

## Press Release

Trust Investment Advisors Private Limited - New Horizons Spde

December 07, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Pass Through Certificates (PTCs)</b>	110.00	Provisional   ACUITE AAA   SO   Assigned	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	110.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

## Rating Rationale

Acuité has assigned a rating of '**ACUITE PROVISIONAL AAA(SO)**' (read as **ACUITE Provisional triple A (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 110.0 Cr proposed to be issued by New Horizons SPDE under a securitisation transaction originated by Trust Investment Advisors Pvt. Ltd. (The Originator).

The PTCs are backed by STRIPS (Separate Trading of Registered Interest and Principal Securities) of Government Securities (G-Secs) issued by Government of India with a Face Value quantum of Rs. 110.00 Cr.

The provisional rating addresses the ultimate payment of principal by the final maturity date, in accordance with the transaction documentation. The provisional rating is based on the strength of cash flows from the selected underlying assets which are sovereign debt obligations and therefore of the highest credit quality.

There is no credit enhancement available in the transaction. Acuité derives comfort from the negligible credit risk inherent in the underlying assets in the form of G-Sec STRIPS.

The rating of the PTCs is provisional and shall be converted to final rating subject to the execution of the following documents:

1. Trust Deed
2. Deed of Assignment
3. Servicing Agreement
4. Independent Legal Opinion
5. Final Term Sheet

## About the Originator

Trust Investment Advisors Private Limited (TIAPL) was incorporated in 2006. It is a Mumbai based merchant banking arm of the Trust Group and is registered with SEBI both as a Category 1 merchant banker and a portfolio manager effective from October 2016. TIAPL is one of the sustained leading non-bank arrangers in the domestic Commercial Paper and the Bond markets. The company has established its leadership and expertise in the debt markets by being an arranger to innovative transactions namely Commercial Mortgage Backed Securities (CMBS), Climate and Sustainable Energy Bonds, BASEL III Bonds, Credit Enhanced

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State Government Bonds to name a few.

### **Assessment of the pool**

The underlying assets are G-Sec STRIPS issued by Government of India. STRIPS is the acronym for Separate Trading of Registered Interest and Principal Securities. Stripping is the process of separating a standard coupon-bearing bond into its individual coupon and principal components.

The PTCs shall have a maximum total tenure extending till June 2025, with the underlying G-Sec STRIPS having similar maturity. The PTCs shall be issued at a discount to the Face Value, and the Face Value shall be Rs 110.0 Cr. The PTCs shall have clearly defined underlying G-Sec STRIPS which shall be held by the Trust in separate earmarked dematerialized account. The recourse of PTC holders shall be strictly restricted to the underlying pertaining to that issuance ensuring no cross collateralization or recourse pertaining to any other instrument.

The transaction has a T-3 waterfall mechanism to ensure adequate cushion for any operational risks. The final maturity date of the PTCs shall be 3 working days subsequent to the maturity date of the underlying assets. The PTCs shall be issued as Senior Secured Rated Listed Principal Protected Market Linked Redeemable Non-Convertible Debentures ('PP-MLD').

The payouts on the rated PTCs shall be due and payable only on the Final Maturity Date. The redemption from the Principal Only STRIPS will be used exclusively for these payouts.

### **Credit Enhancements (CE)**

There is no specific credit enhancement available in the transaction. Acuité derives comfort from the sovereign nature of the underlying assets i.e. government securities which are considered to be of the highest credit quality in the domestic market.

### **Transaction Structure**

The rating addresses the ultimate payment of principal by the final maturity date, in accordance with the transaction documentation.

The underlying STRIPS will be held by the trust and the redemption proceeds from the former will go directly into the trust account for distribution. This ensures minimal co-mingling risks.

The provisional rating is based on the strength of the cash flows from the redemption of the underlying assets which are STRIPS of sovereign debt securities.

### **Assessment of Adequacy of Credit Enhancement**

Acuité has considered the credit quality of the underlying assets for arriving at the base case delinquency estimate for the transaction. Since the PTCs have G-sec STRIPS as the underlying assets, we expect negligible credit risks on such sovereign debt obligations.

Acuité has estimated 0.0% base case delinquency for the PTC transaction.

Given the very low likelihood of any delays in the redemption of the STRIPS, no credit enhancement has been envisaged for the current transaction.

### **Legal Assessment**

The provisional rating is based on the draft term sheet of the transaction. The conversion of rating from provisional to final, shall include, besides other documents, an independent legal opinion to the satisfaction of Acuite. The legal opinion shall cover adherence to RBI guidelines, confirmation of true sale, constitution of the trust, bankruptcy remoteness and other related aspects.

### **Key Risks**

#### **Counterparty Risks**

Considering that the underlying assets i.e. G-sec STRIPS have sovereign credit quality, the risk of delinquencies/defaults are minimum.

#### **Concentration Risks**

There is a significant concentration risk in the asset pool since it only comprises of G-Sec STRIPS where the redemption obligation is only with the Central Government. However, this risk is mitigated since these assets have the highest credit quality.

#### **Servicing Risk**

The servicer would be responsible for receiving the G-Sec STRIP Face Value from the Government of India. Since this would be a risk free process, the servicer risk for the transaction would remain low.

#### **Regulatory Risk**

In the event of a regulatory stipulation which impacts the bankruptcy remoteness of the structure, the payouts to the PTC holders may involve higher risks but we consider the likelihood of such a scenario as low.

#### **Prepayment Risk**

Since the underlying assets are G-Sec STRIPS, the chances of prepayment are minimal. Hence, the prepayment risk for the transaction remains very low.

#### **Commingling Risk**

While there is a time gap between the redemption date and the transfer to the payout account, this risk is mitigated by the existence of the trust with a designated account. Such an account will be used only for the rated transaction and not for any other.

#### **Outlook - Not Applicable**

#### **Key Rating sensitivity**

- Any disruption in the proposed transaction structure
- Any sharp deterioration in the credit quality of the originator

#### **Material Covenants**

The following covenants are included in the transaction structure:

- The PTC Principal shall be due and payable only on the Final Maturity Date.
- Certified Holding Statement as on the end of the month held in trust for the PTC holders to be shared by the Debenture Trustee with the Rating Agency by the 5th business day of the following month.

#### **Liquidity Position - Adequate**

#### **Adequate**

While there is no credit enhancement in the transaction, the liquidity position before the PTC payouts is expected to be adequate since there is an intervening three day period between the STRIP redemption date and the PTC payout dates.

#### **Key Financials - TIAPL**

Parameters	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	1918.74	898.72
Total Income*	Rs. Cr.	503.46	83.74
PAT	Rs.	327.29	40.72

	Cr.		
Net Worth	Rs. Cr.	678.90	351.74
Return on Average Assets (RoAA)	(%)	23.23	4.59
Return on Average Net Worth (RoNW)	(%)	63.51	12.29
Total Debt/Tangible Net Worth (Gearing)	Times	1.67	1.50

\*Total income equals to Total Income net off interest expense

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

None

#### **Any other information**

None

### **Supplementary disclosures for Provisional Ratings**

#### **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) Acuité 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.

#### **Rating that would have been assigned in absence of the pending steps/ documentation**

In the absence of the pending steps/ documents the PTC structure would have become null and void, and Acuité would not have assigned any rating.

#### **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.

#### **Applicable Criteria**

Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria53.htm>

Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>

#### **Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

#### **Rating History**

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Pass Through Certificate	Not Applicable	Not Applicable	Not Applicable	Highly Complex	110.00	Provisional   ACUITE AAA   SO   Assigned

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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