

Supplementary Disclosures for Provisional Rating

December 31, 2021

Trust Capital Services (India) Private Limited



Total Facilities Rated*	Rs. 675.00 Cr.
Facilities Rated	Rs. 400.00 Cr.
Long Term Rating	ACUITE AA (CE)/ Stable (Assigned)
Facilities Rated	Rs. 171.00 Cr.
Long Term Rating	ACUITE AA/ Stable (Reaffirmed)
Facilities Rated	Rs.4.00 Cr.
Long Term Rating	ACUITE Provisional AA/ Stable (Reaffirmed)
Facilities Rated	100.00 Cr.
Long Term Rating	ACUITE A+/Stable (Reaffirmed)

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ MIRSD_CRADT/ P/ CIR/ 2021/ 554 dated 27th April, 2021, please find below the additional disclosures pertaining to Provisional Rating. The previous rating rationale is appended herewith for reference.

Additional Disclosures

The rating on the Rs.4.00 Cr. 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.

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation

The rating would be equated to the standalone rating of the entity: ACUITE A+/ Stable

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued:

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Policy of Acuite for Provisional Rating: <https://www.acuite.in/provisional-ratings.htm>

Press Release

Trust Capital Services (India) Private Limited

March 02, 2021

Rating Assigned & Reaffirmed

Total Facilities Rated*	Rs. 675.00 Cr.
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Long Term Rating	ACUITE AA (CE)/ Stable (Assigned)
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Long Term Rating	ACUITE AA/ Stable (Reaffirmed)
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Long Term Rating	ACUITE A+/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has assigned its the long term rating of '**ACUITE AA (CE) (read as ACUITE Double A (Credit Enhancement))**' on the Rs. 400.00 Cr. bank facilities of Trust Capital Services (India) Private Limited (TCSPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE AA (read as ACUITE Double A)**' on the Rs. 171.00 Cr. Secured Non-Convertible Debentures of Trust Capital Services (India) Private Limited (TCSPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE Provisional AA (read as ACUITE Provisional Double A)**' on the Rs. 4.00 Cr. Proposed Secured Non-Convertible Debentures of TCSPL. The outlook is '**Stable**'.

Acuite has reaffirmed the long term rating of '**ACUITE A+ (read as ACUITE A Plus)**' on the Rs. 100.00 Cr. bank facilities of TCSPL. The outlook is '**Stable**'.

The rating on the Rs. 4.00 Cr. 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 factors in demonstrated track record of operations, its competitive position in the domestic debt capital market and established relationships with marquee clients and investors. Acuite believes that group is well positioned and has strong platform to benefit from the expected buoyancy in the bond market on the back of the announcements made in union budget of 2021 of setting up the institutional framework for better liquidity in the secondary bond market.

The strengths are partially offset by susceptibility of revenue to volatility in capital market and credit acceptance of market in terms of structures of the debt instruments.

Acuite has also taken a note of the group's recent venture into the mutual fund industry. The group has launched its debt fund which focuses on debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. Group's foray into the fund business synergizes well the current product offerings and further diversifies its business profile.

Analytical approach:

Acuite has taken a Consolidated view on TCSPL and its subsidiaries, namely Trust Investment Advisors Private 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 is because of the common promoters, shared brand name, significant operational and financial synergies between the companies. Extent of consolidation: full.

The rating of bank facilities of Rs.400.00 Cr., factors in the benefits arising from the group structure while arriving at the rating. The suffix (CE) indicates credit enhancement in the form of pledge of highly liquid securities. The strength of the underlying structure and continued adherence to the same is central to the rating.

Standalone (Unsupported) Rating: ACUTE A+/ Stable

Further, the rating in respect of the NCDs (issued by TCSPL) of Rs.171.00 Cr factors in DSRA mechanism in form of 20 % of the outstanding principal amount. DSRA needs to be maintained in the form of cash, bank fixed deposit, 'AAA' rated debt securities and sovereign debt securities, in any combination, for the minimum duration covering the tenor of the NCDs along with the T structure. The differential in the ratings of regular bank facilities vis. a vis. the rating on the NCDs is on account of this structure.

About Trust Group and the TCSPL:

Mumbai based, Trust Group is promoted by Ms. Nipa Sheth, who has over two decades of experience in the financial services industry. The Group has transitioned from a boutique investment banking firm in 2001 to a diversified financial services provider merchant banking, wealth management services, portfolio management services, and non-banking financial operations, and has now ventured into domestic asset management by successfully launching New Fund Offer (NFO).

