

November 27, 2015

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

Instrument	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	125.0 (enhanced from Rs.25 crore)	CARE A+ [Single A Plus]	Reaffirmed
Long-term Bank Facilities (Working Capital Demand Loan)*	240.0 (reduced from Rs.250 crore)	CARE A+(SO) [Single A Plus (Structured Obligation)]	Reaffirmed
Commercial Paper	10 (reduced from Rs.100 crore)	CARE A1+ (Single A One Plus)	Reaffirmed
<b>Total Facilities</b>	<b>375.0</b>		

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

A K Capital Services Ltd owns 98.5% in A K Capital Finance Private Limited 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 A K Capital Finance Private Limited.

**Rating Rationale**

The rating factors 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 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**

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 company has placed approximately Rs.116,337 crore of debt issues in FY15 (refers to the period April 01 to March 31). 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.116,337 crore of debt issues in FY15, growth of 9.7% as compared with total debt placement of Rs.106,035 crore in FY14. It ranked no. 1 arranger for private debt placement in non-bank category with market share of 7.3% for Q1FY16

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

(refers to the period April 01 to June 30) (Source: Prime Database). It is currently operating through a branch network of 10 offices in 9 cities.

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.

AKCFPL is a 98.5% 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, 2015, the loan portfolio stood at Rs.132.2 crore.

During FY15 (refers to the period April 01 to March 31), AKCSL reported a consolidated PAT of Rs.41 crore on a total income of Rs.255 crore as compared with a PAT of Rs.35 crore on a total income of Rs.245 crore during FY14.

During FY15 (refers to the period of April 01 to March 31), AKCFPL reported a PAT of Rs.21.07 crore on a total income of Rs.104.04 crore as compared with a PAT of Rs.13.11 crore on a total income of Rs.75.33 crore during FY14.

In Q1FY16 (refers to the period of April 01 to June 30), AKCFPL reported a PAT of Rs.4.51 crore on a total income of Rs.26.70 crore.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

*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.*

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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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