



RATING RATIONALE

29 Jan 2020

A K Stockmart Private Limited

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs.100 Crores of A K Stockmart Private Limited

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Mar 2019)	Present Reaffirmed
Fund Based	100	100	Long Term	BWR A (Stable)	BWR A (Stable)
Total	100	100	Rupees One Hundred Crores Only		

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

** Details of Bank Loan facilities is provided in Annexure-I

RATING ACTION: REAFFIRMED

Brickwork Ratings (BWR) has reaffirmed its BWR A ratings on the bank loan facilities of A K Stockmart Private Limited. For arriving at the ratings, BWR has combined the business and financial risk profiles of A K Capital group companies. The rating continues to factor in the experienced management, long track record of the group in the merchant banking business, sound asset quality in the fund based business and comfortable capitalisation. However, the ratings are constrained by inherent volatility in debt capital markets business and high proportion of corporate loan portfolio.

The 'Stable' outlook indicates a low likelihood of a rating change over the medium term. BWR believes that A K Stockmart Private Limited's will continue to maintain its credit risk profile.

KEY RATING DRIVERS

Credit Strengths:

Long track record and competitive position as a merchant banker in corporate bond and fixed income market: A K Capital group 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, Banks, FIs, Provident Funds, Insurance companies and various fund houses. Mr. A K Mittal (MD & CEO) has more than 30 year of experience in industry. The management of the company



comprises of well qualified and experienced professionals in the financial services debt capital market. A.K. Capital Group has arranged debt for the Indian Banking Sector in the form of Lower Tier II/ Upper Tier II/Perpetual Bonds having value of ~Rs.10,48,039 Crores. A K Capital Services Limited during the previous ten years has managed 1487 assignments representing strong market share. A.K Capital has also managed 87 assignments aggregating to Rs 1,15,849 crore corresponding to a market share of 56% during H1FY20 for the country's premier public as well as private sector companies.

A K Capital group companies also 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 NBFC arm of the group. The NBFC is into dealing with fixed income instruments and also lending activities. A K Stockmart Private Limited (100% subsidiary of AK Capital Services Ltd.) does broking activities and also third party product distribution for the group. It provides broking services in the wholesale debt market (WDM), retail debt market (RDM) and also acts as a depository participant.

Sound asset quality: The groups fund based business carried out through 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.

Comfortable capital position: The group's NBFC arm AKCFL has maintained its capital adequacy ratio of more than 20% during the last three year. As on 31 March 2019, CRAR of the company stood at 24.67% as against 25.97% in FY18. The group's Total debt /Tangible Net Worth ratio stable at ~3 to 3.5 times during the past couple of years.

Credit Risks:

Top line is subject to the volatility in demand in the debt capital market.: Group's business activities in the debt capital markets are exposed to economic cyclical, 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.

Risk associated with holding certain securities for a longer time: During the process of subscribing and down-selling to its clients. i.e. Treasuries, Mutual Funds, Provident funds, Insurance companies, HNI's, FPIs etc., the company at times holds certain securities for a short term. In case retailing of the securities is delayed or the company is unable to find buyers in a short time period, it faces the risk of volatility of interest rate.



High proportion of corporate loan book - Group currently has a mix of corporate loan portfolio and investment in better rated debt instruments (“A” & above rated). The structured loan book constitutes around 40 % of the total fund based exposure of the group. Any further increase in structured loans to corporates and/or vulnerability of the structured loans to economic cycles and its resultant impact on asset quality will remain a key monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at the ratings, BWR has combined the business and financial risk profiles of A K Capital group companies which mainly comprise 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, Family Home Finance 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.

RATING SENSITIVITIES

Positive: The rating outlook may be revised to 'Positive' in case of significant improvement in financial risk profile.

Negative: The rating outlook may be revised to 'Negative' if there is dip in profitability or deterioration in asset quality or substantial increase in exposure to structure loan to corporate of the NBFC arm.

LIQUIDITY INDICATORS:ADEQUATE

The group on a consolidated level has liquid investment of Rs 31.84 Crs in G Sec and Rs 69.54 Crs of cash and bank balance as on 31 December 2019 against the repayment obligation of less than ~ Rs 65 Crs in next 6 months.

COMPANY’S PROFILE

A K Stockmart Pvt. Ltd. (A K Stockmart or the company) was incorporated in January 2006 as Stock Broking Entity and is a wholly owned subsidiary of **A K Capital Services Ltd.**, flagship company of A K Group. The company is in the business of offering debt broking in Wholesale Debt Market (WDM) and third party Fixed income products distribution, viz., Corporate Bonds, NCDs et., and also acts as depository participant. A.K Stockmart is registered as trading and clearing member of both the National Stock Exchange of India Ltd. (NSE) and the Bombay Stock Exchange of India Ltd. (BSE). During H1FY20, company has reported total income of Rs. 38.32 Crs

KEY FINANCIAL INDICATORS : A K Stockmart Private Limited (Standalone)

Key Parameters	Units	2018	2019
Result Type		Audited IGAAP	Audited IND AS
Total Income	₹ Cr	30.72	104.33
PAT	₹ Cr	0.31	1.94
TNW	₹ Cr	22.92	22.85
Gearing	Times	1.12	1.09

KEY FINANCIAL INDICATORS: A K Capital Services Limited (Consolidated)

Key Financial Indicators	Units	FY2018	FY2019
Result Type		Audited IGAAP	Audited IND AS
Total Income	Rs in Crs	331.76	421.67
PAT	Rs in Crs	61.85	71.96
Tangible Net Worth	Rs in Crs	573.35	626.63
Total Debt /TNW (Including CBLO)	Times	3.29	2.99

RATING HISTORY FOR THE PREVIOUS THREE YEARS

S.N	Facilities	Current Rating (2020)			Rating History		
		Type	Amount (Crs)	Rating	2019	2018	2017
1	Fund Based	Long Term	100	BWR A (Stable)	BWR A (Stable)	BWR A (Stable)	BWR A (Stable)
Total			100		₹ INR One Hundred Crores Only		

COMPLEXITY LEVELS OF THE INSTRUMENTS

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 Stockmart Private Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	Bank of Maharashtra	CC/ WCDL	100	-	100
Total Rupees One Hundred Crores only					100

ANNEXURE II 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

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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