

Newmalayalam Steel Limited

February 23, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	22.04 (Reduced from 26.29)	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	30.00	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	25.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to the bank facilities of Newmalayalam Steel Limited (NSL) is driven by extensive experience of promoters in the steel industry, comfortable capital structure, stable scale of operations and NSL's well-established network of dealers and suppliers. Ratings are constrained by geographic concentration risk, presence in a fragmented industry and raw material price risk. Ratings also take cognisance of debt-funded capital expenditure under subsidiary, Prime NMS Private Limited (Prime NMS). The project is in nascent stage of implementation exposing project execution risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent scaling up of volumes by diversifying geographical presence.
- Sustainable improvement in the operating margins by upwards of 4%.
- Sustenance of overall gearing below 0.50x.

Negative factors

- Elongation in operating cycle beyond 90 days.
- Any debt- funded capital expenditure leading to deterioration in the overall gearing beyond 2x.

Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has revised its approach from standalone to consolidated. Per announcement dated August 30, 2025, NSL announced establishment of subsidiary, Prime NMS Private Limited (Prime NMS), which was subsequently incorporated on November 07, 2025. NSL holds 60% stake in Prime NMS. Details of subsidiary is given in Annexure-6.

Outlook: Stable

CareEdge Ratings believes that the company's operations will continue to remain stable in the medium-term considering benefit from extensive experience of promoters.

Detailed description of key rating drivers:

Key Strengths

Experience of promoters and long track record of operations

The company is promoted by V.D. Varghese, Managing Director, who has over a decade experience in the steel industry. Varghese started NSL in 2017 with 50% investment from Mahendra Kumar Jain from the Jaihind group, who has over 35 years experience in steel pipe and tube trading and manufacturing. NSL is managed by V.D. Varghese and his son, Cyriac Varghese.

Comfortable capital structure post successful completion of IPO

The entity's capital structure remains comfortable as marked by overall gearing of 0.23x as on March 31, 2025 (1.46x as on March 31, 2024) and total net worth (TNW) of ₹78.34 crore. NSL successfully completed its SME IPO and was listed on December 27, 2024. TNW increased to ₹78.34 crore as on March 31, 2025.

NSL established subsidiary Prime NMS in November 2025 with 60% share capital amounting to ₹0.6 crore contributed by NSL and the balance held by Thrissur-based Prime group. The subsidiary was established to set up and operate a pre-engineered building (PEB) manufacturing facility in Mangalore, Karnataka with capacity of ~500 tonnes per month. The project is expected to cost ~₹8 crore and is expected to be funded by ~₹7.2 crore of term loan and the balance through share capital.

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

The project is in nascent stage of implementation with financial closure yet to be achieved. Construction is expected to take ~3 months with completion expected by end of Q1FY27. Despite debt-funded capital expenditure, capital structure is expected to remain comfortable.

Stable scale of operations however, with thin operating margins

NSL's scale of operations has remained stable recording total operating income (TOI) of ₹307.23 crore (PY: ₹302.35 crore). Volume growth of 10% in FY25 (FY refers to April 01 to March 31) was offset by decline in realisations ~9%. However, realisations improved ~5% in H1FY26 leading to TOI growth of 5.6% on an annualised basis to ₹162 crore.

Operating margins remain thin with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 3.25% in FY25 (PY: 3.22%). In April 2025, Government of India levied a 200-day 12% safeguard duty on import of non-alloy and alloy steel flat products which aided improvement in PBILDT margin to 3.76% in H1FY26. In December 2025, safeguard duty was extended to three years with structure of 12%, 11.5% and 11% for the next three years which is expected to keep domestic steel prices elevated in H2FY26.

Established customer and supplier base in Kerala

The company has network of ~150 dealers, aiding continuous orders. The primary raw material is galvanised steel coils and sheets sourced from multiple domestic and overseas suppliers considering favourable pricing. The company imported 55% of raw materials in FY24 mainly due to cheaper steel prices abroad. The company has single owned warehouse of 20,000 sq ft in Thrissur, central Kerala, which mitigates logistics cost for dealers across Kerala to pick up finished goods.

Largest Steel Tubes and Pipe manufacturing facility in Kerala

The company is engaged in manufacturing and selling galvanised steel pipes and sheets under the brand name 'DEMAC'. NSL has galvanised steel pipe and sheet manufacturing unit with installed capacity of 72,000 metric tonne per annum. Galvanised steel coils are the primary raw material. The manufacturing facility is equipped with three production lines to cater to future scalability of operations. The facility is ISO 9001:2015 certified and has ISI certification for all products. Capacity utilisation stands modest at ~50-60% with limited finished goods storage being the bottleneck. The company invested ~₹2.45 crore towards new shed which improved capacity utilisation to 67% in H1FY26.

