



## e-Nxt Financials Limited

Instrument	Amount (in INR Crores)	Rating Action (January 2014)
Fund-Based Bank Lines	23.00	[ICRA]A1 Assigned

ICRA has assigned the rating of [ICRA]A1 (pronounced ICRA A one) for the Rs.23 Crores short-term fund-based bank lines of e-Nxt Financials Limited.

The rating factors in the strong operational and financial backing of the Tata group, present in the form of 50:50 holding of Tata Sons Limited and Tata Capital Limited; less competition in e-Nxt Financials Limited's (ENFL) primary line of business, Collections & Stressed Assets Management, on account of very few organized players; rich and diverse experience of its management and the wide reach of its on-feet personnel across India. However, the rating remains constrained by the short track record of the company, high concentration risk in its client profile and a rather small scale of business operations. In ICRA's view, going forward, in addition to the ownership structure, the rating would be sensitive to ENFL's ability to diversify its client profile and to maintain profitability.

e-Nxt Financials Limited (ENFL), a TATA Enterprise, is an Enterprise Solutions Company providing end-to-end services to its clients - partnering with them in providing solutions for their business needs. ENFL runs mainly three lines of businesses – Collections & Stressed Assets Management, Business Process Management (BPM) and Sales & Marketing. The key industry verticals targeted by the company are - BFSI (Banking, Financial Services, and Insurance), Retail, Telecom, Hospitality, Automobiles and Manufacturing.

ENFL reported net losses of Rs. 1.43 Crores on a total income base of Rs. 145.20 Crores in FY2013 vis-à-vis net profit of Rs. 16.40 Crores on a total income base of Rs. 150.46 Crores in the previous year. The losses were on account of the subdued automobiles market causing shrinkage in ENFL's Sales & Marketing business from Tata Motor Finance Limited.

In FY2013, Collections and BPM lines of businesses accounted for 51% (48% in FY2012) and 42% (37% in FY2012) of the total revenues respectively while the balance, though small, was accounted for by Sales & Marketing. ENFL's top two clients, Tata Motors Finance Limited and Tata Capital Limited, have consistently accounted for 80-85% of total revenues in the past 2-3 years, thereby, exposing the company's earnings profile to high concentration risk.

In FY2013, ENFL's networth stood at Rs. 11.10 Crores with a moderate gearing of 1.35 times vis-à-vis a networth of Rs. 12.53 Crores with a gearing of 1.04 times in FY2012. Though the company has offices in 10-12 cities, the presence of its on-feet personnel is spread over 250 cities across India. As on date, the total employee strength of ENFL stands at ~6700.

### Profiles of the Parent Companies

#### TATA Sons Limited

Tata Sons Limited (Tata Sons), founded in 1917 by the Tata Group's founder, Shri J N Tata, is the principal holding company for the Tata group and owner of the Tata brand and associated Tata trademark. Charitable trusts including those endowed by the late Sir Dorabji Tata own majority of Tata Sons' shareholding at 66%. While income from dividends and profit generated on sale of investments constitute the principal revenue source for the company, it also includes royalty fees earned from group companies for using the Tata brand. Such fees however are largely spent on the management of the brand.

Tata Sons also provides certain group level services to the Tata companies, key amongst them being facilitating Business Excellence within the Tata Group by conducting training programme (through Tata Quality Management Services), legal assistance and HR services. Tata Consultancy Services division (TCS, one of the largest software companies in India and the highest contributor to Tata Sons in terms of revenues and profits) was spun-off as a separate entity during 2004-05. Currently, Tata Sons' equity investments are spread across seven major industry segments and include investments in flagship concerns like Tata Consultancy Services Limited, Tata Steel Limited, Tata Power Company Limited, Tata Motors Limited, Tata Chemicals Limited, Tata Teleservices Limited, Tata Global Beverages Limited and so on.



### **TATA Capital Limited**

Primal Investments and Finance Limited was established in March 1991 and the name was changed to Tata Capital Limited in May 2007. TCL is a subsidiary of Tata Sons Limited and as on September 30, 2012 TSL had a 90.28% shareholding in TCL. TCL is registered as Core Investment Company (CIC) and is the holding company for the various financial services of the group including Tata Capital Financial Services Limited, Tata Capital Housing Finance Limited, Tata Securities Limited, Tata Capital Travel & Services Limited, TT Holdings & Services Limited, Tata Cleantech Capital Limited, India Collections Management Limited and Tata Capital Pte Ltd, T Sec Commodities Broking Limited, Tata Infrastructure Capital Limited etc. TCL also holds strategic and private equity investments. As on March 31, 2013 the company had a net worth (excluding preference shares) of Rs. 3264 Crores and had an asset base of Rs. 3974 Crores. During the financial year ended March 31, 2013 TCL reported a profit of Rs.22.98 Crores.

### **Company Profile**

e-Nxt Financials Limited (ENFL), a TATA Enterprise, is an Enterprise Solutions Company providing end-to-end services to its clients - partnering with them in providing solutions for their business needs. Each one of Tata Sons Limited and Tata Capital Limited holds 50% stake in the company. As on 31<sup>st</sup> March 2013, ENFL reported net losses of Rs. 1.43 Crores on a total income of Rs. 145.20 Crores with a moderate gearing of 1.35 times.

### **Recent Results**

In H1FY2014, ENFL reported net losses Rs. 2.16 Crores (unaudited) on a total income base of Rs. 75.39 Crores.

**January 2014**

*For further details, please contact:*

#### Analyst Contacts:

**Mr. Karthik Srinivasan** (Tel No 91-22-6179 6365)  
karthiks@icraindia.com

#### Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91-22-6179 6393)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500