Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

The reported turnaround to a ₹58.72 Cr PAT is functionally artificial, sustained entirely by the non-accrual of interest on ₹4,508.23 Cr in trade payables due to parent NMDC Ltd. This interest-free subsidy, estimated at ~₹360 Cr annually, masks an underlying operating loss and makes bottom-line stability a matter of parent-entity forbearance rather than operational viability.

Systemic internal control failures pose a significant forensic risk, highlighted by a ₹5,177.24 Cr discrepancy between book creditors and filings made to State Bank of India—a gap representing nearly 40% of the company's net worth. The risk is compounded by the lack of a database-level audit trail in the SAP S/4 HANA system, leaving financial records vulnerable to unauthorized modification.

The balance sheet is facing a critical liquidity squeeze, evidenced by a Current Ratio of 0.53 following the reclassification of the ₹1,851.39 Cr demerger liability to current status. With contingent liabilities totaling ₹3,823.17 Cr (29% of equity)—primarily high-risk arbitration claims from project contractors—the company has no margin for adverse legal rulings or a tightening of parent credit.

Governance is currently non-compliant with basic regulatory standards, featuring 0% independent director representation and no women directors on the board. The "caretaker" management structure, where KMPs draw zero remuneration from the company and remain on the parent's payroll, creates a fundamental conflict of interest that limits accountability to minority shareholders.

Operational scaling provides the only positive momentum, with revenue surging 60.4% to ₹13,641.81 Cr as Nagarnar plant utilization hit 77%. However, even this growth is qualified by "provisional pricing" under the SAIL agreement, which subjects 85% of the revenue stream to potential back-ended adjustments by a pricing committee.

STANCE: AVOID. Monitorables for re-evaluation include the appointment of a 50% independent board, the transition of NMDC trade payables to arms-length interest-bearing terms, and a formal reconciliation of the ₹5.1k Cr bank reporting discrepancy.

#	Analytical Point	Sentiment
1	***Reported profitability is engineered via interest-free parent credit (4,508 Cr payable); excluding this ~ 360 Cr subsidy, the entity remains loss-making.***	□
2	***Severe internal control failure indicated by a 5,177.24 Cr discrepancy in creditor reporting to banks and lack of database-level audit trails.***	□
3	***Acute liquidity risk with a Current Ratio of 0.53 and reclassification of 1,851.39 Cr in demerger dues to current liabilities.***	□
4	***Governance is in critical non-compliance with 0% Independent Directors and shared KMP structures limiting minority oversight.***	□
5	***High contingent liability overhang of 3,823.17 Cr (29% of Net Worth), primarily stemming from Nagarnar construction arbitration.***	□
6	**Strong operational ramp-up with revenue up 60.4% and Nagarnar steel production reaching 77% capacity utilization.**	□
7	**Successful debt repositioning, reducing finance costs through an interest rate reset from 12.45% to 8.40%.**	□
8	***Revenue quality is obscured by provisional pricing under the SAIL agreement, introducing estimation uncertainty into the top line.***	□
9	Stance: AVOID. Monitor independent board appointments and normalization of related-party credit terms.	□

1. BUSINESS OVERVIEW

Segment	Revenue (□Cr)	Share (%)	YoY Growth (%)
Steel Products	11,608.58	85.09%	77.8%
Pig Iron	1,631.43	11.96%	7.3%
By-Products/Others	401.80	2.95%	(11.7%)
Total	**13,641.81**	**100.00%**	**60.4%**

Geography	Revenue (□Cr)	Share (%)
Domestic	13,641.81	100.00%
Export	0.00	0.00%

- **Business Segments & Revenue Drivers:** NSL remains a single-segment pure-play in Iron and Steel. Revenue growth of 60% YoY (□13,641.81 Cr) was driven almost entirely by volume ramp-up of the Nagarnar Integrated Steel Plant, which achieved a production scale of 2.32 MTPA of HR Coils (~77% utilization rate) against a 3.0 MTPA nameplate capacity.
- **Logistics & Cost Structure:** The company possesses a structural "pit-head" advantage due to its proximity to NMDC’s Bailadila mines. Specific energy consumption declined to 6.21 Gcal/tcs (vs. 6.99 Gcal/tcs), signaling improved efficiency. However, 32.49% of all purchases are sourced from NMDC Ltd, making margins highly sensitive to parent-entity pricing.
- **Industry Position & Product Strategy:** NSL is targeting premium segments, evidenced by CE Certification and ISO 29001:2020 attainment for the Petroleum/Gas sector. This strategy aims to insulate the portfolio from generic HR coil price volatility by targeting automotive and oil & gas sectors.

