



**Rating Rationale**

**A.K. Capital Finance Limited  
(Erstwhile A K Capital Finance Private Limited)**

26 Mar 2019

**Brickwork Ratings assigns/reaffirms the ratings for the Bank Loan Facilities of ₹. 875.00 Crores and reaffirms the various NCDs aggregating of Rs. 800 Crs of A.K. Capital Finance Limited**

**Particulars**

Facility	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	Previous Ratings (July 2018)	Present Rating*
OD/WCDL /CC/LOC	-	275.00	Long Term	-	<b>BWR AA- (Pronounced as BWR Double A Minus) Outlook : Stable (Assignment)</b>
Term Loan	300.00	300.00	Long Term	BWR AA- (Pronounced as BWR Double A Minus) Outlook : Stable	<b>BWR AA- (Pronounced as BWR Double A Minus) Outlook : Stable (Reaffirmation)</b>
Term Loan /Cash Credit	200.00	200.00			
Cash Credit	100.00	100.00			
<b>Total</b>	<b>600.00</b>	<b>875.00</b>	<b>INR Eighty Hundred Seventy Five Crores Only/-</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Instrument *	Previous Amount (Rs in Crs)	Outstanding Amount (Rs in Crs)	Series	Tenure	Previous Rating (July 2018)	Present Rating*
NCD	100.00	82.00	I & J	Long Term	BWR AA (Pronounced as BWR Double A) Outlook : Stable (Structured Obligation)	<b>BWR AA (Pronounced as BWR Double A) Outlook : Stable (Structured Obligation) (Reaffirmation)</b>
NCD	200.00	235.00	A, B & C			
NCD	50.00					
NCD	250.00	249.52	E,F,G & H		BWR AA+ (Pronounced as BWR Double A Plus) Outlook : Stable (Structured Obligation)	<b>BWR AA+ (Pronounced as BWR Double A Plus) Outlook : Stable (Structured Obligation) (Reaffirmation)</b>
NCD	200.00	151.00	K,L,M, N & O			
<b>Total</b>	<b>800.00</b>			<b>INR Eighty Hundred Crores Only</b>		

\*These NCDs are issued in different series and ISINs. Details of the same is provided in Annexure I



### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon audited financials of the company up to FY 18, publicly available information and information/clarifications provided by the company's management.

For arriving at the ratings, BWR has combined the business and financial risk profiles of 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 and A.K. Capital Singapore Pte. This is because all the companies (part of A.K. Capital group), have significant financial and operational linkages.

The ratings, inter alia, factors in the long track record of the parent A K Capital Services Limited and its position as a merchant banker in the debt market segment, experienced management, low risk model with customized debt solutions in the form of loans & fixed income instruments spread over short to medium term, investments in highly rated/liquid securities, high asset quality as reflected by nil NPA and delinquency since inception and improvement in net worth. However, the rating is constrained by volatility in demand/yield in debt capital markets and increase in corporate loan portfolio as against corporate investments.

### **Description of Key Rating Drivers**

- **Credit Strengths:**

**Long track record of the company and its position as a merchant banker in corporate bond and fixed income market:** AKCSL, the parent company has almost three decades of experience and has established position in "Debt Capital Market" in India. The company with its sourcing, underwriting and distributing capabilities for Private sector and public sector has established strong relationships with leading Indian Corporates, PSUs, Banks, FIs, Provident Funds, Insurance companies and various fund houses. A.K. Capital Group has arranged debt for the Indian Banking Sector over the past decade in the form of Lower Tier II/ Upper Tier II/Perpetual Bonds having value of ~Rs.1,03,000 crore. A.K. Capital during the previous six years has managed 876 assignments of debt private placement of debt aggregating to Rs. 5,41,182 crore representing significant market share. A.K Capital has also managed 73 public issue of debt assignments aggregating to Rs 1,34,288.70 crore corresponding to a market share of 68% (Source Prime Database) for country's premier public as well as private sector companies.

**Low Risk Model:** The company (AKCFL) uniquely operates like a Debt Capital Market (DCM) NBFC and follows low risk model with customized debt solutions in the form of Loans & Fixed Income Instruments spread over short to medium term. They have laid out stringent risk management policies to take care of asset quality issues having NIL NPA and delinquency since inception till date.



