Disclaimer:

- I am not a SEBI registered advisor.
- This presentation is only for the knowledge purpose and nothing in this presentation should be considered as investment advice.
- I am invested in the said company.
- Please do your due diligence before making any investment decision.

Agenda:

- Business of the Company
- Management of the Company
- Management Quality
- Growth Drivers
- Demand Scenario
- Financials of the Company
- Any Red flags?
- Antithesis
- Valuations
- What technicals say?
- Q&A

Business Of the Company:

Manganese Ore mining:

- Sandur was set up in the year 1954 in Karnataka by **Mr. Y.R Ghorpade**, the former ruler of the princely state of Sandur.
- The Company owns and **operates the largest manganese ore mines** in the private sector.
- The manganese ore mining is **Semi-mechanized, labour-intensive** and thus **lower margin** accretive business.
- Company's manganese ore is known for one of the finest low grade, low phosphorus metallurgical ores used in blends for producing ferroalloys and steel.
- A part of our mined ore is used captively in the ferroalloy operations, and the rest is sold out.
- The manganese ore is used extensively in the production of the steel. In addition, it is used in lithium-ion batteries, which are used in EVs.
- One of the peers in Manganese ore business is - **MOIL**.

Business Of the Company:

Iron Ore mining:

- The Company's **fully-mechanized iron ore mining** operations generate internal efficiencies and ensure better workplace safety and compliance to environmental protection norms.
- Fully-mechanized iron ore mining contributes to **higher margins.**

- One of the peers of the company in Iron Ore business is - **NMDC**
- The company **sells its Iron ore and Manganese ore through the e-auctions**, conducted on MSTC portal.

Business Of the Company:

Ferro Alloys:

- Let's first understand what are ferro alloys
- Ferroalloy refers to various alloys of iron with a high proportion of one or more other elements such as manganese (Mn), aluminium (Al), or silicon (Si). They are used in the production of steels and alloys.

Ferro Manganese

- An alloy of iron and manganese
- Used in steel products wherein silicon content needs to be controlled at low levels
- Used in flat steel, manganese-rich steel and stainless-steel manufacturing

Ferro Silicon

- An alloy of iron and silicon
- Silicon acts as a steel oxidant
- Used primarily in special steels and in small quantities in mild steel

Silicon Manganese

- An alloy of silicon and manganese
- Cost-effective blend of silicon and manganese
- Consumed in all steel products. Used in higher quantities in 200 series stainless steel, alloy steel and manganese steel

The commenced ferroalloy operations in the year 1968, at Vyasanakere (near Hosapete), with assurance and agreement with State Electricity Board for supply of adequate power at viable rates.

Business Of the Company:

Ferro Alloys:

- By 1990's, **operations ran into trouble and turned unviable due to inadequate supply of power** coupled with unviable rates.
- Ferroalloy operations shut between 2000-07.
- The company started 32 MW thermal power plant for captive usage to supplement operations of ferroalloys division and to reduce dependency on State Electricity Board for availability of power.
- However, it didn't address cost-feasibility concern.
- **To address viability of power**, the Company has setup a combination of 0.4 MTPA Coke Oven plant and **30 MW Waste Heat Recovery Boilers**
- Peer in Ferro alloys business is - **Maithan Alloys**

Business Of the Company:

Coke & Energy:

- **Coke** has a dual role in the steelmaking process.
  1. It provides the heat needed to melt the ore
  2. It has the effect of 'stealing' the oxygen from the iron ore, leaving only the pure iron behind.

- **A Coke Oven** is a chamber of brick or other heat-resistant material in which coal is heated to separate the coal gas, coal water, and tar. The coal gas and coal water fuse together with carbon and the remaining ash, forming a hard residue commonly referred to as coke.

- **A coke oven battery** consists of 20 to 100 adjacent ovens with common side walls made of high quality silica and other types of refractory bricks.

Business Of the Company:

Coke & Energy:

- **A waste heat recovery unit (WHRU)** is an energy recovery heat exchanger that transfers heat from process outputs at high temperature to another part of the process for some purpose, usually to increase efficiency. The WHRU is a tool involved in cogeneration. Waste heat may be extracted from sources such as hot flue gases from a diesel generator, steam from cooling towers, or even waste water from cooling processes such as in steel cooling.

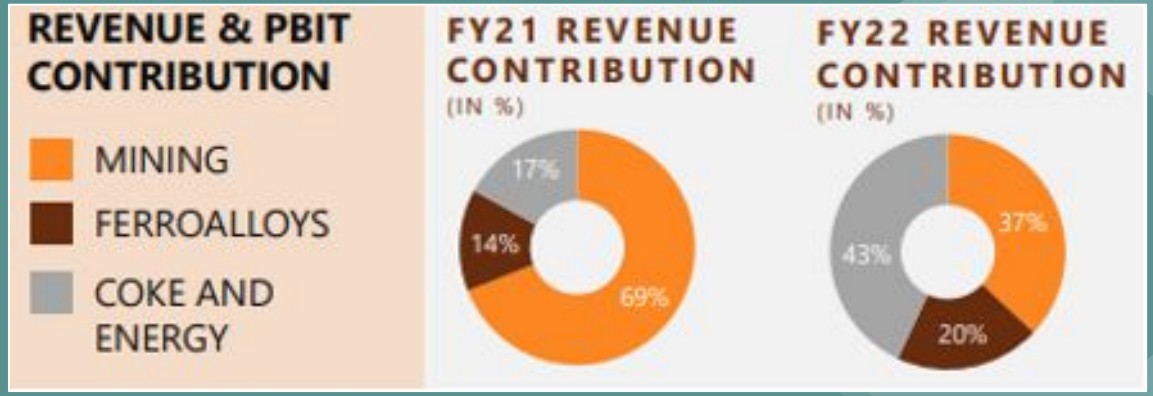
- The Company began its Coke Oven expansion in 2018 which was finally commissioned in FY21, and FY22 was its first full year of operations.

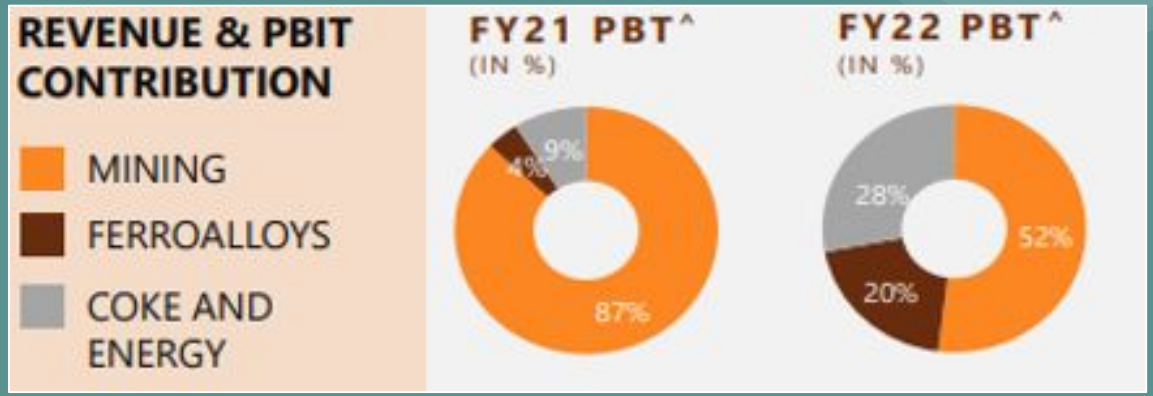
- **Coke Capacity - 0.5 MTPA. Power - 32 MW**

- 45 to 50% of the coke is sold to a Steel manufacturer based out of Karnataka, on the fixed cost conversion basis. This ensures fixed off-take at a fairly stable margins. Rest is sold in the open market.