- **Expansion & Capital Expenditure:** Focus has transitioned from Greenfield CAPEX to operational debottlenecking. There is no current mention of Phase II expansion, with management focusing on stabilizing the balance sheet and current 3 MTPA capacity.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management characterizes FY 2026 as the **"Year of Turning the Corner,"** highlighting the shift from sequential commissioning to commercial sustainability and the achievement of a positive EBITDA of ₹1,604.44 Cr.
- Hot Metal production increased 53.5% YoY to 30.71 lakh tonnes, and Liquid Steel rose 60.8% YoY to 24.25 lakh tonnes, which management attributes to resolved teething issues in the 4,506 m^3 blast furnace.
- The domestic outlook is highly optimistic, supported by the GoI's ₹11.21 lakh crore capital outlay, PM Gati Shakti, and the PLI Scheme for Specialty Steel.
- Global outlook remains cautious due to geopolitical tensions, trade policy instability, and a global excess capacity of approximately 680 MT.
- Management acknowledges headwinds from raw material price volatility and decarbonization (CBAM) but is notably silent on the "debt trap" concerns or the high reliance on interest-free trade payables to the parent entity.
- Strategic focus has shifted from "Technical Viability" in FY25 to "Profitability and Market Expansion" in FY26, including plans to target European markets via CE certification.
- **Management Tone:** The tone is confident and promotional regarding production milestones but becomes defensive and legalistic regarding financial reporting nuances, such as C&AG comments on land transfer charges and ECL observations. Management is successfully selling an "Operational Recovery" story to mask a "Financial Fragility" reality, likely grooming the company for disinvestment by focusing on EBITDA positivity while relying on parent-entity subsidies (168-day payable cycle).

3. FINANCIAL ANALYSIS

3.1 Financial Statements

No pre-extracted tables available.

3.2 Financial Analysis Summary

- The company achieved a sharp turnaround in **Revenue** from Operations, which surged **60.43% to ₹13,641.81 Cr**, driven by the organic ramp-up of the **Nagarnar Integrated Steel Plant**; however, top-line quality is impacted by "provisional pricing" under the **SAIL** agreement, introducing significant estimation uncertainty in **Trade Receivables** of **₹179.05 Cr**.
- **Profit After Tax (PAT)** reached **₹58.72 Cr**, a recovery from the FY2025 loss of **₹2,373.78 Cr**, aided by high operational leverage as **Cost of Materials Consumed** grew only **18.4% to ₹8,594.27 Cr** despite the 60% revenue growth.
- **Finance Costs** declined by **25.3% to ₹486.64 Cr**, benefiting from a significant interest rate reset from **12.45% to 8.40%** effective January 2026, which supported bottom-line recovery while the company reduced **Total Debt** via the redemption of **₹523.80 Cr** in **NCDs**.
- **Inventory** rose **27.5% to ₹3,897.38 Cr**, with raw materials in-transit jumping to **₹1,350.79 Cr**, funded by stretching **Trade Payables** to **₹6,043.75 Cr**, of which **₹4,508.23 Cr (74.59%)** is due to the related party **NMDC Ltd**.

- **Cash Flow from Operations (CFO)** is effectively subsidized by a "consistent historical pattern of non-enforcement" of interest on the **□4,508.23 Cr** payable to **NMDC Ltd**; avoiding this estimated **~□360 Cr** annual interest hit was critical to reporting a positive **PAT**.
- **Gross Block** stabilization is evident as **Property, Plant and Equipment** stood at **□19,406.00 Cr** and **Capital Work-in-Progress (CWIP)** reduced to **□570.22 Cr**, though **□259.07 Cr** of **CWIP** is aged **>3 years**, posing impairment risks.
- **Selling Expenses** saw a **203.5% spike** in railway freight to **□578.77 Cr**, indicating that the cost of reaching wider domestic markets is consuming a larger portion of the **EBITDA** margin.
- The **Balance Sheet** faces liquidity pressure as the **Demerger Liability** of **□1,851.39 Cr** was reclassified to current liabilities, while **Contingent Liabilities** reached **□3,823.17 Cr** (29% of **Net Worth**), largely due to arbitration claims.
- **Deferred Tax Assets (DTA)** of **□1,580.94 Cr** are recognized based on "projected future taxable income," a judgment that ties balance sheet strength to sustained plant success.
- Internal control weaknesses are significant, with a lack of database-level audit trails in SAP and a **□5,177.24 Cr** discrepancy in creditor reporting to banks, suggesting financial infrastructure has not kept pace with operational scale.
- **Other Assets** are dominated by **ITC Receivables** of **□1,293.95 Cr**; while these are non-cash, they represent significant tied-up value. **Other Expenses** were impacted by **Operation & Maintenance** costs of **□608.48 Cr** and **Manpower Supply** of **□884.75 Cr** (paid to NMDC), indicating that "Employee Costs" in the P&L are understated as core plant labour is outsourced to the parent.
- **FY2026 marked a critical operational pivot where aggressive volume growth and interest rate repositioning enabled marginal profitability, yet the business remains fundamentally reliant on parent-entity credit and faces severe liquidity risks from reclassified demerger dues and legal contingencies.**

