

KIOCL Limited

October 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	1,050.00	CARE BBB+; Negative / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of KIOCL Limited (KIOCL or the company) derives strength from its majority ownership by the Government of India (GoI), with 99.03% equity stake held as on June 30, 2025, and its status as a 'Mini Ratna' Central Public Sector Enterprise under administrative control of Ministry of Steel. The rating further factors in the company's comfortable capital structure, reflected by its external net debt-free status as on March 31, 2025, and an adequate liquidity position.

However, the rating remains constrained considering continued operating losses incurred by the company over last three fiscals FY23-FY25 (FY refers to April 01 to March 31), and likely continuance of this in absence of captive raw material sourcing. The existing operations of KIOCL currently comprises of a 3.5 million tonnes per annum (MTPA) pellet plant. The pellet plant continues to face frequent shutdowns owing to either the unavailability of iron ore fines or uneconomical market conditions due to decline in demand/realizations for pellets. To address the current situation, the management along with the support from Government of India (GoI) has been taking various steps, which includes KIOCL entering into a conversion arrangement with National Mineral Development Corporation (NMDC). The conversion arrangement with NMDC was further amended in Q1FY26 (Q1 refers to the period from April 01 to June 30) to around 2.50 MTPA from the earlier 1.1 MTPA in Q3FY25 (Q3 refers to October 01 to December 31).

Deterioration in operational and financial performance of the company is largely on account of structurally higher cost of production owing to higher fixed (which also includes fixed employee cost associated with its idle blast furnace operations) and variable cost (dependence on high-cost iron ore procured from NMDC's Chhattisgarh mines—transported through a rail-cum-sea route) which has significantly kept KIOCL's cost elevated. In FY25, KIOCL reported a decline in its total operating income (TOI) to ₹591 crore from ₹1,859 crore in FY24. The uneconomical situation resulted in a prolonged shutdown of the pellet plant for 232 days, which affected both production and sales volumes. Decline in exports was on account of subdued global market situation with pellet exports of the company declining by ~90% to 0.15 MTPA (from 1.59 MTPA in FY24), however being partially offset by increase in sales volumes in the domestic market to 0.34 MTPA (from 0.20 MTPA in FY24).

CARE Ratings Limited (CareEdge Ratings) expects improvement in KIOCL's operational and financial performance only after commencement of mining operations at its captive Devadari iron ore mine. The rating positively factors the allotment of Devadari mine to KIOCL by GoI in 2017 and the receipt of key statutory clearances, including environmental and forest clearance. However, the company encountered significant delays in operationalising the mine due to non-execution of the Forest Lease Agreement (FLA) by the Government of Karnataka. The delay was primarily linked to the withholding of forest land possession by the state authorities on account of pending compliance conditions and legacy dues from KIOCL's past operations.

Subsequently, KIOCL filed a writ petition before the Honourable Karnataka High Court seeking directions for execution of the FLA and handover of the forest land reserved for mining. Pursuant to the court's recent order, the respondents have been directed to immediately hand over the land and execute the FLA without further delay. Successful commencement of operations at Devadari mine is expected to significantly enhance KIOCL's raw material security and cost competitiveness; however, timely execution of the lease and mine development activities remains a key monitorable.

The rating remains tempered due the highly competitive and fragmented steel industry, marked by cyclicity and sensitivity to demand-supply dynamics, weighing on pricing and profitability. Timely execution and commencement of operations at the Devadari mine remain a critical monitorable for KIOCL's future performance and rating outlook.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade

- Timely execution and commissioning of capex plan (development and operationalisation of Devadari mines), leading to stabilisation and improvement in the company's operational performance resulting into positive cash flows from operating activities on a sustained basis.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade

- Adjusted overall gearing deteriorating to beyond 0.75x, going forward.
- New capex undertaken either through internal accruals or a mix of debt and internal accruals, stretching existing liquidity position and impacting capital structure.
- Adverse outcome of the sub-judice legal dispute between KIOCL and the Karnataka State Government in pass dues levied on the company considering its mining operations.

Analytical approach: Standalone

CareEdge Ratings has considered the standalone approach, factoring in the government notching per CareEdge Ratings' criteria on 'Factoring linkages-government support'.

Outlook: Negative

The Negative Outlook reflects CareEdge Ratings' view that KIOCL's operational and financial profile is likely to moderate in the near-to-medium term, due to continued operating losses and delays in backward integration (mining operations) limiting the company's ability to improve its cost competitiveness. Further delays or failure to revive sales volumes and execute key projects could warrant a downward rating action. The outlook may be revised to Stable if mining operations are successfully started, resulting in enhanced cost efficiency and improved profitability margins.

