

## Inkel Limited

December 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.00	CARE C; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	85.00	CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Fixed Deposit	40.00	CARE C; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated November 17, 2022, placed the rating(s) of Inkel Limited under the 'issuer non-cooperating' category as Inkel Limited had failed to provide information for monitoring of the rating. Inkel Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a email dated December 13, 2023. 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.

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

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 nonpayment 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.

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

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on November 17, 2022, the following were the rating strengths and weaknesses. (updated with FY23 financials obtained from public sources)

#### Key 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.68.61 crore translating to 33% of networth as on March 31, 2023. However, these investments are generating lower return on investments (ROI). During FY23, Inkel reported interest income of Rs.1.97 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### 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, SeguroInkel 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 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, 2023, GoK holds 22.78% equity stake in Inkel and its public sector undertakings.

#### 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, 2023 increased to Rs.45.02 crore. The proceeds were used to provide loan to Inkel Infrastructure Development Projects for Calicut Expressway Road Project. Overall gearing stood comfortable at 0.22x as on March 31, 2023 as against 0.13x as on March 31, 2022.

#### 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.

### 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](#)

[Service Sector Companies](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

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 and solar division.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	55.61	55.31	67.33
PBILDT	(3.92)	1.85	5.49
PAT	(3.34)	1.16	12.88
Overall gearing (times)	0.15	0.13	0.22
Interest coverage (times)	(1.09)	0.60	1.66

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Acuite Ratings has reviewed the ratings of Inkel Limited and classified into 'issuer not cooperating' category based on best available information vide PR dated December 08, 2023.

**Any other information:** Not applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	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*

\*Issuer did not cooperate; based on best available information.

**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 2023-2024	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
1	Fixed Deposit	LT*	40.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (17-Nov-22) 2)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)	-
2	Non-fund-based - ST-BG/LC	ST**	85.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (17-Nov-22)	1)CARE A4 (23-Aug-21) 2)CARE A4; ISSUER NOT COOPERATING* (06-Apr-21)	-
3	Fund-based - LT-Cash Credit	LT*	5.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE C; Stable; ISSUER NOT COOPERATING* (17-Nov-22)	1)CARE C; Stable (23-Aug-21) 2)CARE C; Stable; ISSUER NOT COOPERATING* (06-Apr-21)	-

\*Issuer did not cooperate; based on best available information.

\*Long term, \*\*Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of the various instruments rated**

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

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the 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](mailto:care@careedge.in) for any clarifications.

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**About us:**

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