

Press Release**Enn Enn Corp Limited****July 15, 2019****Rating**

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits	200.00	IVR BBB+ / Stable Outlook (IVR Triple B Plus with Stable Outlook)
	Total	200.00	

Details of Facilities are in Annexure I**Detailed Rationale**

The aforesaid rating derives comfort from the entity's esteemed reputation and clientele, increasing profitability, diversity of cash flows from ventures in renewable power generation, lease rental and commercial and residential real estate and financial liquidity. However, the rating is constrained by market risk involved in on-going projects, risks arising out of customer concentration and risk of operations arising out of delays in project execution and red tapism faced by the developers while registering their project under RERA. Growth in scale of operations, maintaining profitability, project implementation risk and sharp changes in leverage are the key rating sensitivities.

Detailed Description of the Key Rating Drivers**Key Rating Strengths*****Esteemed reputation 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 and Tata Consultancy Services who 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.

Increase in profitability

The company's topline for FY18 was Rs.210.71 crore, substantially up from Rs.125.12 crore in FY17, an increase of 68%. This was largely due to the sale of flats (especially Ashwin Mehta Park – the sales proceeds of which amounted to Rs.21 Crore), income from lease rentals and wind mill power supply contracts. This has led to an increase in the company's operating margins.

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.

Financial Liquidity

The firm has liquid assets that can be converted into cash in a short span of time amounting to Rs. 103 crores, they also have a land bank which is worth Rs. 1000 crores (even though land is not considered as liquid when compared to other assets, it can provide financial flexibility by helping the company raise debt against it) and they have cash balances of 22 crores.

Key Rating Weaknesses

Market Risk in ongoing projects

The Indian Real Estate sector has seen a stagnation in recent years, the introduction of RERA and tightening norms in the sector have increased the turnaround time for projects. Gone are the days when advance payments from buyers and investors were enough, sources of funding from private equity investors and banks have dried up, inventories are stocking up as builders say the paperwork itself is taking 50-60 days to complete for permission to start a project.

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.

Risk of operations

The value of a project is measured by the ability of the entity to complete any project in a timely manner and with all committed specifications. Any delays in project execution can have a negative impact on collections from customers and saleability of projects, which can lead to low funding ability which would lead to further constraints in the execution process. And with stringent norms that govern today's real estate sector, the completion time of projects have gone up as the developers have to go through levels of screening procedures for a single project. A long list of compliance procedures that require builders to provide detailed information about a project they want to launch, land records and allied permits have slowed down the application process which subsequently trickles down to the time taken to complete a project.

Analytical Approach & Applicable Criteria

Standalone approach

Rating methodology for Infrastructure companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.19.68 Crore. The company does not have any short term bank limits. It is characterised by above unity current ratio.

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:

(Rs. crore)

For the year ended/ As On	31-03-2017	31-03-2018
	(Audited)	(Audited)
Total Operating Income	125.12	210.71
EBITDA	64.73	91.48
PAT	8.43	24.28
Total Debt	368.27	525.63
Tangible Networth	258.98	243.42
<u>Ratios</u>		
EBITDA Margin (%)	51.74	43.42
PAT Margin (%)	6.63	11.25
Overall Gearing Ratio (x)	1.42	2.16

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Debt – Term Loan	Long Term	200.00	IVR BBB+ / 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.

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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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Debt – Term Loan	--	--	--	200.00	IVR BBB+/Stable Outlook