TCSPL, the holding company of the Trust group was incorporated in 1994 and commenced commercial operations in 2001. The company is the flagship company of Trust group. TCSPL is a deposit based member of BSE and also a SEBI registered Stock Broker taking proprietary trading positions. TCSPL is engaged in distribution of securities to superannuation funds.

The holding company of the group has two direct and four indirect subsidiaries, namely, Trust Investment Advisors Private Limited (merchant banking arm), Trust Securities Services Private Limited (Broking services), Sankhya Financial Services Private Limited (NBFC), Trust Asset Management Private Limited (AMC), Chanakya Corporate Partners (a Mauritius based broking/advisory firm) and Trust AMC Trustee Private Limited.

Key Rating Drivers:

Strengths:

• Long operational track record coupled with competitive position in domestic capital market:

The Trust group has presence in merchant banking, wealth management, advisory business, and portfolio management services. The group offers a wide array of financial services to domestic and overseas clients. Trust group has recently made a foray into 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). The group has also demonstrated expertise in structuring and syndication of innovative and marquee structured transactions such as 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 in the past.

Trust Group's net income grew to Rs.157.21 Cr. in FY2020 as compared to Rs.140.29 Cr. in FY2019. Further, net income stood at Rs.63.43 Cr. in H1FY2021 (Provisional). The group's overall business

profile is supported by TIAPL, as it conducts merchant banking activity. TIAPL had managed Rs.237130 Cr, bond placements in FY2020 as against Rs.211444 Cr. bond placements in FY 2019. For H1FY2021, TIAPL has placed bond of Rs.1,35,970 Cr. which includes clients like Power Finance Corporation Limited, Rural Electrification Corporation Limited and National Bank for Agriculture and Rural Development. Borrowings increased to Rs.1559.19 Cr. as on September 30, 2020 (Provisional) from Rs.1161.45 Cr. as on March 31, 2020. Incremental debt was utilized to increase in investment portfolio and the same stood at Rs.1674.75 Cr. as on Sep 30, 2020 (Provisional). This led to increase in gearing to 3.63 times as on Sep 30, 2020 (Provisional) from 2.84 times as on Mar 31, 2020.

Acuite believes that the government's thrust on deepening the corporate bond market and regulatory initiatives in that direction should help in augmenting the volumes in the bond market. This should augur well for established players like Trust group who have a demonstrated track record in the domestic debt markets and diversified range of offerings. Acuite believes that the group's track record and established relationships with marquee clients and investors will provide a strong platform to leverage on the opportunities created due to expected buoyancy in the volumes of the bond market.

- **Strength of underlying structure**

The structure being assessed envisages an aggregate borrowing limit of Rs. 400.00 crore in the form of cash credit from two banks, namely Federal Bank and Axis Bank of Rs.200.00 Cr. each, which are secured by a pledge of underlying bonds and securities. The underlying securities will be government securities and corporate bonds rated AA and above within overall limit of Rs. 400.00 crore. The banks have also stipulated the differential margin for different category of securities to be purchased under this arrangement.

The government securities purchased by the group will be held in a designated Constituent Subsidiary General Ledger (CSGL) Account and a joint depository participant account for corporate bonds, which will be duly pledged to the Federal Bank. The limits as sanctioned by the banks stipulate purchase of only Government securities and Corporate bonds rated AA and above. 82% of the total investments as on January 31, 2021 is in AAA rated Government securities and corporate bonds.

The joint holding of the account facilitates for strict monitoring at the lenders end with respect to transactions. The bank stipulates margin requirement in the range of 5 percent to 15 percent (depending on the nature of the security, i.e. lowest margin for risk-free securities like G-Sec). The stipulations also include the options available to the lender in case of a margin shortfall. The securities pledged against which funding would be provided is restricted to Government securities and Corporate Bonds rated AA and above and requires its inclusion in the lenders' bank pre-approved list thus providing effective mitigation of credit risk at the initial stage of selecting securities for trade purposes.

Acuite believes that the structure sanctioned by the lenders provide for adequate covenants to safeguard the interest of the lenders. The lenders have adequate buffers available to initiate corrective action and mitigate the risk arising out of any adverse market movements. The strict adherence to the sanctioned terms and conditions (as advised by the lenders to TCSP Ltd vide letter dated October 05, 2020 (Axis Bank); December 09, 2019 (Federal Bank)) is central to the rating.

