

RATING RATIONALE

31 August 2021

A. K. Stockmart Private Limited

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of Rs 100.00 Crs. of A. K. Stockmart Private Limited

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Sep,2020)	Present
Bank Loan Facilities - Fund Based	100.00	100.00	Long Term	BWR A (Stable)	BWR A (Stable) (Reaffirmed)
Total	100.00	100.00	Rs. One Hundred Crores Only		

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

** Details of bank loan facilities are provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed ratings at ‘BWR A’/Stable for the bank loan facilities of A. K. Stockmart Private Limited (AKSPL or the company), as tabulated above. The ratings factor in the experienced management, long track record of the group and strategic importance of AKSPL to the A. K. group, 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 the limited scale of financing operations.

The Stable outlook indicates a low likelihood of a rating change over the medium term.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

KEY RATING DRIVERS

Credit Strengths:-

- **Experienced management and long track record of business:** The A. K. group has almost three decades of experience and an established position in debt capital markets in India. The group has a competitive position as a merchant banker in the corporate bond and fixed-income markets. Mr. A K Mittal (the MD and CEO) has more than 30 years of experience in the industry. The group’s management consists of experienced professionals with vast experience in the financial services space. The group, with its sourcing, underwriting and distributing capabilities for the private and public sectors, has established strong relations with its clients. A. K. Stockmart Private Limited is headed by Ms. Aditi Mittal (daughter of Mr. A. K. Mittal) a qualified chartered accountant with over

10 years' experience in financial services. She looks after the company's day-to-day affairs with the help of experienced professionals, including Mr. Prashant Roongta, the Wholetime director. They are supported by a dedicated work force of 250+ professionals employed with A. K. group companies.

- A. K. group has arranged debt for the Indian banking sector in the form of lower Tier II/ upper Tier II/perpetual bonds having a value of ~Rs.1.32 lakh Crs. Over the past 12 years, from 2009-10 to 2020-21, A.K. Capital has managed 1825 assignments of the private placement of debt aggregating to Rs. 15.78 lakh Crs. For FY21, A.K. Group managed 177 assignments amounting to Rs 2.55 lakh Crs, compared with 147 assignments amounting to Rs. 2.57 lakh Crs during FY20.
- **Strategic importance of AKSPL to the group:** A. K. Stockmart Private Limited is of strategic importance to the A. K. Group due to its distribution network. AKSPL is a specialist in the distribution of third-party fixed-income products, i.e., corporate bonds and NCDs, among others. Over the past five years, the company has managed more than 49 public debt issues by mobilising debt of more than 80,000 Crs.
- **Sound asset quality:** The group's fund-based business is carried out through the group's NBFC subsidiary A. K. Capital Finance Limited (AKCFL), which uniquely operates as a debt capital market (DCM) NBFC and follows a low-risk model with customised debt solutions in the form of loans and fixed-income instruments spread over the short to medium term. The group's stringent risk management policies and demonstrated ability to exit stressed exposures early on has resulted in the company maintaining a robust asset quality. AKCFL has reported nil non-performing assets (NPAs) since inception until date.
- **Comfortable capital position:** As on 31 March 2021, the group-level tangible networth stood at Rs. 706.33 Crs, compared with Rs 636.39 Crs as on 31 March 2020. The NBFC subsidiary, AKCFL, has maintained a capital adequacy ratio of more than 20% over the last three years. As on 30 June 2021, AKCFL's capital-to-risk weighted assets ratio (CRAR) stood at 44.72%, against 36.70% as on 31 March 2021 and 49.81% as on 31 March 2020. During FY21, the group's total borrowing increased due to a higher utilisation of bank facilities and fundraise through NCDs in AKCFL. On account of the above, the group's debt to tangible networth ratio increased to 1.96 times as on 31 March 2021, compared with 1.38 times as on 31 March 2020.

Credit Risks:-

- **Inherent volatility in debt capital markets business:** The A. K. group's business activities in debt capital markets are exposed to economic cyclicality and macroeconomic indicators, including a movement in the interest rate, GDP growth and inflation, wherein any adverse movement in any of these factors will result in volatility in the business performance, considering its income depends on the activity in debt market issues and the distribution of the same to its clients. In spite of a higher issuance managed by the group in FY21, it has reported decline in income, due to a lower income in the merchant banking business (including brokerage income) and lower interest income from the

NBFC business, since most of the disbursements were in H2FY21. During FY21, the group reported a total income of Rs. 289.15 Crs and profit after tax of Rs. 75.05 Crs, against a total income of Rs. 314.21 Crs and profit after tax of Rs. 51.48 Crs during FY20. The net profit increased in FY21 despite a fall in the overall income due to lower borrowing costs, and distribution and other expenses. The return on average assets (ROA) was at 3.26% in FY21, against 2.04% in FY20 for AKCFL on a standalone basis.

