



RATING RATIONALE

16 September 2021

A. K. Capital Finance Limited

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of Rs 450.00 Crs., Non-Convertible Debentures (NCDs) of Rs. 406.52 Crs (along with the removal of the suffix 'CE') and NCDs of Rs. 625 Crs of A. K. Capital Finance Limited.

Particulars:

Facilities/Instruments**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous Dec 20	Present
Bank Loan Facilities - Fund Based	529.17	450.00	Long Term	BWR AA- (Stable)	BWR AA- (Stable) (Reaffirmed)
Non Convertible Debentures (NCDs)	300.52	280.52	Long Term	BWR AA+ CE (Stable)	BWR AA+ (Stable) (Reaffirmed) with removal of the suffix 'CE'
	164.55	126.00		BWR AA CE (Stable)	BWR AA (Stable) (Reaffirmed) with removal of the suffix 'CE'
	625.00	625.00		BWR AA- (Stable)	BWR AA- (Stable) (Reaffirmed)
Total	1619.24	1481.52	Rupees One Thousand Four Hundred Eighty One Crores and Fifty Two Lakhs only/-		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of bank loan facilities/NCDs are provided in Annexures-I & II

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the ratings at 'BWR AA+/AA/AA-' /Stable for the bank loan facilities and Non-Convertible Debentures (NCDs) of A. K. Capital Finance Limited (AKCFL or the company), as tabulated above. While reaffirming the rating for NCDs aggregating Rs. 280.52 Crs and Rs. 126.00 Crs, respectively, BWR has also removed the Credit Enhancement (CE) suffix. The removal of the CE suffix is based on the extant regulatory guidelines and BWR Rating Policy under which the Debt Service Reserve Account (DSRA) is considered as an internal credit enhancement instead of as an external credit enhancement. While NCDs aggregating Rs. 280.52 Crs are backed by 20% DSRA support on principal outstanding, with respect to NCDs aggregating Rs. 126 Crs, NCDs aggregating Rs. 50.00 Crs are backed by 15% DSRA support on outstanding principal amount and the remaining NCDs of Rs. 76.00 Crs are backed by primary security of investment in higher rated paper (A rated and above). Due to the credit comfort drawn from the DSRA/primary security, the ratings of NCDs of Rs. 280.52 Crs and Rs. 126 Crs are reaffirmed at AA+ and AA, respectively, without the CE suffix.



The ratings factor in the experienced management and long track record of the A. K. group, along with sound asset quality in the fund-based business and comfortable capitalisation. However, the ratings are constrained by inherent volatility in the debt capital markets business and the limited scale of financing operations.

The Stable outlook indicates a low likelihood of a rating change over the medium term.

KEY COVENANTS OF THE INSTRUMENT RATED:

1. For NCDs aggregating Rs. 280.52 Crs, the company is required to maintain an amount of up to 20% of the principal outstanding in a DSRA throughout the tenure of instruments
2. For NCDs aggregating Rs. 50.00 Crs, the company is required to maintain an amount of up to 15% of the outstanding principal amount in DSRA.
3. Further, Rs. 76.00 Crs of NCDs are backed by primary security of investment in higher rated paper (A rated and above).

KEY RATING DRIVERS

Credit Strengths:-

- **Experienced management and long track record of business:** The A. K. group has almost three decades of experience and an established position in debt capital markets in India. The group holds a competitive position as a merchant banker in the corporate bond and fixed-income markets. Mr. A K Mittal (MD and CEO) has more than 30 years of experience in the industry. The group's management consists of experienced professionals with vast experience in the financial services space. The group, with its sourcing, underwriting and distributing capabilities for the private and public sectors, has established strong relations with its clients. They are supported by a dedicated work force of 250+ professionals employed with A. K. group companies.
- The A. K. group has arranged debt for the Indian banking sector in the form of lower Tier II/ upper Tier II/perpetual bonds having a value of ~Rs.1.32 lakh Crs. Over the past 12 years, from 2009-10 to 2020-21, A.K. Capital has managed 1825 assignments of the private placement of debt aggregating to Rs. 15.78 lakh Crs. For FY21, A.K. Group managed 177 assignments amounting to Rs 2.55 lakh Crs, compared with 147 assignments amounting to Rs. 2.57 lakh Crs during FY20.
- **Sound asset quality:** The group's fund-based business is carried out through the group's NBFC subsidiary A. K. Capital Finance Limited (AKCFL), which uniquely operates as a Debt Capital Market (DCM) NBFC and follows a low-risk model with customised debt solutions in the form of loans and fixed-income instruments spread over the short to medium term. The group's stringent risk management policies and demonstrated ability to exit stressed exposures early on has resulted in the company maintaining a robust asset quality. AKCFL has reported nil Non-Performing Assets (NPAs) since inception until date.
- **Comfortable capital position:** As on 31 March 2021, the group-level tangible networth stood at Rs. 706.33 Crs, compared with Rs 636.39 Crs as on 31 March 2020. The NBFC



