

NMDC Steel Ltd — 21 Jul 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Action	BBB+ (Reaffirmed); Rating continues on 'Rating Watch with Developing Implications'
Outlook	Watch Developing (Current) vs Watch Developing (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Operational Ramp-up: Utilization improved from 27% (Q1FY25) to 36% (Q2FY25); approaching EBITDA neutrality. Raw Material Security: 9-year contract with NMDC for iron ore (15-20% of cost) at cost+mark-up provides a significant margin cushion. Divestment Uncertainty: GoI (60.79% stakeholder) is divesting 50.79%; 'Watch' reflects uncertainty over the new owner's credit profile. Liquidity Tightness: Cash of ₹1,165 Cr vs. debt obligations of ₹1,437 Cr (next 4 quarters) requires operational surplus to bridge.
Rated Instruments	Term Loan: ₹4,500 Cr
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> Strategic support from Ministry of Steel/NMDC until divestment. Location advantage (Nagarnar) and captive-like iron ore supply. Low Adjusted Debt/Networth (0.45x) as most capex (₹24k-25k Cr) was equity-funded. <p>Risks:</p> <ul style="list-style-type: none"> Massive FY25 Net Loss: ₹2,374 Cr on Revenue of ₹8,503 Cr. Weak Debt Protection: Negative Interest Coverage (-2.7x) and negative PAT margin (-27.9x). Concentration: Single-location risk and susceptibility to global steel cycles. Bullet Repayment: ₹524 Cr NCD due Aug 28, 2025, is a key monitorable.
Investor Impact	<p>Growth: Limited until plant hits >80% utilization.</p> <p>Margins: Currently bleeding; EBITDA turnaround is the primary equity trigger.</p> <p>Leverage: Low D/E (0.45x) provides room, but negative cash accruals strain valuation.</p> <p>Dilution/Exit: Divestment is the ultimate catalyst; the buyer's profile will redefine the stock's cost of capital.</p>
Agency / Cross Analysis	<p>Same Agency: Maintained BBB+ but notes "sequential improvement." The rating was downgraded from A- in 2024 due to delayed stabilization. Current stance acknowledges the operational "inflection point" but remains cautious due to the upcoming ₹524 Cr bullet repayment and pending divestment bids.</p> <p>Conclusion: Stable but stressed; rating reflects a transition from "Project Phase" to "Operational Turnaround."</p>
Final Inference	High-stakes turnaround. While the low leverage (0.45x) protects the floor, the equity value is currently eroded by ₹2,370+ Cr annual losses. The "Developing Watch" signals that the next rating move depends entirely on the bidder's identity and hitting 80%+ utilization .