

The Sandur Manganese & Iron Ores Limited

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1 June 2018

The Secretary,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai - 400 001.

Dear Sir/Madam,

Sub: Announcement under Regulation 30 of Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 - Credit Rating assigned by CRISIL Rating

In pursuance of provisions of Regulation 30 of SEBI(LODR) Regulations, 2015, we wish to inform the Exchange that CRISIL Ratings has, vide its e-mail dated 31 May 2018, assigned a rating for the Company as under:

Facility	Amount (In ₹ Crore)	Rating
Term Loan	400	CRISIL A-/Stable
Letter of Credit	20	CRISIL A2+
Bank Guarantee	40	CRISIL A2+
Cash Credit & Working Capital demand loan	10	CRISIL A-/Stable
Total	470	

The above is for your information and record.

Thanking you

Yours faithfully
for The Sandur Manganese & Iron Ores Limited

DIVYA Digitally signed
by DIVYA AJITH
AJITH Date: 2018.06.01
10:13:46 +05'30'

Divya Ajith
Company Secretary &
Compliance Officer

Rating Rationale

May 31, 2018 | Mumbai

The Sandur Manganese And Iron Ores Limited
'CRISIL A-/Stable/CRISIL A2+' assigned to bank debt
Rating Action

Total Bank Loan Facilities Rated	Rs.470 Crore
Long Term Rating	CRISIL A-/Stable (Assigned)
Short Term Rating	CRISIL A2+ (Assigned)

** Includes sublimit of capex letter of credit worth Rs 70 crore.*
1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities
Detailed Rationale

CRISIL has assigned its '**CRISIL A-/Stable/CRISIL A2+**' rating on the bank loan facilities of The Sandur Manganese and Iron Ores Limited (SMIORE).

The rating reflects the strong market position of SMIORE as the fifth largest iron ore miner in Karnataka and the largest private miner of manganese ore in India, supported by its existence of more than six decades and large mining reserves, with long tenure of mining licenses. The rating also factors current debt-free balance sheet, with liquidity surplus of over Rs 200 crore as on March 31, 2018.

SMIORE (part of The Sandur group) has commenced with a major debt-funded capital expenditure (capex) programme, budgeted at Rs 600 crore, over the next eight quarters. The aforesaid capex shall be funded by way of term debt of Rs 400 crore and internal accruals, parked mainly in debt mutual funds, for the remaining quantum. The capex being undertaken is multi-pronged, wherein the group plans to set up a 0.4 million tonnes per annum coke oven facility, a 30 MW waste heat recovery-based (WHRB) power plant and also upgrade the existing ferroalloy plant apart from establishing additional evacuation infrastructure for its mines. The WHRB plant is expected to bring down the power cost substantially. Reduced power cost is likely to result in major cost savings for the ferroalloy manufacturing business, whose operations are currently creating a lag on the group's overall profitability. Surplus power, over and above the requirement of the ferroalloy unit, is expected to be sold to the grid after the commissioning of the WHRB plant, thereby further boosting the earnings profile of the group.

The group has purchased land for the coke oven plant and has initiated the process for import of equipment. Term debt, of Rs 400 crore, along with commensurate working capital, has been sanctioned. However, with the capex being at a nascent stage, the group faces sizeable risks relating to cost and time overruns in the course of setting up the new facilities, apart from major offtake risks for its coke production, expected to commence by March 2020. These risks, along with vulnerability of the group's operating margin to commodity prices constrain the rating.

The progress of the capex shall remain a key monitorable over the medium term.

Analytical Approach

For arriving at the rating of SMIORE, CRISIL has combined the business and financial risk profiles of SMIORE and its subsidiary, Star Metallica and Power Private Limited (SMPPL), together referred to as the 'Sandur' group. This is because both the companies have common management, operational linkages and financial fungibility between them.

