

September 24, 2025

The Sandur Manganese & Iron Ores Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based - Term loan	137.00	81.00	[ICRA]A+ (Stable); reaffirmed
Long term – Fund-based - Cash credit	10.00	146.00	[ICRA]A+ (Stable); reaffirmed
Short term non-fund based facilities	285.00	205.00	[ICRA]A1; reaffirmed
Non-Convertible Debentures	450.00	450.00	[ICRA]A+ (Stable); reaffirmed
Total	882.00	882.00	

*Instrument details are provided in Annexure-I;

Rationale

The reaffirmation of the ratings factors in the healthy operating and financial performance of the company in FY2025 with the consolidated operating profits of the company increasing by around 145% aided by mainly, a ramp up in iron ore production and sales, which remains the principal contributor to the company's operating profits and the balance being attributable to the acquisition¹ of the steel business. The iron ore sales volumes for the company in FY2025 increased by around 140% post receipt of statutory approvals which had raised the production limit. The production limit for iron ore has been raised further in the current fiscal from 3.81 mtpa to 4.45² mtpa and remains incrementally positive amidst buoyant iron ore prices. The ratings also factor in the established track record of The Sandur Manganese & Iron Ores Limited (SMIORE) for over seven decades in the mining industry and its status as one of the leading merchant miners of manganese and iron ore. The company has access to estimated iron ore reserves of 114 million tonnes (mt) and manganese ore reserves of 15 mt, which, along with its mining lease validity till December 2033, provide long-term revenue visibility to its mining operations. ICRA notes that SMIORE's foray into the special steel business through the Arjas Steel Private Limited (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 and its presence in the niche auto-grade steel segment, where the competitive pressures remain lower than carbon steel, will support the consolidated business risk profile through diversification of revenues and forward integration as the iron ore produced by SMIORE's mines can be consumed in ASPL's steel making operations. Notwithstanding the large sized debt-funded acquisition of ASPL in the last fiscal, the financial risk profile of the consolidated entity remained comfortable. The liquidity profile of the company remained comfortable, supported by a large free cash/bank/liquid investment balance of around Rs.491 crore as on March 31, 2025, which impart a high degree of financial flexibility to the company. ICRA also understands that the company is expected to follow a prudent capital allocation policy, commensurate with its earnings, which will support the financial risk profile over the near term.

The ratings are, however, constrained by the company's exposure to regulatory risks as it operates in a highly regulated mining industry. Any unfavourable change in the mining policy by the Government may impact its revenue growth and profitability. The ratings also factor in the exposure of its margins to volatility in the prices of iron ore, manganese ore and ferro alloys. The steel business of ASPL, like other steel manufacturers, will remain exposed to the cyclicalities inherent in the steel industry,

¹ Steel segment consolidated with effect from November 11, 2024

² consent for establishment and consent for operation pending for 0.089 mtpa

besides being susceptible to the cyclical downturns in the automobile industry, given its high dependence on the sector. The increase in coke imports into India along with the volatility witnessed in coking coal prices has rendered the industry situation challenging for domestic coke manufacturers, including SMIORE in the last two fiscals. Besides, a steep reduction in volumes under the long-term contract manufacturing arrangements led to sub-optimal capacity utilisation at the coke oven batteries which adversely impacted the financial performance of the segment. However, with quantitative restrictions on coke imports imposed (till December 31, 2025) and commencement of supply under a new contract manufacturing arrangement from Q1 of FY2026, which secures almost 46% of the installed capacity, will lead to a significant improvement in performance of the coke segment in the current fiscal.

ICRA had earlier noted the recent ruling of the Supreme Court of India which 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 the imposition of such retrospective tax. ICRA will assess the impact of the Supreme Court ruling on the company, given that it is involved in mining operations, and will take appropriate action when further clarity emerges from the states on the taxation of mineral rights.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit metrics would continue to remain at comfortable levels, going forward, aided by steady accruals and moderate dependence on debt.

Key rating drivers and their description

Credit strengths

Established track record of over seven decades in mining industry; considerable experience of promoters – SMIORE was incorporated in 1954 by Late M. Y. Ghorpade, the eldest son of the former ruler of Sandur, Late Yeshwantrao Hindurao Ghorpade. SMIORE produces iron ore with Fe content of 56-58%, with lump to fine production ratio of 1:2. The company is also among the large miners of manganese ore in India. In addition, SMIORE manufactures ferro-alloys (silico-manganese and ferro-manganese) and coke, providing a diversified revenue stream.

One of the largest private sector iron ore and manganese ore miners in Karnataka with adequate reserves – The company has two mining leases, valid up to December 31, 2033, with proven reserves of almost 114 mt of iron ore and around 15 mt of manganese ore. It has an annual production capacity of 4.45 mtpa of iron ore and 0.60 mtpa of manganese ore. ICRA takes comfort from the vast reserves, the long validity of the mining licence and the established presence of the company in the mining industry. ICRA also positively considers the low-cost iron ore mining operations, which support the profitability of the mining division.

