

## Press Release

A K Services Private Limited

March 31, 2023

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	69.00	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	69.00	-	-

## Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 69.00 crore-bank facilities of A K Services Private Limited (AKSPL). The outlook is '**Stable**'.

The rating reflects benefits AKSPL derives from presence of the AK Group in domestic debt markets and established relationship with diversified investor base. The rating also factors in prudent capital structure of AKSPL with networth and gearing at Rs. 42.23 Cr. and 2.06 times respectively as on March 31, 2022. The rating is constrained by susceptibility of the company's performance to counterparty risk and volatility in capital markets.

## About the company

AKSPL was incorporated in 1986 and is directly owned by Mr. A K Mittal and family having ~99.7 percent holding as on March 31, 2022. The company is a financial services company engaged in debt advisory and dealing in Fixed Income Market securities. The company primarily undertakes exposures linked to underwriting activity of A K Group of companies.

## About the Group

Mumbai based, A. K. Group is promoted by Mr. A K Mittal who has more than two decades of experience in the fixed income market in India. The group's flagship company 'AK Capital Services Limited' (AKCSL) is a registered merchant banker since 1998 and investment advisor. AKCSL, along with its subsidiaries, is engaged in investment advisory, merchant banking, non-banking financial operations and financial advisory services along with rendering wealth management services. AKCSL is listed on BSE and is 71.50 percent held by promoter and promoter group as on December 31, 2022.

## Standalone (Unsupported) Rating

Not Applicable

## Analytical Approach

Acuite has taken the standalone view on AKSPL's business and financial profile and has

further factored in group support of A. K. Group. The group support is on the back of common promoter, i.e. Mr. A K Mittal, shared brand name and significant operational synergies with A K Group. A K Group refers to the flagship company A K Capital Services Limited (AKCSL) along with its subsidiaries, namely, A K Capital Finance Limited, A K Stockmart Private Limited, A K Capital (Singapore) PTE. Limited, A K Capital Corporation Private Limited, Family Home Finance Private Limited and A. K. Wealth Management Private Limited.

## **Key Rating Drivers**

### **Strength**

#### **Benefits derived from association with AK Group**

A K Group has a presence of over two decades in the debt markets and is one of the leading players. The promoters of the group have demonstrated their expertise in merchant banking and financial advisory services. The group commenced operations from CorporateBond Syndication and has gradually diversified its franchise by offering Loan Syndication, Project Finance, Management of Debt Public Issues and Wealth Management. The group is offering services namely Private Placement of Hybrid Instruments, QIP Management, Venture Capital Funds, Management and mobilisation of public and issues of tax-free and taxable bonds along with other services for more than 2 decades. The group has consolidated its presence in the market with its strong sourcing, structuring, underwriting, and distribution capabilities for debt issues through both public and private placements which have resulted in strong tie-ups with reputed institutional players. The group's overall business profile is supported by A. K. Capital Services Limited (AKCSL) and A. K. Capital Finance Limited (AKCFL). AKCFL is engaged in extending corporate credit and the key offerings include Loan against debt Security, asset backed and cashflow backed financing and structured funding. AKSPL benefits from the established and diversified presence of the group in domestic debt markets. The core business of AKSPL is aligned with the activities of the group. The company initiates exposure of debt securities in the primary market and down sells it to its clients, i.e. provident funds, pension funds, Mutual funds, corporates and individuals. The company's revenue mix also comprises of fee income which is generated from debt placements. The company reported revenues of Rs. 12.85 Cr. in FY2022 as against Rs. 13.13 Cr. in FY2021. Acuité believes that the group's strong market presence in the domestic debt market and diversified offerings, established relationships with marquee clients and investors should support AKSPL's business profile over the near to medium term.

#### **Prudent capital structure**

AKSPL is directly held by Mr. A K Mittal and family with ~99.7 percent holding. The company's net worth as on March 31, 2022 stood at Rs. 42.23 Cr. as against 40.80 Cr. as on March 31, 2021. Out of the total borrowings of Rs. 87.08 Cr. as on March 31, 2022, Rs. 45.00 Cr. from A. K. Group and Rs. 3.00 Cr. term loans from banks and secured overdraft facility of Rs. 39.08 Cr. which was on an average around 60 percent utilised for nine months ended December, 2022.. The company's gearing stood at 2.06 times as on March 31, 2022 as against 2.31 times as on March 31, 2021. Acuité expects the company to maintain a prudent capital structure over the medium term.

### **Weakness**

#### **Susceptibility of performance to counterparty risk and volatility in capital markets**

AKSPL's key earning assets include fixed income earning assets. Since these bonds are issued by corporates (Highly rated bonds), the company remains exposed to credit risks, i.e. risk of deterioration in the credit quality of the issuer. The occurrence of events impacting the credit quality of the issuer is likely to result in challenges in unwinding the exposures to the bond or debentures. Thereby impacting the operating performance of AKSPL. AKSPL's business performance is also linked to the volume of activity in the capital market, especially the debt segment. The performance is influenced by economic cyclicalities and other macroeconomic

factors such as GDP, growth rate, inflation and expected movement in interest rates. Adverse events such as a sharp spike in inflationary pressures or hardening of interest rates could translate into muted volumes in the bond markets, thereby translating into lower transaction volumes. The volumes in the debt segment are influenced by factors such as interest rate movement, liquidity and regulatory environment. The ability to generate trading profit/sell down the securities in the portfolio in a profitable manner may be impacted, given the tight liquidity conditions and risk aversion in the debt capital market. Acuité believes that the overall performance of AKSPL will remain sensitive to risks emanating from volatile capital markets, interest rate movements and performance of its portfolio of investments.

### Rating Sensitivity

- Changes in shareholding
- Movement in profitability
- Movement in Gearing levels

### Material Covenants

The company is subject to covenants stipulated by its lenders/investors in respect of various parameters like controlling interest, dividend declaration among others.

### Liquidity Position Adequate

AKSPL's liquidity profile is adequate, supported by a tied up working capital limit of Rs. 40.00 Cr., which was on an average around 60 percent utilised for nine months ended December, 2022. The company also benefits from the back-up available in the form of liquid investments in the portfolio, which can be liquidated in case of future exigencies.

### Outlook: Stable

Acuité believes that AKSPL's business and financial profile will remain 'Stable' over the medium term supported by benefits derived from association with AK Group as well as prudent capital structure. The outlook may be revised to 'Positive' in case of significant and sustained growth in the revenues while maintaining its profitability metrics and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in operating performance or a sharp deterioration in the capital structure.

### Other Factors affecting Rating

None

### Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	129.61	136.11
Total Income*	Rs. Cr.	3.86	3.33
PAT	Rs. Cr.	1.43	1.81
Net Worth	Rs. Cr.	42.23	40.80
Return on Average Assets (RoAA)	(%)	1.08	1.31
Return on Average Net Worth (RoNW)	(%)	3.44	4.54
Debt/Equity	Times	2.06	2.31

\*Total income equals to Net Interest Income plus other income.

**Status of non-cooperation with previous CRA (if applicable):**

None

**Any other information**

None

**Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

**Note on complexity levels of the rated instrument**

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Dec 2021	Proposed Bank Facility	Long Term	20.00	ACUITE A-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	40.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	9.00	ACUITE A-   Stable (Reaffirmed)
05 Oct 2020	Proposed Bank Facility	Long Term	15.00	ACUITE A-   Stable (Assigned)
	Secured Overdraft	Long Term	30.00	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	24.00	ACUITE A-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	29.00	ACUITE A-   Stable   Reaffirmed
Karur Vysya Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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