Intec Capital Limited

August 18, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	309.15 *(reduced from* 603.81*)* (Rupees Three hundred nine crore and Fifteen lakh only)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB- (Triple B)
Non-Convertible Debentures (NCDs)	4.01 *(reduced from 30)* (Rupees Four crore and one lakh only)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB- (Triple B)
Commercial Paper (CP)	-	-	Withdrawn

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities and NCD issue of Intec Capital Limited (ICL) factors in the continued deterioration in the asset quality of the company. Furthermore, the financial performance in FY17 (refers to the period April 01 to March 31) is marked by consolidation in the operations resulting in significant decline in total income and profitability. The rating also factors in the company's exposure to small and medium enterprises which have relatively weaker credit and business risk profiles and ICL's moderately diversified asset book. The ratings however, derive strength from the company's long track record of operations, comfortable capital adequacy, diversified borrowing profile and adequate liquidity.

The ability of the company to re-establish the business growth while improving its asset quality, spreads and capital adequacy, would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Deterioration in asset quality: Gross NPA ratio and Net NPA ratio have deteriorated to 21.16% and 17.66% respectively as on March 31, 2017 vis-à-vis 11.00% and 9.01% respectively as on March 31, 2016. Also, Net NPA/ Net worth has deteriorated to 65.6% as on March 31, 2017 vis-à-vis 47.01% as on March 31, 2016. Further, despite the reduction in loan portfolio the Provision Coverage remained similar at 20.1% in FY17 (19.8% in FY16).

Decline in business and profitability parameters – The net loan portfolio declined by 23.5% to Rs. 520 crore as on March 31, 2017 vis-à-vis Rs. 679 crore as on March 31, 2016. The disbursements during FY17 declined by 80% y-o-y to Rs. 72 crore as against Rs. 358 crore in FY16 as a conscious business strategy to consolidate loan book. Total income was lower by 26% to Rs.97.48 crore in FY17 (Rs. 131.73 crore in FY16). The NIM decreased to 5.87% in FY17 from 7.26% in FY16, on account of lower AUM and the ROTA also decreased to 0.06% for FY17 from 0.86% in FY16.

Exposure to small and medium enterprises: ICL lends to SME sector which has high inherent risks and is more susceptible to downward trends in economic cycle. Given high inherent risk of the sector, performance of the advances is critical in determining the profitability and asset quality of the company in the future. Also, ICL lends at fixed interest rates whereas it borrows at floating interest rates. Therefore, the NII of ICL would be positively impacted in a decreasing interest rate scenario.

Key Rating Strengths

Experienced promoters and management- ICL has been operating in the SME equipment financing for last two decades. ICL was founded by Mr Sanjeev Goel (Managing Director), who has an experience of more than 25 years. Furthermore, the company has built relationships with over 72 machine vendors which help it to source business.

Comfortable capitalization and liquidity position- As on March 31, 2017, the CAR remains comfortable at 31.55% (22.99% as on March 31, 2016) as against minimum regulatory requirement of 15% as stipulated by RBI.

Diversified borrowing profile- As on March 31, 2017 total debt of the company stood at Rs.343.81 crore vis-à-vis Rs 501.88 crore, as on March 31, 2016 with the decrease in the scale of operations. ICL has a diverse borrowing profile with borrowings through term loans (42% of overall borrowings as on March 31, 2017), working capital loans (56%), NCD (1.75%) and unsecured loan from corporates (0.5%).

Analytical approach: Standalone

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE Methodology for Non Banking Financial Companies
Financial Sector –Financial Ratios

About the Company
Incorporated in February 1994, ICL (formerly known as Intec Securities Ltd) 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. ICL sources majority of its business through tie-ups with equipment sellers/ manufacturers. ICL's business has primarily been concentrated across Delhi/NCR. The operations are spread across 11 states and union territories.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total Income	131.73	97.48
PAT	6.43	0.37
Interest coverage (%)	1.15	1.03
Total Assets	728.59	564.15
Net NPA (%)	11.95	22.37
ROTA (%)	0.86	0.06

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

factors.

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	-	-	Q4FY18	309.15	CARE BB; Stable
Debentures-Non Convertible Debentures	FY13	12.50	Dec-17	4.01	CARE BB; Stable
Commercial Paper	-	-	-	20.00	Withdrawn

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-Long Term	LT	309.15	CARE BB; Stable	-	1)CARE BBB- (03-Oct-16)	1)CARE BBB (24-Dec-15)	1)CARE BBB+ (12-Aug-14)
2.	Commercial Paper	ST	-	-	-	1)CARE A1+ (SO) (03-Oct-16)	1)CARE A1+ (SO) (24-Dec-15)	1)CARE A1+ (SO) (12-Aug-14) 2)CARE A1+ (SO) (07-Jul-14)
3.	Debentures-Non Convertible Debentures	LT	4.01	CARE BB; Stable	-	1)CARE BBB- (03-Oct-16)	1)CARE BBB (24-Dec-15)	1)CARE BBB+ (24-Nov-14)
4.	Commercial Paper	ST	-	-	-	1)CARE A1+ (SO) (03-Oct-16)	1)CARE A1+ (SO) (24-Dec-15)	-

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