

RATING RATIONALE

27 Nov 2024

A. K. Capital Finance Limited

Brickwork Ratings (BWR) reaffirms the ratings for the Non- Convertible Debenture (NCD) issues aggregating to Rs. 171 Cr of A.K. Capital Finance Limited. BWR also withdraws the ratings for redeemed NCDs amounting to Rs. 263.52 Crores on full redemption, upon maturity.

Particulars:

Instruments**	Amount Rated (Rs. Crs.)		Type	Rating*	
	Previous	Present#	-	Previous Ratings (30 Nov 2023)	Present Ratings
NCDs (1)	229.52	171.00	Long Term	BWR AA+/Stable (Reaffirmation)	BWR AA+ /Stable (Reaffirmation)
NCDs (2)	62.00	0.00	Long Term	BWR AA/Stable (Reaffirmation)	Withdrawn
NCDs	143.00	0.00	Long Term	BWR AA-/Stable (Reaffirmation)	Withdrawn
Total	434.52	171.00	Rupees One Seventy One Crores Only		

#Reduction in the rating amount is on account of redemption of NCDs on maturity.

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

**Details of bank loan facilities and NCDs are provided in Annexures – I and II

1. NCDs (1) are backed by maintaining an amount of up to 20% of the principal outstanding in a DSRA throughout the tenure of instruments..
2. NCDs (2) were backed by primary security of investments in high rated paper (A rated and above) – Asset Backed securities

RATING ACTION / OUTLOOK

BWR reaffirms the rating at BWR AA+/Stable for the NCD issues aggregating Rs.171 Cr of A. K. Capital Finance Ltd. (AKCFL). The ratings reaffirmation factors in the company's experienced management and long track record of the A. K. group, along with improved asset quality in the fund-based business and comfortable capitalisation. However, the ratings are constrained by inherent volatility in the debt capital markets business and the limited scale of financing operations. The continuation of the Stable outlook indicates a low likelihood of a rating change over the medium term

BWR has also withdrawn the rating for the redeemed NCDs amounting to Rs.263.52 Cr of AKCFL at the request of the Company, on account of full redemption upon its maturity. The withdrawal is in compliance with BWR's policy for Withdrawal of Ratings.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:

- 1. For NCDs (1) aggregating to Rs 171 Crs of present outstanding (previous rated amount of Rs. 229.52 Crs)**
 - The company is required to maintain an amount of up to 20% of the principal outstanding in a DSRA throughout the tenure of instruments:
 - The DSRA is in the form, “AAA” rated debt securities, sovereign debt securities and bank guarantee, Fixed Deposit in any combination.
 - Similarly, each issue has a T minus structure in place where the payment account is funded prior to the due date (i.e. ‘T’ date). Based on the terms of the individual issues, the payment account is funded between 1 to 4 days of the payment due date.
 - If the company fails to fund the payment account for the amount due, the debenture trustee will initiate the liquidation of the DSRA assets in the following manner to ensure that the proceeds are available towards payment due on the NCDs by the due date in a predefined manner.
 - In case the DSRA is utilized in full or part of the value of the DSRA is diminished below the minimum required, AKCFL will be required to replenish the same within seven days of the occurrence of such an event.
- 2. For NCDs (2) aggregating to Nil outstanding on account of full redemption, (previous rated amount of Rs. 62 Crs)**
 - These NCDs were backed by primary security of investment in higher rated paper (A rated and above).
 - The investments was required throughout the tenure of the instruments

For NCDs aggregating to Nil outstanding (**previous rated amount of Rs. 143 Crs**), these NCDs were issued in May 2021 for a period of 3 years at coupon rate of 8% p.a. fixed payable annually. The said NCDs were fully redeemed on its due date, as confirmed by the Debenture trustee and conveyed by the Company.

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 management of the group 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.

The A. K. Group has managed private placement of Debt aggregating to Rs. 2,98,916.64 Crores (approx.) during FY 2023-24 translating into strong market share ~43.40%. For the



period April 2024 to June 2024, the A. K. Group had managed a total of Rs. 53,133.85 Crores (approx.) of Private Placement of Debt translating into a strong market share of ~41.70%. A.K Group amongst the largest arranger of debt for PSUs (including Tax-Free Bonds), PFIs, Banks, Private Sector having arranged bonds Over Rs. 18,43,217.99 Crores over past decade ended June 30, 2024.

Comfortable capital position: As on 30 Sep 2024, the group-level tangible net worth stood at Rs. 979 Crs, compared with Rs 864 Crs as on 31 March 2023 and Rs.943 Cr in March 2024. AKCFL has maintained its capital adequacy ratio of more than 20% during the last three years. As on 30 Sep 2024, the capital-to- risk weighted assets ratio (CRAR) of the company stood at 33.34%. The group's debt to tangible networth ratio stood at 2.93 times as on 30 Sep 2024 moderately increased from 2.50 times as on 31 March 2023 and 2.92 times as on 31 March 2024. Increase in the gearing levels will remain a rating monitorable.