Entry into the specialty steel business leads to strengthening of the business risk profile through revenue diversification and forward integration; opens up a new growth lever – 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 and its presence in the niche auto-grade steel segment, where the competitive pressures remain lower than carbon steel, will support the consolidated business risk profile through diversification of revenues and forward integration as the iron ore produced by SMIORE's mines can be consumed in ASPL's steel making operations.

Comfortable credit metrics and healthy liquidity – Notwithstanding the large sized debt-funded acquisition of ASPL in the last fiscal, the financial risk profile of the consolidated entity remained comfortable. The capital structure remained comfortable

as reflected in a gearing of 0.7 times as on March 31, 2025. Other credit indicators, too, remained healthy, with interest coverage of 6.7 times and Net Debt/OPBDITA of 1.8 times in FY2025. The liquidity profile of the company remained comfortable, supported by a large free cash/bank/liquid investment balance of around Rs.491 crore as on March 31, 2025. ICRA also understands that the company is expected to follow a prudent capital allocation policy, commensurate with its earnings, which will support the financial risk profile over the near term.

Credit challenges

Exposure to regulatory risks – The company operates in a highly regulated mining industry, which exposes it to regulatory risks, as witnessed by the mining restrictions imposed in Karnataka in the past. Any unfavourable change in the mining policy by the Government may impact its revenue growth and profitability.

Susceptible to volatility in prices of iron ore, manganese ore and ferro alloys; steel business of ASPL to remain vulnerable to cyclical in steel and automobile sectors – SMIORE's earnings from the mining business remain volatile, as it is exposed to fluctuation in the prices of iron ore and manganese ore. Metal ores and ferro-alloy prices exhibit considerable cyclicity and are highly sensitive to global demand patterns. The steel business of ASPL, like other steel manufacturers, will remain exposed to the cyclicity inherent in the steel industry, besides remaining susceptible to the cyclical downturns in the automobile industry, given its high dependence on the sector.

Subdued earnings from coke segment affecting business return indicators to some extent – The increase in coke imports into India and the volatility in coking coal prices have rendered a challenging industry situation for domestic coke manufacturers, including SMIORE in the last two fiscals. Besides, a steep reduction in volumes under the long-term contract manufacturing arrangements led to sub-optimal capacity utilisation at the coke oven batteries which adversely impacted the financial performance of the segment. However, with quantitative restrictions on coke imports imposed (till December 31, 2025) and commencement of supply under a new contract manufacturing arrangement from Q1 of FY2026, which secures almost 46% of the installed capacity, will lead to a significant improvement in performance of the coke segment in the current fiscal.

Liquidity position: Adequate

SMIORE's liquidity profile remains adequate, reflected in the large free cash/bank/liquid investment balance of ~Rs. 491 crore on a consolidated basis as on March 31, 2025 and healthy cash flow from operations expected over the medium term aided by buoyant iron ore prices and improvement in earnings of the recently acquired steel business. Against these sources of cash, the company has no major planned capex commitments and debt repayment obligations of around Rs.189 crore in FY2026. Overall, ICRA expects the company to be able to comfortably meet its capex commitments and service its debt obligations through internal sources of cash and yet be left with sufficient cash surpluses.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company is able to report a sustained growth in its earnings which would strengthen the leverage and debt coverage metrics and maintain a comfortable liquidity position.

Negative factors – Pressure on SMIORE's ratings could arise in case of any large debt-funded capex/acquisition, resulting in a significant weakening of the leverage and coverage indicators and liquidity position. The ratings could also face pressure due to a material deterioration in the earnings because of unfavourable demand/pricing dynamics. A specific trigger for downgrade would be Gross debt/OPBDITA of more than 1.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Mining
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of The Sandur Manganese & Iron Ores Limited.

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. Mr. Bahirji A. Ghorpade, the 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 4.45³ mtpa for iron ore and 0.60 mtpa for manganese ore. In addition, SMIORE manufactures ferro-alloys (silico-manganese and ferro manganese) and coke at its plant in Vyasankare, near Hospet. Besides, the company also operates a 32 MW WHRB based captive power plant.

Key financial indicators (audited)

SMIORE (Consolidated)	FY2024	FY2025
Operating income	1252.1	3135.1
PAT	238.6	474.6
OPBDIT/OI	25.6%	25.0%
PAT/OI	19.1%	15.1%
Total outside liabilities/Tangible net worth (times)	0.2	1.1
Total debt/OPBDIT (times)	0.4	2.4
Interest coverage (times)	16.0	6.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

