Press Release

Sunrise Gilts and Securities Private Limited

November 30, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund based Bank Facilities	140.00	IVR AA+ (CE*)/Stable Outlook (IVR Double A Plus (CE) with Stable Outlook)	Reaffirmed
Long Term Fund based Bank Facilities. (Sub-Limit - Bonds)	(60.00)	IVR A (CE**)/Stable Outlook (IVR Single A (CE) with Stable Outlook)	Reaffirmed
Total	**140.00 (One Hundred & Forty Crores Only)**		

** Credit Enhancement (CE) rating based on Pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with 5.00% margin for G-Sec.*
***AAA rated Non-Convertible Corporate Bonds (NCB) with 10% margins, AA+ rated Non-Convertible Corporate Bonds (NCB) with 12.50% margins, and AA rated Non-Convertible Corporate Bonds (NCB-approved list) with 15.00% margins.*

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned/reaffirmed to the bank facilities of Sunrise Gilts and Securities Private Limited (SGSPL) continue to derive comfort from the strength of the underlying structure along with SGSPL's standalone credit profile coupled with the credit profile of the lender (which has complete control over the usage of facility by SGSPL). This results in credit enhancement in the rating of the bank facilities to **IVR AA+ (CE)/Stable Outlook (IVR Double A Plus with Stable Outlook) [Credit Enhancement] for G-Sec** and **IVR A (CE)/Stable Outlook (IVR Single A with Stable Outlook) [Credit Enhancement] for Bonds** against **the unsupported rating of IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook).** The structure stipulates restrictions on type of debt securities that can be purchased using the limits, maximum holding period for the securities, upfront margin requirements and daily mark-to-market feature. Further, the lender has exclusive charge over the G-Secs securities/SDL/Bonds purchased by SGSPL using these limits and has complete control over the gilt and demat account where the purchased securities are held by SGSPL. The rating further takes into account standalone credit profile of SGSPL which takes into account of experienced management.

These rating strengths are partially offset by small scale of operations and Market risk on account of volatility in interest rates and liquidity risk.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in the scale of operations,
- 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 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, 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.

SGSPL 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, SGSPL has opened securities account with the banks known as gilt account. A gilt account is a dematerialized account maintained by the banks for its constituent (SGSPL). SGSPL has been given indirect access to NDS (trading platform) through the banks. Further, SGSPL is required to maintain 5.00% Margin on G-Secs and margins vary based on ratings of the securities (Corporate Bonds) to the extent of 15% of continuous basis which is sufficient to safeguard the limit for any adverse price movement. The company has executed a Power of Attorney in favor of the Banks authorizing the Banks to dispose of the securities held in Constituent's Subsidiary General Ledger (CSGL) account towards dues to the Banks in the event of non-fulfilment of sanctioned conditions.

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 as well as Rs. 20 Cr. for the different rated bonds. 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 as well as Rs. 20 Crore for the different rated Bonds. 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:

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 cash credit facility. The company's gearing levels (reported) remain comfortable at 0.95x as on March 31, 2021 due to lower utilization of short-term borrowings and unsecured loans of Rs.28.50 Crs. The company has achieved a gross turnover of Rs. 22,790.40 Crs in FY2021 as against Rs.27825.3 Crs in FY2020 with a net profit margin of 41.18% in FY2021 as against net profit margin of 28.48% in FY2020.

Experienced management & capital infusion by promoters:

SGSPL is promoted by Mr. Pawan Kumar More and Mr. Pratik Kumar More, having combined of over four decades in the Indian Debt Market Industry. The promoters are strongly supported by qualified and experienced second tire management across the functions. During FY21, The company has already raised the authorised Capital to Rs. 15.00 Cr and paid-up capital to Rs.14.05 cr which leads to overall increase in the net worth of Rs.10.45 cr from equity infusion.

B. 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 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.

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 5.00-15% (margins vary based on ratings of the securities) of the total limits provided by the lender.

Analytical Approach:

Unsupported – Standalone

Supported - Credit Enhancement (CE) rating based on Pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with 5.00% margin for G-Sec and AAA rated Non-Convertible Corporate Bonds (NCB) with 10% margins, AA+ rated Non-Convertible Corporate Bonds (NCB) with 12.50% margins, and AA rated Non - Convertible Corporate Bonds (NCB-approved list) with 15.00% margins.

Applicable Criteria:

Rating Methodology for Service Sector Entities

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

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity – Adequate

Liquidity is adequate marked by gross cash accruals of Rs. 11.08 Crs against no major long term debt repayment commitment and overall gearing ratio of 0.95 times as of March 31, 2021, 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 5.00% 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. 0.18 Crs as on March 31, 2021.

About the Company

Sunrise Gilts and Securities Private Limited (SGSPL) was incorporated as a private company on October 11, 2013 and based out to Ahmedabad, Gujrat. SGSPL is a SEBI registered dealer and mainly involves in dealing of Government Securities and Bonds. Also, SGSPL is engaged in providing various services such as fund mobilization through issue of Debt, Equity, Structured hybrid instruments, etc for clients including Central & State Government Undertakings, Private & Nationalized Banks, Financial Institutions and Private Sector Corporate.

Financials (Standalone):

(Rs. In Crore)

For the year ended / As On	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	17.00	26.45
EBITDA	12.66	22.59
PAT	4.84	10.89
Total Debt	62.92	31.43
Tangible Net Worth (Book TNW)	11.81	33.16
EBITDA Margin (%)	74.47	85.38
PAT Margin (%)	28.48	41.18
Overall Gearing Ratio on Book TNW (x)	5.33	0.95

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable.

Any other information: None

Rating History for last three years:

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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 2021-22 (April 22, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Jan 30, 2021)	Date(s) & Rating(s) assigned in 2020-21 (July 16, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based - Bank Facilities -G-Sec	Long Term	140.00	IVR AA+ (CE)/Stable	IVR AA+ (CE)/Stable	--	IVR AA+ (CE)/Stable	--
2.	Fund Based - Bank Facilities - Bonds	Long Term	(60.00)	IVR A (CE)/Stable	IVR A (CE)/Stable	--	--	--
3.	Fund Based - Bank Facilities - Proposed	Long Term	--	--	N.A	Withdrawn	Provisional IVR AA+ (CE)/Stable	-

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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. 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.

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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 – (G-Sec)	-	-	-	140.00	IVR AA+ (CE)/Stable
Cash Credit – (Bond)*	-	-	-	(60.00)	IVR A (CE)/Stable

** It is a sub-limit of Cash Credit – (G-Sec).*

Annexure 2: List of companies considered for consolidated analysis: N.A. Standalone Approach followed

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Sunrise-gilts-lenders-30nov21.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

1. *Pledge of Government securities held by the borrower in CSGL account with Federal Bank's Treasury department with 5.00% margin for G-Sec.*

2. *AAA rated Non-Convertible Corporate Bonds (NCB) with 10% margins, AA+ rated Non-Convertible Corporate Bonds (NCB) with 12.50% margins, and AA rated Non-Convertible Corporate Bonds (NCB-approved list) with 15.00% margins.*

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	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.