



Press Release

Derivium Tradition Securities (India) Private Limited

January 03, 2024

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long Term / Short Term Bank Facilities	40.00	IVR BBB-/ Stable Outlook; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	Assigned	Simple
Total	40.00 (Rupees Forty Crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Derivium Tradition Securities (India) Private Limited derive strengths from experienced promoters, secured trading mechanism and low credit risk as trading allowed only in government securities and bonds rated A and above. However, the rating is constrained due to market risk on account of volatility in interest rates and liquidity risk and intense competition.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in financial performance & profitability margins
- Improvement in debt protection matrix.
- Maintain adequate liquidity.

Downward Factors

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



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

Derivium Tradition Securities (India) Pvt. Limited is promoted by Mr. Ashish Ghiya, Mr. Kunal Shah. They are also promoters of Genev Capital Private Limited (GCPL). Both companies are part of Tradition group which is one of the world's largest interdealer brokers for OTC & exchange cleared FX, Bonds, High yield credits, rates & credit derivatives., Energy, Freight & Commodities. Mr. Ashish Ghiya has 25 years' experience in interest rate, cross currency & INR derivatives & credit markets. He also specializes in structured deals for high rated and high yielding Indian corporates, across credit spectrum. Mr. Kunal Shah has Experience in Debt Capital Markets and professional specializing in Credit Origination, Fixed Income Portfolio Management and advisory.

Secured Trading mechanism

The Company purchases securities in bulk at the time of issuance and keeps it in their book and sells the same to these retirement funds or insurance companies as per their need. The system of buying and selling of securities between the investors and buyers are done through a platform system created by RBI where buyer must deposit the money and seller has to deposit the securities through their own banker. Therefore, the system of buying and selling of securities are done under the transaction / payment guaranteed by the exchange.

The bank has also stipulated differential margin for different category of securities to be purchased under this arrangement. The government securities purchased by the company will be held in a designated Constituent Subsidiary General Ledger (CSGL) Account and a joint depository participant account for corporate bonds, which will be duly pledged to the bank.



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Low credit risk as trading allowed only in government securities and Bonds rated A and above

As per the sanction terms, the bank limits are to be utilized for trading in G-sec and Bonds rated A and above only. Further, these securities are not allowed to be held beyond 30 days. Hence, the credit risk associated with the pledged securities is relatively low.

Key Rating Weaknesses

Market risk on account of volatility in interest rates and liquidity risk

The company is exposed to market risk arising out of adverse movement of prices of the securities due to changes in interest rates. Specifically, the prices of Government securities are influenced by the level and changes in interest rates in the economy and developments in other markets including credit and capital markets, international bond markets, and policy actions by RBI. This will result in booking losses on mark to market basis. Further, in addition the company also faces liquidity risk on account of inability of the company to liquidate holdings due to non-availability of buyers for the security.

Intense Competition

Broking is a highly volatile and cyclical business with 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. This limits the profitability margins of the industry.

Analytical Approach: Standalone approach

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity –Adequate



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The gross cash accruals (GCA) stood at Rs. 0.80 crores against no major long term debt repayment commitment. The Company has a favourable working capital limits utilisation with average CC utilisation remaining low at ~15% in last 12 months ended Aug-2023, providing adequate liquidity cushion to the company. The unencumbered cash and Bank balance stood at Rs. 2.36 Crore as on March 31, 2023 and the likely sizeable cash accruals from business going forward, the overall liquidity position of the company shall remain adequate.

About the Company:

Derivium Tradition (India) 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. Tradition is represented in over 28 countries - its parent Compagnie Financière Tradition (CFT) is listed on the Swiss stock exchange, with a market capitalization of CHF 900 Mn (~Rs. 7300 Cr.). Derivium Tradition (India) promoted by Indian technocrats with over 3 decades of experience in Indian Treasury & Debt Capital Markets.

Financials (Standalone):

(In Rs. Crores)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	27.86	23.40
EBITDA	5.98	4.26
PAT	1.67	0.45
Total Debt	27.67	69.19
Tangible Net worth	23.81	24.00
EBITDA Margin (%)	21.47	18.20
PAT Margin (%)	5.99	1.92
Overall Gearing Ratio (times)	1.16	2.88

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Overdraft*	Long term/short term	40.00	IVR BBB-/Stable; IVR A3	-	-	-

* Sublimit: WCDL – Rs. 40 Cr and Intraday limit – Rs. 40 Cr.

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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 visit www.infomerics.com.

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Annexure 1: Details of Facilities

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

* Sublimit: WCDL – Rs. 40 Cr and Intraday limit – Rs. 40 Cr.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-derivium-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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