NMDC Ltd — 04 Feb 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Action	**Reaffirmed** (Long Term: **AAA**
Outlook	**Stable** (Maintained)
Key Drivers of Change	1. **Volume Expansion:** Production rose to 45 MT in FY24; targeting 67 MT capacity by FY26 (24% growth potential). 2. **Cost Dominance:** Global low-cost leader (~₹1,000/t cost) with high-grade ore (63-65% Fe), sustaining 40% EBITDA margins despite regulatory premiums. 3. **Strategic Sovereign Link:** 60.79% Govt of India (GoI) ownership ensures preferential mining lease renewals under MMDR Act 2021. 4. **Cash Fortress:** Liquidity of **₹14,259 Cr** (Mar-24) comfortably funds annual capex (~₹2,000 Cr+) without external debt.
Rated Instruments	• **Fund-Based Facilities:** ₹6,250 Cr
Key Observations	**Strengths:** • **Market Leadership:** India's largest iron ore producer (53.8 MT current capacity). • **Financial Solvency:** Minimal leverage (Adj. Debt/Networth at **0.07x**) and elite Interest Coverage (**91.84x**). • **Operational Efficiency:** Avg. realizations (~₹4,565/t in FY23) significantly exceed production costs. **Risks:** • **Customer Concentration:** 70% of sales tied to just 3 clients (RINL, JSW Steel, AMNS India). • **Regulatory Drag:** 22.5% premium payout on iron ore (above 15% royalty) moderates margins since FY22. • **Cyclicality:** Vulnerable to global steel price volatility and domestic demand shifts.
Investor Impact	**Growth:** Volume-led growth (67 MT target) offsets price volatility. **Margins:** Structural floor on margins due to low-cost status; downside protected. **Leverage:** Effectively "Net Debt Free"; zero risk of equity dilution for expansion. **Dividends:** High cash balances and low debt support consistent payout capacity.
Agency / Cross Analysis	**Same Agency:** Rating remains at the ceiling (AAA). Comparison to FY23 shows successful navigation of the steel plant demerger. The focus has shifted from "Event Risk" (demerger) to "Execution Risk" (capacity ramp-up to 67 MT). **Conclusion: Improvement.** Stability in production volumes (up from 38 MT in FY23 to 45 MT in FY24) and maintained net-cash status reinforce the credit peak.
Final Inference	**Real Improvement.** NMDC is a "Cash Cow" with sovereign protection. The credit profile is bulletproof (AAA/Cash rich), meaning equity value is driven purely by iron ore price cycles and execution of capacity expansion rather than financial risk.