

January 28, 2026

Neo Metaliks Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|--|--------------------------------------|-------------------------------------|-----------------------------------|
| Long term - Fund-based limits | 78.50 | 78.50 | [ICRA]BBB+ (Negative); reaffirmed |
| Short term - Non-fund based facilities | 160.00 | 160.00 | [ICRA]A2; reaffirmed |
| Long term – Fund-based - Term loans | 305.00 | 305.00 | [ICRA]BBB+ (Negative); reaffirmed |
| Total | 543.50 | 543.50 | |

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the ratings along with the continuation of the negative outlook reflects the weaker-than-expected financial performance of Neo Metaliks Limited (NML) in the current fiscal, which is expected to result in net losses for the full year and a consequent deterioration of the credit metrics. While the company is expected to report operating profits in the current fiscal after incurring operating losses in the previous fiscal, supported by the commissioning and mid-year ramp up of the new larger sized blast furnace, net losses are expected to increase in the current fiscal due to the higher depreciation and interest costs. The weaker-than-expected financial performance along with the elevated debt levels will keep the credit indicators subdued in the near term. The leverage indicator, reflected in the total debt/OPBDITA, is now expected to be around 10-11 times in FY2026 against ICRA's earlier estimates of 3.7 times. The company's cash flows have been inadequate to meet its debt service requirements in the current fiscal, necessitating reliance on bridge loans and drawing down of its cash reserves to meet the temporary cashflow mismatch. However, ICRA has noted the gradual ramp up of the new furnace which is now operating at around 90% of the rated capacity leading to stabilisation of the furnace and associated benefits in the form of better efficiency parameters, leading to operating costs reducing significantly. This coupled with the steep rally in pig iron prices in the past one month, with prices having increased by around 18%, has resulted in healthy pig iron spreads for the company. With the full year benefits of the new furnace being visible from FY2027 onwards, the company's operating profits are expected to increase by more than 3 times which will aid in gradual recovery of credit metrics. Any adverse movement in input costs and pig iron prices will impact profitability and remain a key monitorable.

ICRA notes that quantitative restrictions imposed on coke imports which was in effect for the full calendar year of 2025, has now been replaced with provisional anti-dumping duty (ADD) ranging from \$60.87-\$130.66/MT from January 1, 2026. This in ICRA's view is unlikely to materially impact NML's profitability given that prices of domestic coke, which the company is reliant on, was trading at a premium prior to imposition of the ADD and now trades at import parity prices, thus limiting any further upside.

The ratings, however, continue to positively factor in the experience of the promoters of over a decade in the pig iron (mainly steel grade) manufacturing business, which has helped the company establish a strong customer base over the years. The ratings also consider the financial flexibility enjoyed by NML from being a part of the Rupa Group. The Group has a strong market position in the knitwear segment with a pan-India presence through Rupa & Company Limited, flagship company of the Rupa Group. The ratings also consider the semi-integrated nature of operations, which strengthen the operating profile of the company. The company's cost structure remains competitive supported by the presence of a sinter plant, a 14.5 MW captive power plant which operates on gas generated from the mini blast furnace and a pulverised coal injection (PCI) plant. The semi-integrated of NML's operations favourably impact its cost structure and reduces vulnerability of cash flows to fluctuation in input costs.

The ratings also remain constrained by the company's exposure to the cyclical nature inherent in the pig iron business as the margins fluctuate due to temporary mismatches in the prices of raw materials and pig iron, causing volatility in profitability and cash flows. The ratings also remain constrained by the commoditised nature of the product, which keeps the company's profitability under check.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters; financial flexibility from being a part of Rupa Group – NML benefits from the experience of its promoters in the pig iron manufacturing industry, spanning over a decade. The extensive experience of the promoters has helped the company establish a strong customer base over the years. ICRA also notes the company's established trade relationships with clients, which enabled it to get repeat business over the years. NML's status of being a part of the Rupa Group imparts it considerable financial flexibility. The Group has a strong market position in the economy, medium and premium segments of the innerwear market with a pan-India presence through Rupa & Company Limited, flagship company of the Rupa Group. In the past, the Group has supported NML through the infusion of funds. ICRA expects support from the Group to be forthcoming, if required.

Semi-integrated operations strengthen operating profile – The company's cost structure remains competitive supported by the presence of a sinter plant, a 14.5 MW captive power plant which operates on gas generated from the mini blast furnace and a pulverised coal injection (PCI) plant. The semi-integrated of NML's operations favourably impact its cost structure and reduces vulnerability of cash flows to fluctuation in input costs.

Larger size of new mini blast furnace to support better efficiency and increase cost competitiveness – As a part of the company's growth strategy, it has set up a new larger sized furnace, the capacity of which is almost double that of the previous mini blast furnace. The operating costs in this new mini blast furnace is substantially lower than the previous blast furnace due to better efficiency parameters, such as reduction in coke rate, increased PCI rate, more production days emanating from improved hearth design, higher power generation from captive facilities and lower power consumption. This would increase the cost competitiveness of the company and cushion its profits during periods when pig iron prices remain less buoyant.

Credit challenges

Net losses expected in FY2026; credit indicators to remain subdued in the near term – While the company is expected to report operating profits in the current fiscal after incurring operating losses in the previous fiscal, supported by the commissioning and mid-year ramp up of the new larger sized blast furnace which will lead to higher tonnages along with higher pig iron spreads as a result of the lower operating costs arising from better efficiency parameters, net losses are expected to increase in the current fiscal due to the higher depreciation and interest costs. The weaker-than-expected financial performance along with the elevated debt levels will keep the credit indicators subdued in the near term. The leverage indicator, reflected in the total debt/OPBDITA, is now expected to be around 10-11 times in FY2026 against ICRA's earlier estimates of 3.7 times. The company's cash flows have been inadequate to meet its debt service requirements in the current fiscal, necessitating reliance on bridge loans and drawing down of its cash reserves to meet the temporary cashflow mismatch. However, with the full year benefits of the new furnace being visible from FY2027 onwards, the company's operating profits are expected to increase by more than 3 times which will aid in gradual recovery of credit metrics.

