

Press Release

Enn Enn Fincap India Pvt. Ltd.

July 18, 2019

Ratings

Instrument/ Facility	Amount (Rs. Cr.)	Rating Assigned	Rating Action
Long Term Loans	15.00	IVR BBB+(SO)/Stable Outlook (IVR Triple B Plus (SO) with Stable Outlook)*	Assigned
Proposed	85.00		
Total	100.00		

*Based on an unconditional and irrevocable corporate guarantee of Enn Enn Corp Limited (Rated as IVR BBB+/Stable)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced board of directors, growing portfolio, profitable operation, satisfactory asset quality and moderate credit profile of guarantor and adequate capital adequacy levels. The rating however is constrained by short track record with relatively small loan portfolio, moderate proportion of unsecured loans coupled with low seasoning of the loan portfolio and competitive nature of industry. Capital Adequacy, asset quality, growth in scale of operation, seasoning of the portfolio and credit profile of guarantor are the key rating sensitivities.

List of 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, Mr. Abhishek Nareshkumar Shah and Mr. Varun Sunil Dalal are Directors of the company. Mr. Madhavsingh Kishorsingh Rathore is company secretary and Mr. Jignesh Mukul Yagnik is CFO and KMP of the company. Mr. Naresh Nemchand Shah has more than three decades experience as Investor & Real estate Developer. Experienced management has helped the company to maintain healthy and long standing relations with the customers. They are actively involved in the overall operations and day to day affairs of the company.

Growing portfolio

Enn Enn Fincap began its lending business in July 2016 with its entry in to retail, SME and mid-market corporate groups business. The group has total combined experience of 33 years. The company has started its operations with total staff strength of 7, however, currently there are more than 50 well qualified & experienced employees working with the Enn Enn group and same is proposed to be increased in term of in-house team and incentivised sales staff in field. Initially the company's focus was on specialised LAP, further the company increased its focus on retail segment. The portfolio outstanding as on March 31, 2019 was Rs.254.12 crore.

Profitable operation

Enn Enn Fincap reported a Net Profit of Rs. 11.003 crore in FY19, up from Rs.0.01 crore in FY18. The company steadily grew its profit level, in spite of incurring higher operating expenses, as it embarked on strengthening its branch network and headcount to have enhanced focus on MSME lending on the back of increased borrowings. The profitability margins are generally comfortable. Return on Total Assets (ROTA) for FY19 stood at 6.10% as compared to 0.12% in FY18.

Satisfactory Asset Quality

The Company began its lending business in 2017 with its entry in to retail, SME and mid-market corporate groups business. However, as informed by the management, there is no NPA recorded in the books as of now.

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. Also, the company has backup liquid assets that can be converted into cash in a short span of time amounting to Rs. 103.00 crores, and they have a land bank which is worth Rs. 1000.00 crores.

Adequate capital adequacy levels

Capital Adequacy Ratio (CAR) was adequate at 29.85% as on March 31, 2019 though it is well above the minimum regulatory requirement of 15%. Going forward, the company will endeavour to maintain the CAR at around 30%, which will be a key rating sensitivity.

Key Weaknesses

Short track record with relatively small loan portfolio

Enn Enn Fincap began operations in July 2016 and has completed only three full financial years. Thus, the track record is limited. The total loan portfolio grew to Rs. 254.12 crore as on March 31, 2019.

Moderate proportion of unsecured loans coupled with low seasoning of the loan portfolio

Enn Enn Fincap lends to four distinct categories namely MSMEs, Corporates, SMEs and personal loans. The corporate loans are secured loans (secured against book debts and property); while the remaining loans are unsecured in nature. These unsecured loans cumulatively accounted for almost ~20% of the portfolio as on March 31, 2019.

Competitive nature of industry

Enn Enn Fincap is exposed to stiff competition from other NBFCs and banks. Better capitalised and more conservatively run finance companies are likely to swallow up an increasing number of smaller rivals. The current uncertainty in the market will mean NBFCs with financially strong backers will stand out.

Analytical Approach and Applicable Criteria:

Standalone Approach

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Rating Methodology for Structure Debt Transaction (Non-securitisation Transaction)

Liquidity

The company has a favourable ALM profile on an overall basis. However there is negative mismatch in the 3-5 year and >5 years bucket. The company has moderate level of cash equivalents with gearing ratio of 2.90 times as on March 31, 2019 indicating moderate liquidity.

About the Company

Enn Enn Fincap India Pvt. Ltd. (erstwhile known as Torrential Investment) was originally incorporated in year 1985, however current promoters had taken over the management with RBI's approval in June 2016. Torrential Investments was renamed as Enn Enn Fincap India Pvt Ltd in June 2017. Enn Enn Fincap India 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)

(Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Income	5.20	29.50
Interest	4.50	15.50
PAT	0.10	11.00
Tangible Net worth	15.2	67.40
Total Loan Assets	100.90	254.10
<u>Ratios</u>		
PAT Margin (%)	1.35	37.4
Overall Gearing Ratio (x)	5.80	2.90

* 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		
					FY2018-19	FY2017-18	FY2016-17
1.	Long Term Loans	Long Term	15.00	IVR BBB+(SO)/ Stable Outlook*	--	--	--
2.	Proposed	-	85.00		--	--	--

*Based on an unconditional and irrevocable corporate guarantee of Enn Enn Corp Limited (Rated as IVR BBB+/Stable)

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 Loans	December 2018	14.00%	November 2020	15.00	IVR BBB+(SO)/Stable Outlook*
Proposed	--	--		85.00	

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