- **Clients -** JSW, Kirloskar Ferrous, SLR Metaliks, Kalyani Steels, ArcelorMittal etc.

Business Of the Company:





Business Of the Company:

DI Pipes & Pig Iron:

- New business vertical which is part of forward integration.
- The company is setting up **DI Pipes & Pig Iron plant of 0.4 MTPA** capacity, through the **CAPEX of 2000+ Cr.**
- **Commercialization** is expected **by early FY25.**
- Pig iron, also known as crude iron, is an intermediate product of the iron industry, which is used in the production of steel
- Pig iron is obtained by smelting iron ore in a blast furnace.
- Ductile iron (DI) pipe is pipe made of ductile cast iron commonly used for potable water transmission and distribution.
- **Tata Metaliks** is one of listed companies which is in the business of DI Pipes & Pig Iron

Management of the Company:

Parentage:

- **Y.R. Ghorpade** (Yeshwantrao Hindurao Ghorpade) (1908 -1996) - Ruler of Sandur
- **M.Y. Ghorpade** (Murarirao Yeshwantrao Ghorpade) (1931 - 2011) - Eldest son of Y.R. Ghorpade - Ruler of Sandur
- **Ajaisinh Murarao Raje Ghorpade** - Eldest son of M. Y. Ghorpade - Now Ruler of Sandur
- **Bahirji Ajaysinh Raje Ghorpade** - Eldest son of Ajaisinh Murarao Raje Ghorpade and now the MD of the company.

Y. R. GHORPADE
FOUNDER

- His Highness Yeshwantrao Hindurao Ghorpade (1908-1996)
- Founder (1954)
- Chairman and Managing Director (up to 1996)

- Y R Ghorpade was the former ruler of Sandur State.

M. Y. GHORPADE
PATRON

- Murarirao Yeshwantrao Ghorpade (1931 – 2011)
- Administrative Officer
- Joint Managing Director
- Managing Director
- Chairman and Managing Director (up to 1999)
- Chairman Emeritus (up to 2011)

- M. Y. Ghorpade on his return from Cambridge was in SANDUR and then had a political career. He served as Finance Minister and Panchayat Raj & Rural Development Minister also.

S. Y. GHORPADE
CHAIRMAN EMERITUS

- Chairman and Managing Director (up to 2017)
- Chairman (up to 2020)

S. Y. Ghorpade is a Metallurgical Engineer from the Colarado School of Mines, USA. He has been associated with the Company for 53 years and continues his contributions as Chairman Emeritus. His pioneering contribution for almost three decades towards the Metal and Ferroalloy Plant development since its inception in 1967 is incredible. It can be considered that the plant is what it is today because of S. Y. Ghorpade's principles, scientific and systematic procedures, and performance-oriented approach. Under his leadership, the Company steered through the most demanding challenges such as Power Cost crisis, BIFR and Honorable Supreme Court's mining suspension.'

T.R. RAGHUNANDAN
CHAIRMAN

With over twenty-six years of experience in executive, corporate management, and policy-making positions in state and national government, Raghunandan is a specialist in formulating policies, decentralization, and anti-corruption. He is also a consultant and advisor to international development agencies, governments, and non-profit institutions, such as UNDP, the Swiss Development Corporation, and other prestigious foundations. In addition, he is the Director and co-founder of Avantika Foundation, a non-profit organization engaged in building the Museum of Movement to showcase India's romance with transport.

BAHIRJI A. GHORPADE
MANAGING DIRECTOR

Bahirji A. Ghorpade is a graduate in Commerce with a specialisation in Finance from Christ University, Bengaluru. Having completed his Company Secretary Executive Program from the Institute of Company Secretaries of India, he joined the Company as a Management Trainee in April 2015. After a brief sabbatical break for higher studies - Masters in Finance and Management from Cranfield School of Management, Cranfield University, United Kingdom, he re-joined the Company in 2018. Since then, he has shouldered the responsibilities of Project Accounting for over a year and a half, which includes accounting of all project-related expenses, cash flow management, and Capitalization of Assets; while also being an Executive Assistant to the MD, where he was assisting the MD in functional areas such as corporate affairs, materials management, commercial management, finance, administration, and general management allowing him to look into finer aspects of leadership. In addition, he served as Director (Corporate) and then elevated as Managing Director of the Company in June 2020.

Management Quality

- The management seems ethical and has been doing the right things.
- Promoters hold 73% stake in the company.
- The company over the period of time **surrendered its 2,000 hectares of land to the government**, for forestation and for the extraction by the public sector company.

Management Quality

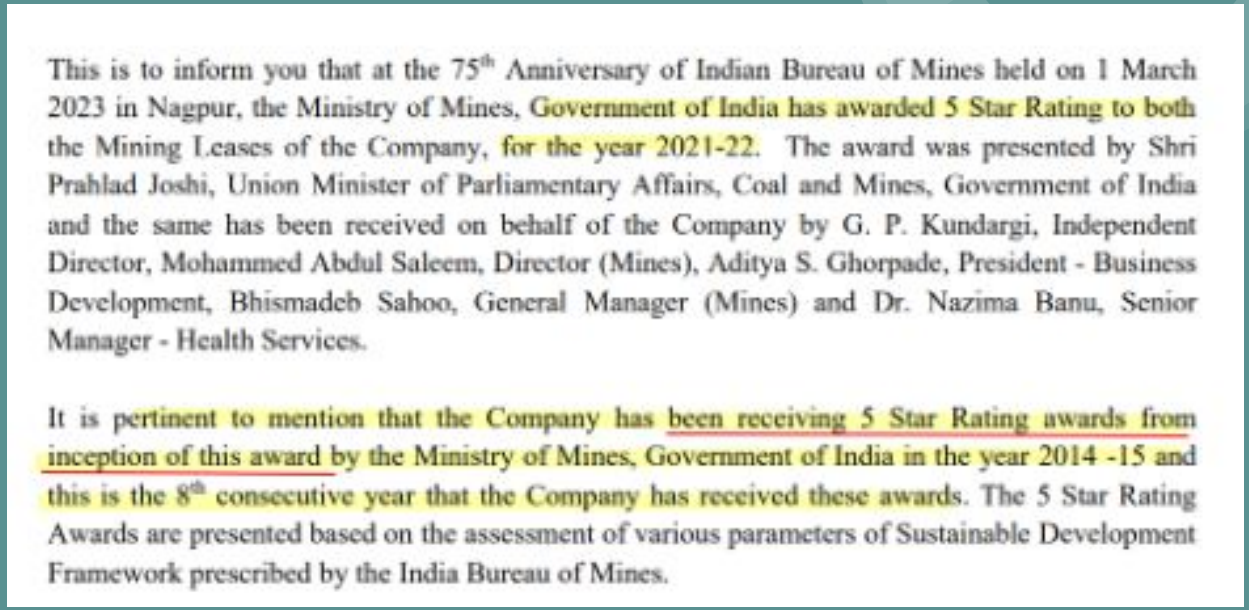
- The management is walking the talk. The management had talked about removing the pledge, which the management did in Nov-2021.
- **The company has provided for mine closure.** Even very large miners like Hindustan Zinc do not provide for the same. Once mine operations are over, there is a huge cost involved to surrender the mine back to the Government.