Detailed description of key rating drivers:

Key strengths

Majority ownership of Govt. of India

KIOCL was incorporated in April 1976 at Kudremukh, Karnataka, under the Ministry of Steel and Mines, with the objective of developing mine and plant facilities for the production of iron ore from low-grade magnetite ore. As on March 31, 2019, the GoI held 99.03% stake in the company. Historically, KIOCL functioned as an export-oriented unit (EOU) with expertise in iron ore mining, beneficiation, pelletisation, and blast furnace operations, having an installed capacity of 3.5 million MTPA of pellets and 0.22 million MTPA of pig iron. The company has since exited its EOU status, gaining flexibility to cater to the domestic market in addition to exports.

Comfortable financial structure vis a vis external debt free status

As on March 31, 2025, the company remains debt-free, with no external borrowings on its books, apart from lease liabilities. It continues to maintain a strong liquidity profile, backed by cash and liquid investments amounting to ~₹729 crore, of which ~₹129 crore is lien marked. The company's adjusted overall gearing moderated to 0.11x as on March 31, 2025, compared to 0.09x as on March 31, 2024, due to losses at profit after tax (PAT) level leading to a decline in networth of the company. In FY26, the company planned a capital expenditure of ₹137 crore towards development of Devadari iron ore mine, blast furnace unit (BFU), and other related projects, which is expected to be largely funded through internal accruals.

Capex undertaken towards improving backward linkages

The company has been allotted Devadari mines by the government in 2017. Further, key regulatory clearances including environmental clearance, forest clearance, and mining lease required for commencing operations at the Devadari Iron Ore Mine, have been obtained. As on March 31, 2025, the company incurred sizeable capex of ₹530.15 crore (PY: ₹529.88 crore) towards development of this mine. However, mining operations are yet to commence due to non-execution of FLA by the Government of Karnataka. KIOCL is also exploring a joint venture (JV) partnership for forward integration projects. Timely execution of this project remains a key monitorable.

Key weaknesses

Decline in TOI and continued operating losses driven by frequent plant shutdowns and cost inefficiencies

Deterioration in the company's operating and financial performance is largely considering structurally higher cost of production owing to higher fixed (which also includes fixed employee cost associated with its idle blast furnace operations) and variable cost

(dependence on high-cost iron ore procured from NMDC's Chhattisgarh mines transported through a rail-cum-sea route) which has significantly kept KIOCL's cost elevated. In FY25, KIOCL reported a decline in its TOI to ₹591 crore from ₹1,859 crore in FY24, due to decline in exports considering subdued global market situation with the company's pellet exports declining by ~90% to 0.15 MTPA (from 1.59 MTPA in FY24). However being partially offset by increase in sales volumes in the domestic market to 0.34 MTPA (from 0.20 MTPA in FY24). The uneconomical situation resulted in a prolonged shutdown of the pellet plant for 232 days, which affected production and sales volumes. Further it is expected that the operational and financial performance of the company will materially improve, once its captive mining operations at the Devadari iron ore mine commence, enabling a structurally sustainable cost base, enabling KIOCL's operations to turn cash positive.

Profitability susceptible to price movement of iron ore pellets

The company profitability is expected to remain exposed to volatility in iron ore pellet prices, given its presence in a margin-linked business model where realisations are closely tied to prevailing market prices. While the ongoing tolling arrangement with NMDC provides revenue visibility and coverage of variable costs, it restricts margin expansion in the near term. Consequently, in the absence of captive mining operations, the company's earnings profile remains susceptible to fluctuations in pellet price movements. However, once the Devadari iron ore mine becomes operational, the availability of captive ore is expected to reduce raw material and transportation costs, thereby supporting a more competitive cost structure and providing scope for margin expansion.

Highly competitive and cyclical industry

The steel industry is highly competitive, with presence of various organised and unorganised players and expanding applications of steel. The margins continue to remain under pressure due to the fragmented nature of the industry. Also, the steel industry is sensitive to shifting business cycles, including changes in the general economy, interest rates, and seasonal changes in demand and supply.

