

## Rating Rationale

### A K Stockmart Private Limited

30 March 2019

**Brickwork Ratings assigned/reaffirms the ratings for the Bank Loan Facilities of Rs. 100 Crore of A K Stockmart Private Limited (AKSPL or the company)**

#### Particulars

Facility	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	Previous Ratings (Dec 2018)	Present Rating*
Cash Credit	-	80.00	Long Term	-	<b>BWR A</b> (Pronounced as BWR A) <b>Outlook : Stable</b> (Assignment)
Cash Credit	<b>20.00</b>	20.00	Long Term	BWR A (Pronounced as BWR A) Outlook : Stable	<b>BWR A</b> (Pronounced as BWR A) <b>Outlook : Stable</b> (Reaffirmation)
<b>Total</b>	<b>20.00</b>	<b>100.00</b>	<b>INR One Hundred Crores Only/-</b>		

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

BWR has principally relied upon the Company's Audited financial results up to FY18, 9MFY19 unaudited financial results, publicly available information and information/clarifications provided by the Company management.

The rating factors, *inter alia*, strong parentage, experienced management team, established track record in Fixed Income and Debt Instruments Distribution business, and strategic importance of the company to A K Capital group, and reputed client base. However, the rating is constrained by the Company's moderate size of balance sheet and net worth, low profitability and intense competition in broking space.

The company currently has not raised any long term debt, and enjoys only working capital limits. BWR has factored a cap to the total debt at Rs. 50 Crs and the present level of gearing.

#### Key Risk Drivers:

- **Experienced management:** A.K. Group is headed by Mr. A.K. Mittal, first generation entrepreneur and MD of the A.K. Group. Ms. Aditi Mittal (daughter of Mr. A.K. Mittal) is a qualified Chartered Accountant. She is heading the business operations of A.K. Stockmart along with Mr. Ankit Gupta, Director, who is engaged with the company since inception. They are supported by a dedicated work force of 250+ professionals employed with A.K. Group companies.
- **Established track record in fixed income and debt distribution segment:** A K Stockmart is a specialist in distribution of third party Fixed Income products, i.e. Corporate Bonds, NCDs etc.

Over the past Five years the company has managed 74 public debt issues by mobilizing Rs. 36,615 crores.

- **Strategic Importance to A K Group:** A.K Stockmart is of strategic importance to the AK Group, as the position of AK Group in the Fixed Income market is mainly due to the distribution network and capability of A.K Stockmart.
- **Reputed Client Base:** It has been associated with distribution of instruments issued leading corporates and PSUs, both as a public issue and through private placement, i.e., distribution of tax free bonds issued by NHAI, PFC, IRFC, REC, and in the distribution of Corporate Bonds issued `
- **Moderate size of Balance Sheet and Networth:** A K Stockmart had relatively low net worth of Rs. 23.10 Crs as on 31 Dec 2018.
- **Low Profitability:** Profit margins of the company are lower with net profit margin of 1.86% and operating profit margin of 2.81% for FY18 on account of highly competitive nature of the industry.

### Analytical Approach

A K Stockmart has been evaluated as a stand-alone company; however, the fact that A K Stockmart is a wholly owned subsidiary of A K Capital Services Ltd, and derives synergy from the AK Capital group business is also taken into consideration.

### Rating Outlook: Stable

BWR believes the A K Stockmart’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' if the revenues and profit margins show higher than expected figures. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures. Any breach of the debt cap would be a rating sensitive factor.

### About A K Stockmart:

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).

### Company’s Financial Performance

Rs. Crore	FY17	FY18	9MFY19
	Audited	Audited	Unaudited
Operating Income	85.34	30.38	80.53
Operating Profit	2.11	0.46	2.22
Net profit	1.59	0.31	0.89
Tangible Networth	21.90	22.21	23.10

Total debt	0.00	24.84	55.91
Gearing (x)	-	1.12	2.42
Current Ratio (x)	4.23	1.51	1.24

Though the performance of the company was down in FY18 on account decrease in the number of public issues of bonds, performance is back on track in 9MFY19.

### Rating History for the last three years:

Sn	Facility	Current Rating (Year 2019)			Rating History		
		Type	Amount (Rs. Cr)	Rating	18 Dec 18	10 Oct 17	2016
1.	Cash Credit	Long Term	80.00	BWR A (Pronounced as BWR A) (Stable) (Assignment)	-	-	-
2.	Cash Credit	Long Term	20.00	BWR A (Pronounced as BWR A) (Stable) (Reaffirmation)	BWR A (Pronounced as BWR A) (Stable) (Reaffirmation)	BWR A (Pronounced as BWR A) (Stable) (Reaffirmation) (Assignment)	-
<b>Total</b>			<b>100.00</b>	<b>INR Hundred Crores Only/-</b>			

### Hyperlink/Reference to applicable Criteria

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

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**

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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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