

No. CARE/HO/RR/2021-22/1723

Nipa Sheth

Director

Sankhya Financial Services Private Limited

109/110, Balarama,

Bandra Kurla Complex Bandra (E)

Mumbai-400051

March 23, 2022

Dear Ma'am,

Credit rating for instruments of Sankhya Financial Services Private Limited

Please refer to our letters dated March 15, 2022 on the above subject.

2. A write-up (Press Release) on the above ratings is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as **Annexure - I**.
3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

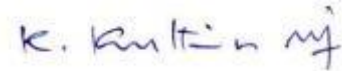
Yours faithfully,



Khyati Shah

Analyst

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Karthik Raj K

Director

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CARE Ratings Limited

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CIN-L67190MH1993PLC071691

Encl.: As above

ANNEXURE-I

PRESS RELEASE

Sankhya Financial Services Private Limited

March 22, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-Term Long-Term Instruments	80.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Non-Convertible Debentures	100.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Total Long-Term Instruments	180.00 (Rs. One Hundred Eighty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating of Sankhya Financial Services Private Limited (SF SPL) follows similar rating action on its parent Trust Investment Advisors Private Limited (TIAPL: Rated 'CARE A+; Stable/CARE A1+'), which holds 93.75% stake in SF SPL. SF SPL benefits from Trust group's synergies in the form of integrated operations, managerial & infrastructure support, sound institutional client base and adequate capital position. The rating is however constrained by high competition in debt trading segment, SF SPL's small scale of operations in NBFC segment, moderate gearing levels and exposure to credit and market risk. Continued support of TIAPL, volatility in profitability, moderate gearing levels and asset quality are the key rating sensitivities.

Rating Sensitivities: Factors that could lead to positive rating action/upgrade

- Substantial business growth while maintaining profitability on a sustained basis
- Revenue diversification

Rating Sensitivities: Factors that could lead to negative rating action/downgrade

- Moderation in credit profile of TIAPL
- Moderation in support from Trust Group
- Increase in gearing beyond 5x
- Substantial deterioration in profitability

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage

SF SPL is the NBFC arm of the Trust group and has a strategic role in the NBFC activities of the group. SF SPL leverages on the operational resource of the group. As on December 31, 2021, TIAPL held 93.75% of shareholding and Ms. Nipa Seth and others held 6.25%. TIAPL is predominantly active in the corporate debt market segment and handled volumes of Rs.2,87,612 crore and Rs.69,250 crore during FY21 and H1FY22 respectively. TIAPL has

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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a large institutional client base including provident funds, banks, insurance companies, mutual funds and corporates.

Brief Financials (Rs. crore) FY21 Audited (Standalone)	Trust Investment Advisors Private Limite (TIAPL)
	Holding Company
Total income	142
PAT	41
Interest coverage (times)	1.72
Tangible Net Worth	351
Total Assets	899
ROTA (%)	4.59

Experienced management and synergies including common management with Trust Group

The company's operations are headed by Ms. Nipa Sheth; a chartered accountant and director of SFSPL. Under her leadership, Trust Group has grown from being a distribution house of debt products in 2001 to a full-fledged investment bank providing services across origination, intermediation, advisory and fund management and distribution. SFSPL has the advantage of leveraging on the available skilled manpower resource of the group and as such has very low number of employees in its payroll at present. The day to day operations and the key decision making of the company are looked after by the designated senior officials of the Trust group in the fields of resource mobilization, investments, credit selection and operations.

SFSPL is active in repo transactions in corporate debt securities, trading of corporate bonds and activities related to debt securities and benefits on account of operational synergy of the group. The strategic group support in terms of business operation, human resource and management is an integral part of the business model of SFSPL. SFSPL benefits from TIAPL's debt market expertise, groups existing relationships with institutional clients and active of support of senior officials of the group. The Trust group is one of the leading players in the domestic corporate debt market, having relationship with large institutional client base including provident funds, banks, insurance companies, mutual funds and corporates.

Adequate capital position albeit increase in gearing levels

The capital position of SFSPL was adequate with reported CAR as on 31st December 2021 standing at 45.07%. Total capital adequacy ratio was 43.74% as on 31st March 2021 vis-s-vis 62.3% as on 31st March 2020, as the scale of lending operations and resultant increase in risk weighted assets.

The company's gearing levels are volatile as it is dependent on volume of activities related to debt securities. The company's borrowing is primarily in the form of NCDs, subordinated liabilities and other loans. SFSPL raised Rs. 100 crore worth of NCD's in H1FY21. In view of this and no incremental capital infusion the gearing levels increased to 2.61x as on September 30, 2020 compared to 1.52x as on March 31, 2020 and remains at about 2.19x as on September 30, 2021. However, the same continues to be within RBI specified limits.

Key Rating Weaknesses

Small scale of operation in NBFC segment

SFSPL's has been trading in G-sec/corporate bonds since FY15 and the trading activity picking-up pace in the recent years. The company has gradually scaling up lending activities against securities/real estates and selective investments in debt capital market. As on December 31, 2021, the lending book was around Rs.162 crore and loans are predominately given to counterparties having existing satisfactory business relationship with group. All such loans are fully secured. The upscaling of business and its impact on profitability will be a key monitorable.