3.3 Contingent Liabilities & Commitments

Item (note's own caption)	Current yr	Prior yr	Change	What it means
Arbitration Claims (Capital Account)	□2,805.36 Cr	□2,600.10 Cr	+ □205.26 Cr	Potential 21.2% hit to Net Worth; primarily claims from capital contractors.
Other Claims Not Acknowledged as Debts	□1,001.76 Cr	□1,002.41 Cr	- □0.65 Cr	General legal disputes.
Disputed Income Tax	□15.89 Cr	□0.00 Cr	+ □15.89 Cr	New tax litigation for the current year.
Total Contingent Liabilities	**□3,823.01 Cr**	**□3,602.51 Cr**	**+ □220.50 Cr**	**Represents 29.02% of total Equity.**
Capital Commitments	□242.60 Cr	□183.73 Cr	+ □58.87 Cr	Estimated amount of contracts remaining to be executed.

- **Legal Risk:** The bulk of contingent liabilities (□2,805.36 Cr) involves high-risk arbitration with capital contractors related to the Nagarnar project construction.
- **GST Dispute:** Pre-demerger GST claims of □56.40 Cr are pending before the High Court of Bilaspur; these are currently handled by NMDC Ltd per the demerger scheme.
- **Land Title Risk:** 22.49 hectares of land acquired from the Chhattisgarh Government have not been recorded on the books as the acquisition cost is currently "not ascertainable," creating an unquantified hidden liability.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***WATCH***	high	6/6
2	Does profit become cash?	***WATCH***	high	5/5
3	Is the P&L being manufactured?	***FLAG***	high	6/6
4	Is value leaving to insiders?	***WATCH***	high	6/6
5	Can the balance sheet take a hit?	***FLAG***	high	5/5

Read 1 — Is the growth real? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Revenue from Operations growth vs Receivables growth	Rs 8,503.05 Cr	Rs 13,641.81 Cr	Revenue grew 60.4% while receivables fell 9.3%	□ CLEAN	n/a	Note 2.18, p.175
Trade Receivables ageing (< 1 year)	not disclosed	Rs 171.67 Cr	not disclosed	□ WATCH	95.8% of receivables are current	Note 2.8.1.1, p.193
Contract Liabilities (Advances from customers)	Rs 387.78 Cr	Rs 273.39 Cr	Decreased 29.5%	□ WATCH	Suggests potential slowdown in new booking advances	Note 2.16, p.198
Revenue from related parties (NMDC Ltd supply dependency)	not disclosed	Rs 3,301.86 Cr	not disclosed	□ WATCH	Critical supply dependency on parent for iron ore	Note 2.30.5, p.211
Customer concentration (SAIL Agreement)	not disclosed	Significant	not disclosed	□ WATCH	Revenue based on provisional prices; estimation uncertainty	Note 2.8.1, p.192
Unbilled revenue / Contract assets	not disclosed	not disclosed	not disclosed	□ CLEAN	None identified	Note 2.8, p.193

Mechanism: Revenue growth is driven by the organic ramp-up of the Nagarnar plant, but relies heavily on provisional pricing through a SAIL agreement and a 'Cash & Carry' model that keeps receivables low. **Aggregate impact:** 60.4% revenue growth is supported by a Rs 114.39 Cr reduction in customer advances. **Trend:** Single year only. **Direction:** stable · **Watch next:** The finalization of provisional prices by the TPC.

