

December 10, 2024

## Rai Bahadur Seth Shreeram Narsingdas Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based - Term loans	1.50	1.50	[ICRA]BBB+ (Positive); reaffirmed
Long term - Fund based - Cash credit	60.00	70.00	[ICRA]BBB+ (Positive); reaffirmed
Short term – Non-fund based limits - Bank guarantee	200.00	190.00	[ICRA]A2; reaffirmed
<b>Total</b>	<b>261.50</b>	<b>261.50</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation and continuation of the Positive outlook on the long-term rating of Rai Bahadur Seth Shreeram Narsingdas Private Limited (RBSSN) factors in the company's better-than-expected earnings in FY2024. This improvement was supported by an increase in sales volumes and realisations in the mining and beneficiation divisions. Mining sales rose significantly to Rs. 142.15 crore in FY2024 from Rs. 48.8 crore in FY2023. The beneficiation (BNF) production and sales also improved, driven by higher realisations, which increased to Rs. 5,500/tonne in FY2024 from Rs. 4,300/tonne in FY2023. As a result, the total revenue surged to Rs. 443.5 crore in FY2024 from Rs. 173.6 crore in FY2023. This growth was further supported by a strong export market, with five export orders valued at Rs. 173.75 crore in FY2024. The buoyant trend continued in 8M FY2025 (provisional), with the topline reaching Rs. 312 crore and the operating margins improving to 28% (compared to 26% in FY2024), driven by increased blended realisations.

The ratings further factor in the promoters' demonstrated experience of over three decades in the mining industry, enabling them to manage operations efficiently. ICRA also notes that RBSSN has been diversifying its revenue streams over the years through ventures such as wind power and the stone-crushing business. However, mining-related activities (including beneficiation) remain the primary revenue driver, accounting for over 96% of the total revenue. The company's capital structure remains comfortable, with minimal external term debt and low leverage, reflected in TOL/TNW<sup>1</sup> ratio of 0.2 times in FY2024 (compared to 0.3 times in FY2023). Additionally, RBSSN reported a healthy cash and liquid investment balance of Rs. 225.81 crore as on September 30, 2024, up from Rs. 205.38 crore as on March 31, 2023, supported by comfortable earnings in 8M FY2025.

The ratings, however, remain constrained by RBSSN's exposure to the cyclicity in iron ore prices and the risks associated with operating in a highly regulated iron ore mining industry. ICRA notes that the company invested Rs. 48.8 crore as on March 31, 2024, in its subsidiary, RBSSN Overseas PTE (RBOP), to explore mining opportunities in Southeast Asia. However, the project is currently on hold due to regulatory restrictions, which constrains the overall business return indicators. Additionally, RBSSN is in the early stages of a large capital expansion project amounting to Rs. 520 crore, which is being funded through a mix of external debt and equity/internal accruals. This investment is aimed at developing a 1-million-tonne-per-annum (mtpa) pellet plant and the associated infrastructure. In addition, the company is looking to operationalise a recently acquired iron ore mine in Karnataka to meet 30-40% of the captive requirements of the downstream beneficiation and pellet plants. While these investments have the potential to protect the consolidated earnings after commissioning, especially because the operational Sankalapuram iron ore mine is scheduled for expiry in June 2026, there are execution and funding risks during the construction phase, given the company's lack of prior experience with such a large-scale project. Nevertheless, the relatively short lead time

<sup>1</sup> TOL/TNW – Total outside liabilities/Tangible net worth (times)

of around 18 months for the pellet project (scheduled commissioning of September 2025) and the promoter's experience provide some comfort. Also, the ongoing capex is being funded through internal accruals to date, with approximately 55% of the total project cost financed through promoter loans, inter-corporate deposits and equity contributions from RBSSN, reflecting a comfortable capital structure for the project.

However, a timely commissioning and stabilisation of these facilities, while maintaining a healthy capital structure and comfortable liquidity/credit indicators, will remain the key monitorable from a credit perspective.

The Positive outlook on the long-term rating reflects ICRA's expectation that the company is on course to register another year of strong absolute earnings in FY2025, supported by the mining and beneficiation businesses, which would help generate the necessary internal resources for the equity contribution required to fund the ongoing pellet project, while still maintaining a comfortable liquidity profile.