Comfortable asset quality: The group's fund-based business carried out through AKCFL uniquely operates as a debt capital market (DCM) NBFC and follows a low-risk model with customized debt solutions in the form of loans and fixed-income instruments spread over a 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. The company had reported the NPA of Rs.3.61Cr in Sep 2023 , the company had recovered Rs.0.85 Cr in Q3FY24 and balance in Q4FY2024. The company thereby reported NIL NPA as on 31 March 2024 and 30 Sept 2024, with nil slippages.

Credit Risks:-

Inherent volatility in debt capital markets business: The AK group's business activities in debt capital markets are exposed to economic cyclicalities 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. During FY24 the group reported a total income of Rs. 519 Cr and profit after tax of Rs. 93 Cr as compared to the total income of Rs. 407 Crs and profit after tax of Rs. 88 Crs, in FY23.

Limited scale of financing operations: The group maintains limited size of the AUM, consisting of core lending/loan book and treasury investments with a concentrated set of clientele. Most of the treasury investments are opportunity-based and backed by commitments from clients to buy from the NBFC in a short period of time, thereby mitigating market price volatility. The AUM of AKCFL increased to Rs 2,889 Cr in Sep 2024 as against Rs.2,728 Cr in March 2024 and Rs.2,283 Cr in March 2023.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA- CONSOLIDATED

For arriving 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, A.K. Capital Singapore Pte and A.K. Alternative Asset Managers Private Limited. 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 financial risk profile and the market share of the group, including a substantial growth in AUM, increase in revenue and profitability while maintaining the current levels of asset quality, will be rating positive.

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

LIQUIDITY INDICATORS: ADEQUATE

As per the ALM as on 30 Sep 2024, the liquidity position is comfortable with no negative cumulative mismatches in any of the buckets. On a standalone basis the Company has adequate liquidity as on 30 Sep 2024 of Rs. 1229 Crs which includes Rs. 26.13 Crs in cash and cash balances Liquid investment of Rs. 869 crs and Rs. 334 Crs of undrawn bank lines. As against the same, the company has Rs.530 Cr of term debt due for repayment in next one year.

Further, the rated NCDs have a DSRA in the form of Fixed Deposit / Debt Securities, sovereign debt securities in any combination. equivalent to up to 20% of the outstanding principal. Also, the company shall, prior to the pay-in date, deposit into the DSRA an amount equal to the succeeding coupon/ principal payment, and shall maintain the same on a rolling basis. Hence liquidity is considered to be adequate.

COMPANY PROFILE

A. K. Capital Finance Limited (AKCFL), formerly known as A. K. Capital Finance Private Limited and Giridhar Vanijya Private Limited, was incorporated in 2006 and was acquired by A. K. Capital Services Limited, the flagship company of A. K. Capital Group. A. K. Capital Finance Limited is registered with the RBI as a Non-Deposit taking Systemically Important Non-Banking Finance Company (ND-SI-NBFC). It is a 95.12% subsidiary of AKCSL as on 30 Sept 2024, a category I merchant banker listed on the Bombay Stock Exchange (BSE). AKCSL is a leading player in the corporate bond and fixed-income market in India. AKCFL primarily operates a hybrid business model, under which the revenue streams consist of interest income from its lending book, and fee income and treasury-based income from its investment book. While there is synergy between the activities of AKCSL and AKCFL, all the lending and investment decisions of AKCFL are independent of its parent's activities and are carried out on an arm's length basis. Such lending and investment decisions are based on AKCFL's own yield/return benchmark.

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 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 customized solutions to its clients, i.e. issuers, by mobilizing 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 & also undertakes lending activities. A. K. Stockmart Private Limited (a 100% subsidiary of A. K. Capital Services Ltd.) does broking activities and third-party product distribution for the group. It provides broking services in the wholesale debt market (WDM) & retail debt market (RDM) & acts as a depository participant.

