

December 27, 2013

CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES & CP PROGRAMME OF A.K. CAPITAL FINANCE PVT. LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Working Capital Demand Loan)*	250	CARE A+ (SO) [Single A Plus (Structured Obligation)]	Reaffirmed (Enhanced from Rs.150 crore)
Commercial Paper	100	CARE A1+ (Single A One Plus)	Reaffirmed

**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), given the 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 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)."

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 is a SEBI registered Category I Merchant Banker. The company has been providing merchant banking services for over 15 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 involve 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 for fulfilling merchant banking obligations and generates investment income and interest income. The company has placed approximately Rs.96,710 crore of debt issues in FY13 (refers to the period April 01 to March 31). It is currently operating through a branch network of nine offices in nine cities.

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

During FY13, AKCSL reported a consolidated PAT of Rs.46.17 crore on a total income of Rs.197.34 crore as compared with a PAT of Rs.38.33 crore on a total income of Rs.198.49 crore during FY12. In H1FY14, the consolidated PAT for AKCSL stood at Rs.18.40 crore on a total income of Rs.86.24 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. 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.

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