

Ghanashyam Misra and Sons Private Limited

February 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.00	CARE BBB+; Negative	Assigned
Long Term Bank Facilities	35.98 (Enhanced from 25.98)	CARE BBB+; Negative	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the rating assigned to bank facilities of Ghanashyam Misra & Sons Private Limited (GMSPL) factors in moderation in financial performance due to moderation in operating margin in FY24 (refers to April 01, 2023 and March 31, 2024) attributable to incurring of development expense. CARE notes improvement in operating margins witnessed in H1FY25 (refers to April 01, 2024 and September 30, 2024) due to higher proportion of sales being derived from lower grade iron ore fines as compared to FY24. The rating continues to draw comfort from experienced promoters and long track record in iron ore mining business, satisfactory mining resources, long-term tenure of mining lease and comfortable capital structure. CARE also takes note of no demand received by the company from the Govt. of Odisha post Supreme Court judgement dated August 14, 2024 wherein it has upheld the power of state governments to tax mineral rights and mineral-bearing lands.

However, the rating remains constrained by high group exposure, ongoing litigation regarding nonpublication of IBM price for lower grade iron ore and subsequent royalty and premium amount pertaining to higher-than-anticipated rate for lower grade iron ore lumps and fines for post-March 2020 period leading to buildup and delay in monetizing already mined inventory and customer concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations resulting in total operating income (TOI) of more than ₹250 crore and improving PBILDT margin to more than 15%.
- Significantly reducing inventory, resulting in holding period of less than 180 days.

Negative factors

- Declining scale of operations, resulting in TOI of less than ₹75 crore and PBILDT margin of less than 10%, on sustained basis.
- Further elongating working capital cycle, resulting in weakening liquidity.
- Any further increase in exposure to group companies.

Analytical approach: Standalone

Outlook: Negative

The outlook has been revised from stable to negative on account of high group exposure constituting ~93% of the tangible net worth as on March 31, 2024. The outlook may be revised to stable if there is substantial reduction in group exposure in near to medium term.

Detailed description of key rating drivers:

Key strengths

Presence of satisfactory mining resources and long-term mining lease: The lease for Gorumahisani iron ore block in Mayurbhanj, Orissa expired in March 2020. GMSPL was successfully bid to retain the lease at the mine auctions in February 2020 at a premium of 115% of the base price. The lease has been granted for 50 years from July 2020 and the company has environmental clearance to mine 7.5 lakh mt of iron ore per annum.

Comfortable capital structure: The capital structure of the company continued to remain comfortable at 0.12x as on March 31, 2024, as against 0.14x as on March 31, 2023. This is on the back of scheduled repayment of term loan and moderate utilization of working capital borrowings as on March 31, 2024. In March 2022, the company has availed term loan of ₹71.77 crore for

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

advance payment of State Premium and Royalties against Minimum Production Requirement (MPR) shortfall post mine reallocation. Current outstanding term loan is ₹5.98 crore, as on Dec 31, 2024. Going forward, debt protection metrics are expected to improve with gradual term loan repayment and no further debt draw down plans.

Experienced promoters and long track record of operations in iron ore mining business: Incorporated in 1979, Ghanashyam Misra & Sons Pvt Ltd (GMSPL) was established by Misra Group. The group is managed by Misra family, with more than five decades of experience in mining, manufacturing, and construction industry. It is managed by Susil Misra, Binod Misra, Sourav Misra, Soham Misra and Sidharth Misra in the group's daily operations across industries.

Key weaknesses

High exposure to group companies: The company has exposure to group entities in the form of investments and loans & advances and it constituted around 94% of the tangible net worth of the company as on March 31, 2024, as against 83% as on March 31, 2023, which was envisaged earlier. Out of total exposure of Rs.327.12 crore as on March 31, 2024 (PY: Rs. 282.20 crore), ~53% of the exposure is in Amalgam Steel Private Limited (ASPL - subsidiary of Energia Steel Pvt Ltd which is JV of Misra group & Atha group) and Amalgam Steel & Power Private Limited (AS&PL - subsidiary of Transform Steel Pvt Ltd which is also a JV of Misra group & Atha group); both the entities are financially and operationally strong. Around 13% of the exposure is in subsidiary Bhagwati Power & Steel Limited (BSPL) which has stable cash flows and comfortable structure. Further, as on December 31, 2024, the total group exposure stood at Rs. 321.36 crores. Going forward, reduction in exposure in group companies will remain a key monitorable factor.

