

## Alankit Assignments Limited

April 06, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.75 (reduced from 22.25)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	3.00 (reduce from 38.00)	CARE A3 (A Three)	Reaffirmed
<b>Total Bank Facilities</b>	<b>23.75</b> <b>(Rs. Twenty-Three Crore and</b> <b>Seventy-Five Lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

*CC reduction is on account of o/s repaid. Non-fund-based reduction is based on closure of BG facility with one bank and reduction has been made as CARE's policy.*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Alankit Assignments Limited (AAL) continue to factor in the long track record of operations in financial services and experienced management team. The ratings also derive comfort from AAL being part of Alankit Group having diversified businesses including e-governance services, financial services, healthcare, insurance, broking etc.

The rating strengths are however partially offset by moderate profitability parameters, high exposure to group companies and various legal issues pertaining to the group.

### Key Rating Sensitivities

#### Positive Factors - Factors that could individually or collectively lead to positive rating action/upgrade:

- Scale up of operations and improvement in profitability.
- Further increase in diversification of income streams

#### Negative Factors- Factors that could lead individually or collectively to negative rating action/downgrade:

- Increase in adjusted gearing levels beyond 2.5 times
- Decline in cash surplus and liquidity buffers which could impact the risk absorption ability
- Any adverse impact of the various legal issues on the company or its promoters

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Long track record of operations and experienced promoters and management team

AAL was incorporated in January 1991 as a SEBI registered financial services and stock broking company, has more than 2 decades of track record in the financial services industry (broking, depository, Registrar and Transfer agent etc.). Currently, the company is headed by Mr. Harish Chandra Agarwal, Director. He has more than 37 years of experience in the financial services industry. He is supported by the management team having more than 20 years of experience in the financial services industry.

##### Part of the Alankit Group with diversified operations; and holding of AAL in Alankit Limited (listed group entity) with a track record of profitable operations

AAL is a part of the Alankit Group which has a track record of over 25 years having been established in 1995 as a Registrar and Transfer Agent (RTA). The group is now a conglomerate of 10 companies offering over 31 services across diverse segments viz. Financial Services (broking – cash, currency, commodity, derivatives), E-Governance, Insurance Broking (Life and Non-Life) & Health Care verticals. Alankit Group is headquartered in New Delhi with pan India presence with 21 regional offices across the country. The group also has presence in 5 overseas locations- London, Dubai, Sharjah, Canada & Singapore.

The main operating entity of the group is Alankit Limited (AL) that is engaged in providing e-governance services. The company has a track record of profitable operations and is listed on the stock exchange with a market capitalization of nearly Rs.191 crore (as on March 31, 2022). As on December 31, 2021, AAL held 7.36% stake in AL as against 16.26% as on September 30, 2021, on account of sale of shares by AAL in open market operations. The total market value of AAL's holding in AL stood at around Rs 14 crore as on March 31, 2022. The book value of investments of AAL in AL stood at Rs.12.68 crore as on December 31, 2021. AAL earned a dividend income of Rs.56.68 lakhs in FY21 as against Rs.2.17 lakhs in FY20 from its investments.

##### Diversified product profile albeit on a small scale of operations.

During FY21, revenue from broking and RTA services constituted 87% of the total revenue, while other segments like depository services and National Pension Scheme (NPS) contributed the rest. In April-2021, the company transferred its broking business to another group company; Alankit Imagination Ltd (AIL) and currently holds 14% stake in AIL. As a result, RTA services contributed 81% share in total revenue during 9MFY22. Currently, the company offers depository services, RTA

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

services, NPS services and has recently started with the National Helpline for Senior Citizen (NHSC) which is an initiative by Government of India where AAL is the implementing agency for NHSC. As a matter of diversification, the company has managed to diversify within different segments, however, the contribution of other segments in total revenue has not reached sizeable scale.

Hence, scaling up of revenue in other segments will continue to remain key monitorable.

### **Key Rating Weaknesses**

#### **Various legal issues pertaining to the group**

Income Tax Department had conducted a search at the premises of the group under Section 132 of the Income Tax Act, 1961 which concluded on October 23, 2019. The group, however, has confirmed that no irregularities were found during the search operations and no claims/ disclosures were made against the company. Also, the company has not received any further statement from the IT officials on the conclusive findings of said search.

Further, in July 2021, ED had arrested Mr. Alok Agarwal, the promoter of the group and erstwhile chairman, under the money laundering case. Subsequently, Mr. Agarwal was released on bail and the case is under pre-trial phase in the court.