subsidiary, AKCFL, has maintained a capital adequacy ratio of more than 20% over the last three years. As on 30 June 2021, AKCFL's Capital-to-Risk weighted Assets Ratio (CRAR) stood at 44.72%, against 36.70% as on 31 March 2021 and 49.81% as on 31 March 2020. During FY21, the group's total borrowing increased due to a higher utilisation of bank facilities and fundraise through NCDs in AKCFL. On account of the above, the group's debt to tangible networth ratio increased to 1.96 times as on 31 March 2021, compared with 1.38 times as on 31 March 2020.

Credit Risks:-

- **Inherent volatility in debt capital markets business:** The A. K. group's business activities in debt capital markets are exposed to economic cyclicality and macroeconomic indicators, including a movement in the interest rate, GDP growth and inflation, wherein any adverse movement in any of these factors will result in volatility in the business performance, considering its income depends on activity in debt market issues and the distribution of the same to its clients. In spite of a higher issuance managed by the group in FY21, it has reported decline in income due to a lower income in the merchant banking business (including brokerage income) and lower interest income from the NBFC business, since most of the disbursements were in H2FY21. During FY21, the group reported a total income of Rs. 289.15 Crs and profit after tax of Rs. 75.05 Crs, against a total income of Rs. 314.21 Crs and profit after tax of Rs. 51.48 Crs during FY20. The net profit increased in FY21 despite a fall in the overall income due to lower borrowing costs, and distribution and other expenses. The Return On Average Assets (ROA) was at 3.26% in FY21, against 2.04% in FY20 for AKCFL on a standalone basis.
- **Limited scale of financing operations:** The group has a relatively modest Asset Under Management (AUM), consisting of core lending/loan book and treasury investments with a concentrated set of clientele. The investment book is opportunity-based and is based on a high possibility of churn within 3-6 months, thereby mitigating the risk of market price volatility. The AUM of AKCFL increased to Rs.1804.73 Crs in FY21 against Rs. 1290.87 Crs during FY20. The AUM decreased to Rs. 1621.87 Crs at the end of Q1FY22 due to limited market opportunities for lending and investments as per the group's strategy.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA To arrive at the ratings, BWR has combined the business and financial risk profiles of A. K. group companies, which mainly include A.K. Capital Services Limited (AKCSL) and its subsidiaries, A.K. Capital Finance Limited (AKCFL), A.K. Stockmart Private Limited (AKSPL), A.K. Wealth Management Private Limited, A.K. Capital Corporation Private Limited, Family Home Finance Private Limited and A.K. Capital Singapore Pte. This is because all the companies (a part of the A. K. group), have significant financial, managerial and operational linkages.

RATING SENSITIVITIES

Positive: A significant improvement in the group's financial risk profile and market share, including a substantial increase in revenue and profitability, while maintaining asset quality, will be rating positives.



Negative A significant deterioration in business volumes, the asset quality or earning profile will be rating negatives.

LIQUIDITY INDICATORS: ADEQUATE:

As on 30 June 2021, at a consolidated level, the group had liquidity of Rs. 312 Crs, which includes Collateralized Borrowings and Lending Obligations (CBLO), (now known as TREPS) lending of Rs 188 Crs, investments in GSec of Rs. 120.63 Crs, cash and cash equivalent of Rs. 3.30 Crs and liquid investments of Rs.0.07 Crs against debt obligations till 31 March 2022, of Rs. 232.50 Crs. The group also had undisbursed sanctions from lenders, of over Rs. 848.84 Crs as on 30 June 2021.

