



## M/s. R B Seth Shreeram Narsingdas

Instruments	Amount rated (Rs.crore)	Rating action As in November 2014
Term loans	39.53	[ICRA]BBB+ (Stable) assigned
Fund based bank facility	60.00	[ICRA]BBB+ (Stable) assigned
Non-fund based bank facility	0.50	[ICRA]A2+ assigned
Unallocated facilities	5.97	[ICRA]BBB+ (Stable) / [ICRA]A2+ assigned

ICRA has assigned a long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the Rs. 22.53 crore term loan facilities, the Rs. 17.00 crore proposed term loan facilities and the Rs. 60.00 crore fund based facility of M/s. R B Seth Shreeram Narsingdas ("RBSSN" / "the firm")<sup>†</sup>. ICRA has assigned a long-term rating of [ICRA]BBB+ and a short term rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 5.97 crore unallocated facilities of RBSSN. The outlook on the long-term rating is stable. ICRA has also assigned a short-term rating of [ICRA]A2+ to the Rs. 0.50 crore non-fund based facility of RBSSN.

The assigned ratings considers the long experience of partners in the iron ore mining and beneficiation industries and the fact that the two iron ore mines being operated by the firm in Karnataka fall under category A mines and have resumed operations in FY14. The ratings also favourably factor in the good quality of RBSSN's iron ore deposits with a high Fe content and integrated nature of operations with a beneficiation plant, which provides competitive advantage to the firm, given the iron ore shortage in Karnataka. ICRA notes that the proximity of the beneficiation plant to iron ore mines and a conveyor belt based transportation system keeps transportation costs low and in turn adds to the firm's profits. RBSSN's financial risk profile remained healthy in FY14 and in the current year characterised by robust profitability, comfortable capital structure and coverage indicators. RBSSN has over the years commissioned significant wind power capacities, which diversify its sources of revenues and provide some stability to cash flows.

The ratings are, however, constrained by RBSSN's exposure to regulatory risks with respect to its mining business as the firm's mining and beneficiation activity remained suspended for almost two and a half years during the FY12-FY14 period. Subsequently, the iron ore production of RBSSN is capped at 0.295 million tonnes per annum (mtpa) and the iron ore beneficiation plant output is capped at 1.0 mtpa, which would impact turnover and profits going forward. Also, the firm has to necessarily procure iron ore fines from e-auction instead of captive mines for its beneficiation plant, which affects the operating profitability to an extent. The ratings also take into account the risks inherent in a partnership firm including the risk of capital withdrawals by partners as has been witnessed in the past. However, the firm is taking steps for changing its legal status. ICRA notes that one of the group firms of RBSSN has large investment plans, which may impact the overall group liquidity position in the medium to long term. The ratings also reflect the exposure to the cyclical nature in iron ore prices and the resultant volatility in RBSSN's cash flows.

### Company Profile

Established in 1951, RBSSN is a partnership firm engaged in iron ore mining activity with its two mines located at Hospet, Karnataka. Both the iron ore mines of RBSSN enjoy the category A status and resumed mining operations after the mining ban imposed by the Supreme Court was lifted in FY14. The company also has a beneficiation plant adjacent to the mines and wind power generation units located at Tamil Nadu, Karnataka and Gujarat with a total installed capacity of 19.2 Mega Watt (MW). The overall operations of the firm are managed by Mr. Ajay Saraf and his family.

\* 100 lakh = 1 crore = 10 million

<sup>†</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



### **Recent results**

As per the audited results of 2013-14, RBSSN reported a profit after tax (PAT) of Rs. 75.6 crore on an operating income of Rs. 215.3 crore. As per the provisional results for Apr-Sep 2014, RBSSN reported a profit before depreciation and after tax (PAT) of Rs. 57.8 crore on the back of an operating income of Rs. 167.1 crore.

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