

## Press Release

Trust Investment Advisors Private Limited - New Horizons Sp

March 27, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	41.40	ACUITE AAA   SO   Assigned   Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	41.40	-	-

## Rating Rationale

Acuite has converted from provisional to final and assigned the long term rating of '**ACUITE AAA(SO)**' (read as **ACUITE triple A (Structured Obligation)**) to the Pass Through Certificates (PTCs) of Rs. 41.40 Cr 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. 41.40 Cr.

The rating addresses the ultimate payment of principal by the final maturity date, in accordance with the transaction documentation. The 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. Acuite derives comfort from the negligible credit risk inherent in the underlying assets in the form of G-Sec STRIPS.

The transaction amount is Rs 41.40 Cr divided into two tranches of Rs 20.70 Cr each. While tranche 1 will mature in March 2024, tranche 2 will mature in September 2024.

The final rating is assigned based on the adherence to the structure, terms and covenants detailed in the executed servicing agreement, legal opinion, assignment agreement and other documents relevant to the transaction.

## About the Originator About the Company

Mumbai based Trust investment advisors Private Limited (TIAPL) was incorporated in 2006. TIAPL is a Mumbai based merchant banking arm of trust group and is registered under SEBI as a category 1 merchant banker along with a portfolio manager effective from October 2016. The company obtained its permanent merchant banking certificate in March 2017. TIAPL is one of the sustained leading non-bank arrangers in commercial paper segment along with bond markets. The company has established its leadership and expertise in the segment by being an arranger to innovative transactions namely Commercial Mortgage backed securities, Climate and sustainable energy bonds, BASEL III bonds, credit enhanced state government bonds to name a few.

## About the Group

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 recently ventured into debt mutual fund business. Trust Capital Services Private Limited (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 Capital Partners (a Mauritius based broking/advisory firm) and Trust AMC Trustee Private Limited.

### **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 be issued at a discount to the Face Value, and the Face Value shall be Rs 41.40 Cr divided into two tranches of Rs 20.70 Cr each. While tranche 1 will mature in March 2024, tranche 2 will mature in September 2024.

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 Dates. 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 final rating is assigned based on the adherence to the structure, terms and covenants detailed in the executed servicing agreement, legal opinion, assignment agreement and other documents relevant to the transaction.

### **Key Risks**

### **Counter Party 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 Risks**

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 Risks**

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 Risks**

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.

### **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

### **Liquidity Position**

#### **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.

### **Outlook - Not Applicable**

### **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. Cr.	327.29	40.72
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	Times	1.67	1.50

(Gearing)

\*Total income equals to Net Interest Income plus other income.

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

None

#### Any Other Information

None

#### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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, Acuite 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Dec 2022	Pass Through Certificates	Long Term	110.00	ACUITE Provisional AAA(SO) (Assigned)

## 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	41.40	ACUITE AAA   SO   Assigned   Provisional To Final

## 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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