

एन एम डी सी स्टील



**NMDC
STEEL**

एन एम डी सी स्टील लिमिटेड NMDC Steel Limited

(भारत सरकार का उद्यम) (A GOVT. OF INDIA ENTERPRISE)

कार्यालय पता : द्वारा एनएमडीसी आयर्न एंड स्टील प्लांट, पोस्ट : नगरनार, जिला : बस्तर - 494001, छत्तीसगढ़
Office Address : C/o. NMDC Iron & Steel Plant, Post : Nagamar, Dist : Bastar - 494001, Chhattisgarh
वैगम पहचान सं Corporate Identity Number : L27310CT2015GOI001618

No.18(5)/2025-Sectt.

28.01.2025

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400001	National Stock Exchange of India Limited Exchange Plaza, C- 1,Block G, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
Calcutta Stock Exchange 7, Lyons Range, Murgighata, Dalhousie, Kolkata, West Bengal – 700001	

Dear Sir / Madam,

Sub: Intimation under Regulation 30 of SEBI (LODR) Regulations, 2015 – Revision in credit rating by CRISIL Ratings Ltd.

Ref: Regulation 30 of SEBI (LODR) Regulations, 2015; BSE Equity Scrip ID: 543768, NSE Security ID: NSLNISP; BSE NCD Scrip ID: 959957.

In line with Regulation 30 read with Schedule-III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is informed that CRISIL Ratings Ltd. vide letter dated 27.01.2025 has communicated a downgrade in the long-term rating on Term Loan availed by NMDC Steel Ltd. from State Bank of India as under:

Old Rating	New Rating
'Crisil A-', Rating Watch with Developing Implications.	Crisil BBB+ / Watch Developing.

A copy of the said Report along with the detailed rationale is enclosed herewith.

This is for your information and records.

Thanking you,

Yours faithfully,
for NMDC Steel Limited

(Aniket Kulshreshtha)
Company Secretary

Encl: As above.

RL/NMSTLI/361066/BLR/0125/107937
January 27, 2025



Mr. K Raj Shekhar
General Manager - Finance
NMDC Steel Limited
C/O Nmdc Iron & Steel Plant Nagarnar
Bastar - 494001
8718888027

Dear Mr. K Raj Shekhar,

Re: Review of Crisil Ratings on the bank facilities of NMDC Steel Limited

All ratings assigned by Crisil Ratings are kept under continuous surveillance and review.

Please find in the table below the ratings outstanding for the debt instruments/facilities of the company, and the rating actions by Crisil Ratings on the ratings as on date.

Total Bank Loan Facilities Rated	Rs.4500 Crore
Long Term Rating	Crisil BBB+/Watch Developing (Downgraded from 'Crisil A-'; Continues on 'Rating Watch with Developing Implications')

(Bank-wise details as per Annexure 1)

As per our Rating Agreement, Crisil Ratings would disseminate the ratings, along with the outlook, through its publications and other media, and keep the ratings, along with the outlook, under surveillance over the life of the instrument/facility. Crisil Ratings reserves the right to withdraw, or revise the ratings, along with the outlook, at any time, on the basis of new information, or unavailability of information, or other circumstances which Crisil Ratings believes may have an impact on the ratings. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

In the event of the company not availing the proposed facilities within a period of 180 days from the date of this letter, a fresh letter of revalidation from Crisil Ratings will be necessary.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Ankush Tyagi
Associate Director - Crisil Ratings

Nivedita Shibu
Director - Crisil Ratings



Disclaimer: A rating by Crisil Ratings reflects Crisil Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by Crisil Ratings. Our ratings are based on information provided by the issuer or obtained by Crisil Ratings from sources it considers reliable. Crisil Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by Crisil Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. Crisil Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. Crisil Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. Crisil Ratings' criteria are available without charge to the public on the web site, www.crisilratings.com. Crisil Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by Crisil Ratings, please visit www.crisilratings.com or contact Customer Service Helpdesk at Crisilratingdesk@crisil.com or at 1800-267-1301

Crisil Ratings Limited
Corporate Identity Number: U67100MH2019PLC326247

Office Address: Lightbridge IT Park, Saki Vihar Road, Andheri East, Mumbai – 400 072, India.
Registered Office Address: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400 076, India.
Phone: +91 22 6137 3000 | www.crisilratings.com

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Annexure 1 - Bank-wise details of various facility classes (outstanding facilities)

S.No.	Bank Facility	Bank	Amount (Rs. in Crore)	Outstanding Rating
1	Term Loan	State Bank of India	4500	Crisil BBB+/Watch Developing
	Total		4500	

Disclaimer: A rating by Crisil Ratings reflects Crisil Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by Crisil Ratings. Our ratings are based on information provided by the issuer or obtained by Crisil Ratings from sources it considers reliable. Crisil Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by Crisil Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. Crisil Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. Crisil Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. Crisil Ratings' criteria are available without charge to the public on the web site, www.crisilratings.com. Crisil Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by Crisil Ratings, please visit www.crisilratings.com or contact Customer Service Helpdesk at Crisilratingdesk@crisil.com or at 1800-267-1301

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Phone: +91 22 6137 3000 | www.crisilratings.coma company of **S&P Global**

Rating Rationale

July 31, 2024 | Mumbai

NMDC Steel Limited

Rating continues on 'Watch Developing'

Rating Action

Total Bank Loan Facilities Rated	Rs.4500 Crore
Long Term Rating	CRISIL A-/Watch Developing (Continues on 'Rating Watch with Developing Implications')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings continues its ratings on the long-term bank facility of NMDC Steel Ltd (NSL) on 'Rating Watch with Developing Implications'.