Weaknesses:

- **Susceptible to volatility in demand in the debt capital market**

The revenues of the Trust group are linked to level of activity in the bond markets which in turn is linked to the overall economic activity. Any significant slowdown in the economy will result in lower demand for funds which in turn would translate to lower volumes of bond issuances. The corporate bond market in India has mostly been dominated by issuances from non-banking finance companies. Recently, the NBFC sector in India witnessed several credit events which led to reduced investor appetite, especially for the moderate quality issuers for a brief period of time. Occurrence of significant credit events such as credit cliffs i.e. sharp deterioration in credit quality, often results in a material decline in the bond prices and impacts the liquidity of the counter. Such events could trigger demands for accelerated payments by lenders in case of pledge based borrowings.

The group has had exposure to certain bonds which faced credit cliffs in the recent past, however, they have been able to initiate prompt corrective action and materially curtail their exposures to these counters. The group still has certain residual exposure to low rated bonds which are expected to be illiquid till a resolution is in place for these issuers. Trust Group has written off the amount of Rs.30.49 Cr in FY2020 against its exposure to investments like DHFL, JSEL and Reliance Capital.

Any significant concentration to a single bond that faces a credit cliff exposes the group to a high level of credit and liquidity risk. Top 5 bonds investment contribute ~44% of the total investment portfolio as on November 30, 2020 (Consolidated) and 11% of the total investment portfolio (Consolidated) is invested in A & below rated papers. Any decision by the lender to curtail drawings/increase margin requirements against such bonds to which the group is highly exposed will have an impact on the financial flexibility.

Acuité, therefore, believes that the group's performance will be susceptible to volumes in the bond markets, adverse macro-economic events and ability to maintain an optimal risk return trade off in respect of its investment exposures. The group's ability to maintain an optimal buffer of unencumbered liquid investments (liquid investments over and above the stipulated coverage) at all times will be critical.

Rating Sensitivities

- Level of exposure below investment grade category
- Unencumbered liquid investments
- Any changes in credit quality of major investments in inventories

Material Covenants: None

Assessment for Adequacy of Credit Enhancement Structure

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.

Liquidity Position: 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, so there is no scheduled repayment against them. The group also has moderate exposures to certain non-core assets such as advances for property, loans/investments to sister concerns. The management expects to unwind some of these exposures over the near term. The borrowings comprise a mix of pledge based overdraft, commercial paper, non-convertible debentures (NCDs) and loans from sister concerns. The liquidity profile of the Trust Group is adequate marked by way of unutilized working capital limits stood at Rs.355.04 Cr. (Consolidated) as on September 30, 2020 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.

Outlook: Stable

Acuité believes that Trust group will maintain 'Stable' credit risk profile over the medium term supported by the group's well established market position in the domestic capital markets and experienced management. The outlook may be revised to 'Positive' in case of a significant and sustained growth in the scale of operations while improving its profitability and gearing metrics. Conversely, the outlook may be revised to 'Negative' in case of significant decline in operating performance, deterioration in the credit quality of major exposures or reduction in the level of unencumbered securities or increase in debt levels (non-pledged based debt levels).

About the Rated Entity TCSPL- Key Financials (Consolidated)

Parameters	Unit	FY2020 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	1772.93	2021.06
Total Income*	Rs. Cr.	157.21	140.29
PAT	Rs. Cr.	56.07	54.25
Net Worth^	Rs. Cr.	409.22	372.60
Return on Average Assets (RoAA)	(%)	2.96	2.75
Return on Average Net Worth (RoNW)	(%)	14.34	15.56
Total Debt/Tangible Net Worth (Gearing)	Times	2.84	4.19

*Total income equals to Total Income net off interest expense

^adjusted for minority interest

About the Rated Entity TCSPL- Key Financials (Standalone)

Parameters	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	813.35	739.38
Total Income*	Rs. Cr.	46.34	36.19
PAT	Rs. Cr.	12.00	2.70
Net Worth	Rs. Cr.	78.73	67.75
Return on Average Assets (RoAA)	(%)	1.55	0.40
Return on Average Net Worth (RoNW)	(%)	16.39	4.07
Total Debt/Tangible Net Worth (Gearing)	Times	6.31	7.88

