April 24, 2025

Rashtriya Ispat Nigam Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term- Fund Based-Term Loan	13,400.00	[ICRA]BB+ (Positive); assigned
Long Term- Non-Fund Based-Others	600.00	[ICRA]BB+ (Positive); assigned
Long Term / Short Term- Fund Based-Others	7,085.00	[ICRA]BB+ (Positive)/ [ICRA]A4+; assigned
Long Term / Short Term- Non-Fund Based- Others	3,350.00	[ICRA]BB+ (Positive)/ [ICRA]A4+; assigned
Short Term-Fund Based-Others	4,565.00	[ICRA]A4+; assigned
Total	**29,000.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings action takes into account Rashtriya Ispat Nigam Limited's (RINL) status as a 100% Central Government owned 'Navratna' public sector undertaking under the administrative control of the Ministry of Steel. On January 17, 2025, RINL received a revival package of Rs.11,440 crore from the Government of India (GoI), thus helping it to come out of financial stress in H2 FY2025. ICRA believes that such a sizeable long-term fund infusion demonstrates the GoI's intent to support RINL in turning around its operations and remains an important pillar supporting its credit profile.

The Positive outlook on the long-term rating reflects RINL's plans for ramping-up operations to their peak rated capacity for the upstream and downstream capacities in FY2026. This incremental production coupled with a recent uptick in steel prices, wherein prices are inching up by more than 10% from the lows of December 2024, is expected to lead to a material improvement in the earnings and credit indicators. The Positive outlook also reflects the GoI's commitment of infusing Rs.2,995 crore in FY2026, which in ICRA's opinion would help the company further bring down the debt levels.

The ratings factor in RINL's large scale and integrated nature of operations, its wide market reach, depth in product offerings, and the company's competitive capital cost for the expansion and modernisation project. The rating also derives comfort from the company's vertically-integrated operations, supported by steelmaking facilities through the blast furnace-basic oxygen furnace route, captive coke and sinter-making facilities, a captive power plant, and various downstream finished long steelmaking facilities. ICRA notes that, after reporting two years of back-to-back stable operating performance in FY2021 and FY2022, the company's financial performance has deteriorated since FY2023, impacted by a spike in raw material costs and thereafter a steep decline in realisations from FY2024 onwards, amid high borrowing levels. The strike at the adjacent Gangavaram Port on April 12, 2024, which lasted till May 17, 2024, starved RINL of the coal required to run its three blast furnaces. Coking coal being a crucial input component for manufacturing crude steel, availability of the same impacted the overall production of crude steel for RINL. Due to shortage of coking coal, two blast furnaces had to be shut down, resulting in reduced production. This led to a liquidity crunch, due to which RINL defaulted on its debt obligation in the month of June 2024. After the default in June 2024, GoI infused Rs.500 crore of equity in RINL, on September 19, 2024, of which Rs.233 crore was used for statutory payments and rest was used towards opening of LC.

The GoI also provided a working capital (WC) loan of Rs.1140 crore on September 27, 2024. Further, on January 17,2025, the Cabinet Committee on Economic Affairs (CCEA), approved the revival plan for RINL for a total of Rs.11,440 crores. The infusion includes Rs10,300 crore as equity capital into RINL and conversion of Rs.1140 crore working capital loan as 7% Non-cumulative Preference Share Capital redeemable after 10 years to keep RINL as a going concern. Following this CCEA approval, on January 30, 2025, RINL received Rs.6,783 crore of fresh equity, taking the cumulative amount received from GoI to Rs.8423 crore. In the February 2025 Union Budget, the Government has allocated another Rs.2995 crore additional equity infusion into RINL. This unprecedented support from Government of India for the revival of RINL remains a credit positive.

