



Press Release

Pioneer Fundinvest Private Limited

January 24, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Cash Credit	100.00	IVR BBB-/ Negative Outlook (IVR Triple B Minus with Negative Outlook)	Rating Revised	Simple
Total	100.00			

Reason for review of CE rating:

The Reserve Bank of India (RBI) has issued a fresh set of guidelines and FAQ to the credit rating agencies vide letter dated April 22, 2022 and July 26, 2022 specifically for bank loan ratings which are credit enhanced.

- As per this guideline, CE ratings can be assigned only in case of those corporate guarantees which are characterized inter alia by unconditionality, irrevocability, enforceability, entirety and presence of payment mechanism.
- Also, the guidelines highlight that letter of comfort / support/undertaking/ responsibility / acknowledgement / obligor – co obligor structure / pledge of shares will not qualify for CE ratings.

Adequacy of credit enhancement structure

In view of the RBI's Guidance Note dated April 22, 2022 and the FAQ document dated July 26, 2022 for assigning CE ratings, Infomerics has reviewed the structure and this does not comply with recent RBI guidelines wherein pledge of securities does not qualify CE ratings. Accordingly, Infomerics has revised the approach to standalone ratings.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in outlook takes in to account nascent stage of operations along with negligible amount of profitability earned by the company from last three years ended FY22 . Moreover, the overall PAT of FY22 turns out to be negative as compared to previous years backed by increase in the amount of finance cost.



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Further, the standalone rating of Pioneer Fundinvest Private Limited (PFPL) continues to factors in Strong and experienced parentage of the promoters, Sound facility structure and Secured trading mechanism. However, the rating strengths are partially offset by small scale of operations amid the competitive industry, decline in overall profitability and market risk on account of volatility in interest rates and liquidity risk.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained increase in the scale of operations along with increase in overall profitability of the company
- Maintain adequate liquidity.

Downward Factors

- Any further decline in the overall operating income and profitability of the company
- Adverse volatility in the interest rates leading to deterioration in the business risk profile
- Deterioration of credit profile of the Company and/or the lender.

List of 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.

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.



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- ***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.

- ***Reputed Customer base:***

The Company has a reputable and established clientele. The Company majorly sells securities to mutual fund houses, banks, insurance companies and others. The respective entities have to strictly invest their funds in the specific securities as per government guidelines.

Key Rating Weaknesses

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

PFPL's overall transaction value (sales of G-Sec & SDL) stands at INR3858.20 Crore in FY22 and INR2882.40 Crore in FY21 (FY20:INR190.60 Crore) as proprietary trading is majorly opportunity driven, however the same is comparatively at smaller level. 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



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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.

- ***Decline in overall profitability of the company***

PFPL gains patronage support from its promoters for running the G - Sec operations and establishing economies of scale . However, the total operating income of the company stands at nascent stage as on March 31, 2022 at INR2.37 Crore (INR1.57 Crore) and wherein the overall PAT of the company stands negligible in last three years ended FY22 and which turns out to be negative at INR0.04 Crore in FY22 (FY21: 0.15 Crore), the decline in FY22 is backed by increase in the amount of finance cost incurred by the company.

- ***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. As per the structure, the company needs to put upfront margins to the extent of 5% (margins vary based on ratings of the securities) of the total limits provided by the lender.

However, market risk is also to major extent mitigated as 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.

Analytical Approach: Standalone Approach



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Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

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

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 0.01x and 10.71x as on March 31st, 2022.

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.

Financials (Standalone):

(In Crore)

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	1.57	2.37
PAT	0.15	-0.04
Total Debt	3.38	0.21
Tangible Net Worth	14.81	14.76
PAT margin (%)	9.54	-1.69
Overall Gearing Ratio (x)	0.23	0.01

* 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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (May 18 th , 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (February 18, 2021)
1	Long Term Fund Based Facility – Cash Credit	Long Term	100.00	IVR BBB-/Negative Outlook	IVR AA+(CE) /Stable	--	IVR AA+(CE) /Stable

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About Infomerics:

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.

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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 Fund Based Facility – Cash Credit	--	--	--	100.00	IVR BBB-/Negative

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Pioneer-Fundinvest-jan23.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