

**June 16, 2014**

Facility	Amount (Rs. Crore)	Rating
Term Loan	15.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (read as **SMERA Single B minus**) to the Rs.15.00 crore bank facilities of Rajlakshmi Minerals (RLM). The outlook is '**Stable**'. The rating is constrained by decline in revenues from wind power segment on account of lower plant load factor (PLF). The rating is also constrained by delays in signing of power purchase agreement (PPA) for the firm's new windmills project. However the rating derives comfort from RLM's foray into transportation of iron ore. The rating also derives comfort from the firm's low gearing (debt-to-capital ratio).

RLM established in 2004, is a Karnataka-based partnership firm engaged in generation of wind power and transportation of iron ore. RLM currently has a total of 11 wind turbines in Tamil Nadu and Gujarat. The firm's revenue from wind power generation declined from Rs.5.29 crore in FY2012-13 to Rs.3.86 crore in FY2013-14 on account of reduction in plant load factor. RLM has recently completed installation of four new windmills in Bhendewade Maharashtra. However, the firm is yet to enter into power purchase agreement (PPA) with the Maharashtra State Electricity Board (MSEB).

RLM benefits from recommencement of iron ore mining activity in Karnataka. The firm has forayed into transportation of iron ore mined by its group entity, R B Seth Shreeram Narsingdas Sankalapuram Iron Ore Mines (RBSSN). RLM plans to expend ~Rs.4.30 crore for purchase of 16 trucks for transportation of iron ore. The aforementioned capital expenditure will be funded entirely through debt; however, SMERA does not expect material deterioration in RLM's credit profile. RLM's debt-to-capital ratio is low at 0.53 times (provisional) as on March 31, 2014.

## **Outlook: Stable**

SMERA believes the outlook on RLM's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the firm achieves higher-than-expected revenues from wind power segment. The outlook may be revised to 'Negative' in case of further decline in plant load factor, or in case of delays in signing of PPA with MSEB.

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## About the firm

RLM was established as a proprietorship firm (promoted by Ms. Anju Saraf) in 2004 and converted to a partnership firm in 2013. RLM is engaged in transportation of iron ore and generation of wind power.

For FY2013–14 (as per provisional financial statements) RLM reported profit after tax (PAT) of Rs.4.93 crore on operating income of Rs.12.41 crore. The firm reported PAT of Rs.2.63 crore in FY2012–13 on operating income of Rs.5.58 crore. RLM's net worth stood at Rs.28.81 crore as on March 31, 2014, as compared with Rs.0.34 crore a year earlier.

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