



## Press Release

### Enn Enn Capital Pvt Ltd

January 22, 2021

#### Ratings

Facilities	Amount (INR crore)	Current Ratings*	Previous Ratings*	Rating Action
(Proposed) Long Term Bank Facility – Fund Based – Term Loan	85.00	Provisional IVR BBB [CE] / Stable (IVR Triple B [Credit Enhancement] with Stable Outlook	IVR BBB+ [CE] / Stable (IVR Triple B Plus [Credit Enhancement] with Stable Outlook	<b>Revised</b>
<b>Total</b>	<b>85.00 (Eighty Five Crore) (Reduced from INR100.00 crore)</b>			

*\*CE Rating based on proposed unconditional and irrevocable corporate guarantee of Enn Enn Corp Limited (Rated IVR BBB/Stable Outlook)*

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The aforesaid rating assigned to the proposed bank facility of the entity derives comfort from their experienced promoters and moderate credit profile of guarantor. However, decline in profitability and expected deterioration in asset profile, short track record with relatively small loan portfolio with high proportion of unsecured loans are the rating constraints.

The rating of the instrument is based on the proposed unconditional and irrevocable corporate guarantee of Enn Enn Corp Limited extended to the proposed bank facilities of Enn Enn Capital Pvt Ltd resulting in an enhancement in the rating of the said instrument to **Provisional IVR BBB [CE]/ Stable Outlook (Provisional IVR Triple B [Credit Enhancement] with Stable Outlook)** against the unsupported rating of **IVR BB+/Stable (IVR Double B Plus with Stable Outlook)**.



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### **Key Rating Sensitivities**

#### **Upward factors:**

- Improvement in profitability with substantial increase in loan portfolio

#### **Downward factors:**

- Decline in credit profile of guarantor
- Deterioration in asset quality and decline in interest income

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced Board of Directors**

The company is promoted by Mr. Naresh Nemchand Shah and his family. Mr. Naresh Nemchand Shah is the Managing Director of the company. Mr. Abhishek Nareshkumar Shah, Mr. Varun Sunil Dalal, Mr. Jignesh Mukul Yagnik and Mr. Madhavsingh Kishorsingh Rathore are Directors of the company. Mr. Naresh Nemchand Shah has Investor & Real estate Developer experience of more than 3 decades. Experienced management has helped the company to maintain healthy and long standing relations with the customers and suppliers. They are actively involved in the overall operations and day to day affairs of the company.

##### **Moderate credit profile of guarantor**

Enn Enn Corp Ltd is a very well-known company in the state of Gujarat. The Company is rated as **IVR BBB with stable outlook** indicating to have moderate degree of safety regarding timely servicing of financial obligations. As a developer Enn Enn Corp does not have a presence in any market other than in Gujarat, which hampers their cash flow generating capability from that particular segment. But they have diversified into other segments – Renewable Power generation, Lease rental; the earnings from renewable power generation accounts to over 20 crores (more than 15% of the total revenues) and is expected to grow. The company has renewed their lease rental agreements with existing clients; the company has big name lessees such as Vodafone, HSBC, Samsung Electronics amongst others as tenants and with an added escalation clause which will come into effect in FY21, the cash flows are expected to remain stable.



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### **Key Rating Weaknesses**

#### **Decline in profitability and expected deterioration in asset profile**

The company has seen a decline in interest income by 14.9% from INR28.40 crore in FY19 to INR24.10 crore in FY20. The credit extended by the NBFCs have fallen substantially as the sector is following a prudent approach to decrease bad loans which have been on the rise. The company has repaid their term loans from AU Small Finance Bank in full which has seen their total debt decline from INR192.80 crore in FY19 to INR105.40 crore in FY20 leading to an improvement in gearing ratio from 3.0x in FY19 to 1.6x in FY20.

#### **Short track record with relatively small loan portfolio with high proportion of unsecured loans**

Enn Enn Capital Pvt. Ltd began operations only in 2017 and has completed only two full financial years. Thus, the track record is limited. The loan portfolio of the company has declined from INR254.96 crore in FY19 to INR172.88 crore in FY20. In FY20 the company has classified loan assets amounting to INR35.73 crore as sub-standard in FY20. Off the total long term loans amounting to INR139.31 crore in FY20, the company has 63.27% of the loans amounting to INR88.15 crore are unsecured.

**Analytical Approach:** Standalone

### **Applicable Criteria**

Rating Methodology for Non-Banking Finance Companies

Rating Methodology for Structured Debt Transactions (Non-securitization Transaction)

Financial Ratios and Interpretation (Financial Sector)

### **Liquidity – Stretched**

The liquidity of the company is stretched due to decline in profitability majorly due to the creation of provisions and decrease in interest income. The company has seen their cash balances decline from INR2.32 crore in FY19 to INR0.12 crore in FY20.



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### About the company

Enn Enn Capital Pvt. Ltd. (erstwhile known as Enn Enn Fincap India Pvt Ltd) was originally incorporated in year 1985. Enn Enn Fincap India Pvt Ltd was renamed as Enn Enn Capital Pvt Ltd in the financial year 2020. Enn Enn Capital Pvt Ltd started business from South Gujarat region and more specifically from Surat, however geographical diversification has begun with sourcing of cases from 4 major locations in Gujarat (Surat, Vadodara, Ahmedabad and Rajkot) and Mumbai.

### Financials (Standalone)\*:

(INR crore)

For the year ended/ As On	31-03-18 (Audited)	31-03-19 (Audited)	31-03-20 (Audited)
Total Operating Income	5.20	28.40	24.10
PAT	0.10	7.20	1.40
Tangible Net Worth	15.20	63.50	65.00
Total Assets	100.90	254.60	172.50
ROTA (in %)	0.12	4.20	2.30
Interest Coverage Ratio (times)	1.04	1.60	1.10

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

### Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR as on 18.07.19)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	(Proposed) Long Term Fund Based Facility – Term Loan	Long Term	85.00	Provisional IVR BBB [CE] / Stable Outlook	IVR BBB+ [CE] / Stable Outlook	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
(Proposed) Long Term Fund Based Facility – Term Loan	NA	NA	NA	85.00	Provisional IVR BBB [CE] / Stable Outlook