

ICL / CMPL / 2017-18 / 18th November, 2017 / 163

To,

The General Manager  
 Department of Corporate Affairs  
**BSE Limited**  
 Phiroze Jeejeebhoy Towers, Dalal Street,  
 Mumbai – 400 001

Scrip Code: 526871

Subject: Revision in Credit Ratings on the basis of Annual Audited Accounts for the Financial Year ended 31st March, 2017

Dear Sir,

We are to write this letter to provide the information of Ratings / revision in Credit Ratings by CARE Ratings, India's 2<sup>nd</sup> Largest Rating Agency incorporated in India as "Credit Analysis & Research Limited" in terms of Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR, 2015") namely:-

- Regulation 51(2) and other applicable regulation read with Point no. 7 of "A" of PART B of Schedule-III of SEBI LODR, 2015
- Regulation 30 and other applicable regulation read with Point No. 3 of "A" of PART A of Schedule-III of SEBI LODR, 2015

*The revision in ratings done by CARE during Financial Year 2017-18 for Long terms Bank Facilities, Non-Convertible Debentures is as follows.*

CARE Ratings			
Facilities	Amount (Rs. In Crore)	Ratings	Remarks
Non-Convertible Debentures	4.01 (Reduced from 30) (Rupees Four Crore and One Lakh only)	CARE BB; Stable (Double B; Outlook: Stable) as per letter dated 18 <sup>th</sup> August, 2017	Revised from CARE BBB-[Triple B]
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) as per letter dated 18 <sup>th</sup> August, 2017	Revised from CARE BBB-[Triple B]
Commercial Paper (CP)	Commercial Papers (CP) has been redeemed, Hence, Credit rating is N.A.		



<p>Pursuant to</p> <ul style="list-style-type: none"> <li>Para 3 of Annexure – I of SEBI Circular No. CIR/CFD/CMD/4/2015 dated September 09, 2015 on <b><u>“Continuous Disclosure Requirements for Listed Entities - Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015”</u></b></li> <li>Read with regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.</li> </ul>	<p>The reasons of downward rating of INTEC by CARE rating Agency are as follows:</p> <p>The revision in the ratings assigned to the Bank facilities and the 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.</p>
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Please take the same in record.

Thanks

For Intec Capital Limited

Puneet Sehgal  
Company Secretary  
ACS-12557



Encl: Rating of CARE

INTEC CAPITAL LTD.

CIN: L74899DL1994PLC057410

Regd Off: 701, Manjusha Building, 57 Nehru Place, New Delhi - 110019. T +91-11-4652 2200/300 F +91-11-4652 2333  
[www.inteccapital.com](http://www.inteccapital.com)

No. CARE/DRO/RL/2017-18/1799

Mr Sanjeev Goel  
Managing Director  
Intec Capital Limited  
701-704, Manjusha Building,  
57, Nehru Place, New Delhi - 110019

August 18, 2017

Confidential

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY17 and Q1FY18, our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long term Bank Facilities	309.15 (reduced from 603.81)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB- (Triple B)
<b>Total</b>	<b>309.15</b> (Rupees Three hundred nine crore and Fifteen lakh only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 16, 2017, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

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

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**CARE Ratings Limited**  
(Formerly known as Credit Analysis & Research Limited)

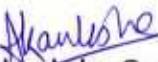
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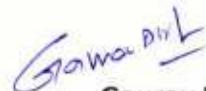
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

  
**Akanksha Gupta**  
 [Deputy Manager]  
[akanksha.gupta@careratings.com](mailto:akanksha.gupta@careratings.com)

  
**Gaurav Dixit**  
 [Deputy General Manager]  
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Encl.: As above

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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**  
**Intec Capital Limited**  
**Details of Rated Facilities**

**1. Long-term facilities**

**1. A. Secured rupee term loans**

Banker	Type of facility	Rated Amount (Rs crore)	Remarks
State Bank of India & Associates	Term Loan	25.85	Outstanding
Bank of India	Term Loan	15.83	Outstanding
Vijaya Bank	Term Loan	2.17	Outstanding
SIDBI	Term Loan	13.59	Outstanding
Dhanlaxmi Bank	Term Loan	20.77	Outstanding
United Bank of India	Term Loan	22.19	Outstanding
Karnataka Bank	Term Loan	5.00	Outstanding
Tamilnad Mercantile Bank	Term Loan	3.75	Outstanding
<b>Total</b>		<b>109.15</b>	

**1. B. Fund Based limits**

(Rs. crore)

S. No	Name of Bank	Fund Based Limits		
		Cash Credit	Others	Total fund-based limits
1.	Punjab National Bank	34.00	-	34.00
2.	State Bank of India & Associates	34.00	-	34.00
3.	Bank of India	40.00	-	40.00
4.	Bank of Maharashtra	23.50	-	23.50
5.	Oriental Bank of Commerce	13.50	-	13.50
6.	Central Bank of India	22.50	-	22.50
7.	The South Indian Bank	7.50	-	7.50
8.	Indian Overseas Bank	25.00	-	25.00
	<b>Total</b>	<b>200.00</b>	<b>-</b>	<b>200.00</b>

\*CC=Cash credit; LC=Letter of credit; BG=Bank guarantee

**Total long-term facilities as (1.A.+1.B.): Rs. 309.15 crore**

**Annexure 2**  
**Press Release**  
**Intec Capital Limited**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>2</sup>	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.

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

### 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

#### 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](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.

**Analyst Contact:**

Name: Mr Gaurav Dixit  
 Tel: 011 – 4533 3235  
 Mobile: +91 97170 70079  
 Email: [gaurav.dixit@careratings.com](mailto:gaurav.dixit@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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	-	-	Q4FY18	309.15	CARE BB; Stable
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)
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)	-