Details of movement in mine closure provision

Particulars	2020-21	2019-20
Opening balance	533.00	382.00
Additional provisions recognised	157.00	126.00
Amounts used during the period	-	-
Unused amounts reversed during the period	-	-
Unwinding of discount and effect of changes in the discount rate	23.00	25.00
Closing balance	**713.00**	**533.00**

Management Quality

- Public hearing for the Iron ore capacity expansion & beneficiation plant was completed on 6th Dec, 2022. Proceedings have very positive testimonials and feedback for Sandur from nearby villagers. **All of the testimonials were positive and were in support of the proposal.**
- The company is one of the few 5 star rated private mines in India with an exemplary track record. In an industry which attracts a lot of negative attention, SMIORE has always been in the good light. **The company has received this award for 8th consecutive year.**



This is to inform you that at the 75th Anniversary of Indian Bureau of Mines held on 1 March 2023 in Nagpur, the Ministry of Mines, Government of India has awarded 5 Star Rating to both the Mining Leases of the Company, for the year 2021-22. The award was presented by Shri Prahlad Joshi, Union Minister of Parliamentary Affairs, Coal and Mines, Government of India and the same has been received on behalf of the Company by G. P. Kundargi, Independent Director, Mohammed Abdul Saleem, Director (Mines), Aditya S. Ghorpade, President - Business Development, Bhismadeb Sahoo, General Manager (Mines) and Dr. Nazima Banu, Senior Manager - Health Services.

It is pertinent to mention that the Company has been receiving 5 Star Rating awards from inception of this award by the Ministry of Mines, Government of India in the year 2014 -15 and this is the 8th consecutive year that the Company has received these awards. The 5 Star Rating Awards are presented based on the assessment of various parameters of Sustainable Development Framework prescribed by the India Bureau of Mines.

Growth Drivers:

Segment	Current Capacity	Expansion	Status
Iron Ore	1.6 MTPA	**4.5 MTPA**	- Approvals in advanced stages - EC approval expected in Q1 FY24 **- Received on 25th Apr 23** - Ramp-up expected in FY24 only
Manganese Ore	0.28 MTPA	**0.58 MTPA**	- Few approvals pending, which are expected in Q1 FY 24. - Ramp-up in FY24 itself.
Ferro Alloys	0.048 MTPA	0.095 MTPA	
Coke & Energy	0.5 MTPA & 32 MW	0.5 MTPA & 32 MW	
DI Pipes & Pig Iron		**0.4 MTPA**	- Capex of 2000+ Cr - Combined max output of 0.4 MTPA - Commercialization by early FY25

- The company have signed an agreement with Renew Green Energy Solutions to set up renewable energy assets that will help the company to meet energy requirements through renewable sources of energy such as solar and wind.

Growth Drivers:

- Along with the CAPEX mentioned, the company is adding **7 MTPA beneficiation** capacity. The CAPEX required for beneficiation plant is around **450Cr**. - **EC approval received on 25th Apr 23**

- Beneficiation is any process that improves (benefits) the economic value of the ore by removing the gangue minerals, which results in a higher grade product, resulting into higher margins.

- Because of the constraints of the low grade reserves, to achieve actual target of 4.5 MTPA of iron ore production, the company plans to scale the mining operations to 7 to 7.5 MTPA. This raw ore will be processed using 7 MTPA beneficiation plant to enhance the grade of the ore and produce final output of 4.5 MTPA.

- Out of 4.5 MTPA of saleable ore, **0.15 MTPA will be produced directly through mining pit & rest 4.35 MTPA will be output of beneficiation plant.**

- Considering that **majority of the output will be coming from beneficiation plant**, which will be of higher grade, i**t is expected that realisations would be higher.**

Growth Drivers:

- As per management, **the Iron ore production can be expanded very quickly with very low CAPEX** requirements once the approval is received.

Ayush Agarwal: That's really good to know. Just a follow up on this question, once we have the EC what is the time frame that we are looking at to expand the capacity to say 2.5 or 3 million tonnes from here and what would be the CAPEX needed?

Bahirji Ghorpade: See that will not take much time for us to expand the capacity because we have an asset light model, and we use some of the contractors for earth moving equipment and we have the setup available. We envisage some challenges because of the grades that may come out after we start mining at an expanded capacity, and we expect lower grades of production. We are planning the CAPEX for the next phase where we are looking for some kind of beneficiation facility and value addition, maybe in terms of producing pellets or some value-added products that will help us keep our long-term perspective and viability in mind.

Demand Scenario:

- The Indian manganese market ranks seventh in the world, and India still continues to be a net importer of manganese ore.
- As projected by the Ministry of Mines, India's consumption of manganese ore during FY20 was 5.5 million tonnes, thus recording a self-sufficiency ratio of 51%.

- India ranks fourth in iron ore production globally, and continues to remain a net-exporter of iron ore.
- As projected by the Ministry of Mines, India's consumption of iron ore during FY20 was 206 million tonnes, thus recording a self-sufficiency ratio of 129%.

- India is the second-largest importer of coking coal following China, and in fact was the highest importer of coke and semi-coke in 2020.
- India is a net importer of coke and accounts for 11% of the global imports with a value of $ 632 million.

- The demand for the DI pipes industry is majorly driven by government organisations such as municipal bodies and infrastructure agencies.
- The Indian DI pipes market has historically grown at a CAGR of 8-10% and is projected to grow at a slightly faster rate of 12-15% for the next 3-4 years, propelled primarily by government spending on water projects such as 'Nal se Jal'.

Source: SMIORE AR22

Demand Scenario:

COKE

Indian market overview

India produced 106.56 MTPA (Million Tonnes per Annum) of liquid steel in FY19, out of which 50.08 MTPA was produced through conventional blast furnaces (BF) and basic oxygen furnaces (BOF) route. The National Steel Policy envisions that India will produce 300 MTPA of Liquid Steel by 2030- 31. The policy estimates that 60-65% of the production i.e. ~187.5 MTPA, shall come through the BF-BOF route, which will require 161 MTPA of coking coal. Based on heuristics and the current price trends, India's total import bill for coking coal will be ~US$ 32 billion. This is a massive opportunity for the Indian mining industry as demands are expected to proliferate.

Source: SMIORE AR21

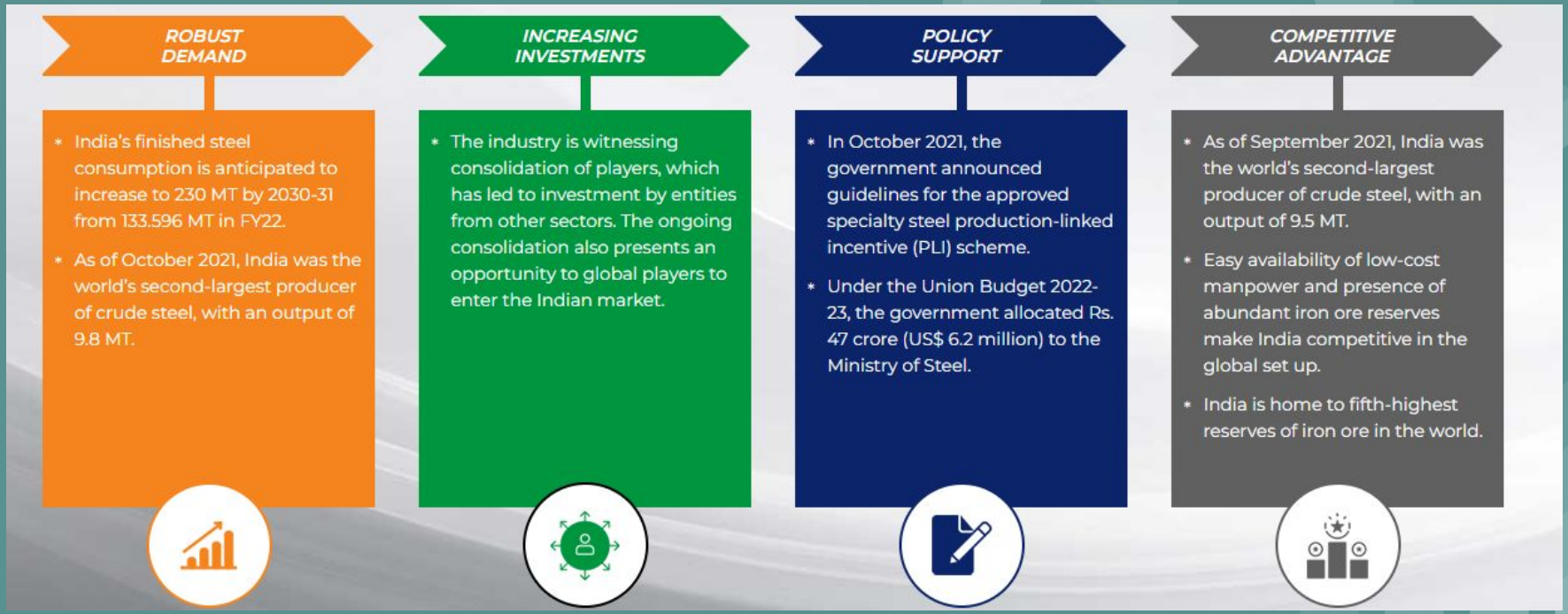
Now let's come to hard numbers on DI Pipes. The industry order book today is roughly about 1.4 million tones that's about seven months of order. There are about 1 million tonnes of inquiries in the market. So, that makes it 2.4.