Moderation in operating performance in FY24 albeit improvement in H1FY25: Income from operations has improved from ₹88.90 crore in FY23 to ₹110.45 crore in FY24. The growth in sales is attributable to the growth in sales volumes of iron ore fines; however, the margins have moderated from 13.18% in FY23 to 5.51% in FY24 on account of development expenses incurred in the P&L in H2FY24. The company's operating margins improved to 12.64% in H1FY25 due to higher proportion of sales being derived from lower grade iron ore fines having higher margins as compared to FY24.

Furthermore, the company has booked revenues of around ₹58 crores in H1FY25. Going ahead, the operational performance is expected to remain range bound in the near to mid-term.

The Hon'ble Supreme Court of India, in a recent judgement, has upheld the power of State Governments to tax mineral rights and mineral-bearing lands. Furthermore, the bench, vide its judgement dated August 14, 2024, has also concluded that the States may levy or renew demand of such tax (if any) in a retrospective manner, on transactions made on or after April 01, 2005. The said judgement further states that, should the States choose to exercise this retrospective option, then the total amount due from an assessee can be paid over a period of 12 years, beginning April 1, 2026, without any interest or penalties. However, the company has not received any demand from the government of Odisha in this regard. However, the impact of any future demand arising out of the said judgement will continue to remain a key monitorable factor.

Ongoing Litigation regarding the publication of IBM price for lower grade iron ore and subsequent royalty and premium amount pertaining to higher than anticipated rate of iron ore lumps and fines for post-March 2020 period leading to buildup and delay in monetization of already mined inventory: The company earlier challenged IBM price of ₹1461/tonne for 45-51% Fe grade in April 2022, stating the price published for the grade is incorrect and sought revised publication. The company has agreed to pay the premium and royalty for MPR shortfall for first two-years basis All India Price of ₹747/tonne for April 2022 for the same grade. The additional payout at price of ₹747/tonne would be around ₹0.37 crore. Same is adjustable against advance of ₹71.77 crore paid in March 2022. The High Court directed that GMSPL will, without prejudice to the rights and contentions of the State of Odisha, can clear its stock of mined iron ore of the grade 45% Fe to below 51% Fe by paying ₹747/tonne PMT for the period with the clear understanding that this would be subject to the final outcome of the writ petition. There has been no further update on the writ petition.

Customer concentration risk: GMSPL's customer profile is concentrated, as 70% of total sales in FY24 is contributed by top 5 customers, as against 67% in FY23. Major part of new inventory is being sold to the group's joint venture (JV) entity, Amalgam Steel & Power Ltd, in the current fiscal.

Liquidity: Adequate

The liquidity of the company is adequate, marked by GCA of around ₹33 crores as against debt repayment obligations of around ₹24 crores in FY24. Further, in FY25, the company has repayment obligations of ₹24 crores out of which around ₹18 crores has already been repaid by Dec'24 and the company is expected to generate sufficient cash accruals for servicing of the remaining ₹6 crores. The company's average working capital utilization as per the bankers for past 12 months ending December 31, 2024, stood moderate at around 50%.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Minerals & Mining	Industrial Minerals

Incorporated in 1979, Ghanashyam Misra & Sons Pvt Ltd (GMSPL) was established by the Misra Group. GMSPL undertakes iron ore mining activities at the leased Goru-mahisani iron ore block in Mayurbhanj, Odisha. GMSPL was the successful bidder at the mine auctions held in February 2020 and retained the mining lease at a premium of 115% of the base price. The lease has been granted for 50 years from July 2020 and the company has environmental clearance to mine 7.5 lakh MT of iron ore per annum.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	88.90	110.45	57.82
PBILDT	11.72	6.09	7.31
PAT	6.70	2.80	-
Overall gearing (times)	0.14	0.12	-
Interest coverage (times)	1.85	1.46	3.69

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BBB+; Negative
Fund-based - LT-Term Loan		-	-	March 31, 2025	5.98	CARE BBB+; Negative
Non-fund-based - LT-Bank Guarantee		-	-	-	19.00	CARE BBB+; Negative

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	5.98	CARE BBB+; Negative	-	1)CARE BBB+; Stable (30-Jan-24)	1)CARE A-; Stable (01-Nov-22)	-
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Negative	-	1)CARE BBB+; Stable (30-Jan-24)	1)CARE A-; Stable (01-Nov-22)	-
3	Non-fund-based - LT-Bank Guarantee	LT	19.00	CARE BBB+; Negative				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Arindam Saha Director CARE Ratings Limited Phone: +91-33-40181631 E-mail: arindam.saha@careedge.in</p> <p>Punit Singhania Associate Director CARE Ratings Limited Phone: +91-33-40181620 E-mail: punit.singhania@careedge.in</p> <p>Subham Churiwala Analyst CARE Ratings Limited E-mail: Subham.Churiwala@careedge.in</p>
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About us:

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