The rating factors in the gradual ramp-up in utilisation since the plant began commercial operations on August 31, 2023. Though at a slower pace than earlier expected, the operations are witnessing sequential improvement, with operating rate reaching ~48% in June 2024, up from ~38% in the last quarter of fiscal 2024. CRISIL Ratings understands that NSL is in the process of stabilising different grades of the finished product in the market and focussing on reducing the production cost. Improving utilisation rate and sales volume are expected to support improvement in operational efficiency over the medium term.

While NSL is likely to report operating loss for the first quarter of fiscal 2025 due to moderate utilisation rate and below-average market realisation, the loss is expected to be lower, around Rs 200 crore compared with Rs 1,680 crore in the fourth quarter of fiscal 2024. Moreover, based on management discussion, CRISIL Ratings understands that the sales volume was impacted in June 2024 due to a one-off event which resulted in lower rake availability from the railways, which impacted the operating performance in the first quarter of fiscal 2025. However, the management has highlighted that the issue has been resolved and sales volume will increase over the medium term.

CRISIL Ratings understand that the company is expected to post positive earnings before interest, taxes, depreciation and amortisation (Ebitda) in the second quarter of fiscal 2025 and improve thereafter, in line with earlier expectation, supporting debt servicing. Any deviation from this will be a rating sensitivity factor and the rating may be downgraded if operating losses continue further.

The rating continues to factor in the healthy liquidity of NSL as well as the support it is receiving as a Government of India (GoI) entity, through NMDC Ltd (NMDC), though limited till the time divestment is completed* (GoI currently holds 60.79% stake in NSL).

The government is in the process of divesting majority of its stake (50.79% out of 60.79%) in NSL while the remaining 10% stake will be transferred to NMDC. However, CRISIL Ratings understands that the Ministry of Steel has mandated NMDC to provide necessary support to NSL till it is divested by the government. CRISIL Ratings understands that the ongoing divestment is yet to be completed, wherein Expressions of interest (EOI) have been received and financial bids are expected to commence soon. Since this results in uncertainty around the long-term ownership structure and future plans for NSL, the ratings continue to be on developing watch. Future developments regarding the divestment will be a key monitorable.

The Ministry of Steel has mandated NMDC to handhold NSL till the divestment is completed. Accordingly, even after the transfer of assets and liabilities to the new entity - NSL, NMDC has been providing operational and administrative support to NSL which is expected to continue in the future till it is divested. Any change in the support philosophy will be a key rating sensitivity factor.

The rating also factors in the susceptibility of NSL to cyclical in the steel industry, and to risks related to availability of key raw materials and stabilisation of operations.

**The Government of India is in the process of divesting its stake in NSL. Eoi for this divestment was floated on December 1, 2022, and the government has received multiple bids for the same. However, official bidding is yet to commence.*

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of NSL.

CRISIL Ratings has also applied its criteria for notching up standalone ratings of entities based on government support. CRISIL Ratings believes that till the time divestment is completed, NSL will receive support from the government (through NMDC), considering its strategic importance and majority ownership (60.79%).

Key Rating Drivers & Detailed Description

Strengths:

Government support to continue till the divestment is completed

The government plans to divest its stake in NSL, wherein 50.79% stake will be sold to a private sector entity and the remaining 10% will be held by NMDC. CRISIL Ratings understands that currently only EoI has been received and financial bids are yet to commence. However, CRISIL Ratings understands that till the time divestment is completed, GoI, through NMDC, will continue to provide operational/administrative and need-based support in case of any exigency. Accordingly, even after the transfer of assets and liabilities of the steel plant to the new entity -- NSL, NMDC has been providing operational and administrative support to it. However, further developments in the process of divestment, including announcement of the final bidder and impact of the proposed acquisition of NSL on the credit risk profile of the bidder, will be monitorable. Additionally, any change in the support philosophy of the government towards NSL will be a key rating sensitivity factor.

Business and financial risk profiles expected to improve, supported by robust industry outlook, raw material security and low project debt

With the steel plant successfully commencing production of hot-rolled products from August 2023, NSL has declared August 31, 2023, as the date of commencement of commercial operations. Though slower than earlier expectation, the operations have posted sequential improvement, with operating rate reaching 48% in June 2024, up from ~38% in the last quarter of fiscal 2024. CRISIL Ratings understand that the company is in the process of stabilizing different grades of the finished product in the market along with focus on reduction in the cost of production. Improving utilisation rates and sales volume, are expected to support improvement in operational efficiency going forward.

