



Press Release

Enbee Trade and Finance Limited

September 26, 2023

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	10.00 (includes proposed facility of Rs. 10 crore)	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Total	10.00 (Rs. Ten crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Enbee Trade and Finance Limited (ETFL) derives comfort from its experienced and professional management team with adequate systems and processes, satisfactory capital adequacy ratio, continuous growth in operation and Infusion of capital by promotor. These rating strengths are partially offset by monoline nature of operations; relatively risky target segment, small scale of operations and leveraged capital structure, thin profitability and limited geographical presence.

Rating Sensitivities

Upward factors

- Improvement in scale of operations and asset under management with increase in geographical reach
- Diversification in resource profile
- Improvement in profitability by maintaining the credit costs and operating overheads on a sustainable basis, as the operations expand

Downward Factors

- Moderation in scale of operations with sharp decline in asset under management and moderation in profitability
- Moderation in the capital structure with deterioration in CAR
- Weakening of the profitability profile on account of higher operating overheads and higher credit costs
- Deterioration in the asset quality

Detailed Description of Key Rating Drivers



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Key Rating Strengths

- **Experienced and professional management team with adequate systems and processes**

ETFL is managed by a four-directors board headed by Mr. Amarr Narendra Galla (Managing Director). All the directors are well versed with the intricacies of the business operation of NBFCs. The day-to-day affairs is handled by Mr. Amarr Narendra Galla along with other KMPs, having adequate experience in the related sectors. ETFL has installed good tracking and MIS systems, which are adequate to support future growth expansion. Further, the company has installed monitoring systems to ensure credit bureau checks and loan utilisation checks being conducted in all cases. This enabled the company to report good asset quality.

- **Satisfactory capital adequacy ratio**

ETFL has maintained a healthy capital adequacy ratio (CAR) over the years, which has ended at 99.61% as on March 31, 2023, which is comfortably above statutory limit of 12% to 15%. In Infomerics's opinion, ETFL would require additional capital to grow at the envisaged pace while maintaining prudent capitalisation levels.

- **Continuous Growth in operation**

Though the company is still dependent on one branch in a single geographical area, Mumbai, but able to increase its number of borrowers proportionately during last three financial year ending in FY23, resulted in increase in AUM over the years at a CAGR of ~82% to Rs.35.49 crore as on March 31, 2023.

- **Infusion of capital by promotor**

Over last three years ending in FY23, the promoter and associates had infused an unsubordinated unsecured loan of Rs.24.90 crore in total. Out of the same, the company has issued right issue and converted into equity during of Rs.15.40 crore during June 2023 and balance Rs.9.50 crore will remain as unsecured loan. This apart, the promoters is proposed to infuse a fresh equity capital of Rs.3.60 crore during FY24.

Key Rating Weaknesses

- **Monoline nature of operations; relatively risky target segment**



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As the new management took over the business in 2015 and majority operation has been started from FY21, the company suffers from lower seasoning of its loan portfolio. Further, ETFL product diversification remains low being concentrated only in the small personal and MSME loans. Further, unsecured lending to the individual borrower profile and the political & operational risks associated with the lending may result in high volatility in the asset quality indicators. ETFL's ability to maintain the asset quality indicators through economic cycles remains a key rating monitorable.

- **Small scale of operations and leveraged capital structure**

The scale of operations of ETFL, though has increased to Rs.35.49 crore of AUM as on March 31, 2023, remain small over the years with lack of borrowed funding. With the spreading of pandemic and lockdown, micro lending sector was badly hit during FY21, However, since Q2FY22, post pandemic scenario, demand of borrowing has increased in India. This apart, capital structure remained leveraged where overall gearing ratio was at 2.35x as on March 31, 2023. However, there is no bank financing and the long term debt is fully from promoters and associates in the form of Unsecured loan.

- **Thin profitability**

Profitability of the company remained low, marked by low ROTA and PAT margin. With the increase in interest expense for unsecured loan PAT margin and ROTA has declined to 3.75% and 0.62% respectively as on March 31,2023.

- **Limited geographical presence**

ETFL is now working with one branch in Mumbai only, where they are providing services to around 63 clients. Covering of limited number of states provides limited of diversified geographical presence.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Financial institution/NBFCs](#)

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The company had adequate liquidity in the form of unencumbered cash and liquid balances of Rs.0.03 crore as on March 31, 2023. As the advances comprise relatively shorter-tenure



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loans compared to the tenure of the borrowed funds, the asset liability maturity profile remains adequate.

About the Company

Enbee Trade and Finance Limited (ETFL) is a Non-Banking Financial Company (NBFC) incorporated in July 1985, in Mumbai. After incorporation, the company had been engaged in various lending related activities and obtained a NBFC registration from RBI and get listed on BSE since 1986. During 2015, current management has taken over ETFL from previous management and continues the lending activities to the individuals as personal loans and MSME Loans to retailers. Currently the company is executing from single branch cum head office at Lower Parel in South Mumbai with around 63 borrowers and having an AUM of Rs.35.49 crore. Currently, the operations of the company are managed by Mr. Amarr Narendra Galla, Managing Director, along with other three directors and a team of experienced personnel.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	3.64	4.87
PAT	0.94	0.18
Tangible Net worth	10.43	10.61
Total Asset	22.01	36.50
<u>Ratios</u>		
ROTA (%)	5.93	0.62
Interest Coverage (times)	4.18	1.17
Total CAR (%)	96.08%	99.61%
Gross NPA (%)	Nil	Nil
Net NPA (%)	Nil	Nil

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		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 2020-21
1	Proposed Term loans	Long Term	10.00	IVR BB-/ Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	10.00	IVR BB-/ Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-enbee-sep23.pdf>

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

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.