Inkel Limited

November 17, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.00	CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	85.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**90.00 (₹ Ninety Crore Only)**		
Fixed Deposit	40.00	CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Medium Term Instruments	**40.00 (₹ Forty Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Inkel Limited to monitor the rating(s) vide e-mail communications dated August 04, 2022, August 30, 2022, September 02, 2022 & November 04, 2022, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Inkel Limited bank facilities and instruments will now be denoted as CARE C; Stable/CARE A4; ISSUER NOT COOPERATING

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating continues to be tempered by volatility in revenues due to project-based nature of its business, exposure to Joint ventures/subsidiaries generating lower return on investments, weak credit risk profile of subsidiaries with instances of delays in debt servicing and risk associated with large sized HAM based road project. The ratings of Inkel Ltd continue to factor in the non-payment of dues/guaranteed amount by Inkel ltd to the lenders on invocation of Corporate Guarantee extended by it to the bank facilities of Seguro-Inkel Consortium LLP (SICL).

The ratings continue to draw strength from Inkel's business association with Government of Kerala (GOK) entities, diverse board of directors supported by an experienced senior management, potential for development of infrastructure facilities in the state of Kerala and comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on August 23, 2021, the following were the rating strengths and weaknesses. (updated with FY22 financials obtained from public sources)

Detailed description of the key rating drivers
Key rating weaknesses
Volatility in revenue due to project-based nature of its business

Since inception, Inkel was primarily engaged in construction of Inkel Tower and Mallappuram Community Centre. During FY15-FY16, Inkel towers contributed to major portion of income. With Inkel forming new ventures and these ventures securing new orders, Inkel's revenue stream witnessed a diversification. Inkel has significant presence in project management consultancy (PMC), facility management and solar division. However, it is to be noted that income level is likely to remain volatile unless the projects developed in PMC division are completed periodically and new projects are being taken in PMC division. Also, regular inflow of orders in solar division is also key to improve the revenue.

Exposure to joint venture and associates which are generating lower return on investments

Total investments and loans & advances in JV/partnerships stood at Rs.118 crore translating to 60% of networth as on March 31, 2022. However, these investments are generating lower return on investments (ROI). During FY22, Inkel reported interest income of Rs.1.49 crore, of which major portion corresponds to interest income from advances extended to group entities. However, Inkel is yet to reap any significant benefits from these investments. In the medium term, investment in INKEL-EKK Roads Private Limited alone is expected generate notable returns.

Weak credit profile of subsidiaries and delays in debt servicing by its subsidiaries
Inkel has four main subsidiaries for which corporate guarantee has been provided which includes i) MIV Logistics Pvt Ltd (MIV) ii) Inkel-EKK Roads Pvt ltd (Inkel-EKK) iii) INKEL-KSIDC (INKID) and iv) Seguro Inkel Consortium LLP (SICL). During FY20, Seguro-Inkel defaulted in their repayment obligations. Lenders of Seguro-Inkel have invoked corporate guarantee extended by Inkel Ltd to its bank facilities.

Risk associated with large sized HAM based road project
National Highway Authority of India (NHAI) on February 26, 2018 has awarded the contract for six laning of 28.4 km stretch between Vengalam to Ramanattukara By-pass road to KMC Constructions Ltd (KMC) based on Hybrid Annuity Model (HAM). KMC has entered into a JV with Inkel wherein 51% of the total shares is held by KMC and the remaining 49% of the total shares is held by Inkel for executing the project. Investment by KMC in this project would be limited to Rs.5.1 crore and rest of promoter contribution (Rs.264 crore) for the project would be made by Inkel. However, there has been delay in achievement of financial closure. Consequently, Inkel has planned to exit the project. It is to be noted that Inkel has submitted a performance guarantee amounting to Rs.85 crore to NHAI which exposes the company to risk of BG invocation in case of any unfavorable outcome.

