



Press Release

Sunrise Gilts and Securities Private Limited

July 16, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term Bank Facilities	35.00	IVR AA+ (CE)*/Stable Outlook (IVR Double A Plus (CE) with Stable Outlook)	Assigned
Long Term Bank Facilities - Proposed	70.00	Provisional** IVR AA+ (CE)/Stable Outlook (Provisional IVR Double A Plus (CE) with Stable Outlook)	Assigned
Total	105.00		

* CE rating based on rated facilities primarily secured against the pledge of Government securities held by the borrower in CSGL account with 10% margin.

** Provisional rating is assigned based upon the proposed underlying structure/terms of sanction for the trading of G-Sec, which will get converted into final rating post satisfying the terms of credit enhancement rating with IVR.

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Sunrise Gilts and Securities Private Limited (SGSPL) derives comfort from the strength of the underlying structure along with SGSPL's standalone credit profile coupled with the credit profile of the lender (which has complete control over the usage of facility by SGSPL). This results in credit enhancement in the rating of the bank facilities to **IVR AA+ (CE)/Stable Outlook (IVR Double A Plus with Stable Outlook) [Credit Enhancement]** and **Provisional IVR AA+ (CE)/Stable Outlook (Provisional IVR Double A Plus with Stable Outlook) [Credit Enhancement]** against the unsupported rating of **IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)**. The structure stipulates restrictions on type of debt securities that can be purchased using the limits, maximum holding period for the securities, upfront margin requirements and daily mark-to-market feature. Further, the lender has exclusive charge over the G-Secs securities purchased by SGSPL using these limits and has complete control over the gilt and demat account where the purchased securities are held by SGSPL. The rating further takes into account standalone credit profile of SGSPL which takes into account of experienced management,



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These rating strengths are partially offset by small scale of operations and Market risk on account of volatility in interest rates and liquidity risk.

Key Rating Sensitivities

Upward Factors

- Substantial increase in the scale of operations,
- Improvement in the credit risk profile, and
- The maintenance of adequate liquidity.

Downward Factors

- Deterioration in the credit profile of the lender and/or SGSPL.
- Volatility in interest rates
- Substantial deterioration in capital structure

Detailed Description of Key Rating Drivers

Key rating strengths:

Sound facility structure and Comprehensive control of the lender:

SGSPL has entered into an agreement with Federal Bank which have stipulated the type of securities that can be purchased using this limit. The limits can only be used for the purpose of purchase of government securities within the specified norm by the banks including margin requirements, settlement period, time limit of limit utilization, etc. Thus the usage of facility is limited by its purpose.

SGSPL being a non-Negotiated Dealing System member participates in the primary auctions and secondary debt market trades through Federal Bank which is scheduled commercial bank permitted by RBI to participate directly. For this purpose, SGSPL has opened securities account with the banks known as gilt account. A gilt account is a dematerialized account maintained by the banks for its constituent (SGSPL). SGSPL has been given indirect access to NDS (trading platform) through the banks. Further, SGSPL is required to maintain 10% Margin on continuous basis which is sufficient to safeguard the limit for any adverse price movement. The company has executed a Power of Attorney in favor of the Banks authorizing the Banks to dispose of the securities held in Constituent's Subsidiary General



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Ledger (CSGL) account towards dues to the Banks in the event of non-fulfilment of sanctioned conditions.

Very Low credit risk as trading allowed only in government securities.

As per the sanction terms, the bank limits are to be utilized for trading in G-sec 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.

Very Low credit risk amidst shorter duration of the holding period with compulsory settlement within the specified period

As per the sanction terms, the bank limits are to be utilized for trading in G-sec only. As per the structure, the specified holding period for G-sec is 30 days, any security in the pledged basket should be churned within the stipulated time mentioned above from the date of its pledging. The company has a policy of strict adherence to the above time limits. Hence, the credit risk associated with the traded securities are relatively low.

Stable financials with Sharp growth in profitability in FY20 (Prov.)