RINL's ratings are, however, constrained by the company's inability to report profits across business cycles largely due to sub-optimal key operating parameters like fuel rates, PCI usage, and higher conversion costs. RINL's consistent net losses in 9 out of the last 10 years led to a significant erosion of its net worth, which has turned negative in FY2024. This led to a marked deterioration in its capital structure and a rise in total outside liabilities. ICRA notes that RINL has largely funded its past losses through higher dependence on short-term borrowings and by stretching the creditors, which resulted in a sizeable asset-liability mismatches. While the recent GoI infusion has helped improve the asset-liability mismatch to an extent, it is still estimated to remain negative at around Rs.13,000 crore in the fiscal ending March 31, 2025 as the company's net worth continues to remain in the red. RINL's ratings are also constrained by its weak debt protection metrics on account of its sizeable debt-funded capex and loss-making operations, its lack of captive raw material sources, which exposes the company to risks associated with price volatility, availability of raw materials and the company's sizeable proportion of semis/pig iron sale in the overall product mix, which depresses blended realisations, and tempers profit margins.

RINL's plan of addressing its high fixed cost intensity of operations[1], and its ability to quickly ramp up production to the peak rated capacity of 7.3 million tonne per annum (mtpa) is a crucial element in its turnaround plan. ICRA also notes that RINL is in the process of implementing a voluntary retirement scheme (VRS) for ~1,000 employees as well as a planned reduction of security manpower, which is expected to lead to annual cost savings of Rs.200-300 crore. Further, superannuation of ~1,000 additional employees by December 31, 2025 is expected to result in estimated cost savings of another Rs.200-250 crore. RINL is currently operating two out of its three blast furnaces, and the third blast furnace is expected to start operations in June 2025, which will be an important lever of its turnaround plan. Going forward, RINL's ability to become profitable at the net level, and steadily reduce the borrowing levels remain the key rating drivers. The ratings also remain constrained by the exposure of the company to the cyclicality inherent in the steel industry and the susceptibility of RINL's profitability to the volatility in raw material prices and end-product realisations.

RINL has benefitted from the sizeable inflow of long-term funds accumulating to Rs.8423 crore in FY2025 from the GoI, which has aided the company to deleverage its balance sheet aggressively, with the total external debt reducing by around 46% between March 31, 2024 and February 28, 2025. The sizeable long-term capital infusions have led to a significant improvement in the fundamental credit quality of the rated entity. An additional Rs. 2995 crore of long-term funds is expected to be infused further in FY2026 from GoI. Further, discussions are ongoing for an infusion of Rs.2,400 crore equity from the Government of Andhra Pradesh. In lieu of these reasons, ICRA has taken an exception to the 90-day curing period after the last date of delay on January 16, 2025 on the company's borrowing programme.

Key rating drivers and their description

Credit strengths

Status as a sovereign entity, as the company is 100% Government of India owned Navratna PSU; sizeable inflow of long term funds from the GoI in recent months – Being an erstwhile division of Steel Authority of India Limited (SAIL), RINL was incorporated as a separate entity in February 1982. RINL is a 100% Central Government owned 'Navratna' public sector undertaking under the administrative control of the Ministry of Steel. After the default in June 2024, the GoI infused Rs.500 crore of equity in RINL on September 19, 2024, of which Rs.233 crore was used for statutory payments and rest was used towards opening of LC. The GoI also provided a working capital (WC) loan of Rs.1140 crore on September 27, 2024. Further, on January 17,2025, the Cabinet Committee on Economic Affairs (CCEA) approved the revival plan for RINL for a total of

[1] RINL suffers from the structural cost disadvantage of a high employee cost burden compared to private steelmakers

Rs.11,440 crore. The infusion includes Rs.10,300 crore as equity capital into RINL and conversion of Rs.1140 crore working capital loan as 7% Non-cumulative Preference Share Capital redeemable after 10 years to keep RINL as a going concern. Following this CCEA approval, on January 17, 2025, RINL received Rs.6,783 crore of equity, taking the cumulative amount received from the GoI (since September 2024) to Rs.8423 crore.

