

Press Release

Trust Investment Advisors Private Limited

November 21, 2018

Rating Assigned



Total Facilities Rated	Rs. 950. 00 Cr.
Long Term Rating	ACUITE A+/ Stable (Assigned)
Short Term Rating	ACUITE A1+ (Assigned)

Rating Rationale

Acuite has assigned its '**ACUITE A+** (read as **ACUITE A plus**)' rating to the Rs. 600 Cr. long-term bank loan facilities of Trust Investment Advisors Private Limited (TIAPL; part of Trust group). The outlook is '**Stable**'.

Acuite has also assigned its '**ACUITE A1+** (read as **ACUITE A one plus**)' rating to Rs. 350 Cr. Commercial Paper programme of TIAPL.

Trust group, promoted by Ms. Nipa Sheth who has over two decades of experience in the financial services industry, has transitioned from a boutique investment banking firm in 2001 to a diversified financial services provider with broking, merchant banking, wealth management services, portfolio management services, non-banking financial operations and is now expanding into asset management business.

TIAPL, incorporated in 2006, is the merchant banking arm of the Trust group and is registered with SEBI as a category 1 merchant banker. The company obtained portfolio manager licence effective from October 2006. TIAPL is a leading non-bank corporate debt market intermediary with a strong investor base comprising of retirement funds, mutual funds and corporate treasuries. TIAPL has three subsidiaries Sankhya Financial Services Private Limited (NBFC with TIAPL holding 93.75 percent), Trust Asset Management Private Limited (an AMC wholly owned by TIAPL) and Chanakya Corporate Partners (a Mauritius based broking/advisory firm wholly owned by TIAPL).

Analytical approach:

Acuite has considered the standalone business and financial risk profile of TIAPL to arrive at its rating.

List of key rating drivers and their detailed description:

Strengths:

Strong presence in domestic capital market

TIAPL is a wholly owned subsidiary of Trust Capital Services Private Limited (TCSPL; engaged in broking services), the flagship company of the Trust group.

TIAPL benefits from the established and diversified presence of the group in domestic capital markets. The group has deepened its presence in the market with its strong sourcing, underwriting, and distribution capability for debt issues through both public and private placements which has resulted in strong tie-ups with reputed institutional players. TIAPL is one of the leading arrangers for commercial papers and bonds in non-banking segment. The company managed Rs. 137798 Cr. bond placements in FY 2018, Rs. 1, 71,075 Cr. in FY2017 and

Rs. 87,715 Cr. in FY2016 both through the private and public route. The company also offers portfolio management services for both debt and equity segments along with wealth management services.

It has demonstrated expertise in structuring and syndication of innovative and marquee structured transactions like commercial mortgage backed securities for DLF Group and Phoenix Mills Group, climate and sustainable energy bonds for Hero Wind Energy Private Limited, BASEL III bonds for various banks, credit enhanced state government bonds for Uttar Pradesh Power Corporation Limited to name a few.

Acuité believes that TIAPL's strong market presence in the domestic debt market and diversified offerings, established relationships with marquee clients and investors should enable it to sustainably grow its scale of operations over the medium to long term.

Prudent risk management practices

TIAPL's strong competitive position is supported by the prudent risk management practices which helps in managing the inherent risks in the business.

The company has a policy to typically underwrite an issue with firm commitments from prospective investors for a substantial proportion of the issue coupled with visibility to sell down the balance amount in a time bound manner. The company primarily underwrites AAA/AA category rated debt instruments or instruments with specific structures to protect the investor interest which gives the company higher appetite for underwriting due to higher market acceptance. TIAPL participates in syndication of lower rated debt instruments if they are backed by adequate investor appetite for such instruments.

The company has well established relationships with various mutual funds, PFs, banks, corporate treasuries, and other institutions which enables it to sell down such securities thereby reducing its holding, financing costs and limiting its exposure to market risks.

TIAPL's capital structure is marked by moderate gearing of 3.9 times as on March 31, 2018 (3.7 times a year ago). The company's debt levels are linked to the level of activities in the debt market, investor acceptance and underwriting plans and hence relatively volatile.

Acuité believes that TIAPL's ability to maintain moderate leverage policy and prudent risk management practices including maintaining adequate liquidity cushion is likely to support its operational performance over the medium term.

Weaknesses:

Susceptibility of performance to inherent volatility in capital markets

TIAPL's business performance is linked to activities in the capital market, especially debt segment. The performance is influenced by economic cyclicalities and other macroeconomic factors such as GDP, growth rate, inflation and expected movement in interest rates. Adverse events such as sharp spike in inflationary pressures or hardening of interest rates could translate into muted credit offtake thereby translating into lower transaction volumes for TIAPL. The domestic bond market was adversely impacted in FY2018 compared to FY2017 which had a bearing on TIAPL's performance. The company's revenues from merchant banking operations had declined in FY2018 to Rs. 69.34 Cr. when compared to Rs. 114.27 Cr. in FY2017. Its performance is likely to be influenced by the trend in interest rates and tight liquidity conditions for non-banks, which is likely to impact the primary debt market issuances.

Furthermore, the company maintains a portfolio of securities with varied maturity profile for distribution to its clients. Given the rising interest rate scenario, the company could be exposed to marked to market impact on these securities.

Further the company continues to face stiff competition from banks who have inherent advantage as compared to non-bank players on account of their strong clientele and underwriting capabilities.

Acuite believes that while TIAPL will sustain its established position in the debt syndication segment, the pace of growth will remain sensitive to the volatility and increasing competitiveness in the debt market.

Liquidity Position

The company had outstanding capital market borrowing of Rs.500 Cr as on September 30, 2018 which is coming up for repayment in the next 9 months. The company has maintained adequate liquidity in the form of unutilized bank lines against outstanding commercial papers which helps in meeting of redemption in a timely manner. The company has adequate working capital limits of Rs. 650 Cr. of which the average utilization in the last six months ended October 31, 2018 was ~ 65 percent. It also benefits from the back-up available in the form of a large proportion of highly rated and liquid investments in the portfolio, which can be liquidated to meet the upcoming redemptions.

Outlook: Stable

Acuite believes that TIAPL will maintain stable credit risk profile over the medium term on account of the company's well established market position and experienced management. The outlook may be revised to 'Positive' in case of significant and sustained growth in the competitive position and scale of operations while maintaining its profitability metrics and liquidity position. Conversely the outlook may be revised to 'Negative' in case of sustained weakening of competitive position or adverse operating performance on account of the volatile debt markets or sharp deterioration in capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	1170.25	891.90	564.53
Total Income*	Rs. Cr.	106.13	117.44	50.09
PAT	Rs. Cr.	47.27	61.98	20.40
Net Worth	Rs. Cr.	232.05	184.78	122.79
Return on Average Assets (RoAA)	(%)	4.58	8.51	4.11
Return on Average Net Worth (RoNW)	(%)	22.68	40.31	18.12
Total Debt/Tangible Net Worth (Gearing)	Times	3.86	3.65	3.15

*Total income equals to Total Income net off interest expense

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-10.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Working Capital Demand Loan	NA	NA	NA	100.00	ACUITE A+/Stable (Assigned)
Working Capital Demand Loan	NA	NA	NA	300.00	ACUITE A+/Stable (Assigned)
Overdraft	NA	NA	NA	200.00*	ACUITE A+/Stable (Assigned)
Commercial Paper	NA	NA	NA	350.00	ACUITE A1+ (Assigned)

*includes sublimit of working capital limit of Rs. 100 Cr.

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About Acuité Ratings & Research:

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