



Press Release

Genev Capital Private Limited (GCPL)

October 29, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term/ Short Term, Bank Facility – Overdraft	20.00	IVR AA (CE)* / Stable/ IVR A1+ (CE) [IVR Double A with Stable Outlook (Credit Enhancement) & IVR A One Plus (Credit Enhancement)]	Assigned
Total	20.00		

*Credit Enhancement (CE) for structure based on pledge of highly rated Non-SLR Securities, Government Guaranteed Bonds & Bonds issued by PSUs, Banks & Corporate NCDs.

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Genev Capital Private Limited (GCPL) derive comfort from the benefits arising from structure based on pledge of highly rated Non-SLR Securities, Government Guaranteed Bonds & Bonds issued by PSUs, Banks & Corporate NCDs which results in **credit enhancement** in the rating of the said bank facility to **IVR AA (CE)/ Stable/ IVR A1+ (CE)** [IVR Double A with Stable Outlook (Credit Enhancement) & IVR A One Plus (Credit Enhancement)] against the **unsupported rating** of **IVR BBB/ Stable/ IVR A3+** (IVR Triple B with Stable Outlook & IVR A three plus).

Further rating derives strength from the experienced promoters, strength of underlying structure, moderate financial risk profile and sustained growth in trading volume of bonds. However, the rating is constrained by market risk on account of volatility in interest rates and liquidity risk.

Key Rating Sensitivities:

Upward Factor:

- Substantial increase in the scale of operations.
- Improvement in debt protection matrix.
- Maintain adequate liquidity.



Press Release

Downward Factor:

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

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters

Genev Capital Private Limited (GCPL) is promoted by Mr. Ashish Ghiya & Mr. Kunal Shah, who are also promoters of Derivium Tradition Securities India Private Limited (DTSIPL). 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 22 years' experience in Indian currency, interest rate & credit markets. Mr. Kunal Shah has Experience in Debt Capital Markets and professional specializing in Credit Origination, Fixed Income Portfolio Management and advisory. Further managing director of the company Mrs. Rita Thakur, has 16 years of cross functional experience in Indian Debt Capital Markets across Investment Banking, Portfolio Management, Origination and Syndication of various Debt Products.

Strength of underlying structure

GCPL has entered into an agreement with its lender which have stipulated the type of securities (G-Sec & Highly Rated Bonds) that can be purchased using this limit. The limits can only be used for the purpose of purchase of government securities, 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. The securities pledged against which funding would be provided is restricted to Government securities and Corporate Bonds rated AA and above and requires its inclusion in the lenders bank pre-approved list thus providing an effective mitigation of credit risk at the initial stage of selecting securities for trade purposes.

Moderate financial risk profile



Press Release

The company's gearing levels are on higher side as it is dependent on volume of activities related to debt securities. However, the company's borrowings are primarily in the form of cash credit & Overdraft facility. Further the interest service coverage ratio (ISCR) remained comfortable at 2.66x in FY2021.

Sustained growth in trading volume of bonds

GCPL commenced its business operation in FY2019 and since then company's trading volume has been improving on sustained basis. The company has achieved a gross turnover of Rs. 12,832 crore in FY2021 as against Rs.9,809 crore in FY2020.

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 & corporate bonds 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: Standalone

While arriving at the rating Infomerics has considered the standalone business and financial risk profile of GCPL and has further factored in the benefits arising from structure based on pledge of highly rated Non-SLR Securities, Government Guaranteed Bonds & Bonds issued by PSUs, Banks & Corporate NCDs.

Applicable Criteria:

Rating Methodology for trading Companies

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



Press Release

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

Liquidity is adequate marked by gross cash accruals (GCA) of Rs.8.84 crores against no major long term debt repayment commitment. The Company has a favourable working capital limits utilisation, average CC utilisation remains low at ~40% in last 12 months ended August 2021, providing adequate liquidity cushion to the company. Furthermore, as per the structure, the company needs to put upfront margins of 7.5% for AAA rated Government guaranteed bonds, PSU & Bank bonds and margins vary based on ratings of the securities (Corporate Bonds) to the extent of 15% of the total limits provided by the lender which supports the liquidity. Cash and Bank balance stood at Rs.46.81 Crore as on March 31, 2021.

About the Company

Genev Capital Private Limited (GCPL) is Mumbai based company incorporated in April 2018. GCPL is a part of the 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. GCPL is working as debt market intermediary catering to wide range of clients like provident funds, insurance companies, family offices, banks and others.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	23.61	33.38
EBITDA	13.42	19.38
PAT	6.19	8.78
Total Debt	51.54	80.69
Tangible Net Worth	33.18	41.71
EBITDA Margin (%)	56.83	58.05
PAT Margin (%)	26.19	26.29
Overall Gearing Ratio (x)	1.55	1.93



Press Release

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Overdraft	Long Term/ Short Term	20.00	IVR AA (CE)/ Stable/ IVR A1+ (CE)	-	-	-

Name and Contact Details of the Rating Analysts:

Name: Mr. Hardik Gala Tel: (022) 62396023 Email: hardik.gala@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@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.

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, suspend or 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



Press Release

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/ Short Term Fund Based Facility – Overdraft	-	-	-	20.00	IVR AA (CE)/ Stable/ IVR A1+ (CE)

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/genev-capital-lenders-oct21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Overdraft	Simple

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.