KEY FINANCIAL INDICATORS

Standalone - A. K. Finance Capital Limited

Key Financial Indicators	Units	FY23	FY24	HY1 FY25
Result Type		Audited	Audited	UnAudited
Total Income	Rs.Crs	250	310	159
Profit after tax	Rs.Crs	61	63	31
Tangible Networkth	Rs.Crs	715	770	793
Total Debt	Rs.Crs	1617	2021	2208
Debt to Tangible Networkth	Times	2.26	2.62	2.79
GNPA	%	0.02	-	-
NNPA	%	-	-	-
CRAR	%	33.56	33.30	33.34

Consolidated - A. K. Capital Services Limited

Key Financial Indicators	Units	FY23	FY24	H1FY25
Result Type		Audited	Audited	Unaudited
Total Income	Rs.Crs	407	519	236
Profit after tax	Rs.Crs	88	93	43

Tangible Networkth	Rs.Crs	863	943	979
Total Debt	Rs.Crs	2162	2752	2868
Debt to Tangible Networkth	Times	2.50	2.92	2.93

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): *No non-cooperation with other CRA*

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

Sr No	Name of the Instrument/ Facility	Current Year			Rating History		
		Type	Amt O/s (Rs. Cr)	Rating	2023	2022	2021
				Nov-2024	30-Nov-2023	18-Oct-2022	16-Sep-2021
1	Bank Loans - Fund Based - Proposed	Long Term	0	-	Withdrawn	BWR AA-/ Stable (Assigned)	-
2	Bank Loans - Fund Based		0	-	-	BWR AA-/ Stable (Reaffirmed and Withdrawn)	BWR AA-/Stable (Reaffirmed)
3	NCDs	Long Term	0	Withdrawn	BWR AA-/ Stable (Reaffirmed)	BWR AA-/ Stable (Reaffirmed)	BWR AA-/Stable (Reaffirmed)
4	NCDs	Long Term	0	-	Withdrawn	Withdrawn	BWR AA-/Stable (Reaffirmed)
5	NCDs	Long Term	0	-	Withdrawn	Withdrawn	BWR AA-/Stable (Reaffirmed)
6	NCDs	Long Term	171	BWR AA+/ Stable (Reaffirmed)	BWR AA+/Stable (Reaffirmed)	BWR AA+/Stable (Reaffirmed)	BWR AA+/ Stable (Reaffirmed with removal of CE)
7	NCDs	Long Term	0	-	Withdrawn	Withdrawn	BWR AA/ Stable (Reaffirmed with removal of CE)
8	NCDs	Long Term	0	Withdrawn	BWR AA/Stable (Reaffirmed)	BWR AA/Stable (Reaffirmed)	BWR AA/ Stable (Reaffirmed with removal of CE)
Total			171	Rupees One Hundred Seventy One Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit

<https://www.brickworkratings.com/download/ComplexityLevels.pdf>

Hyperlink/Reference to applicable Criteria

- [General Criteria,](#)
- [Approach to financial ratios,](#)
- [Banks & Financial Institutions,](#)
- [Consolidation of Companies,](#)
- [BWR’s policy for withdrawal of Ratings](#)

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A K CAPITAL FINANCE LIMITED

Annexure - I

Details of Bank Loan facilities rated by BWR

Sr. No	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs. Crs)	Complexity of the instrument*
NA	NA	NA	NA	NA	NA	NA

*For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

ANNEXURE - II

INSTRUMENT (NCD/Bonds/ CP/FDs) Details:

Instrument	Issue Date	Amount Outstanding	Coupon Rate (%)	Maturity Date	ISIN Particulars	Complexity of instrument*
		in ₹ Cr.				
NCD 1	10-Aug-2017	0.00	9.00%	10-Aug-2024	INE197P07144	Simple
	06-Dec-2017	70.00	9.40%	06-Dec-2024	INE197P07169	Simple
	28-Jun-2018	66.00	9.75%	28-Jun-2025	INE197P07193	Simple
	18-Sep-2018	35.00	9.95%	18-Sep-2025	INE197P07227	Simple
NCD 2	07-Mar-2017	0.00	9.60%	07-Mar-2024	INE197P07029	Simple
	09-Mar-2017	0.00	9.60%	09-Mar-2024	INE197P07052	Simple
	20-Mar-2017	0.00	9.60%	20-Mar-2024	INE197P07094	Simple



	21-Mar-2017	0.00	9.60%	21-Mar-2024	INE197P07102	Simple
NCD 3	28-May-2021	0.00	8.00%	28-May-2024	INE197P07276	Simple
		171.00		Rupees One Hundred Seventy One Crores Only		

*For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

ANNEXURE - III List of Entities Consolidated of A K Capital Services Ltd:

Sr. No	Name of Subsidiary/ Associate	Rationale for Consolidation	Extent of Consolidation
1	A K Capital Finance Ltd	Subsidiary	98.73%
2	A K Stockmart Private Limited	Subsidiary	100%
3	A K Capital Corporation Private Limited	Subsidiary	100%
4	A K Wealth Management Private Limited	Subsidiary	100%
5	A K Capital (Singapore) Pte. Ltd.	Subsidiary	100%
6	Family Home Finance Private Limited	Subsidiary	100%

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