

A. K. Capital Services Limited

July 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Commercial paper	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating reaffirmation on the debt instrument of A. K. Capital Services Limited (AKCSL) continues to factor in the A. K. Capital group's long standing track record and established presence as a merchant banker in the debt market segment while maintaining comfortable capital structure and robust asset quality metrics. AKCSL is the flagship holding company of the group's housing merchant banking, financial lending, broking and distribution businesses. The company conducts lending activity through its NBFC subsidiary A. K. Capital Finance Limited (AKCFL). The rating further draws comfort from the extensive experience of the promoter, management team and strong institutional client base.

However, the rating remains constrained by inherent volatility in the earnings profile due to dependence on level of activity in debt capital markets and exposure to market risks with adverse movement in interest rates impacting profitability, though part-mitigated by low average holding period. The rating also consider high exposure to the corporate segment with a relatively higher client concentration risk and intensely competitive nature of the merchant banking industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Not applicable

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

- Substantial decline in market position and in profitability on a sustained basis.
- Deterioration in the credit quality of assets under management and/ or liquidity profile.
- Increase in leverage, with overall gearing beyond 4x on a sustained basis at AKCSL's consolidated level.

Analytical approach:

Consolidated; CARE Ratings Limited (CareEdge Ratings) has analysed AKCSL's consolidated financial statements owing to financial, business and operational linkages with subsidiaries and common management. Entities consolidated are listed under Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Long track record with established market presence and experienced management team

The company has been providing merchant banking services for over 25 years and is one of the leading players in the corporate debt market segment. It is also among the largest arrangers of debt for public sector undertaking entities (PSUs), including tax-free bonds, private finance institutions (PFIs), banks and the private sector.

On a cumulative basis (for the last twelve-year period), the group managed 2,093 debt assignments (private placements) till March 31, 2025, aggregating ~₹24 lakh crore (Source: Prime Database). Within private debt placement segment, the group managed 213 assignments (excluding InvITs and ReITs) aggregating to ₹385,639 crore corresponding to a market share of 46% for FY25 (refers to April 01 to March 31), compared to 191 assignments aggregating to ₹298,916 crore in FY24. On a volume basis, the group was the sole arranger for ~4.16% of its total volumes arranged in 9MFY25 (FY24: ~3.61%).

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Over the years, AKCSL built relationships with a large institutional client base, including leading Indian corporates, banks, non-banking financial institutions (NBFCs), financial institutions (FIs), provident funds, pension funds, insurance companies, mutual funds, and alternate investment funds (AIFs), among others. As on March 31, 2025, the group had a client base of over 200 institutions and over 1,000 provident and retirement funds, which enables down-selling of securities.

Comfortable capital structure

While the company's consolidated capital structure is comfortable, its gearing levels remain volatile, depending on debt placement volumes, investor appetite, and the turnover of debt securities. AKCSL's consolidated net worth has been improving steadily due to internal accruals and stood at ₹965 crore as on March 31, 2025 (March 31, 2024: ₹914 crore). At a consolidated level, the gearing stood at 3.26x as on March 31, 2025 (3.01x as on March 31, 2024).

AKCSL's standalone borrowing is largely in the form of working capital funding from banks to participate in debt placements (primary and secondary market dealing). As a result, AKCSL's standalone gearing levels are prone to volatility, depending on the company's participation in the debt placement. On a standalone basis, AKCSL's gearing stood at 1.51x as on March 31, 2025 (March 31, 2024: 1.39x).

Majority borrowings of the group pertain to A. K. Capital Finance Limited (AKCFL), which is the NBFC arm of the group, engaged in lending activities (through loan and investment exposures) to corporate entities (largely financial institutions). AKCFL reported a capital adequacy ratio (CAR) of 31.64% (March 31, 2024: 33.30%) and a Tier-I CAR of 31.52% (March 31, 2024: 33.18%) as on March 31, 2025, with moderate overall gearing (debt to total net worth [TNW]) at 2.81x as on March 31, 2025 (March 31, 2024: 2.64x). The group has been able to raise debt funds through bank borrowings and from debt capital markets at competitive rates.

Healthy asset quality

AKCSL deals in fixed-income securities/instruments, non-convertible debentures (NCDs), pass through certificates (PTCs) and such other fixed-income securities within the minimum investment-grade rating category. These securities are marketable and can be liquidated in a short span of time ranging from a few days to a few months, depending on the demand for securities and the company's ability to sell down.

