



**Press Release**  
**SOVEREIGN GLOBAL MARKETS PRIVATE LIMITED**  
**August 29, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB+   CE   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

**Rating Rationale**

Acuite has assigned the long-term rating of '**ACUITE BBB+ (CE) (read as ACUITE Triple B plus (Credit Enhancement))**' on the Rs. 30.00 Cr. bank facilities of Sovereign Global Market Private Limited (SGMPL). The outlook is '**Stable**'.

SGMPL's business performance is linked to the level of activity in the bond markets which in turn is linked to the overall economic activity. The rating factors in the growing client network, and expertise of the management in the bond market. SGMPL reported a decline in the earning profile as reflected by PAT of Rs. 0.19 Cr. during FY2023 (Provisional) as against Rs. 0.53 Cr during FY2022. The decline in earning profile is primarily due to the expansionary measures taken by SGMPL. The rating is further constrained on account of income volatility as a result of dependence on debt market volumes, low margin and highly competitive scenario in merchant banking industry. While the company's trading volumes are mainly intraday, it is exposed to some price risk in its investment and treasury portfolio. Acuite believes that SGMPL's business operations would remain susceptible to inherent risks in capital market and overall economic environment.

**About the company**

Sovereign Global Market Private Limited (SGMP) was incorporated on Aug 12, 2010. The company is promoted by Mr. Umesh Kumar Tulsyan & Ms Nidhi Tulsyan. SGMPL is mainly dealing in trading of fixed income securities and derivatives of both equity and interest rates. The company is also involved in Investment Services with emphasis on Fixed Income including Investment Banking, Private Equity advisory, Debt Syndication, M&A Advisory and Institutional securities trading. The company has a network of 3 branches in India. The company services Financial Institutions, HNI, family offices and corporate clients.

**Standalone (Unsupported) Rating**

ACUITE BB/Stable

**Analytical Approach**

Acuite has assigned differential ratings based on the structure and stipulations of the lender in respect of the facility. In respect of the facility, which has been secured by the pledge of highly rated bonds/debentures, Acuite has considered a notch up from the standalone rating. Acuite has considered the standalone financial and business risk profile of SGMP to arrive at the standalone rating.

**Key Rating Drivers**

## **Strength**

### **Established business model based on diversified revenue streams**

Sovereign Global Market Private Limited (SGMPL) has been in the capital market business of

trading for more than a decade. The company is promoted by Mr. Umesh Tulsyan and Ms. Nidhi Tulsyan. Mr. Umesh is a seasoned Fixed Income Fund Manager with around two decades of experience in the finance industry. The company has active operations in Debt and Equity Markets. They also have a presence in Mutual Fund and Financial Advisory. SGMPL has transactional relationship with over 1000 institutional & retail clients. As on March 31, 2023, SGMPL has a well-diversified portfolio of business verticals comprising of Fixed Income Investment Services, Merchant Banking, Equity Prop Desk etc. The company has a professional team managing each of these business verticals. As on March 31, 2023, out of the total revenue, Trading Income contributed ~84% (Rs. 3.60 Cr in FY2023 as compared to Rs. 0.32 Cr in FY2022). The Investment income (interest from bonds and FDR) contributed ~19% of the total revenue (Rs. 0.85 Cr in FY2023 as compared to Rs. 0.54 Cr in FY2022). With the expected buoyancy in the debt market segment, Acuité believes that SGMP will benefit from its relations with institutional clientele and its expertise in debt market.

### **Strength of underlying structure in respect of one of the rated instruments**

In respect of facilities of Rs. 30 Cr. rated at ACUITE BBB +(CE), Acuité has been guided by the structure of the underlying facilities. The structure being assessed envisages an aggregate borrowing limit of Rs. 30.00 crore in the form of Overdraft facility from the bank secured by a pledge in the form of SLR and Non SLR Securities (Bonds) with margin stipulations and other risk mitigations measures in place. The Rs. 30.00 Cr. facility has Intraday limit of Rs. 10 Cr. for trading in Bonds. The bank stipulates a cash margin requirement of 5 percent for Overnight and Intraday Trading. The lending bank has adequate buffers available to initiate corrective action and mitigate the risk arising out of any adverse market movements.