COMPANY PROFILE:

A. K. Capital Finance Limited (AKCFL), formerly known as A. K. Capital Finance Private Limited and Giridhar Vanijya Private Limited, was incorporated in 2006 and was acquired by A K Capital Services Limited, the flagship company of A K Capital Group. A K Capital Finance Limited is registered with the RBI as a Non-Deposit taking Systemically Important Non-Banking Finance Company (ND-SI-NBFC). It is a 98.73% subsidiary of AKCSL, a category I merchant banker listed on the Bombay Stock Exchange (BSE). AKCSL is a leading player in the corporate bond and fixed-income market in India.

AKCFL primarily operates a hybrid business model, under which the revenue streams consist of interest income from its lending book, and fee income and treasury-based income from its investment book. While there is synergy between the activities of AKCSL and AKCFL, all the lending and investment decisions of AKCFL are independent of its parent's activities and are carried out on an arm's length basis. Such lending and investment decisions are based on AKCFL's own yield/return benchmark.

A. K. Capital Services Limited (AKCSL), incorporated in 1993, is a SEBI-registered category-I merchant banker listed on the BSE. AKCSL is the flagship company of the A. K. group and one of the leading players in the corporate bond and fixed-income market in India. The company is one of the leaders in the debt market segment with respect to private placement and public issues, and financial advisory services. The company offers customised solutions to its clients, i.e., issuers, by mobilising funds through the debt capital market, and investors, by creating avenues for investment in the debt capital market.

A. K. group companies complement each other right through client sourcing, lending and other ancillary services. Parent company A. K. Capital Services Limited conducts the merchant banking activity, and A. K. Capital Finance Limited is the group's NBFC arm. The NBFC invests in fixed-income instruments and also undertakes lending activities. A. K. Stockmart Private Limited (a 100% subsidiary of AK Capital Services Ltd.) undertakes broking activities and third-party product distribution for the group. It provides broking services in the Wholesale Debt Market (WDM) and Retail Debt Market (RDM), and acts as a depository participant.

KEY FINANCIAL INDICATORS

A. K. Capital Finance Limited - Consolidated

Key Financial Indicators	Units	FY 20	FY21
Result Type		Audited	Audited
Total Income	Rs.in Crs	183.66	183.08
Profit after tax	Rs.in Crs	37.01	50.79
Tangible Networkth	Rs.in Crs	567.43	613.98
Total Debt	Rs in Crs	841.51	1245.34
Debt to Tangible Networkth	Times	1.48x	2.03x
GNPA & NNPA	%	Nil	Nil
CRAR	%	49.81%	36.70%

A. K. Capital Services Limited - Consolidated

Key Financial Indicators	Units	FY20	FY21
Result Type		Audited	Audited
Total Income	Rs in Crs	314.21	289.15
Profit After tax	Rs in Crs	51.48	75.05
Tangible Net Worth	Rs in Crs	636.39	706.33
Total Debt	Rs in Crs	878.40	1387.93
Debt to Tangible Net Worth	Times	1.38	1.96

