



Rating Rationale

AK Capital Finance Pvt. Ltd.

December 19, 2017

Brickwork Ratings assigns Rating to the Bank Loan facilities of Rs.500 Cr of A K Capital Finance Pvt. Ltd.

BLR Particulars

Facility*	Limits (Crs)	Tenure	Rating based on current review
Fund Based Facilities			
Term Loans	50.00	Long Term	BWR AA- (Pronounced as BWR Double A Minus) Outlook - Stable
Cash Credit	150.00		
Proposed Fund Based Facilities	300.00		
Total	*Rs.500.00 Crs (Five 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 reaffirmed are:

Natures of Instrument	Previous Amount (Rs. Crore)	Present Amount (Rs. Cr)	Tenure	Previous Rating	Rating Based on Current Review
NCD	250	250	Long Term	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
NCD	50	50	Long Term	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
NCD	200	200	Long Term	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)

These NCDs are issued in different series with different ISINs.



ies	Coupon Rate	Issue Amount	Issue Opening Date	Issue Closing Date	Maturity Date	ISIN	Previous Rating	Rating based on Current Review
		(Rs. In Crs)						
Series A - I	9.60%	30	6-Mar-17	7-Mar-17	7-Mar-22	INE197P07011	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - I	9.60%	25	6-Mar-17	7-Mar-17	7-Mar-24	INE197P07029	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - II	9.70%	5	6-Mar-17	7-Mar-17	7-Mar-27	INE197P07037	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series A - II	9.60%	4	9-Mar-17	9-Mar-17	9-Mar-22	INE197P07045	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - III	9.60%	26	9-Mar-17	9-Mar-17	9-Mar-24	INE197P07052	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - IV	9.40%	20	9-Mar-17	9-Mar-17	9-Sep-21	INE197P07060	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series A - III	9.60%	3	17-Mar-17	20-Mar-17	20-Mar-22	INE197P07078	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - V	9.50%	2	17-Mar-17	20-Mar-17	20-Mar-22	INE197P07086	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - VI	9.60%	5	17-Mar-17	20-Mar-17	20-Mar-24	INE197P07094	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series B - VII	9.60%	15	21-Mar-17	21-Mar-17	21-Mar-24	INE197P07102	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series C	9.55%	100	24-Mar-17	24-Mar-17	14-Apr-22	INE197P07110	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series F	9.02%	100	7-Jul-17	7-Jul-17	7-Jul-22	INE197P07136	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series E - I	9.50%	5	23-Jun-17	23-Jun-17	23-Jun-27	INE197P07128	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series E - II	9.00%	65	10-Aug-17	10-Aug-17	10-Aug-24	INE197P07144	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)
Series G	8.80%	5	9-Nov-17	9-Nov-17	9-Nov-22	INE197P07151	BWR AA (SO) (Stable)	BWR AA (SO) (Stable)

Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the audited financial results of the Company up to FY17, 1HFY18 unaudited financials, 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 as a Merchant Banker in the debt market segment, experienced management, low risk model with customized debt solutions in form of Loans & Fixed Income Instruments spread over short to medium term, Investments in highly rated/ liquid securities, Nil NPA and delinquency since more than the last 3 years and infusion of capital funds by the promoter(s) in FY17 and improved Net worth.

The rating is however constrained by volatility in demand in debt capital market, which could affect the top line of the company.

Analytical Approach:

Key Risk Drivers:

- Established Track Record in Debt placement and experienced management:** A.K. Capital Services Limited (AKCSL), the parent company of A.K. Capital Finance Private Limited (AKCFPL), has been providing merchant banking services for over twenty five years and is a leading player in the corporate debt market segment through management of private placements as well as public issues. Mr. A K Mittal, MD and CEO of the company is the key promoter of AK Capital group, and has a long experience in financial markets.



2. **Low Risk model:** The company uniquely operates like a Debt Capital Market (DCM) NBFC and follows , low risk model with customized debt solutions in 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 more than the last 3 years.
3. **Liquidity:** The company has exhibited strong underwriting, structuring and deal selection capabilities thereby able to create customized debt products. A major portion of the company's lending book is in form of marketable instruments which, if required, can be liquidated in shortest possible time.
4. **Capital Infusion:** The Net worth of the company as on 30.09.2017 is **Rs. 501.13 crores**. The promoters have lately infused Equity in the form of Compulsorily Convertible Preference Shares (CCPS) to the tune of approx. Rs. 65 crs in H1 FY 2018, thereby taking the total net worth on standalone basis to Rs. 501.13 in H1 FY 2018. Their CRAR as on 30th Sept 2017 was healthy at 38.71%.
5. **Topline subject to volatility in demand:** The rating is however, constrained by subjectivity of the top line to the volatility in demand in the debt capital market. However, the company is focusing to grow its loan book, in manner, to bring the projected mix of structured loans and fixed income marketable instruments to 50:50.

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. 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) .

Company Financial Performance

As per FY17 audited financials, AKCFPL reported net income from operations of Rs. 70.56 Cr (P.Y. Rs. 48.77 Cr) and Net Profit of Rs. 31.09 Cr (P.Y. Rs. 21.59 Cr).

In 1HFY18, on provisional basis, the company reported Net Operating Income of Rs. 50.22 Cr with net profit of Rs. 30.05 Cr.

Rs. CR	FY16	FY17	1HFY18
Revenue from Operation	118.47	153.62	97.10
Net Income from Operations	48.77	70.56	50.22
PAT	21.59	31.09	30.05
TNW	353.45	406.08	501.06
AUM	1452.37	1987.84	1775.26
GNPA (%)	Nil	Nil	Nil
NNPA (%)	Nil	Nil	Nil
Total CRAR (%)	36.51%	34.24%	38.71%
Debt to Equity (incl. CBLO & Repo Borrowings)	3.40	4.04	2.66
Debt to Equity (excl. CBLO & Repo Borrowing)	1.78	2.56	1.99

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2014
1.	Term Loans	Long Term	50.00	BWR AA- (Stable)	-	-	-
2.	Cash Credit	Long Term	150.00	BWR AA- (Stable)	-	-	-
3.	Proposed Fund Based Facilities	Long Term	300.00	BWR AA- (Stable)	-		
4.	NCD	Long Term	250.00	BWR AA (SO) (Stable) Reaffirmed BWR AA (SO) (Stable) June 1, 2017			
5.	NCD	Long Term	50.00	BWR AA (SO) (Stable) Reaffirmed BWR AA (SO) (Stable) March 24, 2017			
6.	NCD	Long Term	200.00	BWR AA (SO) (Stable) Reaffirmed BWR AA (SO) (Stable) March 1, 2017			



Total			1000.00	One Thousand Crores only			
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Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
MSR Manjunatha Head – Ratings Administration analyst@brickworkratings.com	media@brickworkratings.com Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial



Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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