



Press Release

Sunrise Gilts & Securities Private Limited

January 23, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings#	Rating Action	Complexity Indicator
Long Term Bank Facilities	140.00	Supported: IVR AA+ (CE*)/Stable Unsupported: IVR BBB+/Stable	IVR A-/ Stable	Rating revised from Supported: IVR AA+ (CE*)/Stable to Unsupported: IVR A-/ Stable	Simple
Total	140.00		Rupees One Hundred Forty Crores only		

Details of Facilities are in Annexure 1

Rating approach revised to standalone leading to removal of Credit Enhancement (CE), to align with the RBI guidance note on the CE ratings dated April 22, 2022, and FAQ on July 26, 2022.

*Rating was based on pledge of Government securities held by the borrower in Constituents' Subsidiary General Ledger (CSGL) account with Federal Bank's Treasury department with 7.50% margin and AAA rated Non-Convertible Corporate Bonds (NCB) with 10% margins, AA+ rated Non-Convertible Corporate prop Bonds (NCB) with 12.50% margins, and AA rated Non-Convertible Corporate Bonds (NCB-approved list) with 15.00% margin.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has revised the long-term rating to IVR A- with a Stable outlook for the bank loan facilities of Sunrise Gilts & Securities Private Limited (SGSPL). The revision in rating of SGSPL takes into account latest RBI guidelines on "Credit enhancement (CE)" ratings.

The rating continues to draw comfort from experienced management with continuous funding support from promoters, low credit risk as trading allowed only in government securities with shorter duration period and stable financial risk profile. However, these rating strengths are partially offset by small scale of operations and market risk on account of volatility in interest rates and liquidity risk.

IVR has principally relied on the standalone audited financial results of SGSPL up to 31 March 2022, 9MFY23 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the firm's management.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in the scale of operations,



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- 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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Sound facility structure and comprehensive control of the lender:**

SGSPL has entered into an agreement with Federal Bank Limited 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 loans (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.

- **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.

- **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 financial risk profile with improving profitability margins:**



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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 working capital limits i.e. cash credit. The company's gearing levels (reported) remain comfortable at 1.76x in FY2022, due to utilization of short-term borrowings and unsecured loans of Rs. 28.79 Crs. The company has achieved a gross turnover of Rs. 21,220.32 Crs in FY2022 as against Rs. 22,790.40 Crs in FY2021. Further the interest service coverage ratio (ISCR) remained comfortable at 2.29x in FY2022.

- **Experienced management :**

SGSPL is currently promoted by Mr. Pawan Kumar More and Mr. Pratik Kumar More, having over four decades of experience in the Indian debt market industry. The promoters are ably supported by qualified and experienced second tire management across the functions.

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 for scaling up 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 of 7.5-15% (margins vary based on ratings of the securities) of the total limits provided by the lender.

Analytical Approach: For arriving at the ratings, IVR has analysed SGSPL's credit profile by considering the standalone financial statements of the company. IVR has revised the approach from CE to Standalone after taking into consideration the latest RBI guidelines on credit enhancement ratings and non-compliance to the recent RBI circular.

Applicable Criteria:



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[Rating Methodology for Service Companies](#)

[Criteria for Assigning Rating Outlook](#)

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

Liquidity – Adequate

Liquidity is adequate marked by gross cash accruals of Rs. 11.19 crore against no major long term debt repayment commitment and overall gearing ratio of 1.76 times as of March 31, 2022, giving the company sufficient headroom to raise additional debt to expand operations in the future. The company has a favourable working capital limits utilisation with credit balances at end of the day majority of the time. Furthermore, as per the structure, the company needs to put upfront margins of 7.5% for G-Secs 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. Free Cash and Bank balance stood at Rs. 0.08 crore as on March 31, 2022.

About the Company

Incorporated in 2013, Sunrise Gilts and Securities Private Limited (SGSPL) is one of the prominent players in the Indian Fixed Income Market. 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	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	26.09	31.10
EBITDA	22.23	23.97
PAT	10.89	11.06
Total Debt	31.43	77.91
Tangible Networth	33.16	44.22
EBITDA Margin (%)	85.18	77.07
PAT Margin (%)	41.18	33.92
Overall Gearing Ratio (x)	0.95	1.76

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 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating (20 January 2023)	Date(s) & Rating(s) assigned in 2021-22 (November 30, 2021)	Date(s) & Rating(s) assigned in 2021-22 (April 22, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 16, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	140.00	IVR A-/Stable	Supported: IVR AA+ (CE*)/Stable Outlook Unsupported: IVR BBB+/Stable	Supported: IVR AA+ (CE*)/Stable Unsupported: IVR BBB+/Stable Outlook	Supported: IVR AA+ (CE*)/Stable Outlook Unsupported: IVR BBB+/Stable	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Abhijeet

Tel: (011) 24611910

Email: abhijeet.kumar@infomerics.com

Name: Mr. Om Prakash Jain

Tel: (011) 24611910

Email: opjain@infomerics.com

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

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 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



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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
Cash Credit	-	-	-	140.00	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-Sunrise-Gilts-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 [Complexity Level of Rated Instruments/Facilities](#).