*Total income equals to Total Income net off interest expense

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

None

Any Other Information

None

Applicable Criteria

- Consolidation of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements - <https://www.acuite.in/view-rating-criteria-49.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios And Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
08-Feb-2021	Secured Overdraft	Long Term	90.00	ACUITE A+/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE A+/ Stable (Reaffirmed)
	Secured Redeemable Non-Convertible Debentures	Long Term	21.00	ACUITE AA/ Stable (Reaffirmed)
	Secured Redeemable Non-Convertible Debentures	Long Term	100.00	ACUITE AA/ Stable (Reaffirmed)
	Secured Redeemable Non-Convertible Debentures	Long Term	50.00	ACUITE AA/ Stable (Reaffirmed)

	Proposed Redeemable Non-Convertible Debentures	Long Term	4.00	ACUITE Provisional AA/ Stable (Reaffirmed)
12-Feb-2020	Secured Overdraft	Long Term	90.00	ACUITE A+/ Stable (Assigned)
	Proposed Bank Facility	Long Term	10.00	ACUITE A+/ Stable (Assigned)
	Secured Redeemable Non-Convertible Debentures	Long Term	21.00	ACUITE AA/ Stable (Reaffirmed)
	Secured Redeemable Non-Convertible Debentures	Long Term	150.00	ACUITE AA/ Stable (Assigned)
	Proposed Redeemable Non-Convertible Debentures	Long Term	4.00	ACUITE Provisional AA/ Stable (Reaffirmed)
23-July-2019	Proposed Redeemable Non-Convertible Debentures	Long Term	100.00	ACUITE Provisional AA/ Stable (Assigned)
	Proposed Redeemable Non-Convertible Debentures	Long Term	54.00	ACUITE Provisional AA/ Stable (Reaffirmed)
	Non-Convertible Debentures	Long Term	21.00	ACUITE AA/ Stable (Reaffirmed)
	Non-Convertible Debentures	Long Term	5.00	ACUITE *PP-MLD AA(SO) (Withdrawn)
	Proposed Redeemable Non-Convertible Debentures	Long Term	45.00	ACUITE *PP-MLD Provisional AA(SO) (Withdrawn)
14-Mar-2019	Secured Redeemable Principal Protected Market Linked Non-Convertible Debentures	Long Term	5.00	ACUITE *PP-MLD AA(SO)/Stable (Assigned)
	Secured Redeemable Principal Protected Market Linked Non-Convertible Debentures (Proposed)	Long Term	45.00	ACUITE *PP-MLD Provisional AA(SO)/Stable (Reaffirmed)
	Secured Redeemable Non-Convertible Debentures (Proposed)	Long Term	75.00	ACUITE Provisional AA(SO)/Stable (Reaffirmed)
24-Dec-2018	Secured Redeemable Principal Protected Market Linked Non-Convertible Debentures (Proposed)	Long Term	50.00	ACUITE *PP-MLD Provisional AA(SO)/Stable (Assigned)
	Secured Redeemable Non-Convertible Debentures (Proposed)	Long Term	75.00	ACUITE Provisional AA(SO)/Stable (Assigned)

*PP-MLD pronounced as Principal Protected Market Linked Debentures

***Annexure – Details of instruments rated**

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
-	Overdraft	NA	NA	NA	90.00	ACUITE A+/Stable (Reaffirmed)
-	Proposed Bank facility	NA	NA	NA	10.00	ACUITE A+/Stable (Reaffirmed)
INE05TX07033	Secured Redeemable Non-Convertible Debentures	28-Mar-2019	9.01%	26-Mar-2021	21.00	ACUITE AA/Stable (Reaffirmed)
-	Secured Redeemable Non-Convertible Debentures	NA	NA	NA	100.00	ACUITE AA/Stable (Reaffirmed)

	Secured Redeemable Non- Convertible Debentures	NA	NA	NA	50.00	ACUITE AA/Stable (Reaffirmed)
INE05TX07025	Proposed Secured Redeemable Non- Convertible Debentures	NA	NA	NA	4.00	ACUITE Provisional AA/Stable (Reaffirmed)
Federal Bank	Cash Credit	NA	NA	NA	200.00*	ACUITE AA (CE)/Stable (Assigned)
Axis Bank	Overdraft	NA	NA	NA	200.00	ACUITE AA (CE)/Stable (Assigned)

* Sublimit of Corporate Bond of Rs.100.00 Cr.; sublimit of WCDL of Rs.200.00 Cr. Credit Enhancement for structure based on pledge of highly rated bonds/ debt securities.

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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