

## Intec Capital Limited

January 07, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long-term Bank Facilities (Fund Based)	95.36 (reduced from 153.35)	<b>CARE D</b> (Single D)	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>95.36</b> <b>(Rs. Ninety five crore and thirty six lacs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating reaffirmation of the long term bank facilities of Intec Capital Limited, factors in ongoing delays in servicing of the company's scheduled debt obligations and over-drawal of the drawing power for a period exceeding 30 consecutive days.

**Rating Sensitivities:** Going forward, the ability of the company to improve its liquidity position, increase its scale of operations and improve the asset quality would remain the key rating sensitivities.

### Positive Factors

- Regularization of the debt obligations of the company with no delays.
- Improvement in the asset quality indicators.
- Increase in the scale of operations

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Ongoing delays:** There are ongoing delays in servicing of the scheduled debt obligations by the company and the utilization of cash credit facilities is more than the drawing power for a period exceeding 30 consecutive days.

**Weak Asset Quality:** The asset quality of the company is weak with Gross NPA and Net NPA at 59.74% and 36.30% respectively as on March 31, 2019 vis-à-vis 39.52% and 32.60% respectively as on March 31, 2018. However the provision coverage ratio (PCR) of the company improved to 61.6% as on March 31, 2019 from 25.9% as on March 31, 2018. Also, Net NPA/Tangible Net Worth deteriorated to 121.77% as on March 31, 2019 as against 97.12% as on March 31, 2018.

**Decline in business and profitability parameters:** The net loan portfolio of the company declined to Rs.262 crore (down 24% y-o-y) as on March 31, 2019 from Rs.346 crore as on March 31, 2018. Total income of ICL was lower by 52% to Rs.29.15 cr in FY19 from Rs.60.25 crore in FY18 on account of declining loan book. The company reported net losses of Rs.55.37 cr during FY19 and net losses of Rs.21.85 cr during H1FY20.

#### Key Rating strengths

**Experienced promoters and management:** ICL was founded by Mr Sanjeev Goel, who has more than two decades of experience in financial services. He is a Chartered Accountant and holds Master's Degree in International Finance from the University of Iowa.

Furthermore, ICL has been operating in the SME equipment financing for the last two decades.

#### Liquidity: Poor

The liquidity of the company continues to remain poor as reflected in delay in servicing of scheduled debt obligations and over-drawal of the drawing power for a period exceeding 30 consecutive days. The company has been categorized as NPA in the books of six of its lenders and the restructuring of the company is under process with the consortium banks.

**Analytical approach:** Standalone

#### Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

CARE's Policy on Default Recognition

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

Rating Methodology - Non Banking Finance Companies (NBFCs)  
Financial Ratios – Financial Sector

### About the Company

Incorporated in February 1994, ICL (formerly known as Intec Securities Limited) is promoted by Mr Sanjeev Goel. In October 1994, the company was converted into a public limited company and subsequently in September 2009, it was renamed to its present name. ICL is registered with RBI as Non deposit accepting (ND) NBFC (Asset Finance Company) and is listed at Bombay Stock Exchange. ICL is primarily engaged in the business of providing funding for office equipment, medical equipment, plant & machinery, computer peripherals, etc, to small and medium enterprises as well as government, semi-government and private sector customers. These loans are given against hypothecation of the equipment/ machinery. Following weakness in asset quality Intec stopped fresh disbursements wef November 2016. Company's tangible net worth was Rs.54.54 crore and its total borrowings were Rs.108.84 crore as on March 31, 2019 leading to leverage of 2 times as on March 31, 2019. Company CAR was 29.14% as on March 31, 2019. The asset quality of the company is weak with Gross and Net NPAs at Rs.59.74% and 36.30% as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	60.25	29.15
PAT	(30.29)	(55.37)
Interest coverage (times)	0.02	(2.46)
Total Assets	393.27	305.74
Net NPA (%)	32.60%	36.30%
ROTA (%)	(5.72%)	(16.15%)

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	95.36	CARE D

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based-Long Term	LT	95.36	CARE D	-	1)CARE D (05-Sep-18)	1)CARE BB; Stable (18-Aug-17)	1)CARE BBB- (03-Oct-16)
2.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (18-Aug-17)	1)CARE A1+ (SO) (03-Oct-16)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (05-Sep-18)	1)CARE BB; Stable (18-Aug-17)	1)CARE BBB- (03-Oct-16)
4.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (18-Aug-17)	1)CARE A1+ (SO) (03-Oct-16)

**Note on complexity levels of the rated instrument:** 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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#### About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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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