Then there is tender of about roughly 0.9 million tonnes, which is already floated for the EPC contractors, not for the pipes. So, the EPC contractors get it and then they in-turn, give it to the pipe suppliers. And projects approved and tenders being prepared for to be invited, is about 2.5 million tonnes. So, if you look at the total number, it comes to roughly 5.8 million tones, let's say 6 million tonnes. The industry capacity is let's say 2.5 million tonnes. If you are saying 1.5 million tonnes more comes up, which I doubt very much, then the industry capacity becomes four. And we are saying we have a theoretically an order visibility, either an order visibility or projects visibility of about 6 million tonnes. So, that's the kind of numbers you have. But more realistically, I don't know from where you got 1.5 million tonnes. But the number that looks that's more practical is that we will achieve, will go up to maybe closer to 3 million tonnes by end of this year. And that also is not easy. So, DI Pipes will continue to be in short supply, in my opinion. And I think the industry is going to have a, remain in a positive supply demand situation.

From Tata Metaliks: On demand supply scenario in DI Pipes: Order visibility of approx. 5.8 million and supply is around 3 millions

Demand Scenario:

- The demand for Iron Ore, Mn Ore & Ferro Alloys is driven by Steel Sector.
- India's finished steel consumption is anticipated to increase to 230 MT by 2030-31 from 133.596 MT in FY22.



Source: India Brand Equity Foundation

Demand Scenario:

Some of the major investments in the Indian steel industry are as follows:

- In September 2022, Steel Authority of India Limited (SAIL), a Maharatna PSU, supplied 30,000 tonnes of the entire DMR grade specialty steel for the nation's first indigenously built Aircraft Carrier INS Vikrant.
- In August 2022, Tata Steel signed an MoU with Punjab Government to set up a steel scrap based electric arc furnace steel plant.
- In May 2022, Tata Steel announced a CAPEX of Rs. 12,000 crores (US$ 1.50 billion).
- In October 2021, Tata Steel was planning to set up more scrap-based facilities that will have a capacity of at least a billion tonnes by 2025.
- In October 2021, JSW Steel invested Rs. 150 billion (US$ 19.9 million) to build a steel plant in Jammu and Kashmir and boost manufacturing in the region.
- In October 2021, ArcelorMittal and Nippon Steel Corp.'s joint venture steel firm in India, announced a plan to expand its operations in the country by investing ~Rs. 1 trillion (US$ 13.34 billion) over 10 years.
- In August 2021, Tata Steel announced to invest Rs. 8,000 crore (US$ 1.08 billion) in capital expenditure to develop operations in India in FY22.
- In August 2021, ArcelorMittal announced to invest Rs. 1 lakh crore (US$ 13.48 billion) in Gujarat for capacity expansion.
- In August 2021, Tata Steel announced to invest Rs. 3,000 crore (US$ 404.46 million) in Jharkhand to expand capacities over the next three years.
- In August 2021, Jindal Steel & Power Ltd. announced plans to invest US$ 2.4 billion to increase capacity over the next six years to meet the rising demand from customers.
- In the next three years from June 2021, JSW Steel is planning to invest Rs. 47,457 crore (US$ 6.36 billion) to increase Vijayanagar's steel plant capacity by 5 MTPA and establish a mining infrastructure in Odisha.

Source: India Brand Equity Foundation

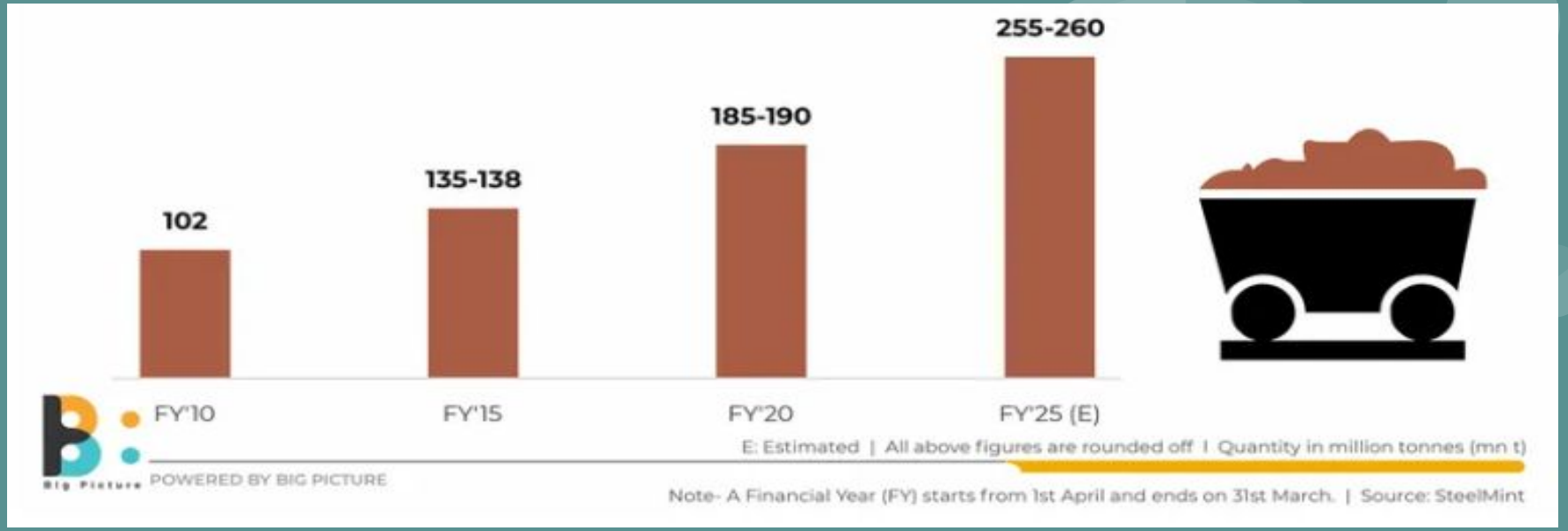
Demand Scenario:

Some of the other recent Government initiatives in this sector are as follows:

- In October 2021, the government announced guidelines for the approved specialty steel production-linked incentive (PLI) scheme.
- In October 2021, India and Russia signed an MoU to carry out R&D in the steel sector and produce coking coal (used in steel making).
- In July 2021, the Union Cabinet approved the production-linked incentive (PLI) scheme for specialty steel. The scheme is expected to attract investment worth ~Rs. 400 billion (US$ 5.37 billion) and expand specialty steel capacity by 25 million tonnes (MT), to 42 MT in FY27, from 18 MT in FY21.
- In June 2021, Minister of Steel & Petroleum & Natural Gas, Mr. Dharmendra Pradhan addressed the webinar on 'Making Eastern India a manufacturing hub with respect to metallurgical industries', organised by the Indian Institute of Metals. In 2020, 'Mission Purvodaya' was launched to accelerate the development of the eastern states of India (Odisha, Jharkhand, Chhattisgarh, West Bengal and the northern part of Andhra Pradesh) through the establishment of an integrated steel hub in Kolkata, West Bengal. Eastern India has the potential to add >75% of the country's incremental steel capacity. It is expected that of the 300 MT capacity by 2030-31, >200 MT can come from this region alone.
- In June 2021, JSW Steel, CSIR-National Chemical Lab (NCL), Scottish Development International (SDI) and India H2 Alliance (IH2A) joined forces to commercialise hydrogen in the steel and cement sectors.
- Under the Union Budget 2022-23, the government allocated Rs. 47 crore (US$ 6.2 million) to the Ministry of Steel. The budget's focus is on creating infrastructure and manufacturing to propel the economy.
- In addition, enhanced outlays for key sectors such as defence services, railways, roads, transport and highways would provide impetus to steel consumption.
- In January 2021, the Ministry of Steel, Government of India, signed a Memorandum of Cooperation (MoC) with the Ministry of Economy, Trade and Industry, Government of Japan, to boost the steel sector through joint activities under the framework of India–Japan Steel Dialogue.
- The Union Cabinet, Government of India approved the National Steel Policy (NSP) 2017, as it intends to create a globally competitive steel industry in India. NSP

Source: India Brand Equity Foundation

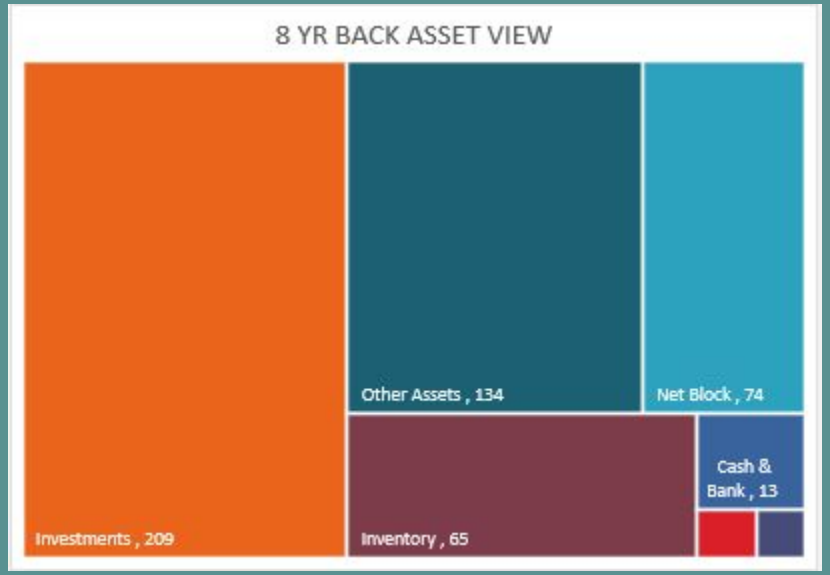
Demand Scenario:

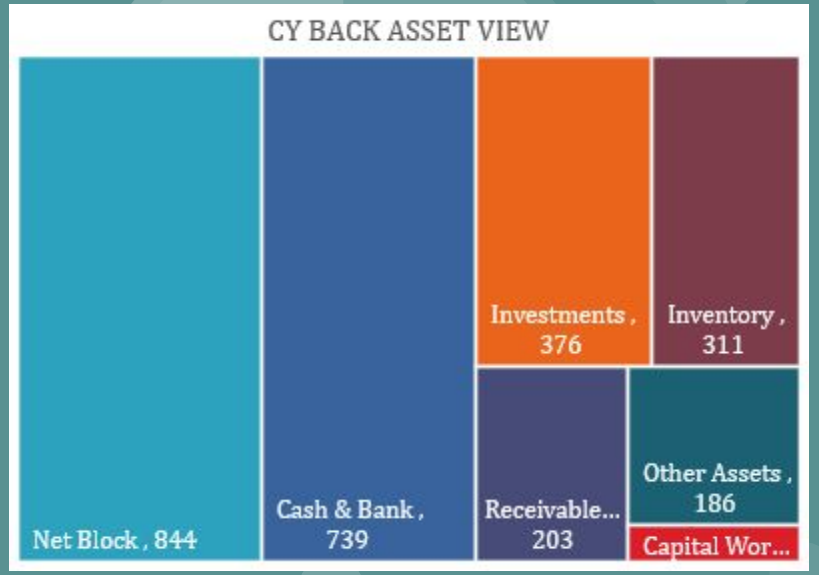


- The National Steel Policy 2017 seeks to create a globally competitive steel industry in India with 300 MnTPA steelmaking capacity and 158 kg per capita steel consumption by FY 2030-31.
- Government-led investment in infrastructure, rapid urbanisation, rising preference for personal mobility, growth in capital goods sector and the government's focus on making India 'Atmanirbhar' are expected to stimulate steel demand in India.

Financials of the Company:

- **Balance sheet view : Assets Side**

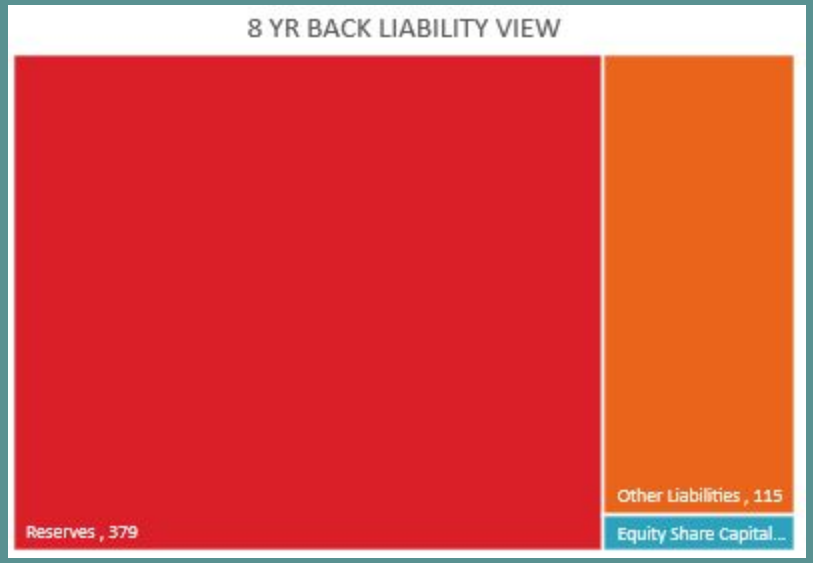


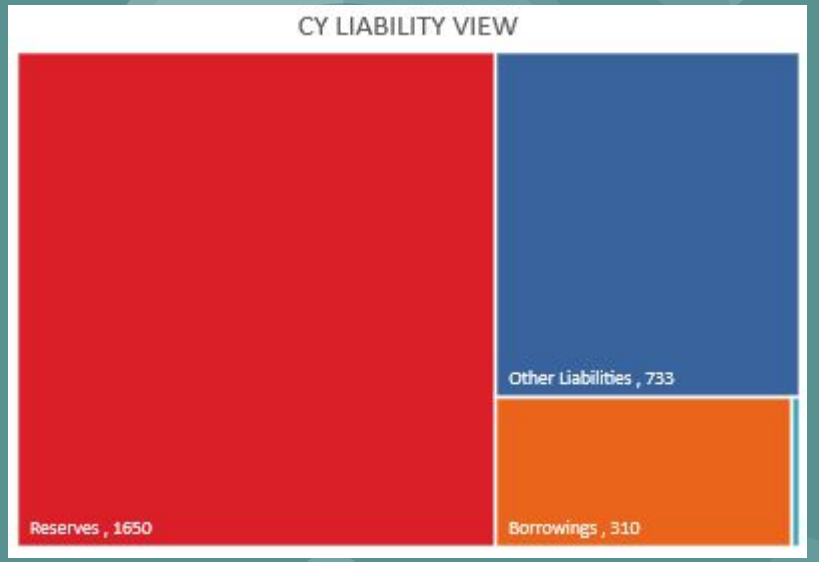


- The **net block** has **increased from 74 Cr to 844 Cr**
- At the same time, company has managed to increase its cash & bank balances from 13 Cr to 739 Cr