Profit and cash flows exposed to cyclical nature of pig iron business – Raw materials account for a major portion of the operational cost for pig iron players, including NML, and are thus important determinants of profitability. As the pig iron business is cyclical in nature because of its exposure to the cyclical nature of the steel industry, NML's cash flows and profitability would remain vulnerable to the mismatches in the prices of raw materials and pig iron. However, NML's semi-integrated nature

of business, with the presence of the sinter plant, the captive power plant and the PCI facility, enhances its cost competitiveness and reduces the vulnerability to an extent.

Commoditised nature of product keeps margins under check – The company operates in a commoditised market and is a price taker. The low value-added nature of its business, combined with the fragmented market structure, keeps the company’s profit margins under check.

Liquidity position: Adequate

NML’s liquidity profile remains adequate, reflected in the cash/bank/liquid investment portfolio of around Rs. 27 crore as of December-end 2025. While the company has sizeable debt repayments of around Rs. 52 crore in FY2026, bulk of it has already been repaid with the bridge loans raised and drawing down of its cash reserves with the remainder expected to be paid out of cash generation/on-balance sheet liquidity. Moreover, given the large investment made by NML, its access to need-based funds from the promoters is also expected to support its liquidity position.

Rating sensitivities

Positive factors – The outlook could be revised to Stable if the company demonstrates a sustained improvement in profitability, leading to healthy debt coverage indicators along with an improvement in liquidity position.

Negative factors – Downward pressure on NML’s ratings could arise in case of significant pressure on the margins leading to a deterioration in the credit metrics and weakening of the liquidity position. A specific metric for downgrade includes a total debt/OPBDITA of more than 3 times on a sustained basis.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Iron & Steel |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | The ratings are based on the standalone financial profile of the company |

About the company

Neo Metaliks Limited (NML) was set up in FY2003 and was jointly promoted by the Madhogaria and Agarwal families of Kolkata. In FY2005, the Madhogaria family exited the business and the Agarwal family took complete control of the company. NML has been producing pig iron since 2007, with an installed capacity of 188,000 TPA at its plant in Durgapur, West Bengal. In July 2025, the company successfully commenced operations of the new blast furnace, having pig iron production capacity of 422,000 TPA.

Key financial indicators (Audited)

| NML Standalone | FY2024 | FY2025 |
|--|--------|--------|
| Operating income | 930.6 | 754.1 |
| PAT | 25.9 | -25.8 |
| OPBDIT/OI | 4.5% | -0.2% |
| PAT/OI | 2.8% | -3.4% |
| Total outside liabilities/Tangible net worth (times) | 1.6 | 2.7 |
| Total debt/OPBDIT (times) | 6.4 | -216.3 |
| Interest coverage (times) | 4.1 | -0.1 |

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA:

| CRA | Status | Date of Release |
|--------|--|-----------------|
| CRISIL | Crisil B /Stable (ISSUER NOT COOPERATING*; Rating continues at the same level) | July 23, 2025 |

Any other information: None

Rating history for past three years

| Current (FY2026) | | | Chronology of rating history for the past 3 years | | | | | | |
|----------------------------------|------------|--------------------------|---|--------------|------------------------|--------------|--------------------|--------------|--------------------|
| | | | FY2026 | FY2025 | FY2024 | FY2023 | | | |
| Instrument | Type | Amount rated (Rs. crore) | Jan 28, 2026 | Date | Rating | Date | Rating | Date | Rating |
| Fund-based limits | Long Term | 78.50 | [[ICRA]BBB+ (Negative) | Mar 28, 2025 | [[ICRA]BBB+ (Negative) | Dec 28, 2023 | [[ICRA]A- (Stable) | Jul 14, 2022 | [[ICRA]A- (Stable) |
| | | | | - | - | - | - | Sep 29, 2022 | [[ICRA]A- (Stable) |
| Term loans | Long Term | 305.00 | [[ICRA]BBB+ (Negative) | Mar 28, 2025 | [[ICRA]BBB+ (Negative) | Dec 28, 2023 | [[ICRA]A- (Stable) | Jul 14, 2022 | [[ICRA]A- (Stable) |
| | | | | - | - | - | - | Sep 29, 2022 | [[ICRA]A- (Stable) |
| Non-fund based facilities | Short Term | 160.00 | [[ICRA]A2 | Mar 28, 2025 | [[ICRA]A2 | Dec 28, 2023 | [[ICRA]A2+ | Jul 14, 2022 | [[ICRA]A2+ |
| | | | | - | - | - | - | Sep 29, 2022 | [[ICRA]A2+ |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|----------------------------------|----------------------|
| Fund-based limits | Simple |
| Non-fund based facilities | Simple |
| Term loans | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

| ISIN | Instrument name | Date of issuance /Sanction | Coupon rate | Maturity date | Amount rated (Rs. crore) | Current rating and outlook |
|------|--|----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA | Long term - Fund-based limits | NA | NA | NA | 78.50 | [ICRA]BBB+(Negative) |
| NA | Short term - Non-fund based facilities | NA | NA | NA | 160.00 | [ICRA]A2 |
| NA | Long term – Fund-based - Term loans | FY2023 | NA | FY2031 | 305.00 | [ICRA]BBB+(Negative) |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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Branches



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