

Alankit Assignments Limited

April 05, 2023

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.75	CARE BB+; Stable	Revised from CARE BBB-; Stable
Short Term Bank Facilities	0.50	CARE A4+	Revised from CARE A3

Details of instruments/facilities in Annexure-1

Rationale & Key Rating Drivers

The revision of the rating for the bank facilities of Alankit Assignments Limited (AAL) factors in the ongoing legal issues pertaining to Alankit group which is yet unresolved and its likely impact on the financial risk profile of the company and continued high exposure to other companies in the form of investments and inter corporate deposits (ICDs), which is non-core business of AAL.

The ratings, however, continue to factor in the long track record of operations in financial services sector and the group having diversified businesses including e-governance services, financial services, healthcare, insurance, broking etc.

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.

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

- Any adverse impact of the various legal issues on the company or its promoters
- Decline in cash surplus and liquidity buffers which could impact the risk absorption ability.
- Increase in adjusted gearing levels beyond 2.5 times
- Increase in exposure beyond 30% on sustained basis to other companies in the form of Intercompany advances and investments

Analytical approach: Standalone; however, factors in the linkages with the other entities of the Alankit group.

Outlook: Stable

CARE Ratings Ltd believes that AAL shall maintain its moderate profitability profile over the medium term given the long track record of operations in financial services sector.

Key Rating Strengths

Long track record of operations

AAL was incorporated in January 1991 as a SEBI registered financial services and stock broking company and has more than 2 decades of track record in the financial services industry (NHSC, depository, Registrar and Transfer agent, NPS, IEPF etc.). Until July 2021, AAL was headed by the founder, Mr. Alok Kumar Agarwal who stepped down as its chairman in July 2021 and doesn't hold any shareholding in the company. Currently, the company is headed by Mr. Ankit Agarwal, Director. He has more than 12 years of experience in the field of finance and research activities.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Part of the Alankit Group with diversified operations;

AAL is a part of the Alankit Group which is a conglomerate of ~14 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, with presence across the country. The group also has presence in 4 overseas locations- London, Dubai, Canada & Singapore. The flag ship company 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. 194 crore (as on April 05, 2023).

Diversified product profile albeit on a small scale of operations.

Post transferring the broking business to Alankit Imaginations in April 2022, the company now offers depository services, RTA services, NPS services, National Helpline for Senior Citizen (NHSC) and Investor Education Protection Fund (IEPF), thus diversifying the revenue stream. The NHSC is an initiative by Government of India where AAL is the implementing agency for NHSC. 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**Outstanding 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.

Nevertheless, going forward, any impact of the outcome of the legal issues on the financial risk profile of the company will be a key rating sensitivity.

Moderate profitability parameters.

The overall income and profitability of the company continues to remain moderate owing to small scale of operations. AAL has reported a PAT of Rs. 2.23 crore in FY22 as against a PAT of Rs. 3.14 crore in FY21.

The total revenue saw a sharp decrease and it stood at around Rs. 33.57 crore in FY22 as against the total revenue of Rs. 54.43 crore in FY21. Similarly, there was a decrease in operating expenses by 20% y-o-y to Rs 2.23 crore in FY22. This decrease in total income and expenses in FY22 was reported as the broking business was transferred to Alankit Imaginations during April 2021. Owing to the decrease in profitability, ROTA also declined to 1.54% for FY22 as against 1.96% for FY21. However, during FY23, total PAT (Provisional financials) stood at Rs. 5.19 crore on a total income of Rs. 40.02 crore.

Exposure to others companies through investments and Intercompany advances

The tangible net worth (net of deferred tax and intangible assets) of AAL stood at around Rs 86.84 crore as on March 31, 2023 (Provisional financials), Rs. 86.51 crore as on March 31, 2022 as against Rs. 58.43 crore as on March 31, 2021. The adjusted tangible net worth (adjusting for exposure in investments and inter corporate loans) is around Rs. 14.97 crore as on March 31, 2022 as against Rs 8.49 crore in March 31, 2021, further it reduced to Rs 9.79 crore as on March 31, 2023 (Provisional financials).

The investments made and intercompany advances (non-core business of AAL) given to other companies which amounts to Rs 71.94 crore in FY22, reduced to Rs 77.05 crore in FY23 (Provisional financials), which is still on a higher side as a percentage of tangible networth stands at 83.15% in FY22 and 88.72% in FY23 (Provisional financials).

Liquidity: Adequate

The company has cash and bank balance of over Rs. 3 crore as on February, 2023 as against its next three months debt obligations of Rs. 0.11 crore providing adequate liquidity cover. Also the company has unutilized sanctioned limits which the company can avail if the need arises.

Applicable Criteria

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Criteria for Short Term Instruments](#)

[Financial Ratios - Financial Sector](#)

[Service Sector Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial services	Finance	Other Financial Services

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 is a conglomerate of around 14 Group companies with diversified activities into Financial Services, e-Governance, Insurance & Health Care verticals. Alankit Group has a track record of over 30 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, Canada and Singapore.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	31-03-2023*
Total income	54.43	33.57	40.02
PAT	3.14	2.23	5.19
PBILDT Margin (%)	13.45	20.02	24.89
Total Assets	158.88	131.42	124.02
Gearing	0.53	0.29	0.27
ROTA (%)	1.96	1.54	4.06

A: Audited; UA: Unaudited; *Provisional financials. Note: 'the above results are latest financial results available'

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
Long Term Bank Facilities	-	-	-	-	13.50	CARE BB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	0.50	CARE A4+
Fund-based - LT-Cash Credit	-	-	-	-	7.25	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	13.50	-	-	-	-	1)Withdrawn (03-Mar-20)
2	Fund-based - LT-Cash Credit	LT	7.25	CARE BB+; Stable	1)CARE BBB-; Stable (06-Apr-22)	-	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	0.50	CARE A4+	1)CARE A3 (06-Apr-22)	-	1)CARE A3 (08-Mar-21)	1)CARE A3 (03-Mar-20) 2)CARE A3 (04-Apr-19)
4	Long Term Bank Facilities	LT	13.5	CARE BB+; Stable	1)CARE BBB-; Stable (06-Apr-22)	-	1)CARE BBB-; Stable (08-Mar-21)	1)CARE BBB-; Stable (03-Mar-20) 2)CARE BBB-; Stable (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 the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Long Term Bank Facilities	Simple

Annexure 5: Bank Lender Details for this CompanyTo 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 for any clarifications.

Contact us

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About us:

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