Liquidity: Adequate

The liquidity position is adequate marked by cash and liquid investments of ₹729 crore as on March 31, 2025, of which ~₹129 crore is lien marked. The company remains net debt-free, with no external borrowings apart from lease liabilities. The company's liquidity is further supported with moderate utilisation of non-fund based working capital facilities which is at ~26% as on March 31, 2025, providing sufficient headroom for incremental working capital requirement. In FY26, the company has planned a capex towards the development of Devadari iron ore mine and other related projects which is expected to be funded with a mix of internal accruals and debt. Being a public sector enterprise, the company benefits from significant financial flexibility, providing it the ability to manage additional funding requirements and access to capital markets.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

	Risk factors
Environmental	GHG (Greenhouse gases) emissions: Low Being a steel manufacturing plant, power consumption and GHG emissions are generally high. However, the company's blast furnace remains non-operational. For FY25, CO2e/tonne at 0.09. In clean energy initiatives, work allotted to m/s. EIL on fuel switches over from furnace oil to LNG for sintering of pellets is under progress. Energy and water consumption: Low Power consumption was moderate with energy in terms of physical output at 1 GJ/per MT, while water intensity in terms of physical output was at 0.51 KL/ per MT of iron ore pellets. The company procured 3.052 GWh of renewable wind energy, accounting for 5.11% of the pellet plant's total energy consumption. Wastage reduction and recycling: Strong The waste generated is 270 metric tonnes. Waste intensity in physical output (metric tonnes/tcs) has been low at 0.0002. The pellet fines (2% of pellet production) are recycled in the process after re-grinding.
Social	Safety standards: Strong Lost-time injury frequency rate has been zeron for employees and zero for workers. KIOCL holds ISO integrated management system certification for Quality Management System (QMS) ISO: 9001:2015 Standard, Environmental Management System (EMS) as per ISO 14001:2015 Standard and Occupational Health & Safety Management System (OHSMS) as per ISO 45001:2018 Standard. Gender diversity- Low 4% of total employees are women. This is reasonable given that metals and mining sector have had low female participation rate in its workforce.
Governance	Board independency- Low In Q1FY25, the company's board comprised eight members, including four government nominee directors, two independent directors. The board also had two women directors. However, by Q4FY25, the board strength had reduced to three members, with only one government nominee director. Participation of board members: Active Attendance rate for all the board of directors has been 100% for FY25. Internal financial controls: Adequate

Applicable criteria

[Definition of Default](#)

[Notching by Factoring Linkages with Government](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

KIOCL was incorporated on April 02, 1976, and is a company under the Ministry of Steel, GoI with Mini Ratna status. Earlier, the company was an EOU (exited as on Q1FY26) having expertise in iron ore mining and pelletisation with an installed capacity of 3.5 million MTPA for pellets, and 0.22 MTPA of pig iron (non-operational) as on March 31, 2025. Both the manufacturing facilities are at Mangalore, Karnataka. The company has certifications from ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Further, the key regulatory clearances, including environmental clearance, forest clearance, and mining lease required for commencing operations at the Devadari Iron Ore Mine have been obtained. However, mining operations are yet to commence.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Abrig.)	Q1FY26 (UA)
Total operating income	1,858.88	591.10	91
PBILDT	-67.55	-199.73	-42
PAT	-83.31	-204.58	-38
Overall gearing (times)	0.13	0.17	NA
Adjusted Overall gearing (times)*	0.09	0.13	NA
Interest coverage (times)	-4.63	-13.01	NM

A: Audited UA: Unaudited; NM: Not Meaningful; NA: Not available; Note: these are latest available financial results

Note: *CARE Ratings has included mining rights of ₹530.15 crore (classified under intangible assets) as on March 31, 2025 (Previous Year: ₹529.88 crore as March 31, 2024) in net worth to arrive at the adjusted tangible net worth. Accordingly, adjusted overall gearing has been computed after considering these mining rights as part of net worth.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	300.00	CARE BBB+; Negative / CARE A2
Non-fund-based - LT/ ST-BG/LC		-	-	-	750.00	CARE BBB+; Negative / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	300.00	CARE BBB+; Negative / CARE A2				
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	750.00	CARE BBB+; Negative / CARE A2				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated: Not applicable

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saiikat.roy@careedge.in	Analytical Contacts Pulkit Agarwal Director CARE Ratings Limited Phone: 912267543505 E-mail: pulkit.agarwal@careedge.in Hitesh Avachat Associate Director CARE Ratings Limited Phone: 912267543510 E-mail: hitesh.avachat@careedge.in Mandar Avachar Analyst CARE Ratings Limited E-mail: Mandar.avachar@careedge.in
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