



## Rating Rationale

A K Capital Finance Pvt. Ltd.

7 Feb 2018

Brickwork Ratings assigns Rating to the proposed NCD issue of Rs.100 Cr and reviews the rating of existing instruments of A K Capital Finance Pvt. Ltd.

### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	100	Long Term	<b>BWR AA (SO)</b> <b>(Pronounced as BWR Double A</b> <b>(Structured Obligation)</b> <b>(Outlook:Stable)</b>
<b>Total</b>	<b>Rs. 100 Cr (Rupees One Hundred Crore Only)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://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)	Present Amount (Rs. Cr)	Tenure	Series	Previous Rating (Dec 2017)	Rating Based on Current Review
NCD	250	250	Long Term	E,F,G,H	BWR AA (SO) (Stable)	BWR AA+ (SO) (Pronounced as BWR Double A Plus (Structured Obligation) (Stable) (Upgrade)
NCD	50	50	Long Term	A,B &C	BWR AA (SO) (Stable)	BWR AA (SO) (Pronounced as BWR Double A (Structured Obligation) (Stable) (Reaffirmation)
NCD	200	200	Long Term		BWR AA (SO) (Stable)	BWR AA (SO) (Pronounced as BWR Double A (Stable) (Reaffirmation)

<b>Total</b>		<b>500.00</b>	<b>Five Hundred Crores only</b>
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These NCDs are issued in different series with different ISINs.

Series	Coupon Rate	Issue Amount (Rs. In Crs)	Issue Opening Date	Issue Closing Date	Maturity Date	ISIN	Previous Rating	Rating Based on the Current Review
Series A - I	9.60%	30.00	06-Mar-17	07-Mar-17	07-Mar-22	INE197P07011	BWR AA(SO)	BWR AA(SO)
Series B - I	9.60%	25.00	06-Mar-17	07-Mar-17	07-Mar-24	INE197P07029	BWR AA(SO)	BWR AA(SO)
Series B - II	9.70%	5.00	06-Mar-17	07-Mar-17	07-Mar-27	INE197P07037	BWR AA(SO)	BWR AA(SO)
Series A - II	9.60%	4.00	09-Mar-17	09-Mar-17	09-Mar-22	INE197P07045	BWR AA(SO)	BWR AA(SO)
Series B - III	9.60%	26.00	09-Mar-17	09-Mar-17	09-Mar-24	INE197P07052	BWR AA(SO)	BWR AA(SO)
Series B - IV	9.40%	20.00	09-Mar-17	09-Mar-17	09-Sep-21	INE197P07060	BWR AA(SO)	BWR AA(SO)
Series A - III	9.60%	3.00	17-Mar-17	20-Mar-17	20-Mar-22	INE197P07078	BWR AA(SO)	BWR AA(SO)
Series B - V	9.50%	2.00	17-Mar-17	20-Mar-17	20-Mar-22	INE197P07086	BWR AA(SO)	BWR AA(SO)
Series B - VI	9.60%	5.00	17-Mar-17	20-Mar-17	20-Mar-24	INE197P07094	BWR AA(SO)	BWR AA(SO)
Series B - VII	9.60%	15.00	21-Mar-17	21-Mar-17	21-Mar-24	INE197P07102	BWR AA(SO)	BWR AA(SO)
Series C	9.55%	100.00	24-Mar-17	24-Mar-17	14-Apr-22	INE197P07110	BWR AA(SO)	BWR AA(SO)
Series E - I	9.50%	5.00	23-Jun-17	23-Jun-17	23-Jun-27	INE197P07128	BWR AA(SO)	BWR AA+(SO)
Series E- II	9.00%	65.00	10-Aug-17	10-Aug-17	10-Aug-24	INE197P07144	BWR AA(SO)	BWR AA+(SO)
Series F	9.02%	100.00	07-Jul-17	07-Jul-17	07-Jul-22	INE197P07136	BWR AA(SO)	BWR AA+(SO)
Series G	8.80%	5.00	09-Nov-17	09-Nov-17	09-Nov-22	INE197P07151	BWR AA(SO)	BWR AA+(SO)
Series H	9.40%	32.00	06-Dec-17	06-Dec-17	06-Dec-24	INE197P07169	BWR AA(SO)	BWR AA+(SO)

Other Outstanding Bank Loan Rating which are reaffirmed are as follows:

Facility	Previous Limits	Limits	Tenure	Previous Rating (Dec 2017)	Rating based on current review
<b>Fund Based - Rupee Term Loan</b>	50	50	<b>Long Term</b>	<b>BWR AA-</b> (Pronounced as BWR Double A minus) Outlook - Stable	<b>BWR AA-</b> (Pronounced as BWR Double A minus) Outlook – Stable (Reaffirmation)
<b>Cash Credit</b>	150	150			
<b>Proposed Fund based limits</b>	300	300			
<b>Total</b>	<b>500.00</b>	<b>500.00 (Five Hundred Crore Only)</b>			

**Rationale / Description of Key rating drivers / Rating Sensitivities:**

BWR has essentially relied upon the audited financial results of the Company up to FY17, 1HFY18 audited financials, draft term sheet of the issue, 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 the 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:** The Rating for Bank Loan facilities of AKCFPL represents the stand-alone rating of the company. Other Structured Obligation ratings are based on credit enhancement provided in each case.

- Structure of the proposed NCD:** The proposed NCD of Rs. 100 Cr is structured whereby a DSRA balance to be maintained at a minimum 15% of the outstanding principal amount, which is equivalent to approx. more than the 1.5 years of coupon servicing amount. DSRA needs to be maintained in the form of bank fixed deposit, “AAA” rated debt securities, sovereign debt



securities, or bank guarantee, in any combination, for the duration minimum covering the tenor of the NCDs.

2. **Structure of the existing NCD which is upgraded:** NCDs of Rs.250 Cr was also a structured transaction based on the structure whereby a DSRA balance to be maintained at a minimum 20% of the outstanding principal amount, which is equivalent to approx. more than 2 years of coupon servicing amount . The upgrade factors the current stand-alone rating of the company (BWR AA- (Stable) in Dec 2017) and DSRA to be maintained at 20%.

**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. For other details relating to background of the company, key risk drivers and financials, a reference may please be made to BWR’s Rating Rationale dated Dec 19, 2017.

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 2018)			Rating History		
		Type(Long Term/Short Term)	Amount (Rs Crs)	Rating	Dec 7, 2017	2015	2014
1.	NCD	Long Term	100	BWR AA (SO) (Stable)	-		
1.	Term Loans	Long Term	50.00	BWR AA- (Stable) Reaffirmed	BWR AA- (Stable)	-	-
2.	Cash Credit	Long Term	150.00	BWR AA- (Stable) Reaffirmed	BWR AA- (Stable)	-	-
3.	Proposed Fund Based Facilities	Long Term	300.00	BWR AA- (Stable) Reaffirmed	BWR AA- (Stable)		
4.	NCD	Long Term	250.00	BWR AA+ (SO) (Stable) Reaffirmed	BWR AA (SO) (Stable)		
5.	NCD	Long Term	50.00	BWR AA (SO) (Stable) Reaffirmed	BWR AA (SO) (Stable)		
6.	NCD	Long Term	200.00	BWR AA (SO) (Stable) Reaffirmed	BWR AA (SO) (Stable)		
<b>Total</b>			<b>1100.00</b>	<b>One Thousand One Hundred Crores only</b>			

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable



## Hyperlink/Reference to applicable Criteria

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

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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, 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.

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