

NOVEMBER 09, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO VARIOUS INSTRUMENTS OF A. K. CAPITAL FINANCE PVT. LTD.

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|--|--|---|-------------------|
| Long-term Bank Facilities | 125 | CARE A+ [Single A Plus] | Reaffirmed |
| Long-term Bank Facilities (Working Capital Demand Loan)* | 240 | CARE A+ (SO) [Single A Plus (Structured Obligation)] | Reaffirmed |
| Commercial Paper | 150 (enhanced from Rs 100 crore) | CARE A1+ (Single A One Plus) | Reaffirmed |
| Total | 515 (Five Hundred Fifteen Crore only) | | |

*backed by unconditional and irrevocable corporate guarantee provided by A.K. Capital Services Ltd. (AKCSL) rated 'CARE A+'

A K Capital Services Ltd (AKCSL) owns 98.65% in AKCFPL and the management/line functions of both the businesses is common with significant operational and financial integration between them. Accordingly, CARE has considered a consolidated view for arriving at the rating of AKCFPL.

Rating Rationale

The ratings factor in AK Capital Services Ltd's (AKCSL) long and established presence as a merchant banker in the debt market segment, experienced management team, strong institutional client base and low gearing level. However, the rating is constrained by income volatility due to dependence on debt capital markets, client concentration risk, limited track record & concentration in corporate loan segment and competitive merchant banking industry scenario. Managing and maintaining competitive position in the merchant banking business, overall consolidated gearing, significant adverse price movement in its investment and treasury book, concentration and asset quality of loan book and profitability are the key rating sensitivities.

Background

A.K. Capital Services Ltd. (AKCSL) is a SEBI registered Category I Merchant Banker. The company has been providing merchant banking services for over twenty years and is a leading player in the corporate debt market segment through management of private placements as well as public issues.

The merchant banking activities conducted by AKCSL involves raising corporate debt through private placement of bonds and debentures and initial public issue of bonds and debentures. The company has placed approximately Rs.1,04,584 crore of debt issues in FY16, decline of 10.1% as compared to total debt placement of Rs.1,16,336 crore in FY15. In FY16, AK Capital managed 175 assignments of private placement of debt for all types of issuers corresponding to a market share of 22%. (Source: Prime Database) It is currently operating through a branch network of 10 offices in 9 cities.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

AKCSL is also involved in dealings of bonds and debentures (g-sec, corporate bonds and PSU bonds) and generates investment income and interest income taking proprietary positions in various marketable securities to be retailed out to institutions like provident funds, banks, insurance companies, mutual funds and corporates, family offices, FII's and FPIs'. AKCFPL is a 98.65% subsidiary of A.K. Capital Services Ltd. (AKCSL rated **CARE A+**). AKCFPL was formally known as Girdhar Vanijya Pvt Ltd. and in September 4, 2008, it became a subsidiary of AKCSL. AKCFPL is a RBI registered Systemically Important Non-Deposit taking NBFC and is primarily engaged involved in dealings of bonds and debentures (g-sec, corporate bonds and PSU bonds) and generates investment income and interest income taking proprietary positions in various marketable securities to be retailed out to institutions like provident funds, banks, insurance companies, mutual funds and corporate. It also engaged in providing loans to corporate and HNIs. As on June 30, 2016, the loan portfolio stood at Rs. 262.06 crore. AKCFPL reported Nil NPAs as on June 30, 2016.

During FY16 (refers to the period April 01 to March 31), AKCSL reported a consolidated PAT (after minority interest) of Rs.41.58 crore on a total income of Rs.245.62 crore as compared with a PAT of Rs.41.14 crore on a total income of Rs.254.67 crore during FY15.

During FY16 (refers to the period of April 01 to March 31), AKCFPL reported a PAT of 21.60 crore on a total income of Rs.118.48 crore as compared with a PAT of Rs.21.07 crore on total income of Rs.104.06 crore during FY15.

In Q1FY17 (refers to the period of April 01 to June 30), AKCFPL reported a PAT of Rs. 5.03 crore on a total income of Rs. 37.34 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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