**Rating Rationale**

The rating assigned to Engineered Power Resources India Pvt. Ltd. (EPR) is constrained by its small scale of operations with subdued financial performance, declining generation due to Government intervention in power generation from wind mill and dependence on seasonal wind power patterns for power generation. The rating, however, takes comfort from its experienced promoters, power purchase agreement (PPA) in place for entire generation and ring fencing of receivables in escrow account with the presence of DSRA.

Going forward, the company’s ability to run plants at optimum levels amidst restriction imposed by Govt. thereby maintaining healthy cash accruals would be the key rating sensitivity.

**Background**

Engineered Power Resources India Private Limited (EPR), incorporated in September 2009, started its journey with trading of iron ore. On account of ban on iron ore in State of Karnataka, company ventured into generation of wind power under Group captive scheme (GCS) by acquiring the wind farm assets aggregating to total capacity of 12.1 MW located in Tirunelveli & Theni dist. of Tamil Nadu. The business was transferred from a partnership firm [Y Mahabaleshwarappa & sons (YMS) during FY13 - refers to the period April 1 to March 31] of the same promoters. The cost of acquisition was Rs.28.9 crore funded by way of term loan (from Karnataka Bank) of Rs.15 crore and balance through its own source (Rs.13.5 crore from recovery of loans and advances extended to a group company PHP, and balance Rs.0.4 crore from internal accruals).

As per Electricity Act 2005, Under GCS, any association of persons / entities having 26% shares in a generating company can consume power more than 51% and can be treated as captive power. The consumers of captive power scheme are exempt from paying cross subsidy charges. With respect to EPR, it has tied up with 9 consumers for its entire capacity who collectively hold 31.6% of shares in the company.

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1 Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.
During FY15, EPR registered a total operating income of Rs.8.8 crore (PY: Rs.9.2 crore) with net loss of Rs.0.9 crore (PY: profit of Rs.1.3 crore).

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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