

Press Release

Jupiter Capital Private Limited

January 17, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	230.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	230.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 230.00 Cr. Secured Redeemable NonConvertible Debentures of Jupiter Capital Private Limited (JCPL). The outlook is '**Stable**'

Rationale for the rating

The rating continues to factor in experienced management and resourceful promoters and the ability of the company to grow its network by way of internal accruals. The rating also factors in the high capitalization levels and low gearing levels with network of Rs. 1,633.13 Cr. as on March 31, 2022. The capital adequacy ratio stood at 98.67 percent as on March 31, 2022 and 75.12 percent as on March 31, 2021 coupled with low gearing of 0.02 times as on March 31, 2022 and 0.06 times as on March 31, 2021. The rating derives comfort from proven track record of investments and divestments. The rating also derives strength from the underlying DSRA and Structure Payment Mechanism of the proposed Non-Convertible Debentures. The rating is, however, constrained due to its volatile nature of its revenue and high write offs done in the past.

About the company

Jupiter Capital Pvt Ltd ("JCPL") was incorporated in 2004, as 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.

Standalone (Unsupported) Rating

ACUITE BBB/ Stable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of JCPL to arrive at the rating. Further, the rating also takes the support of the presence of internal credit enhancement proposed in the form of Debt Service Reserve Account (DSRA) and the Structured Payment mechanism. The rating in respect of the NCD of Rs. 230.00 Cr. factors in the presence of a DSRA in form of 10 percent of the outstanding principal amount. DSRA needs to be maintained in the form of cash, bank fixed deposit, 'AAA' rated debt securities and sovereign debt securities, in any combination, for the minimum duration covering the tenor of the NCDs along with the T structure. The differential in the ratings of regular bank facilities vis. a vis. the rating on the NCDs is on account of these structures.

Key Rating Drivers

Strength

Resourceful promoter supported by experienced management team

The operations of JCPL 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, (Advisor to the Board) 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.

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.

Proven track record of investments

JCPL started its operations in the year 2005 and over the years, they have built an equity book having a book value of Rs. 1,394 Cr. as on September 30, 2022. These investments have been made out of owned funds and along with large brand strategic investors. These investments are made in emerging sectors especially technology focused sectors, along with strategic global partners, ultimately all critical deciding factors are aimed towards value creation. First set of investments happened in FY2009; followed by another set during FY2014, FY2019 and FY2021.

Acuité believes that the company will benefit from the demonstrated ability of the management in making investments and divestments.

Weakness

Volatility of Income

JCPL started its operations with a focus on building its 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. JCPL's top 3 investments comprise around 73 percent of its total equity book in which JCPL has majority shareholding. JCPL's earning profile is largely dependent on the performance, profitability and valuations of these companies. In order to mitigate this volatility, JCPL has expanded its operations to creating a debt book as well since FY2018. The debt book however, saw delinquencies with GNPA at 25.70 percent as on March 31, 2021 which JCPL wrote-off and stood at 3.29 as on March 31, 2022. The company's debt book of ~Rs. 280 Cr. as on September 30, 2022 is likely to remain stable for near to medium term. Acuité believes that the ability of the company and management to mitigate the risks associated with volatility of income would be crucial.

ESG Factors Relevant for Rating

Jupiter Capital Private Limited (JCPL), has a diversified revenue stream with a majority portion accruing from the financial services sector. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behavior. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry. The company's board comprises of a total of three directors.

Rating Sensitivity

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

Material Covenants

JCPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

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 maintained Rs. 90.32 Cr. in form of unencumbered cash and bank balance as on September 30, 2022. Apart from the collections from clients, JCPL is also augmenting its resources through the NCD to support their liquidity.

Outlook: Stable

Acuité believes that JCPL will maintain a 'Stable' outlook over the medium term supported by its resourceful promoter, experienced management and high capitalisation levels. The outlook may be revised to 'Positive' in case of higher than expected growth in AUM while maintaining key operating metrics and asset quality, liquidity and timeliness of divestments. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics.

Other Factors affecting Rating None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	1723.50	1762.04
Total Income*	Rs. Cr.	68.30	150.45
PAT	Rs. Cr.	20.74	21.80
Net Worth	Rs. Cr.	1633.13	1612.49
Return on Average Assets (RoAA)	(%)	1.19	1.25
Return on Average Net Worth (RoNW)	(%)	1.28	1.36
Debt/Equity	Times	0.02	0.06
Gross NPA	%	3.29	25.70
Net NPA	%	-	-

*Total income equals to Net Interest Income plus other income.

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

None

Any other information

None

Applicable Criteria

- 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>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2022	Proposed Non Convertible Debentures	Long Term	230.00	ACUITE Provisional A- (Withdrawn)
08 Apr 2022	Proposed Non Convertible Debentures	Long Term	230.00	ACUITE Provisional A- Stable (Assigned)
23 Jun 2021	Proposed Non Convertible Debentures	Long Term	20.00	ACUITE Provisional A- (Withdrawn)
	Proposed Non Convertible Debentures	Long Term	80.00	ACUITE Provisional A- (Withdrawn)
22 Dec 2020	Proposed Non Convertible Debentures	Long Term	80.00	ACUITE Provisional A- Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	20.00	ACUITE Provisional A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE202K07010	Non-Convertible Debentures (NCD)	25 May 2022	8.00	25 May 2027	Simple / Complex	230.00	ACUITA A- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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