### **Weakness**

#### **Susceptibility to operating performance to volume and level of activity in capital markets**

Sovereign Global Market Private Limited's business performance is linked to the level of activity in the bond markets, which in turn is linked to the overall economic activity. The volumes in the debt capital market are influenced by economic cyclicalities and other macroeconomic factors such as GDP, growth rate, inflation, movement in interest rates and policy actions adopted by RBI. SGMPL generally engages in to buy and sell transactions on behalf of its clients, which comprises of provident and pension funds, mutual funds, banks, family offices etc. Most of the purchases of the securities are simultaneously sold to its clients. As a prudent strategy, SGMPL prefers to minimize the holding period in respect of any securities, which significantly mitigates the associated credit risk and market risk. However, this approach doesn't eliminate vulnerabilities. The practice, though prudent, is not always perfectly matched. As a result, SGMPL occasionally maintains an inventory of securities. This residual inventory, even if minimal, exposes the company to market risks. Such exposure, though reduced compared to conventional trading strategies, remains a point of concern.

#### **Modest scale of operations & subdued profitability**

Sovereign Global Private Limited's business is supported by a network of Rs 5.65 Cr. as on March 31, 2023. During the fiscal year 2023, total transactional value (buy and sale) of securities stood at Rs. 8214.34 Cr. as against Rs. 943.69 Cr. during FY2022. SGMP's profitability was impacted due to the increase in finance cost and establishment cost, the PAT stood at Rs. 0.19 Cr during FY2023 as against Rs. 0.53 Cr during FY2022. The company's profitability has seen a negative trend since last two financial years primarily because of the expansion in the scale of operations during the same period.

Acuité believes that the company's ability to increase its scale of operation along with maintaining a positive trend in profitability would be a key monitorable.

### **Assessment of Adequacy of Credit Enhancement**

The structure provides for adequate covenants to safeguard the interest of the lenders and has adequate buffers available to initiate timely corrective action and effectively mitigate the risk arising out of any adverse market movements.

## Rating Sensitivity

- Movement in the credit quality of securities in the investment portfolio
- Movement in profitability metrics
- Changes in regulatory environment

## All Covenants

SGMPL is subject to covenants stipulated by its lender in respect of parameters like capital structure.

## Liquidity Position

### Adequate

SGMP has unencumbered cash and cash equivalents of Rs. 2.62 Cr. as on March 31, 2023. Currently SGMP has an Overdraft facility of Rs. 30 Cr. against pledge of highly rated g-secs & corporate bonds.

## Outlook - Stable

Acuité believes that SGMP will maintain 'Stable' credit risk profile over the medium term supported by its well-established position in the capital markets and experienced management. The outlook may be revised to 'Positive' in case of a sizeable improvement in its earnings translating to an improvement in its networth and unencumbered inventory of securities. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in credit quality of investment, reduction in the level of unencumbered securities or increase in debt levels (non-pledged based debt levels).

## Other Factors affecting Rating

None

## Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)
Total Assets	Rs. Cr.	39.78	28.49
Total Income*	Rs. Cr.	2.52	1.15
PAT	Rs. Cr.	0.19	0.53
Net Worth	Rs. Cr.	5.66	5.47
Return on Average Assets (RoAA)	(%)	0.54	2.54
Return on Average Net Worth (RoNW)	(%)	3.33	10.20
Debt/Equity	Times	5.95	4.13
Gross NPA	(%)	NA	NA
Net NPA	(%)	NA	NA

\*Total income equals to Net Interest Income plus other income.

## Status of non-cooperation with previous CRA (if applicable):

Not Applicable

## Any other information

None

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

**Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

**Rating History :**

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
SBM Bank (India) Ltd.	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB+   CE   Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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