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilities/ Commercial Paper etc.)	Current Rating (Year T)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable			
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating (August 2021) FY22	Date(s) & Rating(S) assigned in year T-1 FY21	Date(s) & Rating(s) assigned in Year T-2 FY20	Dates(s) & Rating(s) assigned in Year T-3 FY19	Dates(s) & Rating(s) assigned in Year T-3 FY18
1	Fund Based	Long Term	450.00	BWR AA- (Stable) (Reaffirmed)	BWR AA- (Stable) (1-Dec-20) (Reaffirmed) BWR AA- (Stable) (10-Sep-20) (Reaffirmed) BWR AA- (Stable) (1-Sep-20) (Reaffirmed)	BWR AA- (Stable) (29-Jan-20) (Reaffirmed) BWR AA- (Stable) (28-Jun-19) (Reaffirmed)	BWR AA- (Stable) (26-Mar-19) (Reaffirmed) BWR AA- (Stable) (10-Jul-18) (Reaffirmed) BWR AA- (Stable) (6-Jun-18) (Reaffirmed)	BWR AA- (Stable) (7-Feb-18) (Reaffirmed) BWR AA- (Stable) (19-Dec-17) (Assigned)
2	NCDs	Long Term	325.00	BWR AA- /Stable (Reaffirmed)	BWR AA- /Stable (1-Dec-20) (Assigned)	-	-	-
3	NCDs	Long Term	250.00	BWR AA- /Stable (Reaffirmed)	BWR AA- /Stable (1-Dec-20) (Reaffirmed) BWR AA- /Stable (10-Sep-20) (Assigned)	-	-	-
4	NCDs	Long Term	50.00	BWR AA- /Stable (Reaffirmed)	BWR AA- /Stable (1-Dec-20) (Reaffirmed) BWR AA- /Stable (10-Sep-20) (Reaffirmed) BWR AA- /Stable (1-Sep-20) (Assigned)	-	-	-
5	NCDs	Long Term	136.00	BWR AA+ /Stable (Reaffirmed) with removal of suffix 'CE'	BWR AA+ (CE) /Stable (1-Dec-20) (Reaffirmed) BWR AA+ (CE) /Stable (10-Sep-20) (Reaffirmed) BWR AA+ (CE) /Stable (1-Sep-20) (Reaffirmed)	BWR AA+ (CE) /Stable (29-Jan-20) (Reaffirmed) BWR AA+ (SO) /Stable (28-Jun-19) (Reaffirmed)	BWR AA+ (SO) /Stable (26-Mar-19) (Reaffirmed) BWR AA+ (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA+ (SO) /Stable (6-Jun-18) (Assigned)	
6	NCDs	Long Term	144.52	BWR AA+ /Stable (Reaffirmed) with removal of suffix 'CE'	BWR AA+ (CE) /Stable (1-Dec-20) (Reaffirmed) BWR AA+ (CE) /Stable (10-Sep-20) (Reaffirmed) BWR AA+ (CE) /Stable (1-Sep-20) (Reaffirmed)	BWR AA+ (CE) /Stable (29-Jan-20) (Reaffirmed) BWR AA+ (SO) /Stable (28-Jun-19) (Reaffirmed)	BWR AA+ (SO) /Stable (26-Mar-19) (Reaffirmed) BWR AA+ (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA+ (SO) /Stable (6-Jun-18) (Reaffirmed)	BWR AA+ (SO) /Stable (07-Feb-18) (Reaffirmed) BWR AA+ (SO) /Stable (19-Dec-17) (Reaffirmed) BWR AA+ (SO) /Stable (1 Jun-17) (Assigned)
7	NCDs	Long Term	50.00	BWR AA /Stable (Reaffirmed) with removal of suffix 'CE'	BWR AA (CE) /Stable (1-Dec-20) (Reaffirmed) BWR AA (CE) /Stable (10-Sep-20) (Reaffirmed) BWR AA (CE) /Stable (1-Sep-20)	BWR AA (CE) /Stable (29-Jan-20) (Reaffirmed) BWR AA (SO) /Stable (28-Jun-19) (Reaffirmed)	BWR AA (SO) /Stable (26-Mar-19) (Reaffirmed) BWR AA (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA (SO) /Stable (6-Jun-18)	BWR AA (SO) /Stable (07-Feb-18) (Assigned)

