



Press Release

Pioneer Fundinvest Private Limited (PFPL)

February 19th, 2021

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Cash Credit	100.00	IVR AA+ (CE)/Stable {IVR Double A Plus (Credit Enhancement) with Stable Outlook}
	Total	100.00	

*CE rating based on Pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with margin as follows:

1.	Government Securities (intraday)	3.00% (Margin)
2.	Government Securities (overnight holding)	5.00% (Margin)

*During the days of No price band in G-Sec market, the cash margin is at 10%

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating derives comfort strength of the secured structure with low credit risk as trading is only allowed in government securities and shorter duration of holding period with compulsory settlement within the specific period. This results in credit enhancement in the rating of the bank instrument to **IVR AA+ (CE)/Stable {IVR Double A Plus (Credit Enhancement) with Stable Outlook}** against the unsupported rating of **IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)**.

The rating assigned to the above bank facilities of Pioneer Fundinvest Private Limited further derives strength from strong and experienced parentage and sound facility structure. However, the rating strengths are partially offset small scale of operations amid the competitive industry and market risk on account of volatility in interest rates and liquidity risk.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantially scaling up its operations while improving its credit profile and liquidity
- **Downward Factor**
 - Adverse volatility in the interest rates leading to deterioration in the business risk profile.



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Key Rating Drivers with detailed description

Key Rating Strengths

- ***Strong and experienced parentage:***

Pioneer Fundinvest Private Limited is a wholly owned subsidiary of Pioneer Investcorp Limited (PINC Group). The latter is a SEBI registered Category-I Merchant Banker and provides Investment Banking and Financial advisory services. The promoter Company offers a gamut of customized services; namely formulating capital structure, raising capital, debt restructuring, project financing, coal consultancy and other corporate advisory services. Along with these services the Company is also offering its services in the area of Secondary capital market like open offer in Takeovers, Right issue, Buy-back, Mergers and Amalgamation, and valuation assignment. Also, it deals in Government Securities (G-Sec & SDL) & Corporate Bonds and reported a transaction value of INR20,001.47 Crore in FY20. The operations of PFPL are headed by Mr. Hemang Gandhi (Director) and Mr. Ketan Gandhi (Director) who have over two decades of experience in varied financial services domains. PFPL leverages on its promoters extensive experience in the industry.

- ***Sound facility structure and Secured trading mechanism:***

PFPL 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.

The Company 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, PFPL has opened securities account with the bank known as gilt account. A gilt account is a dematerialized account maintained by the bank for its constituent (PFPL). The Company has been given indirect access to NDS (trading platform) through the bank. Further, PFPL is required to maintain 10% Margin on continuous basis which is sufficient to safeguard the limit for any adverse price movement.

As the buying and selling of securities are covered by the RBI, the transaction mechanism is fully secured resulting in least credit risk.



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- ***Low credit risk as trading allowed only in government securities and shorter duration of the holding period with compulsory settlement within the specified period:***

As per the terms, the funds are to be kept in CGSL Margin Account held with the Federal Bank and can be utilized for trading in G-sec only. As per the structure, the holding period for G-sec is 30 days, and each 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 is relatively low.

Key Rating Weaknesses

- ***Small scale of operations amid the competitive industry:***

PFPL's overall transaction value (sales of G-Sec & SDL) came down to INR112.07 Crore in FY20 when compared to INR454.30 Crore in FY19 as proprietary trading is majorly opportunity driven. The Company's business performance is linked to the level of activity the industry in the bond market which in turn is linked to the overall economic cyclicality and other macro-economic factors. The trading activity in G-sec/corporate bonds has been picking-up pace in the recent years and 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. Also, the industry is characterized by competition from various players to tap the market share at competitive pricing.

- ***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,



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the company needs to put upfront margins to the maximum extent of 10% depending upon the holding period of securities.

Analytical Approach

Credit Enhancement (CE) Rating: CE rating is based on the pledge of Government securities to be held by the borrower in CSL account with Federal Bank's Treasury department with maximum of 10% margin.

Applicable Criteria:

Rating Methodologies for Service Sector Entities

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

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

In the absence of any committed repayment obligations in the near-medium term, the liquidity remains adequate. The overall gearing and current ratio stood comfortable at 0.26x and 1.50x as on March 31st, 2020.

About the Company

PFPL is a SEBI registered dealer and is mainly involved in dealing of Government Securities (G-Sec) and Bonds. Presently, it is engaged in Proprietary Trading and deals in G-Sec and SDL. The Company leverages on the promoters extensive experience of more than 2 decades in the money market and takes position, which is opportunity driven. The Company reported a transaction value of INR756.18 Crore with a Gross Profit of INR1.14 Crore in 9MFY21.

Financials:

	(INR Crore)	
For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Revenue	0.35	1.95
EBITDA	0.11	0.32
PAT	-0.02	0.10



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Total Debt	0.00	3.79
Tangible Net-worth	14.57	14.67
EBITDA Margin (%)	30.50	16.26
PAT Margin (%)	-7.03	5.29
Overall Gearing Ratio (x)	0.00	0.26

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR 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.	Long Term Fund Based Facility – Cash Credit	Long Term	100.00	IVR AA+(CE) /Stable	--	--	--

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.

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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. 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	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	100.00	NA	NA	NA	IVR AA+(CE) /Stable