Acuite RATINGS & RESEARCH

Press Release

March 12, 2024

TARA CAPITAL PARTNERS INDIA PRIVATE LIMITED
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	95.00	ACUITE BB- | Stable | Assigned	-
Total Outstanding	95.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE BB-' (read as ACUITE double B minus)** on the Rs. 95.00 Cr. Proposed Non Convertible Debentures of Tara Capital Partners India Private Limited. The outlook is **'Stable'**.

Rationale for the Rating
The assigned rating takes into cognizance the inherent risk profile of the business exposing it to the volatility of capital markets. The company has a strong business risk profile as it generates advisory income from its offshore client; along with the proprietary trading by way of algo system built internally. The increasing revenue by way of advisory and MTM value of the portfolio signify the growth TCPIPL has shown since inception; the percentage growth was seen in proportion to its margin available for trading and increasing frequency of services provided to the client. TCPIPL; despite of early stage of operations has demonstrated growth and efficiency in the business model and acuite believes that the company would be able to generate revenue in the near term.

The rating is however constrained on account of TCPIPL's susceptibility to the level of volatility in the capital markets. as well as highly competitive landscape in the advisory services. The rating is further constrained due to the risk of client concentration and its initial years of operations.

About the company
Tara Capital Partners India Private Limited, incorporated in the year 2018 is a Mumbai, Maharashtra based, established and diversified financial advisory & proprietary trading company that provides innovative solutions to the asset management community. It serves the highly specialized and sophisticated needs of institutional clients through a comprehensive range of tailored solutions. The company is registered with the SEBI as both a proprietary trading member and investment advisor. It is an active trading member on the NSE with plans to activate membership on the BSE and MCX in the near future.

Currently the company has a strength of 65 people spread across 4 offices situated in Mumbai, Delhi, Calcutta and Chennai as on December 31, 2023. Head office being situated in Mumbai. The company's directors are Mr. Anshuman Ghose and MR. Jagdeep Kannarath; Mr. Ghose hold 50% of the equity in the company.

Unsupported Rating
Not Applicable

Analytical Approach
Acuite has considered standalone approach to arrive at the rating of Tara Capital Partners India Pvt Ltd.

Key Rating Drivers

Strength
Adequate risk management system
TCPIPL has adequate risk management system. It manages risk in its internally built HFT / Algo system by monitoring

quantity limits, price range checks, spread order quantity, value limit, leverage capping etc. The backend operations team also manages risk through monitoring every transaction that takes place. This is particularly relevant for its proprietary trading positions.
Acuité believes the company's risk management practices will remain adequate and support the continuity of its consultancy and proprietary trading operations.

Improvement in profitability backed by enhancement in the algo system
Tara Capital Partners India Pvt Ltd commenced its operations with Rs.~4 Cr. in May 2022 to grow its proprietary trading business where TCPIPL has grown its portfolio amount to Rs.14.97 Cr. as on January 31, 2023 (Prov.) with Rs.6.82 Cr. as the MTM value of its positions in derivatives. TCPIPL reported a revenue of Rs.70.36 Cr. for FY2023; as compared to Rs.71.66 Cr. for FY2022. TCPIPL reported an income of Rs.114.81 Cr. (Prov.) as on January 31, 2024 with a profit before tax calculated at Rs.7.55 Cr. (Prov.) The revenue from advisory services stood at Rs.107.9 Cr. and Rs.6.9 Cr. from its proprietary trading business.
Acuite believes that the company would be able to grow its portfolio value backed by its enhancing price action strategies and system based proprietary trading along with advisory services to be provided.

Weakness

Inherent exposure to capital Markets
The company's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. Trading volume and earnings depend heavily on the level of trading activity in capital market. The company's revenue is heavily dependent on the capital market scenario as the consultancy fees and proprietary trading income involves activities in the Cash and derivatives segment.

Client concentration risk in the initial years of operation
TCPIPL, commenced its operations in 2018 where the company onboarded an offshore client, and simultaneously built a proprietary trading system to benefit from the outputs derived by the internally built system. The company has a license from SEBI as a registered proprietary trader; yet most of the revenue for TCPIPL is via advisory services towards a single client.

Rating Sensitivity

- Client concentration risk
- Profitability over and above the incremental finance cost
- Sustainability in the revenue from operations
- Changes in the regulatory environment

Liquidity Position

Adequate
The company had adequate cash and cash equivalents worth Rs. 1.47 lakhs as on March 31, 2023. TCPIPL also had margins with brokers and holdings worth Rs. 6.05 Cr. as on March 31, 2023.

Outlook : Stable

Acuité believes TCPIPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its management and business profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while achieving sustained improvement in operating margins and certain growth prospects in the brokerage business. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23(Actuals)	FY22(Actuals)
Operating Income	Rs. Cr	70.36	71.66
PAT	Rs. Cr	1.23	2.13
PAT Margin	(%)	1.75	2.98
TOL/Tangible net worth	Times	0.33	4.16
PBDIT/Interest	Times	135.22	1030.14

*Operating Income does not include interest on FDs and 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
• Service Sector: https://www.acuite.in/view-rating-criteria-50.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

Rating History :
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	95.00	Simple	ACUITE BB- | Stable | 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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