CRISIL Ratings understand that the company is expected to be Ebitda positive in the second quarter of fiscal 2025 and improve thereafter, in line with earlier expectation, supporting debt servicing. Any deviation against the said understanding will be a key rating sensitivity factor and the rating could be downgraded if the operating losses continue.

CRISIL Ratings understands that the business and financial risk profiles of NSL will be supported by healthy domestic demand outlook, robust realisations despite moderation over the past fiscals, raw material security and low project debt.

NSL has entered a nine-year contract with NMDC for iron ore procurement (transactions will be done on arm's length basis). Furthermore, iron ore will be procured from Bailadila mines, Chhattisgarh, which is near the steel plant in Nagarnar, Chhattisgarh (distance of around 130 kilometre) thereby providing raw material linkage. Also, with most of the capex of the steel plant being funded through equity, existing external project debt is low (total debt of ~ Rs 5,000 crore against total project cost of Rs 24,000-25,000 crore) thereby resulting in low finance cost and supporting capital structure over the medium term. While interest servicing has been monthly, quarterly principal repayments for NSL's outstanding debt has commenced from March 2024 and has been serviced in a timely manner. Furthermore, CRISIL Ratings has taken note of adequate liquidity profile of the company, supported by unencumbered cash balance of ~ Rs 184 crore and unutilised fund-based limits of ~Rs 800 crore as on June 30, 2024.

Continued improvement in operating rate and operating profitability, along with timely debt servicing (principal as well as interest), will remain monitorable.

Weaknesses:

Susceptibility to cyclicality associated with the steel industry and availability of key raw materials

The inherent cyclicality in the steel industry exposes steelmakers to a high degree of volatility in operating margin and, in turn, to debt protection metrics. Demand for steel is sensitive to trends in key end-user industries, such as automobiles, infrastructure, construction and consumer durables. However, raw material security, by way of long-term contract with NMDC for procurement of iron ore, mitigates the risk to an extent.

Exposure to risks related to stabilisation of operations which resulted in operating loss in fiscal 2024

NSL has faced significant delay in ramp-up and stabilisation of operations against expectations, resulting in operational losses in fiscal 2024. There has been a gradual yet slow ramp up in the first quarter of fiscal 2025. Going forward, the company is expected to witness improvement in utilisation rates and turn EBITDA breakeven by the second quarter of fiscal 2025 and improve thereafter. This will support the operating performance, cash accrual and debt servicing.

Liquidity: Adequate

Liquidity is supported by unencumbered cash and equivalents of ~Rs 184 crore and unutilised fund-based limit of ~Rs 800 crore as on June 30, 2024, against ~Rs 330 crore principal debt obligation and interest obligation of ~Rs 360 crore during the rest of fiscal 2025. Furthermore, liquidity will be supported by the company achieving Ebitda break-even by the second quarter of fiscal 2025 and materially improve thereafter. Liquidity will also be supported by the company getting extended credit from NMDC Ltd for iron ore purchases. Also, till the time divestment is completed, NSL is expected to receive government support in case of any exigency.

Rating Sensitivity factors

Upward factors

- Strong improvement and stabilisation of operations with significant increase in plant utilisation rates from current levels of 50-60% resulting in improved and positive operating margins
- Healthy operating profitability along with robust and positive free cash generation while maintaining strong capital structure

Downward factors

- Slower-than-expected ramp up of operations of the steel plant with utilisation rates significantly lower than 50% on sustained basis, resulting in continued operating losses and lower-than-expected cash accrual in Q2 FY2025 and thereafter
- Material dilution in liquidity profile of the company in case of operating losses for elongated period
- Change in support philosophy by the parent towards NSL

About the Company

NMDC has set up a 3 million tonne per annum steel plant at Nagarnar — Nagarnar Iron & Steel Plant (NISP) — under greenfield expansion. During most of the development and construction phase, the plant was constructed under NMDC, rather than in a special purpose vehicle. Subsequently, it was decided to demerge NISP into a separate entity, NSL, followed by divestment by the government of India.

Key Financial Indicators

Particulars	Unit	2024	2023
Operating income	Rs crore	3,049	NM
Profit after tax (PAT)	Rs crore	(1,560)	NM
PAT margin	%	(49.2)	NM
Adjusted debt/adjusted networth	Times	0.4	NM
Interest coverage	Times	(4.0)	NM

NM: Not meaningful

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Term Loan	NA	7.1%	30-Sep-2031	4,500	NA	CRISIL A-/Watch Developing

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	4500.0	CRISIL A-/Watch Developing	29-04-24	CRISIL A-/Watch Developing	11-12-23	CRISIL A-/Watch Developing		-		-	-
			-		-	12-09-23	CRISIL A-/Watch Developing		-		-	-
			-		-	14-06-23	CRISIL A-/Watch Developing		-		-	-

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	4500	State Bank of India	CRISIL A-/Watch Developing

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
The Rating Process
CRISILs Bank Loan Ratings - process, scale and default recognition

Rating Criteria for Steel Industry

Understanding CRISILs Ratings and Rating Scales

Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support

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