## Key rating drivers and their description

### Credit strengths

**Better-than-expected earnings in FY2024, driven by higher sales realisations; earnings outlook for FY2025 remains favourable as well** – The company delivered better-than-expected earnings in FY2024, driven by strong sales volumes and higher realisations across its mining and beneficiation divisions. Mining sales rose significantly to Rs. 142.15 crore in FY2024 from Rs. 48.8 crore in FY2023, while beneficiation production and sales improved, with realisations increasing to Rs. 5,500/tonne in FY2024 from Rs. 4,300/tonne in FY2023. This contributed to a surge in the total revenue to Rs. 443.5 crore in FY2024 from Rs. 173.6 crore in FY2023. The growth was further supported by a strong export market, with export orders worth Rs. 173.75 crore in FY2024. In 8M FY2025 (provisional), the revenue reached Rs. 312 crore, and the operating margins improved to 28%, compared to 26% in FY2024, due to higher sales of higher-realisation products. With the seasonally strong steel markets in the second half of the year, the earnings outlook for FY2025 remains favourable as well.

**Extensive experience of promoters in iron ore mining and beneficiation business** – Incorporated in 1951 as a partnership firm, RBSSN has been involved in iron ore mining for more than seven decades. The company's mines fall under category A with medium-grade iron ore deposits. It also has a beneficiation plant adjacent to its mines, resulting in a competitive operating cost along with partially captive power sources in the form of windmills, with a total capacity of 23.2 MW.

**Comfortable capital structure and coverage indicators; some moderation expected due to planned capex** – The capital structure remained comfortable, with a TOL/TNW ratio of 0.2 times in FY2024, similar to FY2023, supported by the strong accruals and repayment of term loans. Notwithstanding a slight rise in interest costs because of higher bank charges and increased interest on working capital facilities, the interest coverage ratio improved significantly to 21.1 times in FY2024, up from 5.5 times in FY2023. However, the company's interest coverage ratio remains volatile due to the cyclical nature of the earnings from mining operations. ICRA notes that after the planned capital expenditure for the pellet plant, which will be partially funded by debt, the capital structure and coverage indicators are likely to moderate in the near to medium term, with a gradual improvement expected once the new plant stabilises and commensurate earnings begin to flow in.

**Comfortable liquidity position, backed by healthy earnings** – RBSSN had cash and liquid investments amounting to Rs. 205.4 crore as on March 31, 2024, of which Rs. 203.37 crore is allocated to mutual fund investments, intended for future deployment in the pellet plant project. As on September 30, 2024, the liquid investments increased to Rs. 225.81 crore, maintaining a comfortable liquidity profile. The company's external debt primarily comprises working capital borrowings, with minimal external term debt, which provides a degree of comfort due to the low scheduled repayment obligations. However, the planned large capital expenditure is expected to temper the liquidity in the near to medium term, as a significant portion of the liquidity will be deployed towards the ongoing capex. With the earnings outlook for FY2025 remaining favourable, ICRA expects RBSSN to maintain a healthy on-balance sheet liquidity even after the completion of the pellet project in September 2025.

**Diversified revenue mix, though mining-related business to contribute to majority of revenue in the near term** – RBSSN has three revenue streams: Mining-related business (mining and beneficiation), wind power generation, and stone quarry

operations, including a crushing unit. At present, RBSSN operates a 0.74-mtpa iron ore mine and a beneficiation plant with an approved capacity of 1.0 mtpa (nameplate capacity of 5.0 mtpa). The company procures iron ore fines and lumps for the beneficiation plant from both its own mines and other miners. In wind power generation, RBSSN has a total capacity of 23.2 MW across Karnataka, Tamil Nadu, and Gujarat. The stone quarry and crushing unit in Andhra Pradesh is scheduled to shut down in FY2025. The mining-related business contributes to majority of RBSSN's revenue, accounting for 96% in FY2024 and 97% in the first half of FY2025, and this scenario is unlikely to change till the stabilisation of the pellet plant operations in H2 FY2026 and the planned expiry of the operational Sankalapuram iron ore mine in June 2026. However, revenues from the beneficiation business are expected to continue.