Read 2 — Does profit become cash? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
cfo_ebitda (CFO / Clean EBITDA)	n/a	1.12	n/a	☐ WATCH	CFO of Rs 1,795.50 Cr exceeds EBITDA of Rs 1,604.20 Cr	Cash Flow, p.177
op_conversion_pretax ((CFO + tax paid) / EBITDA)	n/a	1.12	n/a	☐ WATCH	Cash tax paid is negligible at Rs 3.15 Cr	Cash Flow, p.177
Inventory absorption of operating cash	Rs 646.59 Cr	(Rs 840.55 Cr)	Swung to heavy absorption	☐ WATCH	Absorbed Rs 840.55 Cr of cash (approx. 52% of EBITDA)	Cash Flow, p.177
Working capital movement (Payables Leverage)	Rs 2,329.02 Cr	Rs 1,212.03 Cr	Significant but declining	☐ WATCH	Operating cash bolstered by Rs 1,212.03 Cr increase in payables	Cash Flow, p.177
Cash tax paid vs book tax	Rs 4.25 Cr	Rs 3.15 Cr	Decrease of Rs 1.10 Cr	☐ CLEAN	Cash tax significantly lower than P&L charge	Note 2.26, p.175

Mechanism: Operating cash flow is healthy but is artificially supported by a massive increase in trade payables (Rs 1,212.03 Cr), which offsets a significant inventory build-up (Rs 840.55 Cr). **Aggregate impact:** Net working capital changes contributed Rs 259.90 Cr to CFO. **Direction:** deteriorating · **Watch next:** Conversion of the Rs 1,356.86 Cr Bill Discounting arrangement.

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Non-accrual of Interest on NMDC Payables	none	Rs 0.00 Cr	none	☐FLAG	Estimated ~Rs 360 Cr of interest avoided (8% on Rs 4,508 Cr)	Note 2.32.11, p.220
Deferred Tax Asset recognition	(Rs 947.94 Cr)	Rs 17.06 Cr	Rs 965 Cr swing	☐ WATCH	Rs 1,580.94 Cr DTA sits on BS despite history of losses	Note 2.32.6, p.215
Useful life estimates (vs Schedule II)	not disclosed	Higher lives	not disclosed	☐ WATCH	Longer lives (20-30 years) reduce annual depreciation	Note 1.3.iv.c, p.179
NRV write-downs of inventory	Rs 173.90 Cr	Rs 18.75 Cr	Reduced by 89.2%	☐ CLEAN	Adds Rs 155.15 Cr back to P&L vs prior year	Note 2.32.5, p.214
Non-operating / Other Income as % of PBT	(2.15%)	113.48%	Other Income > PBT	☐FLAG	Loss-making at operating level after finance costs if Other Income is excluded	P&L Statement, p.175
Exceptional items	nil	nil	none	☐ CLEAN	n/a	p.175

Mechanism: Reported profit of Rs 58.72 Cr is highly engineered via non-accrual of interest on multi-billion rupee payables and a reversal of inventory write-downs. **Aggregate impact:** Profit is entirely dependent on non-operating income and parent's interest forbearance. **Direction:** deteriorating · **Watch next:** Any impairment of the Rs 1,580.94 Cr DTA.

Read 4 — Is value leaving to insiders? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related Party Payables (NMDC Ltd)	Rs 3,655.13 Cr	Rs 4,508.23 Cr	Increased Rs 853.10 Cr	☐WATCH	Payables to parent = 74.5% of total trade payables	Note 2.30.5, p.211
Manpower Supply Services (via NMDC)	Rs 1,042.90 Cr	Rs 884.75 Cr	Decreased 15.1%	☐CLEAN	Significant cost paid to parent for plant workforce	Note 2.30.1, p.206
KMP Remuneration vs PAT	not disclosed	not disclosed	not disclosed	☐ UNRESOLVED	n/a	Note 2.30, p.210
Demerger Liability to NMDC	Rs 2,151.39 Cr	Rs 1,851.39 Cr	Decreased Rs 300 Cr	☐CLEAN	Debt repayment to parent entity	Note 2.15.4, p.198
Promoter pledge	nil	nil	none	☐CLEAN	n/a	Note 2.12, p.194

Mechanism: The company is operationally intertwined with NMDC Ltd. The increase in trade payables suggests the parent is providing a working capital subsidy. **Aggregate impact:** Total liabilities to parent (Trade Payables + Demerger) stand at Rs 6,359.62 Cr. **Direction:** deteriorating.

