

August 26, 2024

The Sandur Manganese & Iron Ores Limited: Update on material event

Summary of rating action

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

*Instrument details are provided in Annexure-I

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 The Sandur Manganese & Iron Ores Limited given that it is involved in 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 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
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 the Princely state 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 current approved 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	Amount rated (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years			
			Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			August 26, 2024	May 07, 2024	Feb 26, 2024	Dec 19, 2022	Sep 6, 2021	
1	Term loans	Long Term	137.0	[ICRA]A+; rating watch with developing implications	[ICRA]A+; rating watch with developing implications	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Cash credit	Long Term	10.0	[ICRA]A+; rating watch with developing implications	[ICRA]A+; rating watch with developing implications	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	Non-fund based limits	Short Term	285.0	[ICRA]A1; rating watch with developing implications	[ICRA]A1; rating watch with developing implications	[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 implications
NA	Cash credit	NA	NA	NA	10.00	[ICRA]A+; rating watch with developing implications
NA	Non-fund based limits	NA	NA	NA	285.00	[ICRA]A1; rating watch with developing implications

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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