

August 26, 2024^(Revised)

Essel Mining & Industries Limited: Update on material event

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Outstanding |
|----------------------------|--------------------------------------|-------------------------------------|--------------------|
| Commercial Paper Programme | 1,500.00 | 1,500.00 | [ICRA]A1+; |
| Total | 1,500.00 | 1,500.00 | |

*Instrument details are provided in Annexure-1

Rationale

In a recent ruling, the Hon'ble Supreme Court of India upheld the state governments' power to tax mineral rights and mineral-bearing lands under Entries 49 and 50 of List II in the Constitution's Seventh Schedule. On August 14, 2024, the Supreme Court ruled that states have the discretion to decide on the retrospective application of the tax. However, any tax demand will not impact transactions conducted before April 1, 2005. In case of retrospective tax demand, payments will be spread over 12 years, starting from April 1, 2026. Additionally, interest and penalties on demands for the period before July 25, 2024, will be waived for all assesses. The states are yet to come out with their decision on imposition of such retrospective tax.

ICRA will assess the impact of the Supreme Court ruling on Essel Mining & Industries Limited given that it was involved in merchant mining operations and take appropriate action when further clarity emerges from the states with respect to taxation of mineral rights following the Supreme court ruling.

Please refer to the following link for the previous detailed rationale that captures 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 Investment Companies |
| Parent/Group Support | Parent: Aditya Birla Group ICRA expects the Aditya Birla Group to be willing to extend financial support to EMIL, should there be a need, given the strategic importance that EMIL holds through the sizeable equity holdings of IGH in key businesses of the Group. |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the consolidated financials of EMIL. As on March 31, 2024, the company had seven subsidiaries, two stepdown subsidiary and one associate, which are all enlisted in Annexure-2. |

About the company

EMIL, a closely held entity of the Aditya Birla Group, has been mining iron ore in Odisha for more than five decades. EMIL's iron ore mining business ended following the expiry of the Koira mining lease on August 26, 2021. It is one of the country's largest coal mining MDOs. In the recent 2-3 years, the company has announced multiple big-ticket investments in the coal mining (commercial mining and MDO route) sectors to rebuild its mining portfolio.

EMIL is one of the largest manufacturers of noble ferro-alloys in the country, producing ferro-molybdenum and ferro-vanadium at its unit in Gujarat and catering to the domestic special and alloy steel industries. The company also has a renewable energy generation portfolio of 150 MW, with assets spread across four states. EMIL also operates a 75-MW wind-power generation unit in Maharashtra. Additionally, the company has commissioned a solar power generation project of 25 MW under the

Rajasthan State Solar Policy, and another 35 MW solar power generation project in Telangana. EMIL's 74% step-down subsidiary, Palace Solar Energy Private Limited, has a 15-MW operating solar power plant in Gujarat.

Apart from revenue-generating tangible assets, EMIL, both through its own standalone books and its wholly-owned subsidiary, IGH Holdings Pvt. Ltd., holds a sizeable investment portfolio in various Aditya Birla Group entities. The cumulative value of these listed holdings as on March 31, 2024 stood at ~Rs. 35,707 crore.

Key financial indicators (Audited)

| EMIL | Consolidated | | Standalone | | |
|--|---------------|---------------|---------------|---------------|----------------|
| | FY2022 (Aud.) | FY2023 (Aud.) | FY2022 (Aud.) | FY2023 (Aud.) | FY2024 (Prov.) |
| Operating income (Rs. crore) | 4,795.5 | 2,081.9 | 3806.2 | 943.2 | 896.0 |
| PAT (Rs. crore) | 1,179.5 | 6.7 | 1282.9 | 142.2 | 127.8 |
| OPBDITA/OI (%) | 41.1% | 21.6% | 42.7% | 0.7% | -16.1% |
| PAT/OI (%) | 24.6% | 0.3% | 33.7% | 15.1% | 14.3% |
| Total outside liabilities/ Tangible net worth+ MI (times) | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Total debt/OPBDITA (times) | 2.2 | 8.3 | 1.2 | 249.9 | -12.7 |
| Interest coverage (times) | 6.1 | 1.3 | 10.2 | 0.0 | -1.0 |

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

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) | Date & Rating in | | Date & Rating in FY2024 | Date & Rating in FY2023 | | Date & Rating in FY2022 |
| | | | Aug 26, 2024 | Jul 23, 2024 | Jul 31, 2023 | Jul 04, 2022 | May 30, 2022 | May 10, 2021 |
| 1 Commercial Paper | Short term | 1500.00 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 2 Fund based limits | Short term | - | - | - | - | [ICRA]A1+; Withdrawn | [ICRA]A1+ | [ICRA]A1+ |
| 3 Non Fund based Facilities | Short term | - | - | - | - | [ICRA]A1+; Withdrawn | [ICRA]A1+ | [ICRA]A1+ |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|------------------|----------------------|
| Commercial Paper | 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 analysing 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, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (RS Crore) | Current Rating and Outlook |
|------------|-------------------------|-----------------------------|-------------|---------------|-------------------------|----------------------------|
| Not placed | Commercial Paper | - | - | - | 1500.00 | [ICRA]A1+ |

Source: Company

Annexure-2: List of entities considered for consolidated analysis

| Company Name | Ownership | Consolidation Approach |
|---|-----------|------------------------|
| IGH Holdings Pvt. Ltd. | 100% | Full Consolidation |
| Electrotherm Renewables Pvt. Ltd. | 100% | Full Consolidation |
| Palace Solar Energy Pvt. Ltd. (Step down subsidiary) | 74% | Full Consolidation |
| Rajmahal Coal Mining Ltd. | 85% | Full Consolidation |
| Bhubaneswari Coal Mining Ltd. | 74% | Full Consolidation |
| EMIL Mines and Mineral Resources Ltd. | 100% | Full Consolidation |
| Amelia Coal Mining Limited (Step down subsidiary) | 79.39% | Full Consolidation |
| Subhadra Coal Mining Limited | 100% | Full Consolidation |
| Novel Jewels Limited | 61% | Full Consolidation |
| Living Media India Ltd. | 41.50% | Equity Method |

Source: Company

Corrigendum

Rationale dated August 26, 2024 has been revised with changes as below:

In the rating history table, Fund based limits and Non Fund-Based Facilities has been included in the instrument column.

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 40 4547 4829

vikram.v@icraindia.com

Sumit Jhunhunwala

+91 33 7150 1111

sumit.jhunhunwala@icraindia.com

Deepayan Ghosh

+91 33 7150 1220

deepayan.ghosh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.