



Press Release

Master Capital Services Limited

November 07, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long term Bank Facilities (Proposed)	100.00 (Enhanced from Rs. 20 crore)	IVR A-/ Stable (IVR A minus with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facilities	0.00 (Reduced from Rs. 200 Crore)	IVR A2+ & Withdrawn	Reaffirmed and withdrawn	Simple
Total	100.00 (Rupees One hundred crores only)			

Details of Facilities are in Annexure 1

Rating Action:

Infomerics has reaffirmed and withdrawn the rating of short term bank facilities assigned to the company based on the 'No Objection Certificate' received from the bank and request from the company.

Infomerics have assigned rating to the enhanced proposed long term bank facility and the rating continues to derive strength from established track record of operations and experienced promoters, comfortable financial risk profile and comfortable capital structure. The rating is however constrained by volatility associated with stock market and intense competition.



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Key Rating Sensitivities:

- **Upward Factors**
 - Substantial and sustained improvement in financial performance & profitability margins, capitalisation and liquidity levels.
- **Downward Factors**
 - Substantial decline in revenues, profitability, capitalisation and liquidity levels.
 - Changes in the regulatory environment.

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 40 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. 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.

Comfortable Financial Risk Profile

The financial risk profile of the company remained comfortable marked by stable growth in the top line with TOI at Rs. 297.33 Cr. and networth of Rs 240.11Cr. as on March 31, 2023, as against TOI of Rs. 280.43 Cr. and networth of Rs. 183.66 Cr. as on March 31, 2021. Further till June-2023, the company has already achieved revenue of Rs. 81.51 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 27.69% and 14.63% in FY22 to



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32.84% and 18.42% in FY23 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 however it elevated marginally in FY23 on account of availing of higher working capital limits and its utilization. The overall gearing stood comfortable at 0.79x in FY23 as against 0.62x in FY22. Also, approx. ~60% of the overall borrowing profile as on March 31, 2023, is in the form of deep discount bonds placed with the parent company (Master Trust Limited). Adjusting the debt for this deep discount bond, the adjusted gearing works out to 0.32x in FY23. 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-fund based in nature and despite that the interest coverage remained healthy at 3.91x in FY23 improving from 3.48x in FY22.

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



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Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

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

[Policy on Withdrawal of Ratings | Infomerics Ratings](#)

Liquidity – Adequate

Company has maintained adequate liquidity in the form of gross cash accruals of Rs. 58.06 crores against no substantial repayments on long-term basis as on 31st March 2023. 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. Current ratio for FY2023 stood comfortable at 1.40x and quick ratio was 1.39x.

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 company 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):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	280.43	297.33
EBITDA	77.64	97.64
PAT	41.32	55.41
Total Debt	113.44	188.67
Adj. Tangible Net worth	183.66	240.11
EBITDA Margin (%)	27.69	32.84
PAT Margin (%)	14.63	18.42
Overall Gearing Ratio (times)	0.62	0.79

**Classification as per Infomerics standards*



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Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Proposed facility	Long-term	100.00 (Enhanced from Rs. 20 Cr.)	IVR A-/ Stable Outlook	IVR A-/ Stable Outlook	-	-
2.	Bank guarantee	Short-term	0.00 (Reduced from Rs. 200 Cr.)	--	IVR A2+	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Prakash Kabra

Tel: (022) 62396023

Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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
Proposed facility	--	--	--	100.00	IVR A-/ Stable Outlook
Bank guarantee	--	--	--	0.00	IVR A2+ & Withdrawn

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-MasterCapital-nov23.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