## Credit challenges

**Planned large capital deployment towards forward integration to expose company to execution, funding and stabilisation risk** – The company is setting up a 1.0-mtpa pellet plant under its subsidiary, RBSSN Ferrous Industries Pvt Ltd, on a 450-acre land bank. In addition to the pellet plant, the company will establish a 1.1-mtpa beneficiation plant, a railway siding for material handling, a 220-kilovolt substation, and a 25-MW solar power capacity (to be developed in two phases: 15 MW in the first phase and an additional 10 MW in the second phase). The total capital expenditure (capex) for the project is Rs. 520 crore, with Rs. 290 crore funded by the promoter group, resulting in an equity-to-debt ratio of ~55:45. The management has targeted commissioning of the plant by September 2025. The plant's iron ore requirement will be partly supplied by the recently acquired K K Kaval mine (with an average Fe content of 55% and an auction premium of 80.6%), located 200 km from the plant, with the remaining supply coming from the open market. The operationalisation and ramp-up of the K K Kaval mine is expected to aligned with the pellet plant's scheduled commissioning timeline, following the receipt of the necessary regulatory clearances which are pending as of now.

Given that the earnings from the company's Sankalapuram iron ore mine will stop following the scheduled expiry in June 2026, timely commissioning and stabilisation of the new pellet plant, along with the achievement of commensurate earnings, will be critical for the company's overall credit profile. Although the project involves substantial capital deployment and carries inherent execution and funding risks, the short lead time of approximately 18 months for the pellet plant and the management's experience in the related fields of mining and beneficiation provide a reasonable line of sight on the timely completion of the plant.

**Exposure to cyclicity of iron ore price and regulatory risks from operations in the mining sector** – RBSSN is vulnerable to fluctuations in domestic iron ore prices, given its linkages with the cyclical steel sector, which is its only end-user industry. Additionally, RBSSN operates within the highly regulated iron ore mining industry, exposing it to regulatory risks. The business navigated through multiple regulatory policy changes in FY2023, including the favourable impact of lifting the export ban on Karnataka iron ore miners by the Supreme Court. Additionally, it managed disruptions following the upward revision of export duties on iron ore in May 2022 and the subsequent rollback in November 2022, as well as the discontinuation of auctions conducted by the Monitoring Committee. In the past, the mining output for RBSSN was restricted to 2.43 lakh tonnes per annum (lakh TPA) in FY2022 as per the consent of operation (COF) issued by the Karnataka State Pollution Control Board. However, this was enhanced when approval for mining an additional 5 lakh TPA of sub-grade ore was allowed in August 2023. Any unfavourable change in the government's mining policy may impact its revenue growth and profitability.

**Sizeable investment in overseas subsidiary without any commensurate increase in earnings impacts business return indicators** – RBSSN's investment in RBOP, its Singapore-based subsidiary, remained at a similar level of Rs. 48.80 crore as on March 31, 2024. The investment was towards exploring mining opportunities in Southeast Asia, but the project has been put on hold due to regulatory restrictions, which somewhat constrains the overall business return indicators. ICRA understands that a major portion of the investments in RBOP has been parked as fixed deposits/current accounts with banks in Singapore. As on date, the company has opted to scrap the planned project. However, it plans to retain the funds in that entity for investment in some other opportunity at a later date.

## Liquidity position: Adequate

RBSSN had cash and liquid investments amounting to Rs. 205.4 crore as on March 31, 2024, of which Rs. 203.37 crore has been allocated to mutual fund investments, intended for future deployment in the upcoming pellet plant. As on September 30, 2024, liquid investments increased to Rs. 225.81 crore, supported by healthy earnings and helping maintain a comfortable liquidity profile. The company's external debt primarily comprises working capital borrowings, with minimal external term debt, which provides a degree of comfort due to low scheduled repayment obligations. RBSSN generated positive free cash flows in FY2024. However, the planned large capital expenditure is expected to result in negative free cash flows in FY2025 and FY2026, and temper the liquidity somewhat, prompting ICRA to assess the liquidity as adequate.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded if there is a timely progress in completing the pellet project amid sustained healthy consolidated earnings and profitability metrics.

