



Press Release

Trust Capital Services (India) Private Limited (TCSPL)

March 26, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings**	Rating Action
<u>Long Term Bank Facilities</u> Proposed Non- Convertible Debentures*	175.00	Provisional IVR AA/ Stable [Provisional IVR Double A with Stable Outlook]	Assigned
Total	175.00 (One Hundred & Seventy-Five Crore)		

*The proposed NCDs of Rs. 175.00 crore shall be issued on private placement in one or more tranches.

**The Rating derives strength from the Structured Payment Mechanism which includes maintenance of Debt Service Reserve Account with amount equivalent to 20% of the outstanding principal payments. DSRA as stipulated shall be maintained either in the form of cash, Fixed Deposit with any Scheduled Commercial Banks (having a credit rating of at least A in case of a PSU Bank or AA in case of a private sector Bank), Sovereign Debt Securities or AAA rated listed Debt Securities in any combination.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating on the Rs. 175.00 Crore NCD for TCSPL is provisional and the final rating is subject to:

- Appointment of a SEBI registered Debenture Trustee and signing of trust deed.
- Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions of term sheet.

The rating assigned to the Non-Convertible Debenture of Trust Capital Services (India) Private Limited (TCSPL) derives strength from the Established operational track record and experienced promoters, Proposed Structured Payment Mechanism with inclusion of Debt Service Reserve Account (DSRA) & Improved Financial Risk profile the rating is however



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constrained by Interest rate risk and Risk associated with volatility in demand in the debt market.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & Profitability margin while maintaining the debt protection metrics.

Downward Factors

- Any further decline in revenue and/or profitability margin leading to decline in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established operational track record and experienced promoters.

The Trust group is promoted by Ms. Nipa Sheth. She is a CA gold medallist and CFA, she has over two decades of experience in finance industry. The Trust Group has presence in merchant banking, wealth management, advisory business, NBFC business, trading and distribution of debt securities and portfolio management services. The group offers a wide array of financial services to domestic and overseas clients. Trust group has recently entered the overseas markets through Chanakya Capital Partners which is the advisory arm of the group catering to international clients. The group has been able to fortify its presence in both capital markets with its strong sourcing, structuring, underwriting, and distribution capabilities for debt issuances. Trust group has been associated with some of the marquee issues like Bank of India, IDBI bank, JM Financial, L & T Finance Limited and ECL Finance Limited amongst others. The group's clientele includes leading banks, family offices, provident funds and high networth individuals (HNIs).

Proposed Structured Payment Mechanism with inclusion of Debt Service Reserve Account



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Under the structured payment mechanism for the proposed NCD, an amount equivalent to 20% of the outstanding principal amount shall be maintained in the DSRA account, the amount deposited in the DSRA account can only be invested in the form of cash, Fixed Deposit with any Scheduled Commercial Banks (having a credit rating of at least A in case of a PSU Bank or AA in case of a private sector Bank), Sovereign Debt Securities or AAA rated listed Debt Securities in any combination. The DSRA assets would be pledged in favour of the Debenture Trustee & would need to be created within 7 days from the deemed date of allotment.

Improved Financial Risk profile

Trust Group's PAT margin has improved to 18.17% FY2020 as compared to 15.82% in FY2019. During H1FY20 the operating income stood at Rs. 141.31 crores (provisional) and PAT margin stood at 16.23%. The total debt stood at Rs. 1,161.45 crore in FY2020 which has increased to Rs. 1559.19 crore during H1FY20 (Provisional). The incremental debt was utilised to increase in investment portfolio and the same stood at Rs. 1659.98 crores as on September 30, 2020 (provisional).

Key Rating Weaknesses

Interest rate risk

All the securities are exposed to an inherent interest rate risk which depends on various factors & market conditions, although low in Government securities.

Risk associated with volatility in demand in the debt market.

Trust group's income is associated with the bond market, which is linked to the overall economic activity. The slowdown in economy may lower the volume of bond issuance and the liquidity in the market. Such events could impact the profitability and liquidity of the group.

