NMDC Steel Ltd — 18 Oct 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings (October 18, 2025)
Rating Action	**Reaffirmed at BBB+**
Outlook	**Stable** (Current) vs **Watch Developing** (Previous)
Key Drivers of Change	1. **Operational Turnaround:** Utilization jumped to 78% in Q2FY26 (from 37% in Q1FY26), signaling the end of stabilization pains. 2. **EBITDA Inflection:** Expected positive EBITDA in H1FY26 (vs losses in FY25) driven by scale and lower production costs. 3. **Raw Material Security:** 9-year iron ore contract with NMDC covers 15-20% of cost, protecting margins from market volatility. 4. **De-risking Liquidity:** Successful repayment of □523.80 Cr debt via internal accruals; removal of 'Watch' indicates divestment delays are no longer a credit threat.
Rated Instruments	**Term Loan:** □4,500 Cr
Key Observations	• **Revenue Growth:** Massive scale-up from □3,049 Cr (FY24) to □8,503 Cr (FY25). • **Loss Reduction:** Though FY25 PAT was -□2,374 Cr, H1FY26 shows operating profit trajectory. • **Liquidity Buffer:** Cash balance of □814.8 Cr + □2,600 Cr unutilized WC limits. • **Debt Obligations:** □918 Cr total debt servicing due as of Sept 30, 2025. • **Parental Floor:** Explicit mandate from Ministry of Steel for NMDC to support NSL until divestment. • **Cyclical Risk:** Susceptible to global steel price dumping (partially mitigated by safeguard duties since March 2025).
Investor Impact	**Growth:** Strong volume visibility as plant hits >80% utilization. **Margins:** Moving from "cash burn" to "cash generative" phase. **Leverage:** Moderate D/E at 0.45x; most capex (□25,000 Cr) is already sunk/funded. **Dilution:** Low risk in the near term as NMDC/GoI support remains the primary safety net.
Agency / Analysis	**History:** CRISIL aggressively downgraded NSL from **A (2023)** to **BBB+ (2024)** due to ramp-up delays and high losses. **Current Shift:** Reaffirming BBB+ and moving to 'Stable' marks a "bottoming out." The agency now prioritizes **Operational Execution** (utilization rates) over **Divestment Progress** (which remains stalled). **Conclusion:** Significant Improvement in credit outlook despite static rating.
Final Inference	**Real Improvement:** The removal of the 'Watch' is a major green flag for equity; it signifies that the business is now self-sustaining enough to survive without immediate divestment. The shift to positive EBITDA is the key catalyst for valuation re-rating.