Exposure to credit risk in inventory along with market risk

The company is exposed to market risk arising out of adverse movement of prices of the securities due to changes in interest rates. Specifically, the prices of corporate bonds are influenced by the level and changes in interest rates in the economy and developments in other markets including credit and capital markets, international bond markets, and policy actions by RBI. This may result in booking losses on mark to market basis. To manage market risk, the company maintains liquid portfolio with high churn rate and the investment portfolio is reviewed twice a week, with an internal committee comprising senior members.

Credit risk is low on account of minimal trade in sub-investment grade securities. Increased trading in lower rated bonds (AA- and below) increases the credit risk however, the exposure was modest at 22.4% as on March 31, 2021. Some of those are state government guaranteed bonds.

Liquidity Position: Adequate

SFSPL has raised resources in the form of Non-Convertible Debentures (38%), subordinate liabilities (38%), loans from related parties and Preference shares (24%) as on September 30, 2021.

Majority of the assets are in the form of inventories which are held for trading purposes. Hence, there are no scheduled repayments of the assets. The company's repayments in next one year stands at around Rs.82 crore. There are positive cumulative mismatches across all time buckets.

Cash and Bank balance stood negligible but inflow of investments and advances would be around Rs.114 crore.

Analytical approach: SFSPL has been assessed on the basis of its standalone financials, along with factoring its strong linkages with Trust group, given its high strategic importance as an NBFC arm, and demonstrated financial and operational support.

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Rating Methodology- Non-Banking Finance Companies](#)

[Rating Methodology: Factoring Linkages in Ratings \(Parent-Subsidiary Linkages\)](#)

About Sankhya Financial Services Private Limited

Sankhya Financial Services Private Limited (SFSPL) is an NBFC-ND classified RBI registered company since February 2005. SFSPL is the NBFC arm of the Trust group and play a strategic role in the fund-based activities of the group. The strategic group support is an integral part of the business model of SFSPL. As on December 31, 2020, the Trust Investment Advisors Private Ltd. (TIAPL) held 93.75% of shareholding and the promoter Nipa Seth held

remaining 6.23% of the shareholding. Sankhya has been very active in Repo transactions in debt securities which remained its focus area apart from some small ticket investment and asset backed lending.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22
Total income	47	43	29
PAT	4	7	6
Total Assets	234	353	356
Interest coverage (times)	1.17	1.36	1.38
Gross NPA (%)	-	-	-
ROTA (%)	1.50	2.42	2.07

A: Audited; (Figures as per Ind AS)

About Trust Investment Advisors Private Limited (TIAPL)

TIAPL is a SEBI registered Category I Merchant Banker and portfolio manager. The company received portfolio manager license in October 2006 and merchant banking license in March 2007. The company is pre-dominantly active in the corporate debt market segment and handled volumes of Rs.2,87,612 crore and Rs.69,250 crore during FY21 and H1FY22 respectively. The company also offers portfolio management and advisory services in both debt and equity segment.

The day to day operations of the company are headed by Ms. Nipa Sheth who is the founder Director of Trust Group. The company operates through a network of 9 branches of its holding company, Trust Capital Services (India) Pvt. Ltd. which are located in cities like Delhi, Chennai, Mumbai, Bangalore, Hyderabad, Ahmedabad, Pune, Bharuch and Kolkata.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Total income	141	142	29
PAT	39	41	6
Total Assets	876	898	NA
RONW (%)	13.44	12.30	NA
ROTA (%)	3.95	4.59	NA

A: Audited (Figures as per Ind AS)

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4
Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Subordinated Debt	INE471X08012	31-03-2017	9.50%	29-03-2024	80.00	CARE A; Stable
Non-Convertible Debentures	INE471X08020	04-03-2020	9.50%	28-03-2025	10.00	CARE A; Stable
Non-Convertible Debentures	INE471X07014	10-08-2020	10.00%	10-08-2023	25.00	CARE A; Stable
Non-Convertible Debentures	INE471X07022	10-08-2020	10.00%	10-08-2024	15.00	CARE A; Stable
Non-Convertible Debentures	INE471X07030	30-09-2020	9.80%	30-03-2022	25.00	CARE A; Stable
Non-Convertible Debentures	INE471X07048	06-10-2020	10.00%	21-04-2023	25.00	CARE A; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Debt-Subordinate Debt	LT	80.00	CARE A; Stable	-	1)CARE A-; Stable (23-Mar-21)	1)CARE A-; Stable (24-Mar-20)	1)CARE A-; Stable (11-Feb-19)
2	Debentures-Non Convertible Debentures	LT	100.00	CARE A; Stable	-	1)CARE A-; Stable (23-Mar-21) 2)CARE A-; Stable (16-Jun-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple
2	Debt-Subordinate Debt	Complex

Annexure 5: Bank Lender Details for this Company - NA

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.