Large scale and integrated nature of operations, which leads to a wide market reach, depth in product offerings – RINL with a crude steel capacity of 7 mtpa is the sixth largest domestic steel maker having a wide market reach. In addition to RINL's large scale, the rating also derives comfort from the company's vertically-integrated nature of operations, supported by crude steelmaking facilities through the blast furnace-basic oxygen furnace route, captive coke and sinter-making facilities, captive power plant, and various downstream finished long steelmaking facilities. Moreover, having the advantage of steel production through the primary route, RINL's fetches higher realisations from customers than the prevailing average market rates, which indicates superior product quality.

Competitive capital cost for the expansion and modernisation project – The capital cost for the 3.3-mtpa expansion programme was around Rs.12,291 crore, and for the 1-mtpa modernisation programme was around Rs.4,200 crore. ICRA notes that this pegs the capital cost for the 4.3-mtpa expansion and modernisation programme at around Rs. 38,282/MT, which remains a competitive level, helps keep the capital charges at a reasonable level. This would support the company's net profitability once the third blast furnace is lit up and the company is able to achieve peak production levels.

Credit challenges

Weak financial risk profile marked by negative networth and weak credit metrics – In the last one decade, the company has reported net profits in only 1 fiscal, which was at the peak of the commodity rally in FY2022. Consequently, this has led to steep decline in the company's tangible networth from around Rs.11,950 crore as on March 31, 2015 and eventually slipping into a negative of around Rs.4,566 crore as on March 31, 2024. While the GoI equity infusion in FY2025 so far has provided long term capital to RINL, its net worth still continues to remain at a negative Rs.1,387 crore in end-February 2025. RINL's continued loss-making operations has led to a worsening in the capital structure and an increase in total outside liabilities over the years. While the GoI fund infusion has helped push-down external debt by ~46% between March 2024 and February 2025, the credit metrics continue to remain weak with the company's interest coverage and DSCR expected to remain negative in FY2025.

Lack of captive raw material sources expose the company to risks associated with price volatility and availability of raw materials – Iron ore and coking coal remain the principal raw materials used in steelmaking through the blast-furnace route. RINL does not have any captive iron ore or coking coal mines, which adversely impacts its cost competitiveness. The company procures iron ore largely from NMDC Limited's mines in Chhattisgarh. For coking coal, which accounts for ~40-45% of RINL's overall cost of production, the company relies largely on imports. However, RINL's shore-based location leads to significant savings in inland freight costs.

Sizable Asset-liability mismatch due to loss funding via short-term borrowings and stretching of creditors, leading to low current ratio-RINL's net working capital deployed in the business stood at a negative of around Rs.6666 crore as on March 31, 2024 whereas the short-term/working capital borrowings stood at around Rs.9577 crore as on March 31, 2024 which indicates that over the years, a combination of creditor funding and short-term/working capital borrowings have been used to cover for the PSU's loss-making operations. Reliance on shorter term creditors and working capital borrowings to fund losses has led to the balance sheet carrying a sizeable asset liability mismatch of Rs.16,770 crore as on March 31, 2024 and consequently a low current ratio of 0.32 times in FY2024. While the infusion of GoI equity has led to a material reduction in RINL's short term borrowings, the asset liability mismatch is still estimated to remain at an elevated levels of around Rs.13,000 crore at the end of current fiscal. The company needs to generate sustained positive cash accruals to correct the mismatch.

Exposed to cyclicality inherent in the steel industry – RINL is exposed to cyclicality inherent in the steel industry, which leads to volatility in revenue and cash flows for the industry players, including RINL. The cash flows and profitability of the company would remain volatile largely because of the fluctuation in steel spreads emanating from the mismatch in price movement of raw materials and end products.

Sizable proportion of semis/ pig iron sales depresses blended realisations and consequently tempers profit margins – RINL's finished steel capacity stands at 5.05 mtpa against which the liquid steel capacity stands higher at 7.3 mtpa. Given the capacity constraint at the finished steel lines, RINL sells ~8-10% of the output as semis/pig iron (in FY2023/FY2024) which are low value added compared to finished steel products, where margins remain higher.

