

Intec Capital Limited

September 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities (Fund Based)	153.35 (reduced from 309.15)	CARE D	Revised from CARE BB; Stable [Double B; Outlook: Stable]
Total Facilities	153.35 (Rs. One hundred fifty three crore and thirty five lacs only)		
Non-Convertible Debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has withdrawn the outstanding ratings of CARE BB; Stable [Double B Plus; Outlook: Stable] assigned to the Non-Convertible debentures of Intec Capital Limited with immediate effect, as the company repaid the aforementioned NCD issue in full and there is no amount outstanding under the issue as on date.

The revision in the rating assigned to the long term bank facilities of Intec Capital Limited takes into consideration the overdrawal in its cash credit (CC) facilities for a period exceeding 30 consecutive days.

Going forward, the ability of the company to regularize its CC borrowings within the drawing power limit along with an overall improvement in its liquidity profile would remain the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Intec's ongoing Overdrawal of the cash credit borrowings against the drawing power: The company's utilization of cash credit facilities was more than the drawing power for a period of exceeding 30 consecutive days.

Weak Asset Quality: Gross NPA ratio and Net NPA ratio of the company have deteriorated to 39.52% and 32.60% respectively as on March 31, 2018 vis-à-vis 21.16% and 17.66% respectively as on March 31, 2017. Also, Net NPA/Tangible Net Worth has deteriorated to 87.7% as on March 31, 2018 vis-à-vis 65.6% as on March 31, 2017.

Decline in business and profitability parameters: The net loan portfolio of the company has declined by 33.5% to Rs.346 crore as on March 31, 2018 vis-a-vis Rs.520 cr as on March 31, 2017. Total income of ICL was lower by 38.19% to Rs.60.25 crore in FY18 (Rs.97.48 crore in FY17). The company reported net losses of Rs.30.28 cr during FY18 and net losses of Rs.3.8 cr during Q1FY19.

Key Rating strengths

Experienced promoters and management: ICL was founded by Mr Sanjeev Goel, who is a Chartered Accountant and holds Master's Degree in International Finance from the University of Iowa. He has an experience of more than 25 years. Furthermore, ICL has been operating in the SME equipment financing for the last two decades.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

CARE Methodology for Non Banking Financial Companies

Financial Sector –Financial Ratios

Policy on Withdrawal of ratings

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,

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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.137.62 crore as on March 31, 2018 and its total borrowings were Rs.202.17 crore leading to leverage of 1.47 times as on March 31, 2018. Company CAR and Tier 1 capital was 37.64% and 37.24% respectively as on March 31, 2018. Company's Gross and Net NPAs were Rs.39.52% and 32.60% as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	97.48	60.25
PAT	0.37	-30.28
Interest coverage (times)	1.03	0.02
Total Assets	564.15	393.27
Net NPA (%)	17.66%	32.60%
ROTA (%)	0.06%	-5.72%

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

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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.

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	-	-	-	153.35	CARE D
Debentures-Non Convertible Debentures	December 04, 2014	12.50% p.a	04 Dec 2017	0.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based-Long Term	LT	153.35	CARE D	-	1)CARE BB; Stable (18-Aug-17)	1)CARE BBB- (03-Oct-16)	1)CARE BBB (24-Dec-15)
2.	Commercial Paper	ST	-	-	-	1)Withdrawn (18-Aug-17)	1)CARE A1+ (SO) (03-Oct-16)	1)CARE A1+ (SO) (24-Dec-15)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE BB; Stable (18-Aug-17)	1)CARE BBB- (03-Oct-16)	1)CARE BBB (24-Dec-15)
4.	Commercial Paper	ST	-	-	-	1)Withdrawn (18-Aug-17)	1)CARE A1+ (SO) (03-Oct-16)	1)CARE A1+ (SO) (24-Dec-15)

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