Going forward, any impact of the outcome of both the legal issues (if any) on the promoters or the financial risk profile of the company will be the key rating sensitivity.

#### **Moderate profitability parameters.**

The overall income and profitability of the company remains moderate. AAL reported increase in PAT during FY21 to Rs.3.14 crore on a total income of Rs.54.43 crore as against the PAT of Rs.2.15 crore on total income of Rs.41.31 crore during FY20. Total revenue improved mainly on account of increase in broking revenue as well as Registrar and transfer agent (RTA) services. Consequently, ROTA stood at 1.96% during FY21 as against 1.44% during FY20.

During 9MFY22, total PAT stood at Rs.2.77 crore on a total income of Rs.24.17 crore with income from RTA services contributing 81% in the total revenue. ROTA stood at 2.62% during 9MFY22. Post this restructuring in the business segment, the revenue and profitability profile of the company will continue to remain key monitorable, especially under the new business segment viz, NHSC, since broking was one of the main revenue contributors apart from RTA services.

#### **Exposure to group companies through investments**

The tangible net worth (net of deferred tax and intangible assets) of AAL stood at Rs.58.43 crore as on March 31, 2021, as against Rs.80.98 crore on March 31, 2020 (reduction on account of Goodwill adjustment of Rs.25.50 crore) whereas investment in group companies by AAL stood at Rs.48.86 crore as on March 31, 2021 as well as March 31, 2020. AAL had also extended inter-corporate advances of Rs.1.07 crore as on March 31, 2021 which stood NIL as on March 31, 2020.

As on December 31, 2021, tangible net-worth stood at Rs.86.96 crore (increased over March-21 on account of NIL goodwill adjustment post selling of the broking business) and exposure to group companies increased to Rs.62.94 on account of investment in AIL. Inter-corporate advances too increased marginally to Rs.1.15 crore. As on December 31, 2021, the company's exposure in group companies as a % of tangible net-worth stands at 72%.

As on December 31, 2021, total debt (including non-fund-based limits) stands at Rs.30.44 crore. Adjusted gearing (including non-fund-based limit and tangible net-worth adjusted for group exposure) stood at 1.27 times as on December 31, 2021.

#### **Liquidity: Moderate**

As on February 28, 2022, company had cash and bank balance of over Rs.3 crore as against its monthly debt obligation of Rs.0.28 crore providing adequate liquidity cover. Also, as submitted by the management, their RTA business generates monthly cash flow of Rs.1.50 crore providing adequate comfort.

**Analytical approach:** Standalone; however, factors in the strength derived from long track record of operations of the group including Alankit Limited, the flagship entity of the group in which AAL has a holding

#### **Applicable Criteria**

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial Ratios-Financial Sector](#)

[Rating Methodology- Service sector](#)

#### **About the Company**

Alankit Assignment Limited (AAL) was promoted by Mr. Alok Kumar Agarwal and was incorporated in 1991 as a SEBI registered financial services and Stock Broking Company. Post his resignation, the company operates under the leadership of Mr. Ankit Agarwal. AAL is a part of the Alankit Group which has a track record of over 26 years (having been established in 1995 as a Registrar and Transfer Agent). Alankit Group is a conglomerate of 10 Group companies with diversified activities into Financial Services, e-Governance, Insurance & Health Care verticals. Alankit Group has a track record of over 26 years and is headquartered in New Delhi with pan India presence with 21 regional offices. The group also has presence in 5 overseas locations- London, Dubai, Sharjah, Canada and Singapore.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total income	41.31	54.43	24.17
PAT	2.15	3.14	2.77
Interest coverage (times)	1.88	1.68	2.55
Total Assets	161.98	158.88	122.46
ROTA (%)	1.44	1.96	2.62

A: Audited; UA: Unaudited

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	20.75	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	3.00	CARE A3

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (03-Mar-20)	-
2	Fund-based - LT-Cash Credit	LT	20.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (08-Mar-21)	1)CARE BBB-; Stable (03-Mar-20) 2)CARE BBB-; Stable (04-Apr-19)	-
3	Non-fund-based - ST-BG/LC	ST	3.00	CARE A3	-	1)CARE A3 (08-Mar-21)	1)CARE A3 (03-Mar-20) 2)CARE A3 (04-Apr-19)	-

\* Long Term / Short Term

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

#### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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**About CARE Ratings Limited:**

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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