

May 07, 2024

The Sandur Manganese & Iron Ores Limited: Placed on rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	137.00	137.00	[ICRA]A+; placed on rating watch with developing implications
Cash credit	10.00	10.00	[ICRA]A+; placed on rating watch with developing implications
Non-fund based facilities	285.00	285.00	[ICRA]A1; placed on rating watch with developing implications
Total	432.00	432.00	

*Instrument details are provided in Annexure-I

Rationale

As per exchange filing of The Sandur Manganese & Iron Ores Limited (SMIORE) dated April 25, 2024, its board of directors has approved the strategic business acquisition through purchase of 80% equity share capital of Arjas Steel Private Limited (ASPL) at an enterprise value of ~Rs.3,000 crore. Additionally, around 19.12% stake in ASPL will be acquired by an entity owned by one of the promoters of SMIORE. Accordingly, the Company has entered into a Share Purchase Agreement with ASPL's existing owners, ADV Partners. The equity value payable by SMIORE to acquire an 80% stake will be decided basis customary and agreed adjustments to the enterprise value at the closing date. The acquisition of ASPL is expected to complete within seven months, subject to customary closing conditions as per the Share Purchase Agreement. The transaction is subject to the approval of the Competition Commission of India.

ICRA notes that SMIORE's foray into the special steel business through the ASPL acquisition remains an important milestone, as it provides the foundation to build a meaningful steel portfolio over the medium to long term. ASPL's demonstrated earnings track record across business cycles, and its presence in the niche auto-grade steel segment, where competitive pressures remain lower compared to carbon steel, will support the consolidated business risk profile. However, given the relatively large size of the proposed acquisition compared to SMIORE's existing balance sheet size, a lack of clarity on the funding tie-up/ debt maturity profile for the acquisition, and pending regulatory/statutory approvals, ICRA has placed the outstanding ratings of [ICRA]A+ (pronounced ICRA A Plus) and [ICRA]A1 (pronounced ICRA A One) on rating watch with developing implications. ICRA will resolve the watch once clarity emerges on the financing arrangements and closure of pending regulatory approvals, and ASPL being able to demonstrate a satisfactory level of performance following its integration into the SMIORE umbrella. Assuming a 70:30 funding-mix, SMIORE's net leverage levels (Net Debt/OPBDITA) are expected to increase to 1.0-1.5 times in FY2025, and any further increase from these levels remain a key rating monitorable. ICRA shall continue to monitor the developments in this regard and will take an appropriate action as may be required.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position and rating sensitivities: [Click Here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Mining Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SMIORE. As on March 31, 2023, the company had one subsidiary and one associate that are enlisted in Annexure II

About the company

The Sandur Manganese & Iron Ores Limited (SMIORE), the flagship company of the Karnataka-based Sandur Group, was promoted in 1954 by Late M. Y. Ghorpade, the eldest son of the former ruler of Sandur, Late Yeshwantrao Hindurao Ghorpade. Bahirji A. Ghorpade, grandson of Late M. Y. Ghorpade, has been appointed as the Managing Director of the company with effect from June 17, 2020.

SMIORE is involved in the mining of low phosphorous manganese and iron ore in the Hosapete-Ballari region of Karnataka. It has large mines with two leases, ML-2678 and ML-2679, covering an area of 1,860.10 hectares (ha) and 139.20 ha, respectively. The permissible production capacity is 3.81 mtpa for iron ore and 0.46 mtpa for manganese ore. In addition, SMIORE manufactures ferro alloys (silico manganese and ferro manganese) and coke at its plant in Vyasankare, near Hospet.

The board of directors of the company has approved the strategic business acquisition through the purchase of 80% equity share capital of Arjas Steel Private Limited (ASPL) at an enterprise value of ~Rs.3,000 crore.

Key financial indicators

SMIORE	FY2022	FY2023	9MFY2024
Operating Income (Rs. crore)	2248.7	2125.8	700.4
PAT (Rs. crore)	675.1	271.1	76.3
OPBDIT/OI (%)	43.3%	19.9%	16.1%
PAT/OI (%)	30.0%	12.8%	-
Total Outside Liabilities/Tangible Net Worth (times)	0.6	0.3	-
Total Debt/OPBDIT (times)	0.3	0.5	-
Interest Coverage (times)	25.3	15.2	7.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; FY2022 numbers are standalone and FY2023, 9MFY2024 numbers are consolidated

Status of non-cooperation with previous CRA – Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Jan 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 07, 2024	Feb 26, 2024	Dec 19, 2022	Sep 6, 2021
1 Term loans	Long Term	137.0	136.8	[ICRA]A+; rating watch with developing implication	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2 Cash credit	Long Term	10.0	-	[ICRA]A+; rating watch with developing implication	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3 Non-fund based limits	Short Term	285.0	-	[ICRA]A1; rating watch with developing implication	[ICRA]A1	[ICRA]A1	[ICRA]A1

Amount in Rs. crore

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	Simple
Cash credit	Simple
Non-fund based limits	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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Term loans	FY2018	NA	FY2028	137.00	[ICRA]A+; rating watch with developing implication
NA	Cash credit	NA	NA	NA	10.00	[ICRA]A+; rating watch with developing implication
NA	Non-fund based limits	NA	NA	NA	285.00	[ICRA]A1; rating watch with developing implication

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	Ownership	Consolidation Approach
Sandur Pellets Private Limited	100%	Full Consolidation
Renew Sandur Green Energy Private Limited	49%	Equity Method

Source: Company

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Branches



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