- **Limited scale of financing operations:** The group has a relatively modest asset under management (AUM), consisting of core lending/loan book and treasury investments with a concentrated set of clientele. The investment book is opportunity-based and is based on a high possibility of churn within 3-6 months, thereby mitigating market price volatility. The AUM of AKCFL increased to Rs.1804.73 Crs in FY21 against Rs. 1290.87 Crs during FY20. The AUM decreased to Rs. 1621.87 Crs at the end of Q1FY22 due to limited market opportunities for lending and investments as per the group's strategy. AKSPL has a relatively small balance sheet size and business operations as compared to other entities in A. K. Group. It had a tangible networth of Rs. 26.10 Crs as on 31 March 2021 against Rs. 22.76 Crs as on 31 March 2020. The company's operations are largely dependent on the parent's business, which drives the income and profitability as AKSPL acts as the distribution arm for the group.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA To arrive at the ratings, BWR has combined the business and financial risk profiles of A. K. group companies, which mainly include 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 (a part of the A. K. group), have significant financial, managerial and operational linkages.

RATING SENSITIVITIES

Positive: A significant improvement in the group's financial risk profile and market share, including a substantial increase in revenue and profitability, while maintaining asset quality, will be rating positives.

Negative A significant deterioration in business volumes, the asset quality or earning profile will be rating negatives.

LIQUIDITY INDICATORS: ADEQUATE:

As on 30 June 2021, at a consolidated level, the group had liquidity of Rs. 312 Crs, which includes collateralized borrowings and lending obligations (CBLO), (now known as TREPS) lending of Rs 188 Crs, investments in GSec of Rs. 120.63 Crs, cash and cash equivalent of Rs. 3.30 Crs and liquid investments of Rs.0.07 Crs against debt obligation till 31 March 2022, of Rs. 232.50 Crs. The group also had undisbursed sanctions from lenders, of over Rs. 848.84 Crs as on 30 June 2021.

COMPANY PROFILE:

A. K. Stockmart Private Limited (A. K. Stockmart) was incorporated in January 2006 as a stock broking entity and is a wholly owned subsidiary of A K Capital Services Limited, the flagship company of A. K. Group. The company is in the business of offering debt broking in the wholesale debt market (WDM) and third-party fixed-income products distribution, viz., corporate bonds and NCDs and also acts as a depository participant. A. K. Stockmart is registered as a trading and clearing member of both, the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange of India Ltd. (BSE).

A. K. Capital Services Limited (AKCSL), incorporated in 1993, is a SEBI-registered category-I merchant banker listed on the Bombay Stock Exchange (BSE). AKCSL is the flagship company of the A. K. group and one of the leading players in the corporate bond and fixed-income market in India. The company is one of the leaders in the debt market segment with respect to private placement and public issues, and financial advisory services. The company offers customised solutions to its clients, i.e. issuers, by mobilising funds through the debt capital market, and investors, by creating avenues for investment in the debt capital market.

A. K. 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 group’s NBFC arm. The NBFC invests in fixed-income instruments and also undertakes lending activities. A. K. Stockmart Private Limited (a 100% subsidiary of AK Capital Services Ltd.) undertakes broking activities and third-party product distribution for the group. It provides broking services in the Wholesale Debt Market (WDM) and Retail Debt Market (RDM), and acts as a depository participant.

KEY FINANCIAL INDICATORS

A. K. Stockmart Private Limited - Standalone

Key Financial Indicators	Units	FY 20	FY21
Result Type		Audited	Audited
Total Income	Rs.in Crs	62.16	30.29
Profit after tax	Rs.in Crs	1.38	2.54
Tangible Networkth	Rs.in Crs	22.76	26.10
Total Debt	Rs in Crs	0.00	35.42
Debt to Tangible Networkth	Times	Nil	1.3

A. K. Capital Services Limited - Consolidated

Key Financial Indicators	Units	FY20	FY21
Result Type		Audited	Audited
Total Income	Rs in Crs	314.21	289.15
Profit After tax	Rs in Crs	51.48	75.05
Tangible Net Worth	Rs in Crs	636.39	706.33
Total Debt	Rs in Crs	878.40	1387.93
Debt to Tangible Net Worth	Times	1.38	1.96

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (Year T)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable				Dates(s) & Rating(s) assigned in Year T-4 FY18
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating (August 21 FY22)	Date(s) & Rating (S) assigned in year T-1 FY21	Date(s) & Rating (s) assigned in Year T-2 FY20	Dates (s) & Rating(s) assigned in Year T-3 FY19		
1	Fund Based	Long Term	100.00	BWR A (Stable) (Reaffirmed)	BWR A (Stable) (Reaffirmed) (1-Sep-20)	BWR A (Stable) (Reaffirmed) (29-Jan-20)	BWR A (Stable) (Reaffirmed) (30-Mar-19)	BWR A (Stable) (Reaffirmed) (18-Dec-18)	BWR A (Stable) (Assigned) (20-Sep-17)
	Total		100.00	Rupees One Hundred Crores only/-					

COMPLEXITY LEVELS OF THE INSTRUMENTS

Bank Loan Facilities : Simple

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/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1	Bank of Maharashtra	CC /WC DL	100.00	-	100.00
		TOTAL	100.00	-	100.00
Total One Hundred Crores only.					

**ANNEXURE II
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS : NA**

**ANNEXURE III
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

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