

February 26, 2025

## Rajlakshmi Minerals: Ratings Reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – unallocated	18.00	18.00	[ICRA]BB+ (Stable); Reaffirmed
<b>Total</b>	<b>18.00</b>	<b>18.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation of Rajlakshmi Minerals (RLM) takes into account its managerial and operational linkages with Rai Bahadur Seth Shreeram Narsingdas Private Limited (RBSSN, rated [ICRA]BBB+(Positive) / [ICRA]A2), as RLM is responsible for the outbound movement of iron ore from RBSSN's Karnataka mine, and any disruption in operations at RLM would adversely impact RBSSN's operations. RLM, over the years, has commissioned wind power capacities, leading to a diversified revenue stream and higher profitability due to attractive tariffs, which has supported its rating. The reaffirmation also factors in RLM's comfortable capital structure and coverage indicators on the back of minimal external debt obligations as on date.

RLM's earnings witnessed significant growth in FY2024, driven by underlying business growth of RBSSN. Although the company's borrowing levels increased moderately in FY2024 due to the inclusion of a term loan for partly funding capital expenditure on acquiring additional fleet/tippers, its liquidity position remains comfortable, with cash and liquid investments of Rs. 11.33 crore as on March 31, 2024.

However, the rating is constrained by RLM's modest scale of operations, which limits its ability to withstand a prolonged industry downturn. The rating also factors in RLM's working capital-intensive nature, driven by large inventory levels and advances to suppliers. While overdue receivables from Maharashtra State Electricity Distribution Company Limited (MSEDCL) have declined over the past three years, MSEDCL's cash flow challenges pose a risk of a significant buildup in receivables in the future, making timely receipt of payments a key rating monitorable. Additionally, RLM remains exposed to risks inherent in a partnership firm, including the possibility of capital withdrawals by partners.

The Stable outlook on the long-term rating reflects ICRA's opinion that RLM's credit metrics are expected to remain comfortable going forward, supported by its calibrated growth plans and steady earnings streams from the wind and transportation businesses.

### Key rating drivers and their description

#### Credit strengths

**Operational linkages with RBSSN** - RLM is a sister concern of RBSSN, which is in the business of iron ore mining and beneficiation operations. RLM has operational linkages with RBSSN, whereby it transports iron ore sold by RBSSN to its customers.

**Diversification of revenue source** - RLM derives around 20% of its total revenues from wind power generation. The firm has power purchase agreements (PPA) with MSEDCL for its 4.25-megawatt (MW) windmill units located at Bhendewadi, Maharashtra and at Chandrodi, Gujarat. The profitability of the firm is supported by its attractive tariff.

**Comfortable capital structure and healthy coverage indicators** - RLM's capital structure remains comfortable, with a gearing ratio of 0.2 times as of March 31, 2024, following the inclusion of a term loan in FY2024. As on date, the company is debt-free, having repaid its loans in August 2024, with no plans for debt-funded capex in the medium term. The coverage indicators also remained healthy in FY2024, with an interest coverage ratio of 49 times and a total debt-to-operating profit ratio of 1.1 times,

driven by healthy operating profits and low debt levels. Going forward, RLM’s capital structure and coverage indicators are expected to remain comfortable.

### Credit challenges

**Modest scale of operations** - The firm’s scale of operations remains modest, which makes it vulnerable to a prolonged period of industry downturn.

**Working capital-intensive nature of operations** - RLM’s working capital intensity increased to 33.5% as of March 31, 2024, from 29.2% as of March 31, 2023, driven by moderate inventory levels of 50 days and higher advances to suppliers. Although RLM’s receivables from MSEDCL, which accounts for the majority of total receivables, have declined over the past three years and counterparty credit risk remains low due to MSEDCL being a state-owned distribution utility, the risk of a significant buildup in receivables cannot be ruled out given MSEDCL’s cash flow challenges.

**Exposure to risks inherent in a partnership firm** - Given RLM’s constitution as a firm, it is exposed to discrete risks, including the possibility of capital withdrawal by the partners, which could adversely impact RLM’s capital structure and leverage metrics.

### Liquidity position: Adequate

RLM’s liquidity remains adequate, with free cash and liquid investments of Rs. 11.33 crore and low external debt obligations of Rs. 1.04 crore as on March 31, 2024, which has been fully repaid as on date. The firm has no significant capex plans in the near term, and its cash flow from operations is expected to exceed Rs. 2 crore in FY25 and improve to around Rs. 7 crore in FY26, supported by the stabilization of its gross operating cycle, further strengthening its liquidity position.

### Rating sensitivities

**Positive factors** – ICRA could upgrade RLM’s rating in case of a significant improvement in its scale of operations and profitability, with a reduction in its working capital intensity.

**Negative factors** – Pressure on RLM’s rating could arise in case of a sustained decline in earnings. The ratings could also be downgraded if there is a significant deterioration in the credit quality of RBSSN, which is its largest customer, exposing the entity to elevated counterparty credit risks.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Power - Wind</a>
Parent/Group support	The rating is based on the standalone financials of Rajlakshmi Minerals (RLM) without factoring in the expectations of financial support from its sister concern, Rai Bahadur Seth Shreeram Narsingdas Private Limited (RBSSN) given that the business linkages can weaken going forward, following the upcoming expiry of the latter’s iron ore mining lease in Karnataka and RBSSN’s upcoming pellet plant being the key driver of the company’s future earnings.
Consolidation/Standalone	Standalone financial statements of the issuer

### About the company

Established in 1996 as a proprietorship firm in Karnataka, RLM is primarily involved in the business of transportation of iron ore for its sister concern, RBSSN and wind power generation. Its corporate status was converted into a partnership firm in January 2014, whereby windmill operations of 7.3 MW were retained by the RBSSN while the transportation business and 3.4-

MW windmill at Bhendewadi, Maharashtra were transferred to RLM. As on March 31, 2024, RLM has a fleet size of 27 tippers and windmill units of capacity 4.25 MW.

#### Key financial indicators (audited)

Rajlakshmi (Standalone)	FY2023	FY2024
Operating income	12.5	19.3
PAT	4.3	3.6
OPBDIT/OI	40.8%	25.4%
PAT/OI	34.0%	18.6%
Total outside liabilities/Tangible net worth (times)	0.1	0.3
Total debt/OPBDIT (times)	0.3	1.1
Interest coverage (times)	634.6	48.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

#### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

#### Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Feb 26, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Unallocated	Long term	18.00	[ICRA]BB+ (Stable)	12-Feb-2024	[ICRA]BB+ (Stable)	29-Nov-2022	[ICRA]BB+ (Stable)	20-Sep-2021	[ICRA]BB+ (Stable)
Term loan	Long term	-	-	-	-	-	-	20-Sep-2021	[ICRA]BB+ (Stable)

#### Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rates	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Unallocated	NA	NA	NA	18.00	[ICRA]BB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

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