



Press Release

Enn Enn Corp Limited

May 25, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – Term Loan	435.88 (Reduced from Rs. 444.16 crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facilities – Bank Overdraft	15.75	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	451.63 (Rupees Four Hundred and Fifty-One Crore And Sixty Three Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings reaffirmation to the bank facilities of Enn Enn Corp Limited take into account its established presence and reputed clientele, diversity of cash flows and moderate financial risk profile of the company during FY22. These are partially offset by its customer concentration risk, renewal risk of Master Lease Agreements and exposure to risks relating to cyclicity in real estate industry.

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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List of 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 ISON BPO India Pvt Ltd, Standard Chartered Bank, Vodafone Idea Ltd, Toshibha Software India Pvt Ltd, Bajaj FinServ Direct Ltd etc., 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.

Diversity of cash flows

As a developer, Enn Enn Corp has presence in Gujarat and Maharashtra which hampers their cash flow generating capability from that particular segment. However, the company has diversified into other segments – Renewable Power generation, Lease rental; the earnings from renewable power generation accounts to over 15 Cr. (approximately 24% of the total revenues) and is expected to grow given the renewal of contracts with DISCOMs. The lease rental income accounts to 46% of the total revenue.

Moderate financial risk profile

The company witnessed a decline in revenue by 16% and stood at Rs. 85.39 Cr. in FY22 as against Rs. 107.20 Crore in previous year. The decline in revenue is on account of decline in lease rental from property in Hi-tech city located in Hyderabad which was sold during the year. Further, EBITDA in absolute terms has declined from Rs. 64.64 Cr. in FY21 to Rs. 56.86 Cr. in FY22. The PAT improved from Rs. 16.39 Cr. in FY21 to Rs. 94.60 Cr. in FY22 as a result of profit on sale of property of Rs.79.69 crore. Similarly, PAT margin improved and stood at 90.91% in FY22 as against 13.20% in FY21. The interest coverage ratio slightly improved to 1.19x in FY22 from that of 1.15x in FY21 as a result of reduced finance costs.

The overall gearing ratio improved to 1.42x and TOL/TNW stood at 1.57x as compared to 2.47x and 2.81x respectively in FY2021. The improvement is on account of reduction in long term borrowings and improvement in networth from accretion of profits. The company also has unsecured loans from directors and these loans have been treated as unsubordinated to bank debt as such unsecured loans are interest bearing and the company has paid interest on it.



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Key Rating Weaknesses

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 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.

Renewal risk of Master Lease Agreements

Renewal risk arises from the fact that the master lease agreements have been entered with different parties for various tenors ranging from 5 to 10 years. Majorly, the lease rent is being enhanced every 1-3 years at the rate of ~5% to 15% over the last paid lease rent.

Exposure to risks relating to cyclicity in real estate industry

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of ABL. ABL will remain susceptible to the inherent cyclicity in the real estate sector.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity – Adequate

The liquidity is adequate, as reflected from its current ratio of 2.71x and quick ratio of 2.62x; the company has gross cash accruals amounting to Rs. 22.01 Cr. and cash and bank balances amounting to Rs. 56.59 Cr. at the end of FY22 as opposed to cash outflows in the form of short-term debt obligations amounting to Rs. 37.17 Cr. which includes the immediate interest



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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. The company's key business segments comprise of the following: Sale of Residential Real Estate, Commercial Lease Rentals and Sale of Energy by Power Generation through Windmills

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	107.20	85.39
EBITDA	64.64	56.86
PAT	16.39	94.60
Total Debt	652.96	509.07
Tangible Net worth	264.62	359.22
EBITDA Margin (%)	60.30	66.59
PAT Margin (%)	13.20	90.91
Overall Gearing Ratio (times)	2.47	1.42

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA:

Name of CRA: India Ratings and Research

Last PR date: 28th July 2022

Reason for INC: Issuer did not co-operate.

Any other information: None



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Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20
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1.	Long term Bank Facilities	Long Term	435.88 (Reduced from Rs. 444.16 crore)	IVR BBB / Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB+ / Stable
2.	Short term Bank Facilities	Short Term	15.75	IVR A3+	IVR A3+	IVR A3+	–

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com



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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
Term Loan	—	—	Aug-2034		IVR BBB / Stable
Term Loan	—	—	Dec-2036		IVR BBB / Stable
Term Loan	—	—	March 2035		IVR BBB / Stable
Term Loan	—	—	Jan-2031		IVR BBB / Stable
Term Loan	—	—	Feb-2036		IVR BBB / Stable
Term Loan	—	—	June-2025		IVR BBB / Stable
Term Loan	—	—	Sept-2024		IVR BBB / Stable
Term Loan	—	—	Jan-2028		IVR BBB / Stable
Term Loan	—	—	Jun-2031		IVR BBB / Stable
Term Loan	—	—	Nov-2024		IVR BBB / Stable
Term Loan	—	—	Dec - 2025		IVR BBB / Stable
Term Loan	—	—	Dec - 2025		IVR BBB / Stable
Term Loan	—	—	July - 2033		IVR BBB / Stable
Overdraft	—	—	Revolving		IVR A3+
Overdraft	—	—	Revolving		IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-EnnEnn-may23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Available

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.