Rating wise, the combined assets under management (AUM) of AKCFL and AKCSL (comprising lending plus treasury assets and AIF exposures) remained distributed across G-secs (20%), AAA category (17%), AA category (25%), A category (24%), and the rest (14%) in BBB and others as on March 31, 2025.

AKCFL's standalone AUM consists of lending book and treasury assets, comprising 52% and 48% as on March 31, 2025, respectively. The company has maintained healthy asset quality with negligible Net NPAs in the last five years (up to FY25) and the NPA remained nil as on March 31, 2025. On a standalone level, AKCFL has a policy to have at least 25% AUM in G-Secs, SDL, T-Bills, 'AAA' or 'AA' category rated instruments or entities and liquid assets. AKCFL has sound risk management practices and has benefitted from the group's experience in debt market in the assessment of credit quality of borrowers, which has helped it maintain healthy asset quality.

Key weaknesses

Volatility in profitability parameters

On a standalone basis, AKCSL derives majority income by subscribing to debt instruments from the primary market and distributing them to its client base. The transaction volumes depend on overall buoyancy in debt capital markets, which can exhibit periodic volatility and impact AKCSL's income.

AKCSL's consolidated income profile consists of fee-based income earned from its merchant banking, brokerage, advisory, and syndication activities, which contributed 22% to its total income for FY25 (FY24: 31%) and fund-based income earned from its loan portfolio and investment book (including fair value gains), which contributed 78% to its total income for FY25 (FY24: 69%). For a particular year, volatility in fee-based income may arise out of thin margins in debt issuances participated or subdued debt raising activity in the market due to unfavourable economic conditions. AKCSL's consolidated profitability remained constrained in FY25 considering modest fair value gains in AKCSL and due to margin pressure in the lending arm, AKCFL. The NBFC's core margins² (excluding fees from syndication) moderated to 4.60% in FY25 (FY24: 5.13%; FY23: 5.78%). While the operating expenses (opex) to average assets improved to 2.48% in FY25 from 2.89% for FY24 due to reduction in employee costs, the

² Calculated as (Net interest income plus gain from treasury assets / Average total assets)

standalone return on total assets (ROTA) moderated to 2.25% for FY25 against 2.40% for FY24. AKCSL at a standalone level had taken a cautious approach while dealing in secondary market trades which led to dilution in income derived through changes in fair value of debt securities and overall profitability. Considering these factors, the consolidated ROTA moderated to 2.17% for FY25 compared to 2.68% in FY24 (FY23: 3.03%).

For FY25, AKCSL reported consolidated profit after tax (PAT) of ₹87 crore (FY24: ₹93 crore) on total income of ₹484 crore (FY24: ₹519 crore). On a standalone basis, AKCSL reported a PAT of ₹33 crore (FY24: ₹32 crore) on a total income of ₹127 crore (FY24: ₹127 crore) for FY25.

Exposure to market risk with adverse movement in interest, impacting the profitability

The company is exposed to market risks arising from adverse movement of prices of the securities, which are influenced by the level and changes in interest rates in the economy and developments in other markets, including credit and capital markets, international bond markets, and policy actions by the Reserve Bank of India (RBI). This may result in price volatility on mark-to-market basis. In addition, the company may also face risks considering its inability to liquidate holdings due to the non-availability of buyers for securities. Due to illiquidity, the company may need to sell at adverse prices. CareEdge Ratings notes that in the recent period, volatility increased in fixed-income markets led by domestic and international events.

The company manages the market risk through back-to-back sell down of majority securities, and the balance is generally sold within 1-3 months. Being in the fixed-income industry for over 25 years, AKCSL has built expertise and has been able to manage interest rate risk quite effectively by tweaking its positions and maintaining its profitability in volatile interest rate scenarios; however, managing profitability with higher-than-expected movement in interest rates continues to be a key rating sensitivity.

High exposure to the corporate segment with relatively higher borrower concentration risk

Over the years, the group has maintained sound asset quality. AKCSL, through AKCFL takes exposure through the lending book, where it lends and holds investments in debt securities. It has a treasury book, which invests in G-Secs and high-rated securities, which provides the company with flexibility to sell down and has helped it maintain good asset quality. However, due to the nature of its exposures, AKCFL remains vulnerable to a high concentration in exposure as it focuses on large ticket-size corporate lending to mainly financial services entities. As AKCFL's exposures are relatively large for its size, slippages in its portfolio will require higher provisioning, which may in turn impact its profitability.