**Negative factors** – Pressure on the ratings could arise in case of any sharp reduction in the company's revenues and profitability. The ratings could also be downgraded if the company is unable to timely commission the pellet plant or in case of any additional large debt-funded capex/investment, resulting in a significant weakening of the debt metrics. Specific metrics for downgrade include the consolidated total debt to operating profit ratio remaining above 2.3 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Mining Entities</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Rai Bahadur Seth Shreeram Narsingdas Private Limited and its subsidiary, RBSSN Ferrous Industries Private Limited (RFIPL), given their strong operational, financial and managerial linkages

## About the company

Rai Bahadur Seth Shreeram Narsingdas Private Limited (RBSSN) was established as a partnership firm in 1951 and its corporate status was changed to a private limited company in 2015. RBSSN is primarily involved in iron ore mining and beneficiation activities (1-mtpa beneficiation plant). The company has two mines in Karnataka (a 0.74-mtpa operating mine with the lease expiring in June 2026, and a 0.54-mtpa new mine that is under development and has been won through auction). The company's beneficiation plant is adjacent to the operating mine.

The wind power generation units are located across Karnataka, Tamil Nadu and Gujarat with a generation capacity of 23.2 MW. In FY2017, the company initiated its plan to produce manufactured sand (m-sand) and plastering sand (p-sand) by setting up a stone quarry and a crushing plant at Anantpur in Andhra Pradesh. The stone quarry operations commenced in October 2019. RBSSN also has a Singapore-based subsidiary, RBSSN Overseas Pte Limited, though it is a non-operational entity.

RBSSN is also setting up an integrated steel plant under its subsidiary, RBSSN Ferrous Industries Private Limited (RFIPL), consisting of 1.0-mtpa iron ore pellet plant, a 1.1-mtpa beneficiation plant and a 25-MW solar power plant (to be invested in two phases – 15-MW solar power plant in first phase and additional 10-MW solar power plant in the next phase) at Hospet, Karnataka.

## Key financial indicators (audited)

Consolidated	FY2023	FY2024	8MFY2025*
Operating income	255.5	607.1	311.7
PAT	21.9	127.7	85.8^
OPBDIT/OI	12.8%	25.5%	28.1%
PAT/OI	8.6%	21.0%	27.5%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	-
Total debt/OPBDIT (times)	3.0	0.6	-
Interest coverage (times)	5.5	21.1	28.4

Source: Company, ICRA Research; \* Provisional numbers; ^Depreciation and tax is not included for PAT calculation for 8MFY2025; 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 rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Dec-10-2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	1.50	[ICRA]BBB+ (Positive)	12-Feb-24	[ICRA]BBB+ (Positive)	24-Nov-22	[ICRA]BBB+ (Stable)	20-Sep-21	[ICRA]BBB+ (Stable)
				26-Aug-24	[ICRA]BBB+ (Positive)	-	-	-	-
Cash credit	Long term	70.00	[ICRA]BBB+ (Positive)	12-Feb-24	[ICRA]BBB+ (Positive)	24-Nov-22	[ICRA]BBB+ (Stable)	20-Sep-21	[ICRA]BBB+ (Stable)
				26-Aug-24	[ICRA]BBB+ (Positive)	-	-	-	-
Bank guarantee	Short term	190.00	[ICRA]A2	12-Feb-24	[ICRA]A2	24-Nov-22	[ICRA]A2	20-Sep-21	[ICRA]A2
				26-Aug-24	[ICRA]A2	-	-	-	-
Unallocated	Long term and short term	-	-	-	-	24-Nov-22	[ICRA]BBB+ (Stable)/[ICRA]A2	20-Sep-21	[ICRA]BBB+ (Stable)/[ICRA]A2
Demand Loan	Short term	-	-	-	-	24-Nov-22	[ICRA]A2		

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based - Term loans	Simple
Long term - Fund based - Cash credit	Simple
Short term – Non-fund based limits - Bank guarantee	Very simple

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 Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2016	NA	FY2025	1.50	[ICRA]BBB+ (Positive)
NA	Cash credit	NA	NA	NA	70.00	[ICRA]BBB+ (Positive)
NA	Bank guarantees	NA	NA	NA	190.00	[ICRA]A2

Source: Company

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

#### Annexure II: List of entities considered for consolidated analysis

Company Name	RBSSN Ownership	Consolidation Approach
RBSSN Ferrous Industries Private Limited (RFIPL)	83.14%	Full Consolidation

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