

Rating Rationale

A K Stockmart Pvt. Ltd.

22 Sep 2017

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

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Proposed Fund Based Working Capital	20.00	Long Term	BWR A [Pronounced as BWR A] Outlook - Stable
Total	Rs. 20 Crores (Rupees Twenty Crore Only.)		

*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 17, projected financials up to FY19, publicly available information and information/clarification 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 networth, 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 group, and derives synergy from the group business is also taken into consideration.

The company currently has not raised any debt/WC facilities, and the company has provided an undertaking to cap the total debt that can be raised at Rs. 50 Cr. The rating has factored this cap 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 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
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. Over the past Five years the company has managed 74 public debt issues by mobilizing Rs. 36,600 crores thereby capturing ~ 19.36% market share
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 mainly due to the distribution network and capability of A.K Stockmart.
4. **Reputed Client Base:** It has been associated with distribution of instruments issued leading corporates and PSUs, both as 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 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. 21.9 Cr as on March 31, 2017.
6. **Low Profitability:** Profit margins of the company are lower with net profit margin of 1.64% and operating profit margin of 2.18% for FY17 on account of highly competitive nature of industry.

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 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

As per FY17 audited financials, the company made a net profit of Rs. 1.59 Crore (P.Y Rs. 1.31 Cr) on the revenues of Rs. 96.85 Crore (P.Y Rs. 81.85 Cr). Company’s networth was Rs. 21.90 crores and currently the company is debt free.

Rs. Crore	FY17	FY16
	Audited	Audited
Revenue	96.85	81.84
PBDIT	1.78	1.50
PAT	1.59	1.31
Networth	21.90	20.31
Debt to Equity (Times)	-	-

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Cr)	Rating	Date in 2016	Date in 2015	Date in 2014
1.	Proposed Fund Based Working Capital Facility	Long Term	20	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



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For print and digital media

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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, has also been 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 Nationalized 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, 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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