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Contingent Liabilities vs Net Worth	Rs 3,602.51 Cr	Rs 3,823.17 Cr	Increased 6.1%	☐FLAG	Contingent liabilities = 29% of Total Equity	Note 2.28, p.202
Inventory and Creditor Reporting Discrepancies	none	Rs 5,177.24 Cr	New flag	☐FLAG	Rs 5.1k Cr discrepancy in creditor filings to SBI	Note 2.32.2.1, p.214
Stalled CWIP (> 3 years)	not disclosed	Rs 259.07 Cr	not disclosed	☐ WATCH	Potential for impairment of legacy assets	Note 2.29.ii.a, p.204
Audit Trail Deficiency	not disclosed	Not enabled at DB	n/a	☐FLAG	Risk of unauthorized direct data changes in DB	Note 2.32.13, p.220
Title deeds and Land Mortgages	not disclosed	Not formalized	n/a	☐ WATCH	Equitable mortgage of land not yet formalized for loans	Note 2.14.1, p.195

Mechanism: Stressed by massive contingent liabilities and systemic internal control failures, highlighted by multi-billion rupee discrepancies in bank reporting. **Aggregate impact:** Discrepancy in bank filings (Rs 5,177.24 Cr) is nearly 40% of net worth. **Direction:** deteriorating.

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
2.32.11	***Non-provisioning of interest on payables to NMDC Ltd.***	none	Rs 0.00 Cr	Avoids ~Rs 360 Cr annual expense	Profit ↑ — Interest Avoidance
2.32.2.1	***Differences between books and bank filings (SBI).***	not disclosed	Rs 5,177.24 Cr (Creditors)	Systemic internal control failure	Neutral — Disclosure only
2.29.i	***22.49 hectares of land not brought into books.***	not disclosed	Not recorded	Hidden liability for land acquisition	Neutral — Future Liability
2.29.ii.a	**CWIP Aging (> 3 years)**	not disclosed	Rs 259.07 Cr	Potential future impairment risk	Profit ↓ — Potential Impairment

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion:** Unqualified.
- **Key Audit Matters:**
  1. **Litigation and Tax Proceedings:** High subjectivity in management estimates for □3,823.17 Cr in contingent liabilities. Reliance on management reps where legal counsel responses were missing.
  2. **Inventory Valuation:** Judgment in NRV estimation for □3,897.38 Cr in stocks; external expert used for physical verification of bulk items.
  3. **Revenue Recognition:** Specifically cut-off risks and the use of "provisional pricing" under the SAIL agreement (□13,641.81 Cr revenue).
- **Emphasis of Matter:** Non-provisioning of interest on delayed payments to NMDC Ltd and delayed compliance in identifying employees post-demerger.
- **Control Deficiencies:** No internal audit system commensurate with size. **Audit trail NOT enabled at the database level** in SAP S/4 HANA. Total auditor fees (□0.43 Cr) are exceptionally low for the revenue scale.

B. Related Party Transactions

Party	Relationship	Nature	Amount	Concern
NMDC Ltd	Common Control	Trade Payables Balance	4,508.23 Cr	□74.59% of total Trade Payables; interest-free subsidy.
NMDC Ltd	Common Control	Purchase of Raw Material	3,301.86 Cr	□24.20% of Revenue; high supply chain dependency.
NMDC Ltd	Common Control	Demerger Liability (Current)	1,851.39 Cr	□Reclassified to current; looming liquidity threat.
NMDC Ltd	Common Control	Interest Waiver	0.00 Cr	□Masks true cost of capital; PBT inflated by interest avoidance.

- **RPT Verdict: Governance Concern** □— Technical profitability is artificial, relying on non-arms-length interest waivers and supplier credit representing nearly 75% of payables.

C. Shareholding

- **Promoter (President of India):** 60.79%
- **Public:** 39.21%
- **Promoter Pledges:** 0.00%

D. Board Composition + KMP Compensation

- **Board Independence: 0% Independent Directors** (Severe non-compliance with SEBI LODR Regulation 17).
- **Women Directors:** 0 (Position vacant since 31.01.2026).
- **Compensation:** Functional directors draw **NIL remuneration** from NSL as they are on the rolls of NMDC Ltd.
- **Analytical Note:** The "caretaker" management structure (shared Chairman and Directors with NMDC Ltd) limits accountability to NSL-only shareholders.

