

June 06, 2014

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

*Rs.4.77 crore outstanding as on March 31, 2014

SMERA has upgraded bank loan ratings of R B Seth Shreeram Narsingdas Sankalapuram Iron Ore Mines (RBSSN) to '**SMERA BB+/Stable/SMERA A4+**' from '**SMERA B+/Stable/SMERA A4**'. The upgrade is in view of resumption of the firm's mining operations. The upgrade draws comfort from commissioning of the firm's beneficiation unit. The ratings also draw comfort from the firm's strong financial risk profile. The ratings are supported by healthy demand for the firm's main product (iron ore). However, the ratings are constrained by the susceptibility of the firm's business to unfavourable changes in laws governing the mining industry.

Update

RBSSN has benefited from resumption of mining operations (effected through lifting of ban on iron ore mining from 'A' and 'B' category mines) in Karnataka. The firm also benefits from commissioning of its iron ore beneficiation unit. RBSSN's revenues increased from Rs.1.15 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.204.43 crore in FY2013-14. The firm's strong financial risk profile is marked by low gearing (debt-to-capital ratio) of 0.36 times as on March 31, 2014 and strong interest coverage ratio of ~21 times in FY2013-14.

RBSSN continues to benefit from its long track record of operations in the iron ore mining segment. The ratings derive comfort from the firm's experienced management and strong net worth. RBSSN is poised to benefit from strong demand for iron ore. As against the steel industry's requirement of 36 million tonnes per annum (MTPA), the total production of iron ore from 25 operational mines (in Karnataka) was ~20 MTPA in FY2013-14.

RBSSN's operations are susceptible to unfavourable changes in regulations governing the mining industry.

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Outlook: Stable

SMERA believes RBSSN will continue to benefit over the medium term from its experienced management and established presence in the iron ore mining business. The outlook may be revised to 'Positive' in case the firm achieves sustained improvement in scale of operations while maintaining operating profit margin and coverage indicators at comfortable levels. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve scalability amidst intensifying competition in its areas of operation, or in case of deterioration in the firm's financial risk profile.

About the firm

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

For FY2013-14 (as per provisional financial statements), RBSSN reported profit after tax (PAT) of Rs.116.58 crore on revenue of Rs.204.56 crore (including Rs.26.65 crore from mining activity and Rs.177.75 crore from beneficiation). The firm's net worth stood at Rs.244.35 crore (provisional) as on March 31, 2014.

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