Analytical Approach: Consolidated

Infomerics has taken a consolidated view on the Trust Capital Services (India) Private Limited (Holding Company) and its subsidiaries, namely Trust Investment Advisors Private



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Limited, Trust Securities Services Private Limited, Sankhya Financial Services Private Limited, Trust Asset Management Private Limited, Chanakya Capital Partners and Trust AMC Trustee Private Limited collectively referred to as 'Trust group'. This because of the common promoters, shared brand name, significant operational and financial synergies between the companies. The list of companies is given in Annexure 2.

Extent of consolidation: Full.

Applicable Criteria:

Rating Methodology for Trading company

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

Trust group's (Consolidated) assets as on September 30, 2020, mostly comprises of liquid investments in PSU bonds and corporate bonds. These assets are largely held for trading activities. The borrowings comprise a mix of pledge based overdraft, commercial paper, non-convertible debentures (NCDs) and loans from sister concerns. Further, the trust group's average utilization of working capital limits remained low at ~52% for the 12 months ending September 30, 2020 indicating a healthy liquidity buffer. and unencumbered and free securities amount stood at Rs. 316.34 Cr. (Consolidated) of the total investment portfolio as on September 30, 2020. The company has cash and bank balances of Rs.15.16 Cr. as on September 30, 2020.

About the Company

Trust Capital Services (India) Private Limited (TCSPL) was incorporated in 1994 and commenced its operation in 2001. It is the main holding company of the Trust Group. The company is engaged in the business of distribution of securities to superannuation fund and trading activity. TCSPL is a deposit based member of BSE and also a SEBI registered Stock Broker taking proprietary trading positions.

About the Group



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TCSPL is holding company and has 2 wholly owned subsidiaries as well as 4 fellow subsidiaries, namely Trust securities services private limited which is providing broking services, Trust investment advisors private limited it holds license for portfolio management services (PMS) and registered with SEBI as category 1 Merchant Banker. Sankhya Financial Services Private Limited is a Non deposit taking NBFC and is registered with RBI since 2011. Chanakya capital partners is a Mauritius based consultancy service providing company. Trust asset management company private limited is a SEBI approved AMC and Trust AMC trustee private limited.

Financials (Consolidated):

(Rs. In Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	342.84	308.62
EBITDA	271.80	217.84
PAT	54.25	56.07
Total Debt	1,561.46	1,161.45
Tangible Net Worth	374.74	410.32
Total Assets	2021.11	1774.30
EBITDA Margin (%)	79.28	70.59
PAT Margin (%)	15.82	18.17
Overall Gearing Ratio (x)	4.29	2.91

Financials (Standalone):

(Rs. In Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	85.06	98.73
EBITDA	54.69	68.19



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PAT	2.70	12.00
Total Debt	534.21	496.80
Tangible Net Worth	60.08	61.07
Total Assets	739.38	813.34
EBITDA Margin (%)	64.29	69.07
PAT Margin (%)	3.18	12.16
Overall Gearing Ratio (x)	8.89	8.13

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed NCD*	Long Term – Fund Based	175.00	Provisional IVR AA/ Stable	-	-	-

**The proposed NCDs of Rs. 175.00 crore shall be issued on private placement in one or more tranches.*

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.

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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.

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 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 - Proposed NCD*	-	-	To be decided	175.00	Provisional IVR AA/ Stable

*The proposed NCDs of Rs. 175.00 crore shall be issued on private placement in one or more tranches.

Annexure 2: List of companies considered for consolidated analysis

Name of the Entity	Ownership	Consolidation Approach
Trust Capital Services (India) Private Limited	100%	Full Consolidation
Trust Securities Services Private Limited	99.99%	Full Consolidation
Trust Investment Advisors Private Limited	99.85%	Full Consolidation
Sankhya Financial Services Private Limited	93.75%	Full Consolidation
Chanakya Capital Partners	100%	Full Consolidation



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Trust Asset Management Private Limited	100%	Full Consolidation
Trust AMC Trustee Private Limited	99.84%	Full Consolidation