



## Press Release

**Enn Enn Corp Ltd**

**December 21, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	160.91 (reduced from INR200.00 crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	<b>Rating Revised</b>
2.	Long Term Bank Facility – Fund Based – Term Loan	92.54	IVR BBB/Stable (IVR Triple B with Stable Outlook)	<b>Assigned</b>
3.	Short Term Facility – Non Fund Based – Overdraft	6.00	IVR A3+ (IVR A Three Plus)	<b>Assigned</b>
	<b>Total</b>	<b>259.45</b>		

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

### ***Detailed Rationale***

The revision in ratings is on account of decline in total income which has resulted in decline in PAT, along with high working capital cycle and stretched liquidity.

The aforesaid rating revision to the bank facilities of the entity derives comfort from the company's established presence and reputed clientele along with diversity in cash flows. However, a decline in profitability and liquidity along with a leveraged capital structure and customer concentration risk are the rating constraints.

### ***Key Rating Sensitivities***

#### ***Upward factors:***

- Sustained lease rental incomes from existing and new tenants
- Maintaining profitability and timely servicing of debt

#### ***Downward factors:***

- Weakening of liquidity due to decrease in rental income



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

#### **Key Rating Strengths**

##### ***Established presence and reputed clientele***

Enn Enn Corp Ltd is a very well-known company in the state of Gujarat, originating in 1990 guided by Mr. Naresh Nemchand Shah. They have an esteemed list of clients including Samsung Electronics, HSBC, Ericsson Global, Vodafone, ITC Infotech, Standard Chartered Bank, Toshiba and Tata Consultancy Services among others are their top clients in the leasing business. In the renewable power generation industry, clients include Maharashtra State Electricity Distribution Company (MSEDCL), Gujarat Urja Vikas Nigam and other prominent DISCOMs.

##### ***Diversity of cash flows***

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 and with an added escalation clause which will come into effect in FY21, the cash flows are expected to remain stable.

#### **Key Rating Weaknesses**

##### ***Decline in profitability and liquidity along with a leveraged capital structure***

The company has seen a y-o-y declining trend in top line revenues with their top line declining by 24.17% from INR128.78 crore in FY19 to INR97.65 crore in FY20. The EBITDA in absolute terms has declined from INR85.09 crore in FY19 to INR76.09 crore in FY20, PAT has also declined from INR17.87 crore in FY19 to INR10.22 crore in FY20. The decline in total operating income is due to decline sales of residential real estate segment, the company has sold off their real estate projects undertaken in Surat, and hence there is a decline in revenue from the sale of flats. The revenues from sale of energy have been range bound within INR25.00 crore to INR30.00 crore (including income from Renewable Energy Certificates (REC)) during the past three fiscal years. The company's rental incomes have been dwindling



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over the past three fiscals and has only dipped marginally from INR70.52 crore in FY19 to INR 68.37 crore in FY20. The liquidity of the company has weakened due to reduced profitability in FY20. The gross cash accruals of the company has declined from INR27.70 crore in FY19 to INR24.68 crore in FY20. The company saw a minor reduction in their total debt from INR740.64 crore in FY19 to INR634.79 crore in FY20 largely due to the reduction in unsecured loans from directors which has reduced from INR142.16 crore in FY19 to INR83.19 crore in FY20 which has led to a minor improvement in the overall gearing ratio from 3.14x in FY19 to 2.56x in FY20. The weakening of the profitability indicators has had an impact on the company's Interest Coverage ratio as it has declined from 1.23x in FY19 to 1.19x in FY20. The TOL/TNW stands at 2.98x in FY20. Out of the total debt amounting to INR634.79 crore in FY20, INR437.25 crore of debt outstanding pertains to the LRD loans from other banks, the management have stated that these loans do not have much surplus/cash flow cover post debt payment obligations, as the company has big name lessees such as Vodafone, HSBC, Samsung Electronics amongst others as tenants; the management does not expect any delays in rental cash flows.

### ***Customer concentration risk***

The major concern for Enn Enn Corp in real estate is that its customers and base of operations are only confined to a single state, eventually there will come a time when they will have to expand their horizons to increase their profitability. They face the same issue in terms of providing power services to DISCOMS, as the latter are saddled with large amounts of debts due to selling power at low costs, poor billing and collections hence impeding their ability to make timely payment to the power generators.

### **Analytical Approach: Standalone**

### **Applicable Criteria**

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-financial Sector)



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### Liquidity - Stretched

The liquidity is stretched, although the company has a strong current ratio of 2.20x and quick ratio of 1.92x; the company has gross cash accruals amounting to INR24.68 crore and cash and bank balances amounting to INR16.41 crore at the end of FY20 as opposed to cash outflows in the form of short-term debt obligations amounting to INR110.47 crore which includes the immediate interest payments and the current portion of long term debt. The company has been relying on unsecured loans from directors to help pay off their short term obligations.

### About the company

Enn Enn Corp Ltd (formerly Abhishek Group of Companies) is a conglomerate that was incorporated in the year 1990 by Mr. Naresh Nemchand Shah. The company started with the acquisition of land and subsequently moved into real estate development, exports, carbon free power generation, asset leasing and lending. They have also ventured into the renewable energy production business. They have built around 28 windmills that produce carbon-free power with a capacity of 47.15 Mega Watts of clean and green energy for the states of Gujarat, Maharashtra, Rajasthan and Karnataka; Another business space they have ventured into is lease renting.

### Financials (Standalone)\*:

(INR crore)

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-20 (Audited)
Total Operating Income	209.01	128.78	97.65
EBITDA	89.78	85.09	76.09
PAT	24.28	17.87	10.22
Total Debt	525.63	740.63	634.79
Tangible Net-worth	240.94	236.01	248.23
<b>Ratios</b>			
EBITDA Margin (%)	42.96	66.08	77.92
PAT Margin (%)	11.25	12.36	9.02
Overall Gearing Ratio (x)	2.18	3.14	2.56

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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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 dated July 15, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	160.91 (reduced from INR200.00 crore)	IVR BBB/ Stable Outlook	IVR BBB+/ Stable Outlook	--	--
2.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	92.54	IVR BBB/ Stable Outlook	-	--	--
3.	Short Term Facility – Non Fund Based – Overdraft	Short Term	6.00	IVR A3+	-	--	--

**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
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2029	160.91 (reduced from INR200.00 crore)	IVR BBB/ Stable Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA		92.54	IVR BBB/ Stable Outlook
Short Term Facility – Non Fund Based – Overdraft	NA	NA	Up to 1 year	6.00	IVR A3+