On a combined basis (AKCSL and AKCFL), the group's top 10 exposures as on March 31, 2025, excluding government securities (including lending and treasury assets) stood at 33% (PY: 31%) of the AUM³ and 139% (PY: 124%) of the net worth. At a standalone level, AKCFL is selective in taking exposures and investing in NCDs or lending to companies (mostly to NBFCs) with a minimum BBB rated category exposure cap of 20% maintained as a policy. On a standalone level, AKCFL's exposure towards BBB category and below entities stood 67% of the standalone net worth as on March 31, 2025 (March 31, 2024: 68%; March 31, 2023: 53%).

Increasing competition in the merchant banking business

The number of lead arrangers has increased over time, which has impacted fees earned from debt placement and transaction volume managed. Intense competition in the merchant banking space, and high dependence on capital market conditions, may impact the company's earnings profile and profitability.

Liquidity: Adequate

As on March 31, 2025, at a AKCSL (standalone) level, the company's term debt repayments including commercial paper redemptions for next six months stood at ₹27.99 crore against which the company had ~₹741 crore of securities in 'AA rated and above' category in inventory and unencumbered cash and bank balance of ₹7.19 crore, providing adequate cushion to cover repayments.

At a consolidated level, in the next one year, AKCSL has inflows from advances and investments, and cash and bank balances (lien-free) amounting to ₹3,732 crore against its debt repayments of ₹2,277 crore as on March 31, 2025. Consolidated undrawn credit lines of ₹372 crore as on March 31, 2025, provide additional comfort.

³ Consolidated AUM = (Investments including stock of securities + Loans and advances)

The ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Consolidation](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

[Service Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Capital Markets	Other Capital Market related Services

AKCSL is a SEBI-registered Category-I merchant banker. The company has been providing merchant banking services for over 25 years and is a leading player in the corporate debt market segment through the management of private placements and public issues. AKCSL is primarily involved in merchant banking activity and dealing in the fixed-income market, buying and selling rated debt securities (corporate bonds, G-Secs) and advisory activities. The merchant banking activities conducted by AKCSL involve corporate debt raising through private placement of bonds and debentures, initial public issue of bonds and debentures, project financing, working capital financing, and financial advisors, among others.

AKCSL (Consolidated):

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	407	519	484
PAT	88	93	87
Interest coverage (times)	1.92	1.63	1.49
Total Assets	3,116	3,801	4,235
Net NPA (%)	0.00	0.00	0.00
ROTA (%)	3.03	2.68	2.17

A: Audited; Note: these are latest available financial results

AKCSL (Standalone):

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	115	127	127
PAT	31	32	33
Interest coverage (times)	2.39	2.02	1.85

Total Assets	983	1186	1271
Net NPA (%)	NA	NA	NA
ROTA (%)	3.23	2.93	2.68

A: Audited; Note: these are latest available financial results; NA: Not applicable since AKCSL (holding company) is not an NBFC

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper- Commercial Paper (Standalone)	INE701G14239	11-Dec-2024	9.05%	10-Dec-2025	50.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)	INE701G14262	24-Apr-2025	8.48%	06-Mar-2026	10.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)	INE701G14288	09-May-2025	8.78%	04-Nov-2025	35.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)	INE701G14270	29-Apr-2025	8.38%	29-Oct-2025	5.00	CARE A1+

Annexure-2: Rating history for 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 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (30-Jul-24)	1)CARE A1+ (07-Feb-24)	1)CARE A1+ (13-Feb-23) 2)CARE A1+ (19-Jul-22)

ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	A. K. Capital Finance Limited (AKCFL)	Full	Subsidiary
2	A. K. Stockmart Private Limited	Full	Subsidiary
3	A. K. Wealth Management Private Limited	Full	Subsidiary
4	A. K. Capital Corporation Private Limited	Full	Subsidiary
5	A. K. Capital (Singapore) Pte. Limited	Full	Subsidiary
6	Family Home Finance Private Limited	Full	Step down subsidiary
7	A. K. Alternative Asset Managers Private Limited	Full	Step down subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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