**Complementary product offering:** A K Capital group companies complement each other by providing support in the entire process starting from sourcing the clients to completion of entire transaction along with lending needs as and when it requires. Parent company A K Capital Services Limited conducts the Merchant Banking activity. **Group companies:** A K Capital Finance Limited is the NBFC arm of group. This entity is into dealing of fixed income instruments and onward lending activities. A K Stockmart Private Limited (100% subsidiary of AKCSL) plays part of the distribution process for the group. It is into debt broking in wholesale debt market (WDM), retail debt market (RDM), third party fixed income products distribution and acts as depository participant. A K Capital Singapore Pte provides financial advisory services to clients across the globe and money market operations in India. A K Wealth Management Private Limited provides portfolio management services specializes in providing investment solutions in the debt market.

**Commonality in Board:** Group has common directors on board which helps company in quick decision making and enables them to act in time to capture market opportunities.

- **Credit Risks:**

**Top line is subject to the volatility in demand in the debt capital market.:** Group's business activities in the debt capital market are exposed to economic cyclicity, macroeconomic indicators. i.e. movement in the interest rate, GDP growth and inflation etc., wherein any adverse movement in either of these factors will result in volatility in business performance considering that its income depends on the activity in the debt market issuances and distribution of the same to its clients. i.e. Treasuries, Mutual Funds, Provident funds, Insurance companies, HNI's, FPI's, etc. However, AKCFL is focusing to grow its loan book to bring the mix to 50:50 of the AUM against the treasury segment.

**Higher investment in Loan product as compared to marketable debt instruments,** would affect liquidity of the company in the short term. However, the company is focused to grow its loan book in a manner to keep the projected mix of structured loans and fixed income marketable instruments to 50:50.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). In addition, BWR has considered consolidated financial performance of the A.K. Capital Group into consideration.

### **Rating Outlook: Stable**

BWR believes that the **A.K. Capital Finance Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained



improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

A.K Capital Finance Limited (“AKCFL”), formerly known as A K Capital Finance Private Limited and Giridhar Vanijya Private Limited, was incorporated in the year 2006 and was acquired by A K Capital Services Limited, flagship company of A K Capital Group. A K Capital Finance Limited is registered with RBI as Non Deposit Systemically Important Non Banking Finance Company (“ND-SI-NBFC”). It is 98.73 % subsidiary of AKCSL which is Category I Merchant Banker, listed on the Bombay Stock Exchange (BSE). AKCSL one of the leading players in the Corporate Bond and Fixed Income Market in India.

AKCFL primarily operates a hybrid business model, under which the revenue streams comprise of a continual & stable interest income from its growing lending book. Fees income and treasury based income from its Investments book. While there is synergy between the activities of AKCSL and AKCFL, all lending & investments decision of AKCFL, are independent of its parent’s activities and carried out on an arm’s length basis. Such lending & investment decisions are based on AKCFL’s own yield/return benchmark.

### Company Business and Financial Performance

The total Asset under management (AUM) of AKCFL, comprises of core lending/loan book & Treasury Investments. The company earns a stable interest income from its core lending business, while majority of the Treasury investments are made with firm buying commitments from debt market investors to be executed over a short period of time, thereby mitigating the market price volatility. It is having CBLO (Collateralized borrowings and lending obligation) membership given by the Clearing Corporation of India Limited (CCIL), and is also a qualified institutional buyer.

#### Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Revenue from Operation	₹ Cr	153.62	191.21
Net Income from Operation	₹ Cr	70.56	86.76
PAT	₹ Cr	31.09	40.41
TNW	₹ Cr	406.08	507.14
AUM	₹ Cr	1987.84	2085.54
GNPA	%	Nil	Nil

NNPA	%	Nil	Nil
Total CRAR	%	34.24%	25.97%
Debt to Equity (incl. CBLO & Repo Borrowings)	Times	4.04	3.27
Debt to Equity (excl. CBLO & Repo Borrowings)	Times	2.56	3.05

