

July 23, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	24.00	SMERA B+/Stable/Assigned
Term Loan	21.04	SMERA B+/Stable/Assigned
Foreign Bill Discounting	36.00	SMERA A4 (Assigned)
Bank Guarantee	0.50	SMERA A4/(Assigned)
Forward Contract Exposure	3.38	SMERA A4/(Assigned)

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.45.04 crore long-term bank facilities and '**SMERA A4**' (**read as SMERA A four**) to the Rs.39.88 crore short-term bank facilities of R B Seth Shreeram Narsingdas Sankalapuram Iron Ore Mines (RBSSN). The outlook is '**Stable**'. The ratings are constrained by the significant decline in the firm's mining revenues on account of the legal ban on iron ore exports in Karnataka. However, the ratings are supported by the firm's long track record of operations, strong net worth and experienced management. The ratings also factor in the benefits derived from the firm's diversification into wind power generation.

RBSSN, established in 1951, is a Karnataka-based firm engaged in iron ore mining and generation of wind power. RBSSN's operating income declined from Rs.149.40 crore in FY2010-11 (refers to financial year, April 01 to March 31) to Rs.80.34 crore in FY2011-12 on account of the legal ban on iron ore mining and export activities in Karnataka. As per the provisional financials of FY2012-13, the firm registered net loss of Rs.17.98 crore on revenues of Rs.1.93 crore. Although the ban on iron ore mining was lifted in April 2013, SMERA believes that since RBSSN was mainly involved in export of iron ore, the firm's ability to sustain operations through domestic sales will be a key rating sensitivity.

RBSSN has a strong net worth of Rs.212.91 crore as on March 31, 2012. The ratings draw comfort from the firm's windmill operations, which generate stable revenues at a satisfactory plant load factor. RBSSN has wind power purchase agreements with the state governments of Tamil Nadu, Karnataka and Gujarat. The ratings also factor in the benefits derived from the firm's experienced management. Mr. Ajay Saraf, Managing Partner of RBSSN, has over ten years of experience in the mining industry.

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Outlook: Stable

SMERA believes RBSSN's outlook will remain stable in the near term on account of the recommencement of mining activities in July 2013. The outlook may be revised to 'Positive' in case the firm is able to register healthy revenues and larger-than-expected cash flows. Conversely, the outlook will be revised to 'Negative' in case of unfavourable changes in regulations, which may affect the firm's mining operations.

About the firm

RBSSN, established in 1951, is a Karnataka-based partnership firm engaged in iron ore mining and generation of wind power. The current partners of the firm are Mr. Ajay Saraf, Mrs. Anju Saraf, Mrs. Swarnalatha Saraf and Ms. Akshaya Saraf. The overall operations of the firm are managed by Mr. Ajay Saraf.

For FY2011-12, RBSSN reported net profit of Rs.36.71 crore on operating income of Rs.88.76 crore as compared with net profit of Rs.34.52 crore on operating income of Rs.162.12 crore for FY2010-11. The firm's net worth stands at Rs.212.91 crore as on March 31, 2012.

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