



Rating Rationale

A K Capital Finance Pvt. Ltd.

10 July 2018

Brickwork Ratings reviews and assigns the rating to the bank loan facilities of Rs.600 Cr and reaffirms the ratings of various NCD issues aggregating Rs.800 Cr of A K Capital Finance Pvt. Ltd.

Particulars

| Facility* | Previous Limits (Rs. Cr) | Current Limits (Rs. Cr) | Tenure | Previous Rating (June 6, 2018) | Rating based on current review (Reaffirmation) |
|--------------------------|--------------------------|--|------------------|---|---|
| Term Loans | 200 | 300 | Long term | BWR AA- (Pronounced as BWR Double A minus) Outlook - Stable | BWR AA- (Pronounced as BWR Double A minus) Outlook - Stable |
| Term Loans / Cash Credit | 200 | 200 | | | |
| Cash Credit | 100 | 100 | | | |
| Total | 500 | *Rs.600 Crore (Rupees Six Hundred Crore Only) | | | |

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

Other outstanding NCD ratings of A K Capital Finance Pvt. Ltd which are Reviewed are:

| Natures of Instrument | Previous Amount (Rs. Crore) | Outstanding Amount (Rs. Cr) | Tenure | Series | Previous Rating (June 6, 2018) | Rating Based on Current Review |
|-----------------------|-----------------------------|-----------------------------|-----------|---------|--------------------------------|---------------------------------------|
| NCD | 100 | 82 | Long Term | J,I | BWR AA (SO) (Stable) | BWR AA (SO) (Stable) (Reaffirmation) |
| NCD | 250 | 250 | Long Term | E,F,G,H | BWR AA+ (SO) (Stable) | BWR AA+ (SO) (Stable) (Reaffirmation) |
| NCD | 50 | 235 | Long Term | A,B & C | BWR AA (SO) (Stable) | BWR AA (SO) (Stable) (Reaffirmation) |
| NCD | 200 | | Long Term | | BWR AA (SO) (Stable) | BWR AA (SO) (Stable) (Reaffirmation) |
| NCD | 200 | 15 | Long Term | | BWR AA+ (SO) (Stable) | BWR AA+ (SO) (Stable) (Reaffirmation) |

These NCDs are issued in different series with different ISINs, and the details are provided in Annexure I.



Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the audited financial results of the Company up to FY18, publicly available information and information/clarifications provided by the company.

The rating has factored, *inter alia*, long track record of the parent – A K Capital Services Ltd. (AKCSL) 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 continued for more than 3 years and improved Net worth.

The rating is, however, constrained by volatility in demand/yield in debt capital market, and increase in corporate loan portfolio, as against corporate investments previously.

Analytical Approach:

The Rating for Bank Loan facilities of AKCFPL represents the stand-alone rating of the company.

The rating of the various NCD issues of AKCFPL is based on the credit enhancement derived from the structure of the issue and its terms. For details of about the structure of existing NCDs

Rating Outlook:

BWR believes AKCFPL'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. Any major volatility in profitability or deterioration in asset quality with impact on capitalization may lead to revision in the rating or the outlook.

Background:

A. K. Capital Finance Private Limited (AKCFPL), formerly known as Girdhar Vanijya Private Limited, was incorporated in 2006 and was acquired by A. K. Capital Services Limited (AKCSL), flagship company of A. K. Capital Group, in 2008. AKCFPL is registered with RBI as Non Deposit Systemically Important Non-Banking Finance Company ("ND-SI-NBFC").

It is a 98.73%- subsidiary of AKCSL, which is a listed company. AKCFPL 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 Investment book. While there is synergy between the activities of AKCSL and AKCFPL, all lending & Investment decisions of AKCFPL, are independent of its Parent's activities and carried out on an arm's length basis. Such lending & Investment decisions are based on AKCFPL's own yield/return benchmark.



The Total (Asset Under Management) AUM of AKCFPL comprises of Core lending /Loan Book & Treasury Investments. The Company earns a stable interest income from its Core lending / Loan Book, while majority of the Treasury Investments are made with firm buying commitments from debt market Investors to be executed over short period of time, thereby mitigating the market price volatility. It is having CBLO (Collateralized Borrowing and Lending Obligation) membership given by The Clearing Corporation of India Limited (CCIL), and is also a Qualified Institutional Buyer.