Financials of the Company:

- **Balance sheet view : Liability Side**





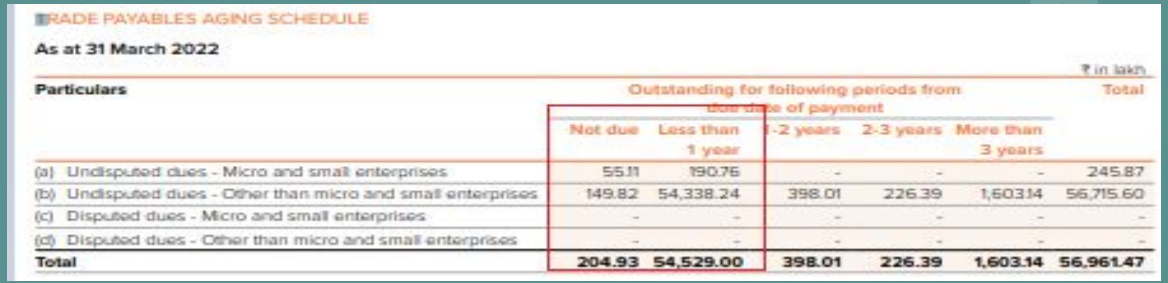
- Along with increasing net block from 74 Cr to 844 Cr, the Company has managed to increase its **reserves** as well, **from 380 Cr to 1650 Cr**

Financials of the Company:

- **Balance sheet view : Liability Side (Trade Payables)**

	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Sep 2022
Share Capital +	9	9	9	9	9	9	9	9	9	9	9	9	27
Reserves	292	300	333	368	379	362	423	521	695	831	984	1,650	1,692
Borrowings +	0	0	0	0	0	0	0	0	0	400	369	310	281
Other Liabilities -	**180**	**149**	**119**	**109**	**115**	**106**	**136**	**127**	**158**	**222**	**362**	**733**	**608**
Trade Payables	20	14	13	18	17	19	32	52	75	80	222	570	446

- The trade payables have increased in FY21 & FY22.
- However, the trade payables seem to be decreasing now.
- The **D/E ratio of the company is 0.16**, thus servicing the trade payables doesn't look problematic.
- Also, the **trade payables are not very aged.**



TRADE PAYABLES AGING SCHEDULE

As at 31 March 2022

₹ in lakh

Particulars	Outstanding for following periods from due date of payment					Total
	Not due	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(a) Undisputed dues - Micro and small enterprises	55.11	190.76	-	-	-	245.87
(b) Undisputed dues - Other than micro and small enterprises	149.82	54,338.24	398.01	226.39	1,603.14	56,715.60
(c) Disputed dues - Micro and small enterprises	-	-	-	-	-	-
(d) Disputed dues - Other than micro and small enterprises	-	-	-	-	-	-
Total	**204.93**	**54,529.00**	**398.01**	**226.39**	**1,603.14**	**56,961.47**

Financials of the Company:

- **Balance sheet view : Liability Side (Trade Receivables)**

Trade receivables	30	49	27	57	3	8	6	4	21	31	76	203	207

- The trade receivables have increased significantly from 76 Cr to 207 Cr over last couple of years
- But if we look at the **receivables which are credit impaired** then **the number is miniscule.**
- Also if we look at the trade receivables schedule, then **receivables aged over 1 year are also small**

NOTE NO. 12 - TRADE RECEIVABLES

₹ in lakh

Particulars	As at 31 March 2022	As at 31 March 2021
Unsecured considered good, unless otherwise stated		
(a) Trade receivables		
- Considered good	20,293.50	7,556.90
- Credit impaired	422.45	423.26
	20,715.95	7,980.16
Less: Allowance for doubtful trade receivables	422.45	423.26
	20,293.50	**7,556.90**
(b) Unbilled revenue	-	86.30
Total	**20,293.50**	**7,643.20**

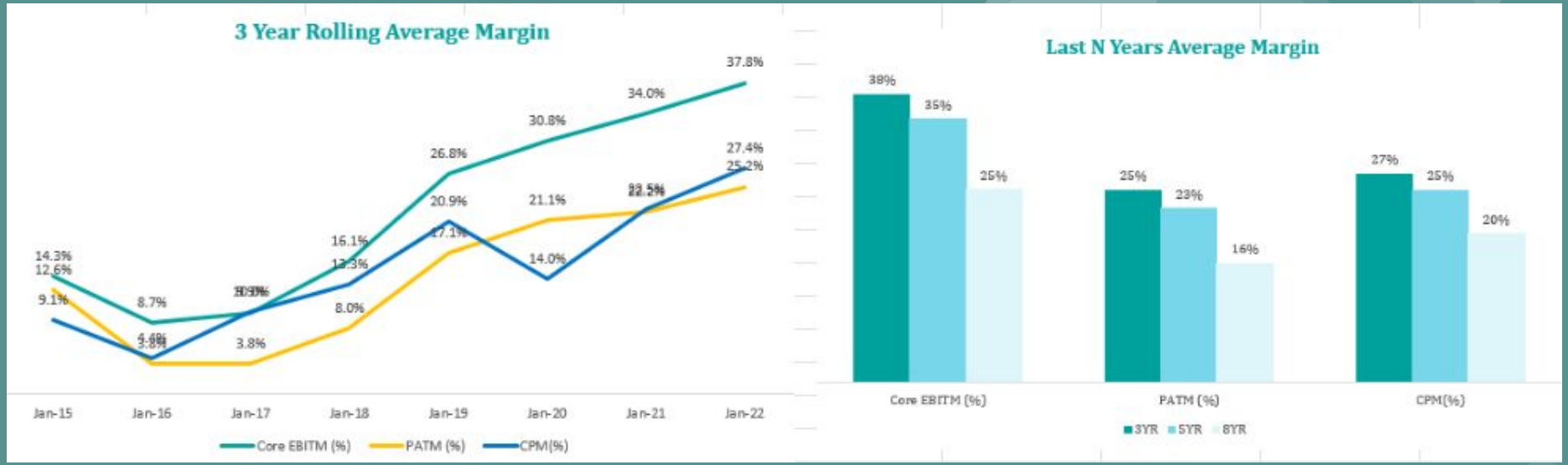
TRADE RECEIVABLES AGEING SCHEDULE AS AT 31 MARCH 2022

₹ in lakh

Particulars	Outstanding for following periods from due date of payment						Total
	Not due	Less than 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	More than 3 years	
(i) Undisputed trade receivables – considered good	11,017.99	9,032.08	148.51	85.61	4.45	4.86	20,293.50
(ii) Undisputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(iii) Undisputed trade receivables – credit impaired	-	0.39	-	0.57	21.18	400.31	422.45
(iv) Disputed trade receivables– considered good	-	-	-	-	-	-	-
(v) Disputed trade receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(vi) Disputed trade receivables – credit impaired	-	-	-	-	-	-	-
Sub-total	**11,017.99**	**9,032.47**	**148.51**	**86.18**	**25.63**	**405.17**	**20,715.95**
Less: Allowance for doubtful trade receivables							422.45
Add: Unbilled revenue							-
Total							**20,293.50**