Key weaknesses**Revenue concentration among top customers**

Revenue is concentrated among top customers with top 10 customers contributing 46% of TOI in FY25 (PY: 50%). Major customer is related party, Jai Hind Steel Private Limited, which contributed 28.35% in FY25 (PY: 33.42%). However, customer concentration is reducing, with top 10 customers contributing 33% in H1FY26.

Geographical concentration risk and fragmented industry

The steel industry is cyclical, as demand depends on economic conditions. The industry is sensitive to shifting business cycles, interest rate movements and seasonal changes in demand and supply. The company's operations are largely confined to Kerala which keeps operations geographically exposed.

Raw material price risk and forex risk

The steel industry is sensitive to shifting business cycles and seasonal changes in demand and supply. Basic raw materials such as sponge iron, pig iron and scrap are sourced from market and prices are volatile. Galvanised steel coil is the major raw material consumed by NSL, contributing 90-95% of total consumption by volume and balance comprises scrap. Prices of scrap and galvanised steel are volatile. ~55% of raw material consumed is imported, exposing the company to foreign exchange fluctuation risk. The company hedges ~100% of its forex exposure.

In April 2025, Government of India introduced 12% provisional safeguard duty on non-alloy and alloy steel flat products for 200 days resulting in decline in imports. Considering the positive impact, the government extended the duty for three years through notification dated December 30, 2025, setting rates at 12% for the first year, 11.5% for the second, and 11% for the third.

Liquidity: Adequate

The company has adequate liquidity characterised by sufficient cushion of ₹6.09 crore estimated accruals Against repayment obligations of ₹2.97 crore in FY26. Average working capital utilisation stood low at 34.19% for 12 months ended November 2025 supported by above unity current ratio. To fund incremental working capital requirements, the company enhanced non-fund-based limits to ₹40 crore providing adequate cushion in form of unutilised credit line. The company had cash and bank balance of ₹15.81 crore as on September 30, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

About the company and industry

Industry classification

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

NSL was incorporated in 2017 by V.D. Varghese, Managing Director. The company is engaged in manufacturing and supplying ISI-marked galvanised steel pipes, steel tubes and galvanised steel sheets under the brand name 'DEMAC'. The company has manufacturing unit in Mala, Thrissur, with annual installed capacity of 72,000 metric tonne (MT). Day-to-day operations are supervised by V.D. Varghese and a qualified team of professional staff.

Total promoter holding post IPO stood at 73.23%, where V.D. Varghese holds 36.39% and Jai Hind group promoters hold 36.51%.

NSL- Standalone

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	302.35	307.23	162.24
PBILDT*	9.73	9.97	6.10
Profit after tax (PAT)	4.27	4.41	4.22
Overall gearing (x)	1.46	0.29	0.31
Interest coverage (x)	2.98	2.90	6.18

A: Audited UA: Unaudited; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

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-Cash Credit		-	-	-	20.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	June 2027	2.04	CARE BBB-; Stable
Non-fund-based - LT/ ST-Letter of credit		-	-	-	30.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	25.00	CARE A3

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-Term Loan	LT	2.04	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Jan-25)	1)CARE BB+; Positive (26-Dec-23)	1)CARE BB+; Stable (12-Jan-23)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Jan-25)	1)CARE BB+; Positive (26-Dec-23)	1)CARE BB+; Stable (12-Jan-23)
3	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A3	-	1)CARE A3 (07-Jan-25)	1)CARE A4+ (26-Dec-23)	1)CARE A4+ (12-Jan-23)
4	Non-fund-based - LT/ ST-Letter of credit	LT/ST	30.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Jan-25)	-	-

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Prime NMS Private Limited	Full	Subsidiary

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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in</p>	<p>Analytical Contacts</p> <p>Sandeep P Director CARE Ratings Limited Phone: +91-44-2850 1002 E-mail: sandeep.prem@careedge.in</p> <p>Ali Monish P E Assistant Director CARE Ratings Limited Phone: +91-44 2850 1021 E-mail: alimonish.p@careedge.in</p> <p>Adarsh Gs Analyst CARE Ratings Limited E-mail: Adarsh.Gs@careedge.in</p>
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