³ consent for establishment and consent for operation pending for 0.089 mtpa

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Sep 24, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term	146.00	[ICRA]A+ (Stable)	May 07, 2024	[ICRA]A+ Rating Watch with Developing Implications	Feb 26, 2024	[ICRA]A+ (Stable)	Dec 19, 2022	[ICRA]A (Stable)
				Aug 26, 2024	[ICRA]A+ Rating Watch with Developing Implications	-	-	-	-
				Sep 24, 2024	[ICRA]A+ (Stable)	-	-	-	-
Fund Based-Term Loan	Long Term	81.00	[ICRA]A+ (Stable)	May 07, 2024	[ICRA]A+ Rating Watch with Developing Implications	Feb 26, 2024	[ICRA]A+ (Stable)	Dec 19, 2022	[ICRA]A (Stable)
				Aug 26, 2024	[ICRA]A+ Rating Watch with Developing Implications	-	-	-	-
				Sep 24, 2024	[ICRA]A+ (Stable)	-	-	-	-
Non Fund Based-Others	Short Term	205.00	[ICRA]A1	May 07, 2024	[ICRA]A1 Rating Watch with Developing Implications	Feb 26, 2024	[ICRA]A1	Dec 19, 2022	[ICRA]A1
				Aug 26, 2024	[ICRA]A1 Rating Watch with Developing Implications	-	-	-	-
				Sep 24, 2024	[ICRA]A1	-	-	-	-
NCD	Long Term	450.00	[ICRA]A+ (Stable)	Sep 24, 2024	[ICRA]A+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Term loan	Simple
Long term – Fund-based - Cash credit	Simple
Short term non-fund based facilities	Very Simple
NCD	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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Fund based - Term loan	FY2018	NA	FY2028	81.00	[ICRA]A+ (Stable)
NA	Long term – Fund-based - Cash credit	NA	NA	NA	146.00	[ICRA]A+ (Stable)
NA	Short term non-fund based facilities	NA	NA	NA	205.00	[ICRA]A1
INE149K07013	Non-Convertible Debentures	25-Oct-2024	11%	30-Sep-2031	450.00	[ICRA]A+ (Stable)

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
Arjas Steel Private Limited	98.94%	Full Consolidation
Arjas Modern Steel Private Limited	98.94%	Full Consolidation
Renew Sandur Green Energy Private Limited	49%	Equity Method

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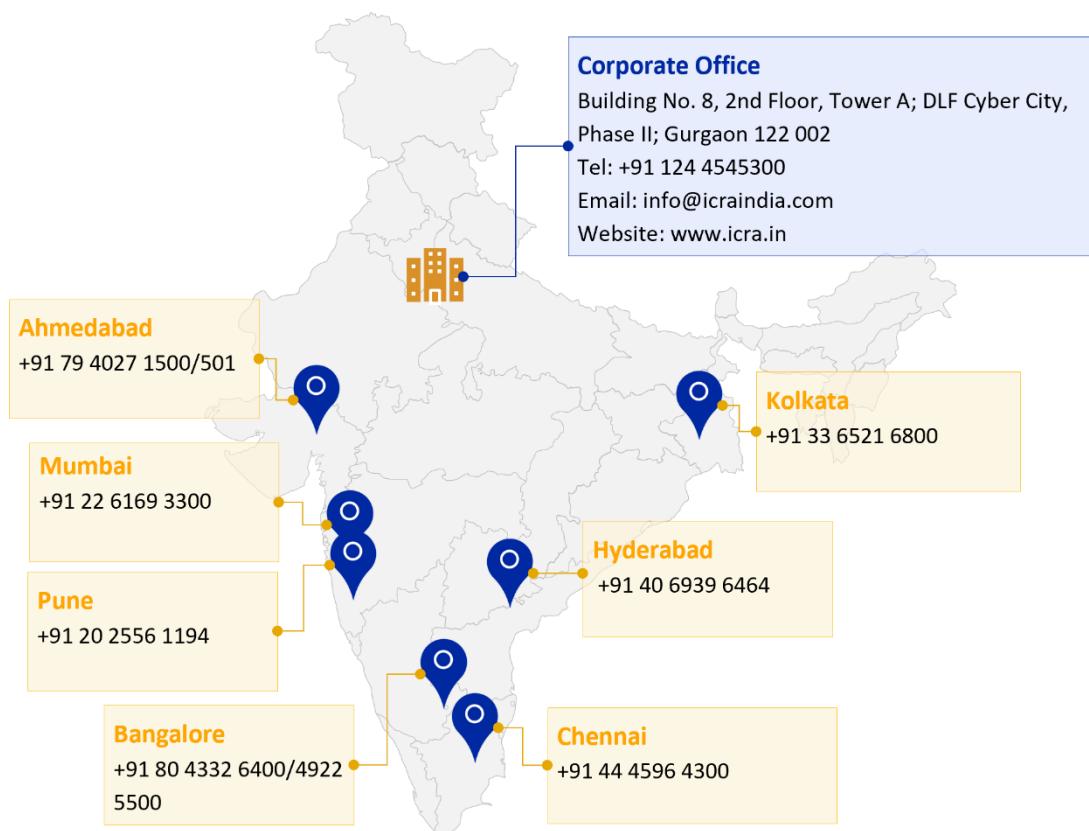
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