



## Press Release

### Master Capital Services Limited September 08, 2022

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/Complex/Highly complex)
Long Term Bank Facilities	20.00	IVR A-/ Stable (IVR A minus with Stable Outlook)	Assigned	<a href="#">Simple</a>
Short Term Bank Facilities	200.00	IVR A2+ (IVR A Two Plus)	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>220.00</b> <b>(Rupees Two hundred and twenty crores only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of Master Capital Services Limited derives strength from Established Track Record of Operations and Experienced Promoters, Healthy Financial Risk Profile and Comfortable capital structure. The rating is however constrained by Volatility Associated with Stock Market and Intense Competition.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained improvement in financial performance & profitability margins

##### Downward Factors

- Substantial decline in profitability due to cyclical downturn in the market or company specific issues.
- Deterioration in the overall gearing ratio to above 1.5x in the medium term.
- Changes in the regulatory environment.



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### List of Key Rating Drivers with Detailed Description:

#### Key Rating Strengths:

##### **Established Track Record of Operations and Experienced Promoters**

MCSL was incorporated in the year 1994 and has an established operational track record in the equity broking business. The company is promoted by Mr. Harjeet S. Arora, who founded Master Trust group in 1985 under the name of Arora Financial Consultants Pvt. Ltd. Along with him, Mr. R.K. Singhanian, is the co-founder of the group. Both bring along experience in stock broking business of more than 37 years. The company's experienced promoters and long-established track record has helped to build healthy relationship with their customers. Over the years, company has established strong track record wherein it is catering to pan-India clients and over ~2,30,000 clients spread across more than 1700 points of presence. Assets under custody stands over Rs. 190 billion and a daily client trading volume of close to Rs. 900 billion together on all exchanges in India.

##### **Healthy Financial Risk Profile**

The financial risk profile of the company remained healthy marked by ~47% growth in the top line with TOI at Rs. 280.43 Cr. and networth of Rs 178.16 Cr. (standalone) as on March 31, 2022, as against Rs.134.21 crore as on March 31, 2021. Further till June-2022, the company has already achieved revenue of Rs.70 Cr. The improved operating income is on account of increase in trading volume and clientele of the company. The EBITDA and PAT margins improved from 24.46% and 10.91% in FY21 to 27.69% and 14.63% in FY22 on account of increased TOI coupled with lower operating expenses.

##### **Comfortable capital structure**

The overall gearing ratio of the company has been improving over the past 3 years and stood comfortable at 0.62x as on March 31, 2022. Also, approx. ~95% of the overall borrowing profile as on March 31, 2022, is in the form of deep discount bonds placed with the parent company (Master Trust Limited) and other group entities. Adjusting the debt for this deep discount bond, the adjusted gearing works out to 0.03x in FY22. The company had its entire borrowings through overdraft & bank guarantee for meeting the working capital requirement and as a security deposit in favour of various exchanges. The company's major bank facilities are non-



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fund based in nature and despite that the interest coverage remained healthy at 3.72x in FY22 improving from 2.41x in FY21.

### **Key Rating Weaknesses:**

#### **Volatility Associated with Stock Market**

The company is engaged in the stock broking business and the stock market is volatile in nature, Market index like Sensex and Nifty goes up and down throughout the day. The stock market is vulnerable to both domestic and global events.

#### **Intense Competition**

Broking is a highly volatile and cyclical business with the presence of many established players who provide significant competition to the other fragmented and small players. The competition from large and established players and technology-focused new entrants is expected to continue to impact the revenue profile of players This limits the profitability margins of the industry.

**Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

### **Liquidity –Adequate**

The company have adequate gross cash accruals (GCA) and company has no stipulated repayment schedule of the long-term loan. Although it has a higher utilisation of the bank guarantee, most of its working capital facility such as overdraft facilities utilisation remained low and same is secured against FDs, which may provide a liquidity cushion for urgent requirements.



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### **About the Company:**

Master Capital Services Limited (MCSL) is part of Master Trust Group and is a 100% subsidiary of BSE listed NBFC ~ Master Trust Limited. Master Capital Services Limited provides financial services in India catering to retail as well as HNI client base across different products directly or through wholly owned subsidiaries including equity trading, derivatives trading, commodity trading, currency derivatives trading, insurance, portfolio management, financial planning, distribution of financial products like mutual funds, AIF, bonds etc. and investment banking.

### **Financials (Standalone):**

(In Rs. Crore)

<b>For the year ended/ As on*</b>	<b>31-03-2021 (Audited)</b>	<b>31-03-2022 (Audited)</b>
Total Income	190.29	280.43
PAT	21.02	41.32
Total Debt	128.68	113.44
Tangible Net Worth	134.21	178.16
PAT margin (%)	10.91	14.63
Overall Gearing Ratio (x)	0.96	0.64

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** NA



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### Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Proposed facility	Long term	20.00	IVR A-/ Stable	-	-	-
2.	Bank guarantee	Short term	200.00	IVR A2+	-	-	-

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### 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](http://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



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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
Proposed facility	-	-	-	20.00	IVR A-/ Stable
Bank guarantee	-	-	-	200.00	IVR A2+

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

**Annexure 3: Facility wise lender details:** <https://www.infomerics.com/admin/prfiles/Lender-MCSL-08-09-22.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 [www.infomerics.com](http://www.infomerics.com)