Liquidity position: Adequate

In ICRA's baseline estimates, ICRA expects RINL to report positive operating profits of Rs.2,000-2,200 crore in FY2026. However, the FY2026 free cash flows are expected to remain at a negative Rs.1,400-1,500 crore due to working capital funding required to ramp up the operations. RINL has scheduled debt service obligations of Rs.1,700-1,800 crore in FY2026. Against these uses of cash, as on March end, 2025, the company has a headroom of Rs.4,516 crore in secured and unsecured fund based working capital lines. Additionally, the GoI is expected to infuse a new round of equity amounting to Rs.2,995 crore. This is expected to help RINL comfortably tide over the funding needs for next fiscal as it ramps up its operations. The company's liquidity has therefore been assessed as adequate.

Rating sensitivities

Positive factors – ICRA may upgrade RINL's ratings if the company is able to improve its earnings significantly by steadily ramping up the operations to the peak rated capacity and thereby leading to a sustained improvement in debt protection metrics and liquidity position.

Negative factors – Negative pressure on RINL's rating may arise if the loss-making operations persist going forward, resulting in a material increase in the total outside liability.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron & Steel
Parent/Group support	Parent: RINL is 100% owned by the Government of India The assigned rating factors in the financial support by the Government to the rated entity, should there be a need.
Consolidation/Standalone	The ratings are based on the consolidated financials of RINL.

About the company

RINL, 100% owned by the Government of India, is a Navratna PSU operating under the administrative control of the Ministry of Steel. In FY1992, the company commissioned a 3-mtpa integrated steel plant in Vizag, specialising only in the long product segment. In April 2015, RINL completed a brownfield capacity of 3.3-mtpa, increasing the liquid steel capacity to 6.3-mtpa. Thereafter, RINL undertook a modernisation programme for the old 3-mtpa facility and added a liquid steel capacity of 1-mtpa, which took its total installed liquid steel capacity to 7.3-mtpa.

Key financial indicators (audited)

RINL (consolidated)	FY2023	FY2024
Operating income	22907.5	23323.4
PAT	-2867.6	-4843.0
OPBDIT/OI	-1.5%	-8.4%
PAT/OI	-12.5%	-20.8%
Total outside liabilities/Tangible net worth (times)	89.3	-7.0
Total debt/OPBDIT (times)	-58.3	-9.5
Interest coverage (times)	-0.2	-0.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Apr 24, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term Loan	Long term	13,400.00	[ICRA]BB+ (Positive)	-	-	-	-	-	-
Non Fund Based-Others	Long term	600.00	[ICRA]BB+ (Positive)	-	-	-	-	-	-
Fund Based-Others	Long term/ Short term	7,085.00	[ICRA]BB+ (Positive)/ [ICRA]A4+	-	-	-	-	-	-
Non Fund Based-Others	Long term/ Short term	3,350.00	[ICRA]BB+ (Positive)/ [ICRA]A4+	-	-	-	-	-	-
Fund Based-Others	Short term	4,565.00	[ICRA]A4+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term-Fund Based-Term Loan	Simple
Long Term-Non Fund Based-Others	Simple
Long Term / Short Term-Fund Based-Others	Simple
Long Term / Short Term-Non Fund Based-Others	Simple
Short Term-Fund Based-Others	Very 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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund Based-Term Loan**	NA	NA	FY 2030	13,400.00	[ICRA]BB+ (Positive)
NA	**Non Fund Based-Others**	NA	NA	NA	600.00	[ICRA]BB+ (Positive)
NA	**Fund Based-Others**	NA	NA	NA	7,085.00	[ICRA]BB+ (Positive)/ [ICRA]A4+
NA	**Non Fund Based-Others**	NA	NA	NA	3,350.00	[ICRA]BB+ (Positive)/ [ICRA]A4+
NA	**Fund Based-Others**	NA	NA	NA	4,565.00	[ICRA]A4+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis –

Sr.	Company Name	Ownership	Consolidation Approach
1	**Eastern Investments Limited**	51.00%	Full Consolidation
2	**The Orissa Minerals Development Company Limited**	50.01%*	Full Consolidation
3	**The Bisra Stone Lime Company Limited**	50.22%**	Full Consolidation
4	**International Coal Ventures Private Limited**	25.94%	Equity Method
5	**RINL Powergrid TLT Private Limited**	50.00%	Equity Method

* Eastern Investments Limited (EIL) holds 50.01% in The Orissa Minerals Development Company Limited

** RINL (0.21%) and EIL (50.01%) collectively holds 50.22 % of shareholding of The Bisra Stone Lime Company Limited

ANALYST CONTACTS

Girish Kumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Ritabrata Ghosh
+91 33 7150 1107
ritabrata.ghosh@icraindia.com

Deepayan Ghosh
+91 33 7150 1220
deepayan.ghosh@icraindia.com

Soaham Gundawar
+91 22 61693300
soaham.gundawar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

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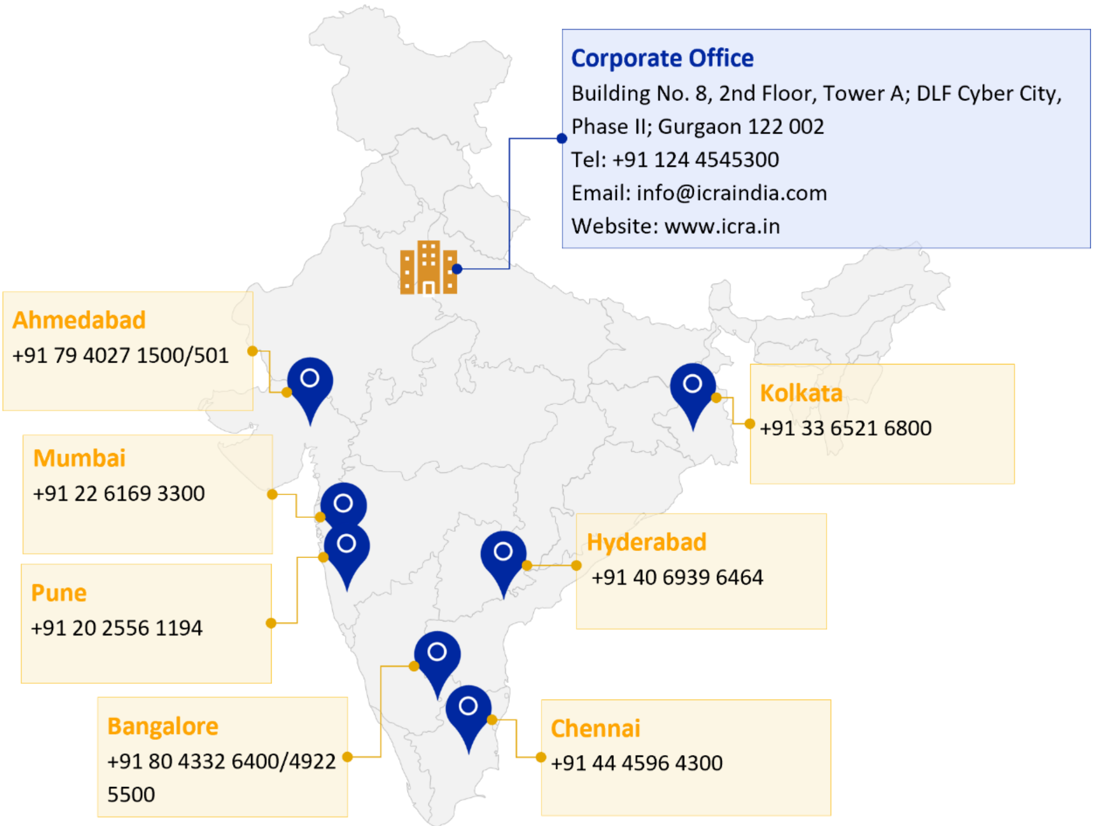

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