F. Capital Allocation & Capex

Action	FY Current	FY Prior	% of EBITDA	Signal
Net Debt Change	-1,295.70 Cr	2,806.20 Cr	N/M	**Positive**
Interest Payments	486.64 Cr	651.94 Cr	30.33%	**Positive**
Redemption of NCDs	523.80 Cr	0.00 Cr	32.65%	**Positive**
Working Capital Stress	-5,736.26 Cr	-4,049.79 Cr	N/M	□
Arbitration Overhang	2,805.36 Cr	2,600.10 Cr	174.85%	□

- **Verdict:** Value-destroying — Survival is based on parent-entity subsidies (rising trade payables to parent by □853 Cr) rather than operational cash generation.
- **Capex Notes: □259.07 Cr of CWIP is aged >3 years**, signaling potential impairments for legacy construction projects.

G. Revenue Recognition Policy

- **Policy:** Point-in-time recognition upon control transfer.
- **Forensic Signal:** Significant revenue derived via **provisional pricing** under the SAIL MoU. Final prices are determined post-facto by a committee (TPC), creating risk of future downward top-line adjustments.

H. Risks

1. **Governance Failure:** 0% Independent Directors; SEBI fines (□1.40 Cr/quarter) and lack of RPT oversight. (□ High)
2. **Legal & Arbitration:** □2,805.36 Cr in claims (21.2% of Net Worth). (□High)
3. **Liquidity Risk:** Current Ratio at 0.53; reclassified Demerger Liability of □1,851.39 Cr. (□High)
4. **Internal Control:** Database-level audit trail disabled and massive □5,177 Cr bank filing discrepancies. (□ High)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	77% Utilization; Single-site risk	Stabilizing production but lacks diversification and pricing power.
Financial Health	2	↓	Current Ratio 0.53; □1.8k Cr reclassified debt	Massive liquidity pressure and reliance on parent for solvency.
Earnings Quality	1	↓	Interest non-accrual; □5.1k Cr bank discrepancy	Reported profit is engineered via related-party subsidies and weak controls.
Management & Governance	1	↓	0% Independent Directors; Shared KMPs	Severe regulatory non-compliance and lack of independent oversight.
Capital Allocation & Earnings Visibility	2	→	ROCE < Interest (normalized); Stalled CWIP	Returns are currently masked by interest waivers; visibility hit by provisional pricing.

BUSINESS POSITIVES (for this company this year) * □**Revenue Growth:** 60.4% YoY surge to □13,641.81 Cr following Nagarnar plant ramp-up. * □**Operational Leverage:** Material margin expansion as Cost of Materials grew only 18.4% vs 60% revenue growth. * □**Production Scale:** Liquid Steel production reached 24.25 lakh tonnes (+60.8% YoY). * □**Debt Management:** Interest rate repositioning from 12.45% to 8.40% and redemption of □523.80 Cr NCDs. * □**Inventory Turn:** Improvement in turns from 2.52 to 3.92, suggesting leaner scaling.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Governance Non-Compliance:** 0% Independent Directors on the Board and no statutory committees. * □**Forensic Red Flag:** □5,177.24 Cr discrepancy in Creditor reporting to SBI (40% of Net Worth). * □**Artificial Profitability:** Non-accrual of interest on □4,508 Cr NMDC payable (est. □360 Cr benefit) masked an operating loss. * □**Liquidity Crisis:** Current Ratio of 0.53 and reclassification of □1,851.39 Cr Demerger Liability to current. * □**Contingent Exposure:** Arbitration claims of □2,805.36 Cr represent 21.2% of Net Worth. * □**Audit Trail Gap:** Audit trail not enabled at the database level in SAP S/4 HANA. * □**RPT Dependency:** 74.59% of Trade Payables and 24.20% of purchases tied to NMDC Ltd.

OVERALL SCORECARD SUMMARY NSL is in a state of **deteriorating financial quality despite improving operational volumes**. While the Nagarnar plant is technically ramping up, the company's financial strength is an illusion supported by interest-free credit from NMDC Ltd and questionable accounting treatments (DTA recognition/interest non-accrual). Governance is at a critical low with 0% independent oversight, and the massive bank reporting discrepancies suggest internal controls are failing. The trajectory is high-risk unless a successful disinvestment or massive capital infusion occurs.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.154).
2	Promoter pledge = 0?	□	0% pledged (p.79).
3	KMP pay < 5% of PAT?	□	Directors draw NIL remuneration from NSL (p.47).
4	RPT quantum < 5% of revenue?	□	RPT Purchases = 24.20% of Revenue (p.211).
5	Board > 50% independent?	□	0% Independent Directors (p.71).
6	At least 1 woman director?	□	Position vacant as of 31.03.2026 (p.71).
7	No statutory dues outstanding?	□	No major defaults reported.
8	No fraud reported?	□	No fraud reported under CARO.
9	Audit trail enabled?	□	Application level only; NOT at database level (p.160).
10	Frequent Auditor change	□	No change reported.

