

May 05, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	35.00	<b>SMERA B/Stable</b> (Downgraded from SMERA BB-/Stable)
Overdraft	15.00	<b>SMERA B/Stable</b> (Downgraded from SMERA BB-/Stable)
Bank Guarantee	236.28*	<b>SMERA A4 (Reaffirmed)</b>
Letter of Credit	65.00	<b>SMERA A4 (Reaffirmed)</b>
Letter of Credit (proposed)	19.72	<b>SMERA A4 (Reaffirmed)</b>

\*Includes Inland Letter of Credit as a sublimit to the extent of Rs.16.00 crore

SMERA has downgraded the long-term rating on the Rs.50.00 crore bank facilities of RNS Infrastructure Limited (RNS) to **'SMERA B' (read as SMERA single B)** from 'SMERA BB-' (read as SMERA double B minus). The outlook is **'Stable'**. The short-term rating is reaffirmed at **'SMERA A4' (read as SMERA A four)**. The downgrade is in view of the company's weak liquidity position arising on account of diversion of funds. The ratings remain constrained by the company's high dependence on tender-based contracts. The ratings also note that the company's operations are susceptible to delays inherent in infrastructure projects. However, the ratings draw comfort from the healthy revenue growth registered by the company. The ratings are also supported by the company's experienced management.

### Update

RNS's weak liquidity position is reflected in high utilisation (~100 per cent) of cash credit limit in March 2015. The company's net worth stood at ~Rs.160 crore (provisional) as on February 28, 2015. RNS has diverted funds by way of loans and advances (of Rs.96.00 crore) to group entities. The company has also invested Rs.50.01 crore in equity shares and debentures.

RNS has registered healthy revenue growth of ~23 per cent (compound annual growth rate) during FY2009-10 to FY2013-14.

For FY2013-14, RNS reported profit after tax (PAT) of Rs.5.53 crore on operating income of Rs.271.91 crore, as compared with PAT of Rs.4.63 crore on operating income of Rs.152.72 crore in FY2012-13. The company registered PAT of Rs.5.91 crore (provisional) on operating income of Rs.259.44 crore (provisional) for the period April 2014 to February 2015. RNS's net worth stood at Rs.154.52 crore as on March 31, 2014, as compared with Rs.150.01 crore a year earlier.

### Outlook: Stable

SMERA believes RNS will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company generates healthy cash flows from operations (through successful execution of large projects) while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of

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stretch in the company's liquidity position, or in case of deterioration in the company's financial profile on account of delays in project execution.

### About the company

RNS was established as a partnership concern (named R N Shetty) in 1956. The firm was converted into a closely-held public limited company in 1982. RNS is engaged in infrastructure and real estate development. The company undertakes building of tunnels, irrigation systems, bridges, power plants, apartments and highways.

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