



## Press Release

### Sunrise Gilts & Securities Private Limited

April 22, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	140.00*	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)	Reaffirmed	Simple
<b>Total</b>	<b>140.00</b>	<b>Rupees One Hundred Forty Crores only</b>			

*\*Includes sublimit of Rs. 140.00 crores of Cash Credit for Non-Convertible Corporate Bonds (NCB) trading*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR A- with a Stable outlook for the bank loan facilities of Sunrise Gilts & Securities Private Limited (SGSPL).

The rating continues to draw comfort from experienced management, low credit risk as trading allowed only in Government securities and A category & above externally rated corporate bonds with shorter duration period, besides stable financial risk profile. However, these rating strengths are partially offset by relatively smaller scale of operations and elevated gearing levels. The rating further remains constrained on account of market risk due to volatility in interest rates and liquidity risk.

The outlook remains stable owing to stable scale of operations, while maintaining the comfortable financial risk profile.

IVR has principally relied on the standalone audited financial results of SGSPL up to 31 March 2023, FY24 provisional/estimated financials and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the firm's management.

#### Key Rating Sensitivities:

#### Upward Factors

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



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### **Downward Factors**

- Deterioration in the credit profile of SGSPL.
- Volatility in interest rates impacting margins and deterioration in capital structure.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced management:**

SGSPL is currently promoted by Mr. Pratik Kumar More and Mr. Barun More, having experience of more than 15 years in the Indian debt market industry. The promoters are strongly supported by qualified and experienced second tier management across the functions. The promoters are known in their business and have maintained healthy relationships with more than 1500+ clients.

##### **Facility structure and comprehensive control of the lender:**

SGSPL has entered into an agreement with Federal Bank which have stipulated the type of securities (G-Sec & Bonds) that can be purchased using this limit. The limits can only be used for the purpose of purchase of Government securities, State Development Loan (SDLs), and corporate bonds 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 and risk.

##### **Low credit risk as trading allowed only in Government securities & corporate bonds**

As per the sanction terms, the bank limits are to be utilized for trading in G-sec, State Development Loans (SDLs) and A category & above externally rated corporate bonds only. As per the structure, the specified holding period for G-sec is 30 days for corporate bonds 45 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 is relatively low.

##### **Stable financial risk profile and profitability margins:**

The company's gross turnover/transaction although decreased to Rs. 17,391.63 Crs in FY2023 as compared to Rs. 22,220.32 Crs in FY2022 due to decline in the volume and value of transactions there has been increase in gross turnover in FY2024. While the company registered total operating income of Rs 32.93 Crs in FY23(PY: Rs 32.61 Crs) it has improved to Rs 42.54 Crs as per FY24 prov./estimated financials. The company has EBITDA and PAT margins of 74.05% and 20.79% respectively in FY23. Interest service coverage ratio (ISCR)



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moderated from 2.29x in FY2022 to 1.47x in FY23. Though there is some moderation in the financial ratios of FY23, however the financial risk profile is still comfortable.

### **Key Rating Weaknesses**

#### **Relatively smaller 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 remains contingent upon the market situation and the management's view of the direction in which the market is heading. Thus, the scaling up of business and its impact on profitability will remain a key monitorable.

#### **Elevated gearing level**

The company's gearing levels remain fluctuating 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 (reported) deteriorated to 3.62x in FY23 (PY:1.76x) due to increase in the working capital utilization at the end of March month. However, the average utilisation of limits remains below 50% during last 12 months ended March-24.

#### **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 could result in booking losses on mark to market basis. Further, the company could face liquidity risk on account of the inability of the company to liquidate holdings due to non-availability of buyers for the security.

**Analytical Approach:** For arriving at the ratings, IVR has analysed SGSPL's credit profile by considering the standalone financial statements of the company.

#### **Applicable Criteria:**

- Rating Methodology for Service Companies
- Rating Methodology for Trading Companies
- Criteria for Assigning Rating Outlook
- Financial Ratios & Interpretation (Non-Financial Sector)
- Default Recognition Criteria

#### **Liquidity – Adequate**

Liquidity is adequate marked by gross cash accruals of Rs. 7.00 Crs against no major fixed long term debt repayment commitment. The company has average working capital limits



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utilisation of ~49% during last 12 months ending March,2024. Furthermore, as per the structure for securities trading up to 5 years, the company needs to put upfront margins of 5% for G-Secs, 3% for intraday transaction and margins vary based on ratings of the securities (Corporate Bonds) to the extent of 22.50% of the total limits provided by the lender which supports the liquidity. Free Cash and Bank balance stood at Rs. 0.57 Crs as on March 31, 2023. Current ratio is comfortable at 1.17x in FY23.

### **About the Company**

Incorporated in 2013, Sunrise Gilts and Securities Private Limited (SGSPL) is engaged in the Indian Fixed Income Market for more than a decade. SGSPL is a SEBI registered dealer and mainly involves in dealing of Government Securities (G-Sec) including State Development Loan (SDL) along with bonds.

### **Financials (Standalone):**

(Rs. crore)		
For the year ended as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	32.61	32.93
EBITDA	25.48	24.39
PAT	11.06	6.85
Total Debt	77.91	184.65
Tangible Networth	44.22	51.07
EBITDA Margin (%)	78.13	74.05
PAT Margin (%)	33.92	20.79
Overall Gearing Ratio (x)	1.76	3.62

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating History for last three years:**



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Sr. No.	Type of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	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.	Fund Based	Long Term	140.00*	IVR A-/ Stable		IVR A-/ Stable (22 February 2023)  IVR A-/ Stable (23 January 2023)	<b>Supported:</b> IVR AA+ (CE)/Stable for G-Secs & <b>Supported:</b> IVR A (CE)/Stable for bonds & <b>Unsupported:</b> IVR BBB+/Stable <b>(November 30, 2021)</b>	<b>Supported:</b> Provisional IVR AA+ (CE)/Stable (Withdrawn) <b>(Jan 30, 2021)</b>
							<b>Supported:</b> IVR AA+ (CE)/Stable for G-Secs & <b>Supported:</b> IVR A (CE)/Stable for bonds & <b>Unsupported:</b> IVR BBB+/Stable <b>(November 18, 2021)</b>	<b>Supported:</b> IVR AA+ (CE)/Stable & <b>Supported:</b> Provisional IVR AA+ (CE)/Stable & <b>Unsupported:</b> IVR BBB+/Stable <b>(July 16, 2020)</b>
							<b>Supported:</b> IVR AA+ (CE)/Stable for G-Secs & <b>Supported:</b> IVR A (CE)/Stable for bonds & <b>Unsupported:</b> IVR BBB+/Stable <b>(April 22, 2021)</b>	

\*Includes sublimit of Rs. 140.00 crores of Cash Credit for NCB trading

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### About Infomerics:





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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://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, 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: 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) (Trading in G-Sec)	-	-	-	140.00	IVR A-/ Stable



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Cash credit-1 (Sub limit of cash credit) (Trading in Bonds of AA and above rated companies)				(140.00)	IVR A-/ Stable
Cash credit-2 (Sub limit of cash credit) (Trading in Bonds of A rated companies)				(15.00)	IVR A-/ Stable

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

**Annexure 3: Facility wise lender details** <https://www.infomerics.com/admin/prfiles/Len-Sunrisegilts-22apr24.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](http://www.infomerics.com)