For details regarding risk factors, as also structure of the NCDs, kindly refer to [rating rationale dated February 7, 2018](#) and [rating rationale dated June 6, 2018](#).

Company Financial Performance

| Rs. CR (Audited) | FY16 | FY17 | FY18 |
|----------------------------|---------|---------|---------|
| Revenue from Operation | 118.48 | 153.62 | 191.21 |
| Net Income from Operations | 48.78 | 70.56 | 86.44 |
| PAT | 21.59 | 31.09 | 40.41 |
| TNW | 353.45 | 406.08 | 507.14 |
| AUM | 1452.37 | 1987.84 | 2085.54 |
| GNPA (%) | Nil | Nil | Nil |
| NNPA (%) | Nil | Nil | Nil |
| Total CRAR (%) | 36.51% | 34.24% | 25.97% |
| Debt to Equity | 3.40 | 4.04 | 3.27 |

Rating History for the last three years (including withdrawn/suspended ratings)

| Sl. No. | Instrument/Facility | Current Rating (Year 2018) | | | Rating History | | |
|---------|--------------------------|--------------------------------|--------------------|-----------------------|----------------|--------------|--------------|
| | | Type (Long Term/Short Term) | Amount (Rs Crs) | Rating | Dec 7, 2017 | Date in 2016 | Date in 2015 |
| 1. | Term Loans | Long Term | 300 | BWR AA- (Stable) | BWR AA- | | |
| 2. | Cash Credit | Long Term | 100 | BWR AA- (Stable) | (Stable) | | |
| 3. | Term Loans / Cash Credit | Long Term | 200 | BWR AA- (Stable) | BWR AA- | | |
| 4. | NCD | Long Term | 200 | BWR AA+ (SO) (Stable) | - | | |



| | | | | | | | |
|--------------|-----|-----------|----------------|--------------------------|----------------------------|--|--|
| 2. | NCD | Long Term | 100 | BWR AA (SO) (Stable) | - | | |
| 6. | NCD | Long Term | 250 | BWR AA+ (SO) (Stable) | BWR AA (SO) (Stable) | | |
| 7. | NCD | Long Term | 50.00 | BWR AA (SO) (Stable) | BWR AA (SO) (Stable) | | |
| 8. | NCD | Long Term | 200.00 | BWR AA (SO) (Stable) | BWR AA (SO) (Stable) | | |
| Total | | | 1400.00 | | | | |

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks and Financial Institutions](#)
- [Structured Obligation Rating](#)

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 Investors queries can be sent to 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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Annexure I

| Series | Coupon Rate | Issue Amount (Rs. Crs) | Deemed date of Allotment | Maturity Date | ISIN | Ratings |
|----------------|-------------|------------------------|--------------------------|---------------|--------------|------------|
| Series A - I | 9.60% | 30 | 7-Mar-17 | 7-Mar-22 | INE197P07011 | BWR AA(SO) |
| Series B - I | 9.60% | 25 | 7-Mar-17 | 7-Mar-24 | INE197P07029 | BWR AA(SO) |
| Series B - II | 9.70% | 5 | 7-Mar-17 | 7-Mar-27 | INE197P07037 | BWR AA(SO) |
| Series A - II | 9.60% | 4 | 9-Mar-17 | 9-Mar-22 | INE197P07045 | BWR AA(SO) |
| Series B - III | 9.60% | 26 | 9-Mar-17 | 9-Mar-24 | INE197P07052 | BWR AA(SO) |
| Series B - IV | 9.40% | 20 | 9-Mar-17 | 9-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% | 65 | 10-Aug-17 | 10-Aug-24 | INE197P07144 | BWR AA+(SO) |
| Series F | 9.02% | 100 | 7-Jul-17 | 7-Jul-22 | INE197P07136 | BWR AA+(SO) |
| Series G | 8.80% | 5 | 9-Nov-17 | 9-Nov-22 | INE197P07151 | BWR AA+(SO) |
| Series H | 9.40% | 75 | 6-Dec-17 | 6-Dec-24 | INE197P07169 | BWR AA+(SO) |
| Series I | 9.40% | 50 | 3-Apr-18 | 3-Apr-23 | INE197P07177 | BWR AA(SO) |
| Series J | 9.20% | 32 | 8-May-18 | 8-Nov-21 | INE197P07185 | BWR AA(SO) |