					(Reaffirmed)		(Reaffirmed)	
8	NCDs	Long Term	-	Withdrawn	BWR AA (CE) /Stable (1-Dec-20) (Reaffirmed) BWR AA (CE) /Stable (10-Sep-20) (Reaffirmed) BWR AA (CE) /Stable (1-Sep-20) (Reaffirmed)	BWR AA (CE) /Stable (29-Jan-20) (Reaffirmed) BWR AA (SO) /Stable (28-Jun-19) (Reaffirmed)	BWR AA (SO) /Stable (26-Mar-19) (Reaffirmed) BWR AA (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA (SO) /Stable (6-Jun-18) (Reaffirmed)	BWR AA (SO) /Stable (07-Feb-18) (Assigned)
9	NCDs	Long Term	76.00	BWR AA /Stable (Reaffirmed) with removal of suffix 'CE'	BWR AA (CE) /Stable (1-Dec-20) (Reaffirmed) BWR AA (CE) /Stable (10-Sep-20) (Reaffirmed) BWR AA (CE) /Stable (1-Sep-20) (Reaffirmed)	BWR AA (CE) /Stable (29-Jan-20) (Reaffirmed) BWR AA (SO) /Stable (28-Jun-19) (Reaffirmed)	BWR AA (SO) /Stable (26-Mar-19) (Reaffirmed) BWR AA (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA (SO) /Stable (6-Jun-18) (Reaffirmed)	BWR AA (SO) /Stable (07-Feb-18) (Reaffirmed) BWR AA (SO) /Stable (19-Dec-17) (Reaffirmed) BWR AA (SO) /Stable (1 Jun-17) (Reaffirmed)
10	NCDs	Long Term	-	-	-	Withdrawn (6-Dec-19) BWR AA (SO) /Stable (28-June-19) (Reaffirmed)	BWR AA (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA (SO) /Stable (6-Jun-18) (Reaffirmed)	BWR AA (SO) /Stable (07-Feb-18) (Reaffirmed) BWR AA (SO) /Stable (19-Dec-17) (Reaffirmed) BWR AA (SO) /Stable (1 Jun-17) (Reaffirmed)
11	NCDs	Long Term	-	-	-	Withdrawn (6-Dec-19) BWR AA (SO) /Stable (28-June-19) (Reaffirmed)	BWR AA (SO) /Stable (10-Jul-18) (Reaffirmed) BWR AA (SO) /Stable (6-Jun-18) (Reaffirmed)	BWR AA (SO) /Stable (07-Feb-18) (Reaffirmed) BWR AA (SO) /Stable (19-Dec-17) (Reaffirmed) BWR AA (SO) /Stable (1 Jun-17) (Reaffirmed)
	Total		1481.52	Rupees One Thousand Four Hundred Eighty One Crores and Fifty Two Lakhs only/-				

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loan Facilities: Simple
Non Convertible Debenture : Complex

For more information, visit
www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)

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A. K. Capital Finance Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1	Bank of India	CC/OD/WCDL	275.00	-	275.00
2	Bank of Maharashtra	CC/OD/WCDL	75.00	-	75.00
3	Catholic Syrian Bank	OD/WCDL	50.00	-	50.00
4	Union Bank of India	Term Loan	50.00	-	50.00
		TOTAL	450.00	-	450.00
Total Four Hundred Fifty Crores only.					

ANNEXURE II

INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS :

Instrument	Issue Date	Amount in ₹ Cr.	Coupon Rate	Maturity Date	ISIN Particulars
NCD	07-Mar-17	25.00	9.60%	07-Mar-24	INE197P07029
NCD	07-Mar-17	5.00	9.70%	07-Mar-27	INE197P07037
NCD	09-Mar-17	26.00	9.60%	09-Mar-24	INE197P07052
NCD	20-Mar-17	5.00	9.60%	20-Mar-24	INE197P07094
NCD	21-Mar-17	15.00	9.60%	21-Mar-24	INE197P07102
NCD	10-Aug-17	64.52	9.00%	10-Aug-24	INE197P07144
NCD	09-Nov-17	5.00	8.80%	09-Nov-22	INE197P07151
NCD	06-Dec-17	75.00	9.40%	06-Dec-24	INE197P07169

NCD	03-Apr-18	50.00	9.40%	03-Apr-23	INE197P07177
NCD	28-Jun-18	71.00	9.75%	28-Jun-25	INE197P07193
NCD	29-Jun-18	25.00	9.75%	29-Jun-23	INE197P07201
NCD	28-Aug-18	5.00	9.60%	28-Aug-23	INE197P07219
NCD	18-Sep-18	35.00	9.95%	18-Sep-25	INE197P07227
NCD	25-Sep-20	100.00	8.00%	25-Mar-22	INE197P07243
NCD	05-Oct-20	50.00	8.00%	05-Apr-22	INE197P07250
NCD	15-Oct-20	75.00	8.00%	15-Apr-22	INE197P07268
NCD	28-May-21	145.00	8.00%	28-May-24	INE197P07276
NCDs	Proposed	255.00			
	Total	1031.52	Total One Thousand Thirty One Crores and Fifty two lakhs Only/-		

**ANNEXURE III
List of entities consolidated**

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
A K Capital Corporation Private Limited	100%	100%	Subsidiary
A K Capital Finance Limited	98.73%	98.73%	Subsidiary
A K Stockmart Private Limited	100%	100%	Subsidiary
A K Wealth Management Private Limited	100%	100%	Subsidiary
A K Capital (Singapore) PTE Limited	100%	100%	Subsidiary
Family Home Finance Private Limited	98.73%	98.73%	Step down Subsidiary



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