Key Rating Drivers & Detailed Description
Strengths
*** Long-standing existence and vast mining reserves:**

SMIORE was set up in 1954 when Mr Y. R. Ghorpade, the former Maharaja of Sandur, transferred the lease awarded to him in the company's name. Currently, the company has two mining leases, valid upto 2033, with proven reserves of almost 69 million tonnes of iron ore and around 13 million tonnes of manganese with an annual production capacity of 1.6 million tonnes per annum for the former and 0.289 million tonnes per annum for the latter. The company is among the few entities with a category 'A' mine iron ore mining leases with annual production capacity of more than 1 million tonne. The vast reserves, long validity of the mining license and presence of more than six decades in the industry are expected to continue benefiting the company in the near term.

*** Sound capital structure, likely to be maintained despite planned capex:**

The group had a combined network of more than Rs 500 crore as on March 31, 2018, on account of steady accretion to reserves over the years. Despite the planned debt-funded capex, the capital structure is expected to remain sound, with total outside liabilities to tangible network (TOLTNW) ratio likely to remain at less than 1 time in the next two fiscals.

Weaknesses
*** Risks relating to cost and time overruns in the capex programme:**

The capex programme, is comprehensive and interlinked, with the commissioning of the coke oven facility being integral for the commencement of operations of the WHRB plant. A delay or a cost overshoot in any one stage of the capex could adversely affect the progress of the entire programme, and to that extent, the group shall remain exposed to those risks.

*** Offtake risks for coke produce:**

The Sandur group currently does not have any coke manufacturing operations. While the facility is likely to commence operations in about 15 months from now, at the earliest, the group is yet to enter into a binding commitment for its produce. Demand risks for a new product poses significant uncertainty on the group's revenue and profitability.

*** Vulnerability of operating margin to commodity prices:**

Metal ores and ferroalloy prices typically exhibit considerable cyclical, and are highly sensitive to global demand patterns and general macro-economic factors. Accordingly, like any fellow private miner or alloy producer, the Sandur group's operating margin shall remain vulnerable to commodity prices.

Outlook: Stable

CRISIL believes that the Sandur group will continue to benefit from its strong market position in the mining industry. The outlook may be revised to 'Positive' if the group completes the ongoing capex ahead of schedule and within the budgeted cost estimates, resulting in higher-than-expected revenue and cash generation. Conversely, the outlook may be revised to 'Negative' if there are time or cost overruns in the ongoing capex, or if demand-side issues result in lower-than-offtake of the coke produce.

About the Group

The Sandur group consists of SMIORE and Star Metallics and Power Private Limited (SMPPL).

SMIORE is engaged in mining of low phosphorous manganese and iron ore in the Hospet-Bellary region of Karnataka. It is the fifth largest iron ore miner in Karnataka and the largest private miner of manganese ore and is the flagship business of the royal family of Ghorpades.

SMPPL, a subsidiary of SMIORE, has a 36,000 tonnes per annum ferroalloy plant and a 32 MW coal-based captive power plant.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs. Cr.	620.8	421.09
Profit After Tax	Rs. Cr.	111.34	55.35
PAT margin	%	17.9	13.14
Adjusted Debt/Adjusted Net worth	Times	0.00	0.00
Interest coverage	Times	37.65	13.43

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	Term loan	NA	NA	Mar-2027	400	CRISIL A-/Stable
NA	Bank Guarantee	NA	NA	NA	40	CRISIL A2+
NA	Letter of Credit	NA	NA	NA	20	CRISIL A2+
NA	Cash Credit & Working Capital demand loan	NA	NA	NA	10	CRISIL A-/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	410.00	CRISIL A-/Stable		--		--		--		--	--
Non Fund-based Bank Facilities	LT/ST	60.00	CRISIL A2+		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Term Loan	400	CRISIL A-/Stable	--	0	--
Letter of Credit	20	CRISIL A2+	--	0	--
Bank Guarantee	40	CRISIL A2+	--	0	--
Cash Credit & Working Capital demand loan	10	CRISIL A-/Stable	--	0	--
Total	470	--	Total	0	--

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
Rating Criteria for Mining Industry
CRISILs Approach to Recognising Default
CRISILs Bank Loan Ratings
CRISILs Criteria for Consolidation
The Rating Process
Understanding CRISILs Ratings and Rating Scales

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Last updated: April 2016

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