

November 12, 2014

Facility	Amount (Rs. Crore)	Rating
Term Loan	29.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (**read as SMERA single B**) to the Rs.29.00 crore bank facility of RNS Power Limited (RPL). The outlook is '**Stable**'. The rating draws comfort from the company's long-term power purchase agreements which limit off-take risk. The rating also draws comfort from the company's experienced management. However, the rating is constrained by the company's limited track record of operations. The rating notes that the company's liquidity position is highly susceptible to the financial condition of its customers. The rating also notes that the company's cash flows are exposed to variations in plant load factor (PLF).

RPL, incorporated in 2012, is a Karnataka-based company engaged in wind power generation. RPL is a part of the R N Shetty Group of Companies. The company started operations in April 2014. RPL has nine windmills (each with a generation capacity of 800W) in Gadag district, Karnataka.

RPL benefits from its 10-year power purchase agreements (PPAs) with group entities viz. Naveen Hotels Limited (established in 1975) and Murudeshwar Ceramics Limited (established in 1983). RPL also benefits from its experienced management. Dr. R. N. Shetty, founder and chairman of the RNS Group, has around 50 years of experience in power, hotel, ceramics and construction industries.

RPL's cash flows are highly susceptible to the financial condition of its customers. The company's cash flows are also exposed to variations in plant load factor (PLF), which is affected by wind speed.

### **Outlook: Stable**

SMERA believes RPL will maintain a stable business risk profile over the medium term. The company will benefit from its experienced management and assured off-take agreements with customers. The outlook may be revised to 'Positive' in case the company expands its customer base and registers higher-than-expected cash flows from operations. The outlook may be revised to 'Negative' in case the company fails to generate the projected cash flows from operations.

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### About the company

RPL, incorporated in 2012, is a Karnataka-based company engaged in wind power generation. RPL has nine windmills in Gadag district, Karnataka. The company caters to its group entities viz. Naveen Hotels Limited and Murudeshwar Ceramics Limited. RPL is a part of the R N Shetty Group of Companies. The company is promoted by Mr. Satish R. Shetty, Mr. Sunil R. Shetty and Mr. Naveen R. Shetty.

RPL started commenced sale of power in July 2014. The company registered revenue of ~Rs.2.46 crore (provisional) during July 2014 to October 2014.

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