The company's gearing levels are volatile as it is dependent on volume of activities related to debt securities. The company's borrowings are primarily in the form of cash credit facility. The company's gearing levels continues to remain comfortable at 0.05x as on March 31, 2020 due to lower utilization of short term borrowings. Furthermore, the company has projected to achieve a gross trading volume of above Rs.45,000 Cr in FY21 as against Rs.27500 Cr in FY19 by addition of new customers by penetrating into new geographies as well as additional tie ups. During 2MFY21, SG SPL has achieved trading volume of Rs ~7,500 Cr.

Experienced management & capital infusion by promoters:

SG SPL is promoted by Mr. Pawan Kumar More and Mr. Pratik Kumar More, having combined of over four decades in the Indian Debt Market Industry. The promoters are strongly supported by qualified and experienced second tire management across the functions. During FY21, The company has already raised the authorised Capital to Rs. 15.00 Cr and paid up capital to Rs.14.05 cr and planning to further increase the same to 16.02 cr by the end of FY21.



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Key Rating Weaknesses

Small scale of operation:

The trading activity in G-sec/corporate bonds has been picking-up pace in the recent years. The company's plans of up scaling the business totally depends on the market situation and the management's view of the direction in which the market is heading. Thus, the up-scaling of business and its impact on profitability will be a key monitorable.

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. Due to illiquidity, the company may need to sell at adverse prices and incur losses. However, as per the structure, the company needs to put upfront margins to the extent of 10% (margins vary based on ratings of the securities) of the total limits provided by the lender.

Analytical Approach:

Credit Enhancement (CE) rating: CE rating based on rated facilities primarily secured against the pledge of Government securities held by the borrower in CSLG account with 10% margin.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Entities

Rating Methodology for Structure Debt Transactions (Non-securitisation Transaction)

Financial ratios and Interpretation (Financial Sector)

Liquidity: Adequate



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Liquidity is adequate marked by gross cash accruals of Rs.5.06 crore and gearing ratio of 0.04 times as of March 31, 2020, giving the company sufficient gearing headroom to raise additional debt to expand operations in the future. The company has a favourable average utilisation of below 3% of working capital limits. Furthermore, as per the structure, the company needs to put upfront margins to the extent of 10% (margins vary based on ratings of the securities) of the total limits provided by the lender which supports the liquidity.

About the Company

Sunrise Gilts and Securities Private Limited (SGSPL) was incorporated as a private company on October 11, 2013 and based out to Ahmedabad, Gujrat. SGSPL is a SEBI registered dealer and mainly involves in dealing of Government Securities and Bonds.

Also, SGSPL is engaged in providing various services such as fund mobilization through issue of Debt, Equity, Structured hybrid instruments, etc for clients including Central & State Government Undertakings, Private & Nationalized Banks, Financial Institutions and Private Sector Corporate.

Financials (Standalone Basis)

	(Rs. crore)	
For the year ended / As On	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	4.87	16.99
Interest	1.31	5.83
PAT	0.84	4.85
Tangible Network	6.97	11.83
ROTA (%)	15.56	11.39
PAT (%)	17.22	28.52
Overall Gearing Ratio (x)	0.05	0.04

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

S.	Name	of	Current Rating (Year 2020-21)	Rating History for the past 3 years
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No.	Instrument/ Facilities	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018- 19	Date(s) & Rating(s) assigned in 2017- 18
1.	Fund Based - Bank Facilities	Long Term	35.00	IVR AA+ (CE)/Stable Outlook	-	-	-
2	Fund Based - Bank Facilities (Proposed)	Long Term	70.00	Provisional IVR AA+ (CE)/Stable Outlook	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Prakash
Tel: (011) 24655636
Email: rprakash@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long term Bank Facilities - Cash Credit	-	-	-	35.00	IVR AA+ (CE)/ Stable Outlook
Long Term Bank Facilities - Proposed	-	-	-	70.00	Provisional IVR AA+ (CE)/ Stable Outlook