

CARE/DRO/RL/2018-19/2174

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

September 04, 2018

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY18 (audited) and Q1FY19 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	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)
<b>Total</b>	<b>153.35</b> <b>(Rs. One hundred fifty three crore and thirty five lacs only)</b>		

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

<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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case, if we do not hear from you by September 05, 2018 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.
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,





Jyoti Rautela  
[Analyst]  
[jyoti.rautela@careratings.com](mailto:jyoti.rautela@careratings.com)



Puneet Maheshwari  
[AGM]  
[p.maheshwari@careratings.com](mailto:p.maheshwari@careratings.com)

Encl.: As above

**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.

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13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.  
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • [www.careratings.com](http://www.careratings.com) • CIN-L67190MH1993PLC071691

**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term facilities**

**1.A Term Loans**

Banker	Type of facility	Rated Amount (Rs crore)	Remarks
State Bank of India & Associates	Term Loan	7.19	Outstanding
Bank of India	Term Loan	10.00	Outstanding
SIDBI	Term Loan	4.26	Outstanding
Dhanlaxmi Bank	Term Loan	11.00	Outstanding
United Bank of India	Term Loan	13.75	Outstanding
Karnataka Bank	Term Loan	2.33	Outstanding
Tamilnadu Mercantile Bank	Term Loan	1.04	Outstanding
<b>Total</b>		<b>49.57</b>	

**1.B. Fund Based limits as at August 30, 2018 (Rs. crore)**

S. No	Name of Bank	Fund Based Limits		
		Cash Credit	Others	Total fund-based limits
1.	Punjab National Bank	17.64	-	17.64
2.	State Bank of India & Associates	18.13	-	18.13
3.	Bank of India	21.62	-	21.62
4.	Bank of Maharashtra	10.84	-	10.84
5.	Oriental Bank of Commerce	6.90	-	6.90
6.	Central Bank of India	11.77	-	11.77
7.	The South Indian Bank	3.76	-	3.76
8.	Indian Overseas Bank	13.11	-	13.11
	<b>Total</b>	<b>103.78</b>	-	<b>103.78</b>

**Total long-term facilities as at August 30, 2018 Rs.153.35crore**

**Annexure**  
**Intec Capital Limited**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>2</sup>	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]
<b>Total Facilities</b>	<b>153.35 (Rs. One hundred fifty three crore and thirty five lacs only)</b>		
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

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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, 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](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 Puneet Maheshwari  
Tel: 011 – 4533 3251  
Mobile: +91 9871799127  
Email: [p.maheshwari@careratings.com](mailto:p.maheshwari@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.

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**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)

**CARE/DRO/RR/2018-19/1576**

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

October 08, 2018

Dear Sir,

**Credit rating of Bank facilities and NCDs**

Please refer to our letter dated September 04, 2018 on the above subject.

2. The rationale for the ratings is attached as an **Annexure-I**.
3. 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 October 09, 2018, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



[Jyoti Rautela]  
Analyst  
[jyoti.rautela@careratings.com](mailto:jyoti.rautela@careratings.com)



[Puneet Maheshwari]  
Associate Director  
[p.maheshwari@careratings.com](mailto:p.maheshwari@careratings.com)

Encl.: As above

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**Rating Rationale**  
**Intec Capital Limited**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
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Total Facilities	<b>153.35</b> <b>(Rs. One hundred fifty three crore and thirty five lacs only)</b>		
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*Details of instruments/facilities in Annexure-1*

**Rating Rationale**

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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.

**Background**

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

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hypothection 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.

### **Credit Risk Assessment**

#### **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.

### ***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.

## Financials:

(Rs. Cr)

As on / Year ended March 31	2016	2017	2018
	(12m, A)	(12m, A)	(12m, A)
<b>Working Results</b>			
Interest Income	120.30	91.08	50.57
Other income	11.43	6.39	9.67
<b>Total Income</b>	<b>131.73</b>	<b>97.48</b>	<b>60.25</b>
Operating Expenses	39.35	24.99	20.13
<b>Total Provision / Write offs</b>	<b>13.63</b>	<b>15.80</b>	<b>38.96</b>
Depreciation	0.91	0.70	0.53
Interest and Financial Expenses	67.89	54.60	34.32
<b>PBT</b>	<b>9.95</b>	<b>1.38</b>	<b>-33.69</b>
<b>PAT</b>	<b>6.43</b>	<b>0.37</b>	<b>-30.29</b>
<b>Financial Position</b>			
Tangible Net worth	167.71	167.69	137.62
Total Borrowings	501.88	343.81	202.17
Total Loan Portfolio	679.07	519.52	345.72
Total Assets	728.59	564.15	393.27
<b>Key Ratios (%)</b>			
<b>Solvency</b>			
Overall Gearing (times)	2.99	2.05	1.47
Capital Adequacy Ratio (CAR) (%)	22.99	31.55	37.64
Tier I CAR (%)	22.62	31.02	37.24
Interest Coverage (times)	1.15	1.03	0.02
<b>Profitability</b>			
Net Interest Margin	7.26%	5.87%	3.27%
Return on Total Assets (ROTA)	0.86%	0.06%	-5.72%
Operating expenses to Average Total Assets	5.41%	3.98%	3.90%
<b>Asset Quality</b>			
Gross NPA Ratio	11.00%	21.16%	39.52%
Net NPA Ratio	9.01%	17.66%	32.60%
Net NPA to Net worth (%)	47.01%	65.60%	87.66%

A: Audited

Note: Ratios have been computed based on average of annual opening and closing balances

NIM has been calculated as net interest income/ average annual total assets

## Details of Rated Facilities

### 1. Long-term facilities

#### 1.A Term Loans

Banker	Type of facility	Rated Amount (Rs crore)	Remarks
State Bank of India & Associates	Term Loan	7.19	Outstanding
Bank of India	Term Loan	10.00	Outstanding
SIDBI	Term Loan	4.26	Outstanding
Dhanlaxmi Bank	Term Loan	11.00	Outstanding
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Karnataka Bank	Term Loan	2.33	Outstanding
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<b>Total</b>		<b>49.57</b>	

#### 1.B. Fund Based limits as at August 30, 2018 (Rs. crore)

S. No	Name of Bank	Fund Based Limits		
		Cash Credit	Others	Total fund-based limits
1.	Punjab National Bank	17.64	-	17.64
2.	State Bank of India & Associates	18.13	-	18.13
3.	Bank of India	21.62	-	21.62
4.	Bank of Maharashtra	10.84	-	10.84
5.	Oriental Bank of Commerce	6.90	-	6.90
6.	Central Bank of India	11.77	-	11.77
7.	The South Indian Bank	3.76	-	3.76
8.	Indian Overseas Bank	13.11	-	13.11
	<b>Total</b>	<b>103.78</b>	-	<b>103.78</b>

**Total long-term facilities as at August 30, 2018 Rs.153.35 crore**

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