

APRIL 10, 2015

## CARE REAFFIRMS RATINGS ASSIGNED TO THE LONG-TERM BANK FACILITIES OF A.K. CAPITAL FINANCE PVT. LTD.

**Ratings**

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	25 (Enhanced from 10)	CARE A+ [Single A Plus]	Reaffirmed

**Other Outstanding Ratings**

Instruments	Amount (Rs. crore)	Ratings
Long-term Bank Facilities (Working Capital Demand Loan)*	250	CARE A+(SO) [Single A Plus (Structured Obligation)]
Commercial Paper	100	CARE A1+ (A One Plus)

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

**Rating Rationale**

The ratings factor in the strategic importance of A.K. Capital Finance Pvt. Ltd. (AKCFPL) to its parent and majority shareholder, A.K. Capital Services Ltd. (AKCSL) and there are strong operational, financial and brand linkages between the two companies. The ratings are further supported by AKCFPL's experienced management team, strong capitalization and comfortable liquidity profile. The ratings are, however, constrained by the market risk of bond portfolio, limited track record and concentration in corporate loan portfolio. Continued support from the parent, capital adequacy, asset quality and profitability are the key rating sensitivities.

**"Detailed rationale of A.K. Capital Services Ltd. (parent company) is available on CARE's website ([www.careratings.com](http://www.careratings.com))."**

**Background**

A.K. Capital Finance Private Ltd. (AKCFPL) is a RBI-registered Non-Deposit taking NBFC and is a 98% subsidiary of A.K. Capital Services Ltd. (AKCSL). AKCFPL purchases debt securities in the primary market and retails them out to institutions like provident funds, banks, insurance companies, mutual funds and corporate. The company also earns fees on distribution of debt IPOs and forayed into the corporate loan segment in FY11 (refers to the period April 01 to March 31).

**About the parent company – A.K. Capital Services Ltd. (AKCSL)**

A.K. Capital Services Ltd. (AKCSL) is a SEBI registered Category I Merchant Banker. The company has been providing merchant banking services for over fifteen 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 corporate debt raising through private placement of bonds and debentures, initial public issue of bonds and debentures, project financing, working capital financing, financial advisor. AKCSL also invests in bonds out of its surplus funds and/or

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

for fulfilling merchant banking obligations and generates investment income and interest income. The company has placed approximately Rs.106,035 crore of debt issues in FY14. It is currently operating through branch network of 10 offices in 9 cities.

During FY14, AKCSL reported a consolidated PAT of Rs.35.39 crore on a total income of Rs.244.98 crore as compared with a PAT of Rs.46.19 crore on a total income of Rs.197.34 crore during FY13.

In Q1FY15, the consolidated PAT for AKCSL stood at Rs.11.51 crore on a total income of Rs.43.58 crore.

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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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