Total: 6/10 □— Governance Rating: 1

Part C: Investor Verdict

THESIS: NSL is a technically impressive 3 MTPA steel asset currently operating as a financially distressed, parent-subsidized entity with severe governance gaps. **OVERALL STANCE:** AVOID **RATIONALE:** The combination of 0% board independence, artificial profitability through interest waivers, and multi-billion rupee reporting discrepancies makes the equity uninvestable for risk-averse capital. **RE-EVALUATE WHEN:** Board independence reaches 50% AND NMDC payables are moved to arms-length interest terms. **BULL CASE:** Privatization at a premium valuation by a major steel player who can resolve the liquidity crisis and logistics inefficiencies. **BEAR CASE:** Crystallization of □2,805 Cr arbitration claims combined with a withdrawal of NMDC interest-free support, leading to technical insolvency. **KEY MONITORABLE:** NMDC Trade Payable Balance: □4,508 Cr → Watch for sudden demand for repayment or interest accrual.

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Liquidity & Solvency	Current Ratio of 0.59; technical stress.	Current Ratio of 0.53; reclassification of ₹1,851.39 Cr demerger debt to current.	The company’s liquidity position has transitioned from stressed to critical, with short-term obligations now significantly exceeding available liquid assets.
Cost of Borrowing	SBI Term Loan interest rate at 12.45%.	Interest rate reset to 8.40% effective Jan 2026.	A strategic renegotiation of debt pricing has provided a massive, non-operational tailwind to the bottom line by drastically reducing finance costs.
Margin Trajectory	Inventory write-down of ₹173.90 Cr due to high costs.	Inventory write-down reduced to ₹18.75 Cr.	Profitability has been bolstered by the stabilization of production costs relative to market value, ending the cycle of heavy inventory value destruction.
Working Capital Anomaly	Trade payables to parent (NMDC Ltd) at ₹3,655.13 Cr.	Trade payables to parent surged to ₹4,508.23 Cr.	The company is increasingly utilizing parent-entity credit as a pseudo-equity cushion to fund its massive inventory build-up.
Internal Control Risk	Audit trail disabled at database level.	Audit trail disabled PLUS ₹5,177.24 Cr discrepancy in bank reporting.	Forensic risk has escalated from a lack of system logs to a massive material discrepancy between internal books and statutory filings to lenders.
Management Tone	Focused on "Operational Stabilization" and technical proves.	Promotional "Year of Turning the Corner" narrative.	Management is shifting toward an optimistic recovery story to mask fundamental financial fragility, likely in preparation for a disinvestment exercise.
Capital Allocation	Transitioning from Greenfield CWIP to PPE.	Redemption of ₹523.80 Cr NCDs and focus on debottlenecking.	The company has moved from project execution to active liability management, prioritizing debt redemption over further capacity expansion.

7.2 Persistent Patterns

- **The severe governance vacuum remains unchanged, with 0% Independent Director representation and a total lack of mandatory statutory board committees.**
- **The company maintains an absolute "umbilical cord" dependency on NMDC Ltd for raw materials and interest-free working capital subsidies.**
- **The recognition of a massive Deferred Tax Asset (~₹1,580 Cr) continues to rely on aggressive management judgments regarding future taxable profits despite a history of heavy losses.**
- **Revenue integrity remains compromised by 100% reliance on "provisional pricing" under the SAIL agreement, leaving the top-line vulnerable to future reversals.**
- **A "caretaker" management structure persists, with KMPs drawing NIL remuneration from the company while remaining on the parent entity's payroll.**
- **A massive legal and arbitration overhang (exceeding ₹2,800 Cr) continues to represent a latent threat to nearly 30% of the company's net worth.**
- **Internal financial controls remain structurally deficient due to the persistent absence of database-level audit trails in the SAP S/4 HANA environment.**

- **The investment thesis remains a binary bet on privatization rather than the company's standalone financial or operational viability.**

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