Press Release

Derivium Tradition Securities (India) Private Limited

January 06, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term / Short Term Bank Facilities	20.00 (Reduced from 40.00)	IVR BBB-/ Stable/IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	IVR BBB-/ Stable/IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	Rating Reaffirmed	Simple
Total	**20.00 (Rupees Twenty- Crore Only)**				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed the ratings of IVR BBB-/Stable, IVR A3 to the bank facilities of Derivium Tradition Securities (India) Private Limited (DTSIPL). The ratings derive strength from its experience promotors, low credit risk as the company trades only in government securities and bonds rated A and above coupled with low capital-intensive nature of business. However, these rating strengths are partially offset by market risk on account of interest rate fluctuations, limited growth potential and intense competition and technology risk.

The outlook of DTSIPL is proposed to be stable on the back of low credit risk associated with dealing in high-rated bonds for institutional clients coupled with the low capital-intensive nature of the business having stable operations.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in topline & profitability margins
- Improvement in debt protection metrics

Downward Factors

- Any substantial losses incurred due to interest rate risk.
- Substantial deterioration in capital structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters**
  DTSIPL is founded by Mr. Ashish Ghiya and Mr. Kunal Shah, who are also promoters of Genev Capital Private Limited (GCPL). Both companies are part of the Tradition group, one of the world’s largest interdealer brokers in FX, bonds, high-yield credits, credit derivatives, and commodities. Mr. Ashish Ghiya has over 25 years of experience in interest rate, cross-currency, INR derivatives, and credit markets, with expertise in structuring deals for high-rated Indian corporates. Mr. Kunal Shah specializes in debt capital markets, credit origination, fixed income portfolio management, and advisory services. Their combined expertise strengthens the company’s position in India’s financial markets.

- **Low credit risk as the company trades only in government securities and bonds rated A and above**
  The company has low credit risk exposure, as it restricts trading activities to G-Secs and bonds rated A and above. These instruments are considered safe, high-quality assets with minimal risk, making them highly attractive to institutional clients. Additionally, the company enforces a policy that limits the holding period for these securities to 30 days, ensuring that it is not exposed to prolonged market fluctuations or credit events that might affect the underlying bonds. This approach not only reduces the risk associated with securities but also enhances the credibility and safety of the trading and broking services offered, which is crucial for institutional clients who prioritize capital preservation. By maintaining strict limits on the type of securities traded and the duration of exposure, the company flows a low-risk business model.

- **Low capital-intensive nature of business**
  With ~80% of its revenue coming from fee-based brokerage and consulting services, the company does not require extensive working capital. This reduces financial strain and provides a stable, predictable income stream. The remaining ~20% from trading, while smaller, adds diversity to its revenue base. Additionally, by using its own funds, the company minimizes reliance on external financing, giving it greater control over its capital structure and reducing financial risk.

Key Rating Weaknesses

- **Market risk on account of interest rate fluctuations**
  The company's performance is heavily influenced by market conditions, particularly interest rate fluctuations. Fixed-income securities like government bonds and investment-grade corporate bonds are highly sensitive to interest rate changes. In a rising interest rate environment, the value of existing bonds tends to decline, which could reduce trading volumes or result in market conditions that are less favorable for the company's clients. Additionally, periods of high market volatility or economic uncertainty, such as geopolitical crises or inflation fears, may lead to increased risk aversion among institutional investors. This could dampen demand for fixed-income securities and negatively impact the company's brokerage and trading revenues.

- **Limited growth potential**
  The company faces limited growth potential due to the maturity of the market it operates in. The trading and brokerage of G-Secs and high-quality corporate bonds is a well-established and stable business, but it operates in a highly mature market with limited room for rapid expansion. While the company has reached a steady, stable level of operations and continues to perform consistently, the scope for significant growth is constrained by the market's saturation and the relatively low volatility of bond markets. This stability, while a positive in terms of reducing risk, also means the company may face challenges to scale up its operations.

- **Intense competition**

  The company faces intense competition from the presence of many established players who provide significant competition to the other fragmented and small players. The competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players and limits the profitability margins of the industry.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

DTSIPL has earned a gross cash accrual of Rs. 2.17 crore in FY24. Further the company is expected to earn gross cash accruals in the range of ~Rs 3 to 4 crores annually as against its nil debt repayment obligations during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average fund-based utilisation of the company remained modest at ~2.97% of the Rs. 20 Cr limits during the past 12 months ended November 2024 indicating adequate liquidity cushion.

About the Company

Derivium Tradition Securities (India) Private Limited (DTSIPL) was incorporated in 2003 by Mr. Ashish Ghiya & Mr. Kunal Shah. It is SEBI registered stockbroker and exchange members of BSE, NSE & MSEI providing financial & institutional intermediation for G-Secs & Corporate bonds, Investment banking, financial institutions & corporate advisory in the area of derivatives & risk management and mutual fund distribution, etc. through its pan-India presence.

DTSIPL is a part of Tradition Group which is one of the largest institutional brokers for OTC & exchange cleared FX, Bonds, High yield credits, rates & credit derivatives, energy, freight & commodities.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	23.09	28.21
EBITDA	3.95	5.88
PAT	0.44	2.11
Total Debt	69.19	35.50
Tangible Net Worth	24.00	25.67
EBITDA Margin (%)	17.09	20.83
PAT Margin (%)	1.89	7.30
Overall Gearing Ratio (x)	2.88	1.38
Interest Coverage (x)	1.24	1.69

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating Jan 06, 2025	Date(s) & Rating(s) assigned in (2023-24) Jan 03, 2024	Date(s) & Rating(s) assigned in (2022-23)	Date(s) & Rating(s) assigned in (2021-22)
1.	Overdraft	Long Term/Short Term	20.00 (Reduced from 40.00)	IVR BBB-/ Stable/IVR A3	IVR BBB-/ Stable/IVR A3	-	-

Analytical Contacts:

Name: Sudarshan Shreenivas
Tel: (022) 62396023
Email:Sudarshan.shreenivas@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Overdraft	-	-	-	-	20.00 (Reduced from 40.00)	IVR BBB-/ Stable/IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-derivium-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.