

Rating Rationale

A K Stockmart Pvt. Ltd.

18 Dec 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 20 Crore of A K Stockmart Pvt. Ltd. (AKSPL or the company)

Particulars

Facility	Previous Limits	Limits (` Crs)	Tenure	Previous Rating (October 2017)	Rating based on current review (Reaffirmation)
Cash Credit	20.00	20.00	Long term	BWR A (Stable)	BWR A (Stable)

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

BWR has principally relied upon the Company's Audited financial results up to FY 18, 1HFY19 unaudited financial results, projected financials, 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, with reputed client base.

However, the rating is constrained by the Company's moderate size of balance sheet and network, low profitability and intense competition in broking space.

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.

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

Key Risk Drivers:

1. **Experienced management:** A.K. Group is headed by Mr. A.K. Mittal, first generation entrepreneur . 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
2. **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 to vide categories of investors. Over the past Five years the company has participated in over 93 public debt issues by mobilizing Rs. 49,571.38 crores thereby capturing ~ 21.47% market share for a period ending September 31,2018.
3. **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 primarily mainly due to the robust distribution network and capability of A.K Stockmart for distribution of Fixed Income products.
4. **Reputed Client Base:** AK Stockmart has been associated with distribution of instruments issued by leading corporates and PSUs, both as issued through public issue and through private placement mode , i.e., distribution of tax free bonds issued by NHAI, PFC, IRFC, REC, and in the distribution of Corporate Bonds issued by Shriram Transport Finance Company Limited, Shriram City Union Finance Limited, Muthoot Fincorp Limited, Manappuram Finance Limited, etc
5. **Moderate size of Balance Sheet and Networth:** A K Stockmart had relatively low networth of Rs. 22.9 Cr as on September 30, 2018.
6. **Low Profitability:** The company for FY 2018 reported profitability (net profit margin of 1.86%) vis-a-a vis 2.81% for FY2018. Considering the high volume of transactions and highly competitive nature of industry, the profit margins are at reasonable level. 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 industry. Comments on H1 financial should be incorporated

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 'Negative' if the revenues go down considerably and profit margins show lower than expected figures.

About the Company:

A K Stockmart Pvt. Ltd. (A K Stockmart or the company) promoted by AK Group was incorporated in January 2006 as Debt 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), Retail Debt market (RDM) and third party Fixed income products distribution, viz., Corporate Bonds, NCDs etc., 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).

Key financial Indicators Company’s Financial Performance

Rs. Crore	FY17	FY18	1HFY19
	Audited	Audited	Unaudited
Operating Income	85.7	30.7	43.5
Operating Profit	2.4	0.8	1.0
Net profit	1.6	0.3	0.7
Tangible Networth	21.9	22.2	22.9
Total debt	0.0	24.8	25.3
Gearing (x)		1.1	1.1
Current Ratio (x)	4.2	1.5	1.55

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 1HFY19 with scaling up of bond issuances.

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. Cr)	Rating	October 2017	Date in 2015	Date in 2014
1.	Cash Credit	Long Term	20	BWR A (Stable)	BWR A (Stable)	-	-

Status of non-cooperation with previous CRA (if applicable): Reason and comments N/A

Any other information: N/A

Hyperlink/Reference to Applicable Criteria

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

For any other criteria obtain hyperlinks from website

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

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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