Financials of the Company:

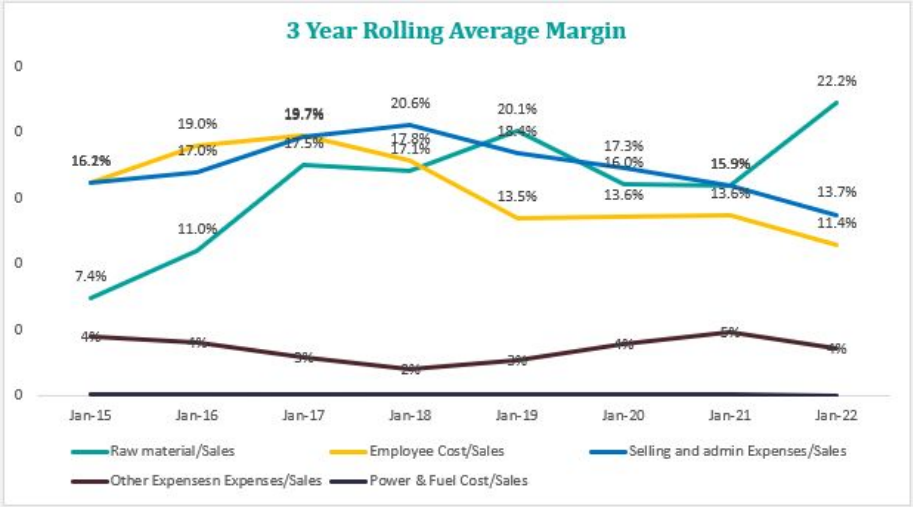
- **P&L Statement and Margins View**

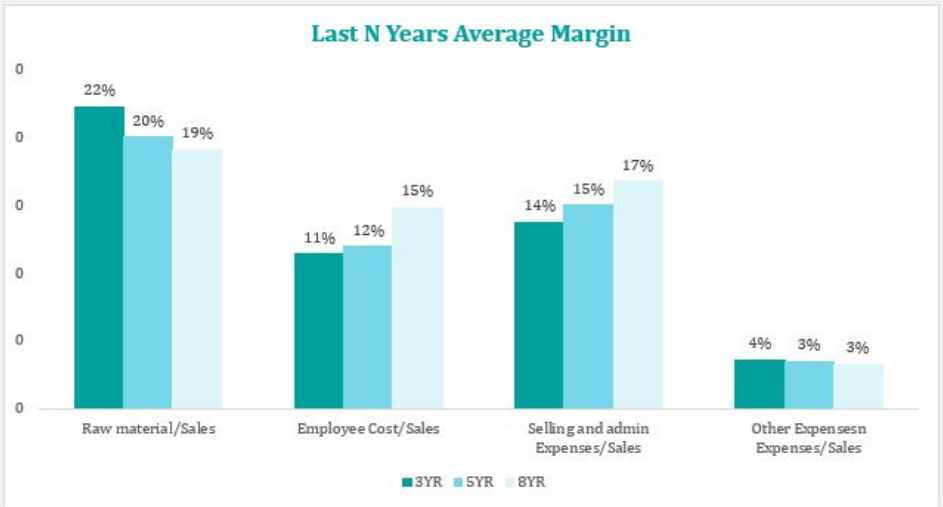


- The company operates in the cyclical industry.
- Better to look at the margins on longer term.
- On 3 years rolling, the margins are trending upward.
- On 8 years, 5 years and 3 years view as well, the margins are on upward trajectory.

Financials of the Company:

- **P&L Statement and Margins View**

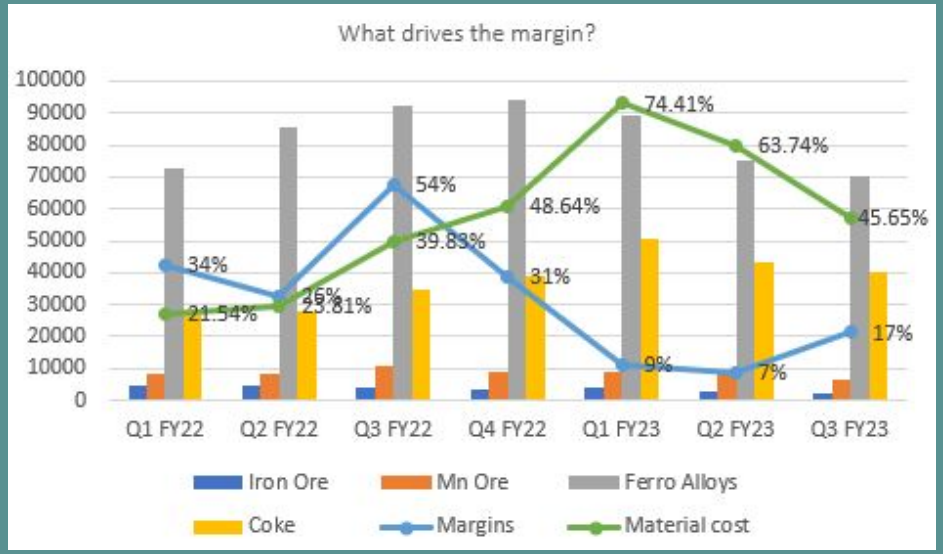


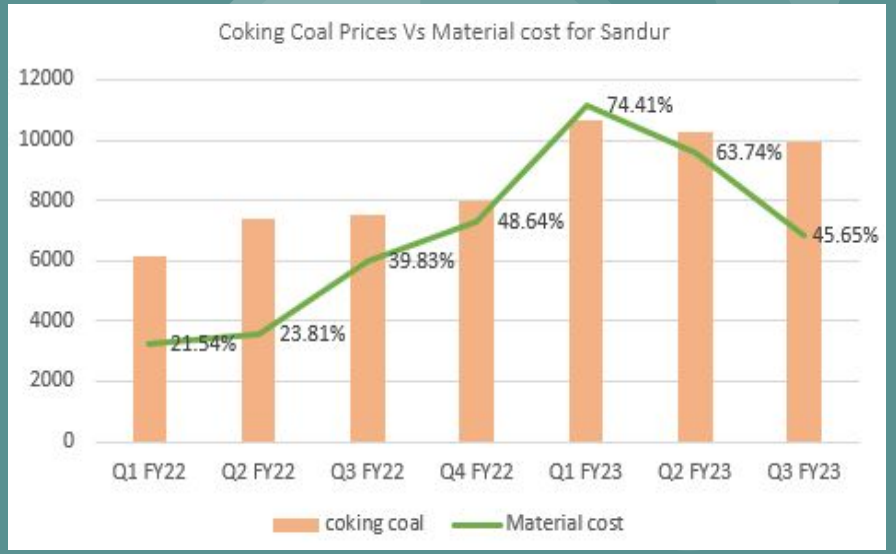


- On 3 years rolling level and on historical levels as well, all costs are going down except for raw material cost.
- The RM cost has increased because of coke & energy vertical.
- No raw material sourcing is required for the mining operations.
- In the case of ferro-alloys production major portion (about 85%) of strategic raw material like Manganese Ores from captive mines is transported through road transportation.
- **In case of Coke production, 100% of strategic raw material which is Coking Coal is sourced through importing from different countries**

Financials of the Company:

- **P&L Statement and Margins View**

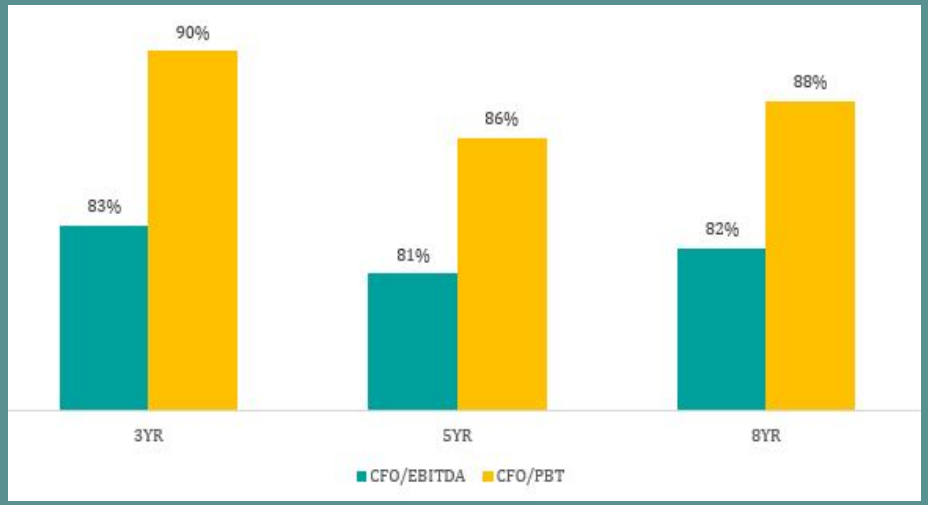


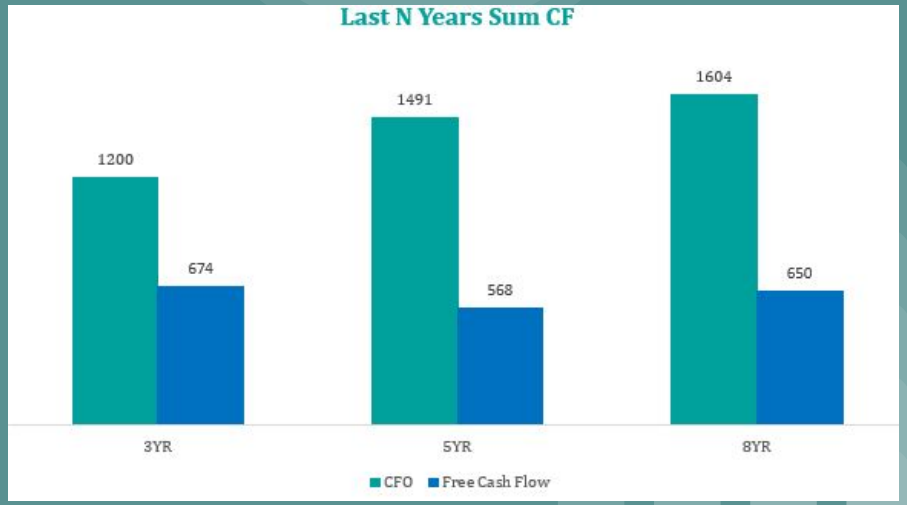


- From the first graph, the realisations seem to have minimal impact on the margins, on the other hand, material cost is the one which affects the margins.
- The second graph is the material cost as % of the expenses for Sandur Vs the coking coal prices (taken from Coal India). It shows good correlation between material cost for Sandur & coking coal prices.
- Thus, **the margins for Sandur are function of the coking coal prices** which is major raw material for the company.

Any Red Flags?

- **Debt to Equity :** The D/E ratio is at 0.12 and has been almost 0 over the years.
- **Capital misallocation:** There is no capital misallocation. However the company had struggled with some business verticals which company had set up, including Ferro Alloys business.
- **Has the company shared the wealth with the shareholders historically?** The company has been paying out the dividend.
- **EBITDA/CFO & CFO/PBT -** The conversion has been good and consistent historically. The company has managed to convert CFO into FCF as well.





Any Red Flags?

- **Related Party Transactions** - There are no related party transactions.

- **Contingent Liability as % net worth -** 150 Cr, which is approximately 9% because of disputed income tax and forest development tax claims, which does not seem to be threatening to survival.

- **Any Auditor's red flags?** - None.

- **CFO Changes in last 5 years** - Following are the changes, that have happened

  FY18 - K. Raman took retirement at the age of 70 & Sachin Sanu appointed as CFO (Apr-2018)
  FY18 to FY21 - Sachin Sanu was CFO
  FY22 - Uttam Kumar Bhageria appointed as new CFO.
  Could not find more details behind the resignation of Sachin

- **Goodwill as % of total assets** - Currently there is no goodwill on BS, however there was miniscule goodwill of 1.5 Cr since 2016, which got impaired in FY20.

- **Miscellaneous Expenses** - Miscellaneous expenses and other expenses as part total expenses is not worrisome (less than 5%).

Any Red Flags?

- **Auditor resignations, if any? -** R. Subramanian and Company LLP has been the auditors of the company since 2018. Before that it was M/s. Deloitte Haskins & Sells.

    - R. Subramanian and Company LLP was founded in 1974 and has team of 180+ employees
    - They have audited companies like ITC, Infosys, Apollo Hospitals, SBI, BSNL etc.
    - The company currently audits number of listed companies such as
        1. NLC Limited
        2. Chennai Petroleum Corporation
        3. Dynavision Limited
        4. Kothari Petrochemicals etc.

- **How is the corporate structure** - Simple. The company has only one subsidiary, which was incorporated recently in May 2022.

- **Any unaudited subsidiaries** - None.

- **Promoter Pledges?** - There is no pledging currently. Earlier there was pledging done by promoter, which was removed in Nov-2021.

Antithesis

- Since the Company's performance is closely linked with that of the steel industry, **there is cyclicity element.**

- **The Company operates in a highly regulated mining industry**. Their operations were disrupted in 2011 and 2012 when the Supreme Court had ordered suspension of all mining activities in Karnataka.

- Large phase 2 Capex of DI Pipe - execution risk and a lower RoCE business compared to mining.

- **The current MD is around 30-years of age.** He has been associated with the operations since 2015 in multiple roles. He became the MD in June'20.

- Sandur produces lower grade ore reflective in lower realizations compared to peers like NMDC, however the company is coming up with beneficiation plant to improve the grades.

- **Contingent liability of 150 Cr**, because of disputed income tax and forest development tax claims.

- Since **exports of ore from Karnataka are not permitted**, the prices may not move as per international prices.

- **50% of the coke is sold on cost-plus basis to a single customer, which itself is increasing it's coke capacities,** however as per management there is lot of demand for coke in open market.

Valuations

https://docs.google.com/spreadsheets/d/1Bv-v2iH8_64xdfb0uYs79kDU2fOw_EQYYk1y1Wvwik4/edit?usp=sharing

What technicals say?

The stock was in consolidation for almost a year, but has formed the golden crossover and has started shaping upwards.

What technicals say?

- The VStop has turned positive on monthly level.
- The DI+ is shaping upwards indicating some positive interest in the stock.

What technicals say?

- RSI above 50 and is shaping upwards.
- The stock is showing the strength against NIFTY Metal and NIFTY 50 as well.

Summary:

- The company owns and operates one of the largest manganese and iron ores in the country.
- The company has done forward integration in Ferroalloys business.
- Company has started the coke & energy division to compliment the Ferroalloys business.
- Company has announced large scale expansion of its mining business and has plans to start DI pipes & Pig iron business.
- The company is planning to increase its Iron ore business by around 3X, Manganese ore business by approximately 2X. This expansion is expected to happen by Q2 FY 24.
- The company is doing CAPEX of around 2000 Cr for DI Pipes & Pig iron business, which is expected to commercialise by early FY 25.
- The management of the company looks ethical and there are no concerning red flags observed.
- The company, over the period of time has seen multifold increase in its net block, along with the increase in the cash reserves.
- There is overall push for the steel sector from private sector and government of India as well.
- Though valuations look reasonable, doing precise valuation is challenging considering the fluctuations in realisations and commodity nature of the business.

Thank You!