Key rating strengths
Association with Government of Kerala entities
Inkel was formed as a PPP initiative for setting up infrastructure facilities to address the requirements of industrialists and entrepreneurs in the state of Kerala. Inkel has received support from GoK by way of funding (in the form of share capital), director board membership, tie-ups with government undertakings such as KINFRA and KSIDC and also by way of allotment of land on long term lease basis through these entities for developing the infrastructure. Further, Inkel had been selected as nodal agency by GoK for conducting feasibility studies on certain projects and implementation of certain projects in the state. As on March 31, 2022, GoK holds 22.78% equity stake in Inkel and its public sector undertakings, viz. Kerala Industrial Infrastructure Development Corporation (KINFRA) & Kerala State Industrial Development Corporation Limited (KSIDC) hold equity stake of 3.37% each.

Diverse board of directors
There are twelve directors on the board of Inkel, of which three are representatives of GoK and the rest of the members are from the business fraternity in the state of Kerala. The government nominated directors include Managing Director, Chairman and a nominee director.

Comfortable capital structure
Total debt outstanding as on March 31, 2022 increased to Rs.4.04 crore. The proceeds were used to provide loan to Inkel Infrastructure Development Projects for Calicut Expressway Road Project. Overall gearing stood comfortable at 0.13x as on March 31, 2022 as against 0.12x as on March 31, 2021.

Potential for infrastructure facilities in Kerala
The state of Kerala holds significant potential for development of infrastructure facilities especially for small-scale exportbased units, educational institutions, warehouses, service-based industries. Most of the businesses are small-scale units which require processing capacity, warehousing facility and office space. With the initial cost of purchasing land/building cut down significantly, the projects by Inkel may find interest among the buyers in the small/medium scale businesses.

Liquidity: Stretched
The cash and bank balances as on 31st March 2022 Rs.7.71 crores. The current ratios stood at 1.29x as on March 2022. Inkel does not have any fund-based working capital borrowings/limit. Given weak credit risk profile of its subsidiaries, any further increase in support is likely to moderate the liquidity position of Inkel in the medium term. Furthermore, development on the HAM project is critical as any unfavorable outcome is likely to further stretch the cashflow position of the company.

Analytical approach
Standalone; Also factoring in the support extended by Inkel to subsidiary/associate cos.

Applicable criteria
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Investment Holding Companies
Rating Outlook and Credit Watch
Short Term Instruments
Rating Methodology - Service Sector Companies

About the company
Incorporated in the year 2007, Inkel Limited (Inkel) is a public private partnership initiative by Government of Kerala (GoK) established with the objective of channelizing private capital and professional expertise into large scale infrastructure projects which includes setting up of industrial parks, special economic zone, trade centers and construction of roads and bridges required for various manufacturing and service-based industries in the state. Inkel achieves its objectives by forming joint ventures with various companies which has expertise in their respective fields since the company does not have the technical expertise to bid for certain Infrastructure projects. Apart from this, other major divisions which contribute to Inkel's revenue are the project management consultancy division (26% of income in FY20) and solar division (10% of income in FY20).

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	27.80	55.61	55.31	N.A
PBILDT	3.50	-3.92	1.85	N.A
PAT	-13.60	-3.34	1.16	N.A
Overall gearing (times)	0.09	0.15	0.13	N.A
Interest coverage (times)	1.24	-1.09	0.60	N.A

A: Audited; NA : Not Available UA: Unaudited

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit		-	-	Up to 3 years	40.00	CARE C; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE C; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	85.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fixed Deposit	LT	40.00	CARE C; Stable; ISSUER NOT COOPERATING*	1)CARE C; Stable (22-Jun-22)	1)CARE C (FD); Stable (23-Aug-21) 2)CARE C (FD); Stable; ISSUER NOT COOPERATING* (06-Apr-21)	-	1)CARE BB+ (FD); Stable (17-Mar-20) 2)CARE BBB (FD); Negative (05-Dec-19)
2	Non-fund-based - ST-BG/LC	ST	85.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (23-Aug-21) 2)CARE A4; ISSUER NOT COOPERATING* (06-Apr-21)	-	1)CARE A4+ (17-Mar-20) 2)CARE A3 (05-Dec-19)
3	Fund-based - LT-Cash Credit	LT	5.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable (23-Aug-21) 2)CARE C; Stable; ISSUER NOT COOPERATING* (06-Apr-21)	-	1)CARE BB+; Stable (17-Mar-20) 2)CARE BBB; Negative (05-Dec-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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