### Rating History for the last three years

S.N	Facilities/ Instruments	Current Rating (2019)			Rating History		
		Type	Amount (Cr)	Rating	2018	2017	2016
1	OD/WCDL /CC/LOC	Long Term	275.00	BWR AA- (Pronounced as BWR Double A Minus) (Stable) (Assignment)	-	-	-
2	Term Loan		300.00	BWR AA- (Pronounced as BWR Double A Minus) (Stable) (Reaffirmation)	BWR AA- (Pronounced as BWR Double A Minus) (Stable)	BWR AA- (Pronounced as BWR Double A Minus) (Stable)	
3	Term Loan/ Cash Credit		200.00				
4	Cash Credit		100.00				
5	NCD	Long Term	200.00	BWR AA+ (SO) (Pronounced as BWR Double A Plus) (Stable) (Structured Obligation) (Reaffirmation)	BWR AA+ (SO) (Pronounced as BWR Double A Plus) (Stable) (Structured Obligation)	-	
6	NCD		250.00		BWR AA (SO) (Pronounced as BWR Double A) (Stable) (Structured Obligation)		
7	NCD		100.00	BWR AA (SO)	BWR AA (SO)	-	
8	NCD		50.00			BWR AA (SO)	



9	NCD	200.00	(Pronounced as BWR Double A) (Stable) (Structured Obligation) (Reaffirmation)	(Pronounced as BWR Double A) (Stable) (Structured Obligation)	(Pronounced as BWR Double A) (Stable) (Structured Obligation)
<b>Total</b>		<b>1675.00</b>	<b>₹ INR Sixteen Hundred Seventy Five Crores Only</b>		

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)
- [Structured Obligation Ratings](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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### Annexure I - Serieswise NCD Details

Series	Coupon Rate	Issue Amount (Rs. Crs)	Deemed date of Allotment	Maturity Date	ISIN	Ratings
Series A - I	9.60%	30	07-Mar-17	07-Mar-22	INE197P07011	BWR AA(SO)
Series B - I	9.60%	25	07-Mar-17	07-Mar-24	INE197P07029	BWR AA(SO)
Series B - II	9.70%	5	07-Mar-17	07-Mar-27	INE197P07037	BWR AA(SO)
Series A - II	9.60%	4	09-Mar-17	09-Mar-22	INE197P07045	BWR AA(SO)
Series B - III	9.60%	26	09-Mar-17	09-Mar-24	INE197P07052	BWR AA(SO)
Series B - IV	9.40%	20	09-Mar-17	09-Sep-21	INE197P07060	BWR AA(SO)
Series A - III	9.60%	3	20-Mar-17	20-Mar-22	INE197P07078	BWR AA(SO)
Series B - V	9.50%	2	20-Mar-17	20-Mar-22	INE197P07086	BWR AA(SO)
Series B - VI	9.60%	5	20-Mar-17	20-Mar-24	INE197P07094	BWR AA(SO)
Series B - VII	9.60%	15	21-Mar-17	21-Mar-24	INE197P07102	BWR AA(SO)
Series C	9.55%	100	24-Mar-17	14-Apr-22	INE197P07110	BWR AA(SO)
Series E - I	9.50%	5	23-Jun-17	23-Jun-27	INE197P07128	BWR AA+(SO)
Series E - II	9.00%	64.52	10-Aug-17	10-Aug-24	INE197P07144	BWR AA+(SO)
Series F	9.02%	100	07-Jul-17	07-Jul-22	INE197P07136	BWR AA+(SO)
Series G	8.80%	5	09-Nov-17	09-Nov-22	INE197P07151	BWR AA+(SO)
Series H	9.40%	75	06-Dec-17	06-Dec-24	INE197P07169	BWR AA+(SO)



Series I	9.40%	50	03-Apr-18	03-Apr-23	INE197P07177	BWR AA(SO)
Series J	9.20%	32	08-May-18	08-Nov-21	INE197P07185	BWR AA(SO)
Series K	9.75%	71	28-Jun-18	28-Jun-25	INE197P07193	BWR AA+(SO)
Series L	9.75%	25	29-Jun-18	29-Jun-23	INE197P07201	BWR AA+(SO)
Series M	9.60%	5	28-Aug-18	28-Aug-23	INE197P07219	BWR AA+(SO)
Series N	9.95%	35	18-Sep-18	18-Sep-25	INE197P07227	BWR AA+(SO)
Series O	9.50%	15	25-Sep-18	25-Mar-22	INE197P07235	BWR AA+(SO)
<b>Total</b>	-	<b>717.52</b>				