

NMDC Steel Ltd — 22 Apr 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	A- → BBB+ (Reaffirmed at lower level; 1-notch downgrade from April 2024 remains in effect)
Outlook (Current vs Previous)	Watch Developing vs Watch Developing (Maintained due to ongoing divestment process)
Key Drivers of Change	<ol style="list-style-type: none"> Operational Ramp-up: Utilization rose to 76% (Q4FY25) from 41% (H1FY25), signaling nearing stabilization. EBITDA Pivot: Achieved first-ever positive EBITDA in March 2025; narrow Q4 losses vs ₹1,680 Cr loss in Q4FY24. Liquidity Crunch: Bulky debt repayment of ₹523.8 Cr due Aug 31, 2025; cash on hand (~₹252 Cr) is insufficient. Divestment Overhang: Gol (60.79% owner) is divesting 50.79% stake; credit profile will depend on the new buyer's strength.
Rated Instruments	Term Loan: ₹4,500 Cr
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> Strategic 9-year iron ore supply contract with NMDC (Iron ore is 15-20% of cost). Significant asset base: ₹24,000–25,000 Cr project cost vs only ~₹5,000 Cr total debt. Continued "Handholding" by NMDC/Ministry of Steel until divestment is finalized. <p>Risks:</p> <ul style="list-style-type: none"> Vulnerable to cheap steel imports and global cyclicality. Slower-than-expected ramp-up delayed the break-even point by nearly a year. Operating losses through Feb 2025 have eroded financial flexibility.
Investor Impact	<ul style="list-style-type: none"> Margins: Turning positive; expected full EBITDA profitability by H1FY26. Growth: Operational bottlenecks clearing; volume growth to drive stock valuation. Leverage: Low D/E (Debt ₹5k Cr on ₹25k Cr asset), but current ratio is weak due to bulky repayments. Dilution Risk: Low, as divestment is via Gol stake sale, but "Change of Control" clauses in debt may trigger refinancing needs.
Agency / Cross Analysis	Same Agency (CRISIL): Comparison to April 2024 shows a deterioration in rating (A- to BBB+) because the plant didn't stabilize as fast as promised. However, the April 2025 review shows improvement in trend (Utilization 52% → 76% and EBITDA positive in March). The rating is currently "held back" by the bulky Aug 2025 repayment and divestment uncertainty.
Final Inference	Real Operational Turnaround but Liquidity Risk. The business has finally hit the "S-curve" of production (76% utilization). While the equity story is improving via EBITDA break-even, the credit rating signals a high-risk 6-month window regarding the ₹524 Cr debt repayment and the uncertainty of who the new owner will be.