withdrawn)

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About Acuité Ratings & Research:

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