BRICKWORK RATINGS

Rating Rationale

19 December 2025

KIOCL Limited (KIOCL)

Brickwork Ratings has downgraded the long-term and short-term rating and simultaneously withdrawn for the Bank loan facilities of Rs. 1050.00 crore of KIOCL Limited (KIOCL):

Facilities/ Instrument**	Previous Amount (Rs Crs)	Present Amount * (Rs Crs)	Tenure	Previous Rating (23-Sept-2024)	Present Rating
Fund-Based Limits	558.00	**0.00**	Long Term	BWR A/Negative/ Downgrade	**Withdrawn**
Fund-Based Limits	(15.00)	**(15.00)**			**BWR A - / Negative/ Downgraded and Withdrawn**
Non Fund Based Limits	1050.00 *(185.00)*	**1050.00** ***(185.00)***	Short Term	BWR A2+/ Downgrade	**BWR A2 / Downgraded and Withdrawn**
Total	1608.00	**1050.00**	**(Rupees One Thousand and Fifty Crores Only)**		

#Please refer to the BWR website **www.brickworkratings.com** *for the definition of the rating assigned.*
***Details of rated BLR's are provided in Annexure-I;*

RATING ACTION / OUTLOOK

Brickwork Ratings has revised the ratings of KIOCL Limited's bank loan facilities aggregating to Rs. 1050.00 crore, downgraded the long-term rating to BWR A- with a Negative outlook and the short-term rating at BWR A2. The ratings have been simultaneously withdrawn.

Brickwork Ratings has reviewed the bank loan facilities of KIOCL Limited in light of its recent financial performance, capital structure, and the company's request for withdrawal of the ratings.

During FY25 and H1 FY26, the company experienced a significant weakening in operating performance, marked by a sharp decline in revenues due to the prolonged shutdown of operations and subdued export demand. The continued operating and net losses led to deterioration in profitability indicators and persistently negative debt coverage metrics. Consequently, the long-term rating on the fund-based facilities and the short-term rating on the non-fund-based facilities were downgraded, reflecting the weakened operating profile and elevated business risk.

Subsequently, the company fully repaid and closed its fund-based bank limits and confirmed that there were no outstanding dues to the lender. In this context, KIOCL formally requested withdrawal of the ratings. The request was supported by a No Due Certificate (NDC) and a No Objection Certificate (NOC) from the lender, confirming its consent for withdrawal of the ratings assigned by Brickwork Ratings. The withdrawal of the ratings is in line with Brickwork Ratings' policy on rating withdrawal.

The outlook remains Negative, reflecting continued volatility in operations, recurring losses, and uncertainty around the timing of full operational recovery

KEY RATING DRIVERS

Credit Strengths-:

Strong Support from the Government of India

KIOCL Limited is a Public Sector Enterprise under the Ministry of Steel with Mini Ratna status. The Government of India holds almost the entire shareholding in the company (99.03% as of September 30, 2025). KIOCL has long experience in pellet manufacturing and iron ore processing, with a large installed capacity of 3.5 MTPA for pellets and 0.22 MTPA for pig iron. It is one of the major pellet exporters and an important entity for the government in the mining and steel value chain.

Experienced Management

The company is run by a team with deep technical and operational experience in mining, beneficiation and pelletisation. It has also built additional revenue sources through mineral exploration and operation-and-maintenance contracts.

Healthy Capital Structure and Strong Liquidity

Despite continued losses, the company remains debt-free, with zero external debt in FY25 (compared to Rs. 64 crore in FY24). Tangible net worth, though reduced due to losses, remained healthy at Rs. 1,001 crore in FY25. Liquidity remains strong with Rs. 730 crore in cash and equivalents in FY25, increasing further to Rs. 690 crore in H1 FY26. The current ratio remains robust at 3.56 in FY25, indicating comfortable short-term solvency.

Backward Integration to Reduce Costs

KIOCL has been developing the Devadari iron ore mine to secure its own raw material supply. Regulatory approvals, such as environmental, forest and mining clearances, have been received. Capex of about Rs. 530.15 crore has already been spent on the project. Once operational, the mine is expected to lower raw material and freight costs and support sustainable improvement in profitability.

Credit weaknesses-:

Sharp Decline in Turnover and Sustained Operating Losses

The company’s financial performance weakened significantly during FY25 due to a steep drop in production and sales volumes. Total operating income fell sharply to Rs. 590 crore in FY25 from Rs. 1,858 crore in FY24, representing a decline of around 68%, driven primarily by subdued export demand and the prolonged shutdown of operations for 232 days. For H1 FY26, revenue continued to remain low at Rs. 233 crore, reflecting ongoing operational challenges.

The sharp fall in turnover resulted in severe pressure on profitability and cost absorption. OPBDIT remained negative at Rs. -200 crore in FY25, compared to Rs. -68 crore in FY24. The net loss widened to Rs. -205 crore in FY25 (FY24: Rs. -83 crore) and further Rs. -55 crore during H1 FY26. The deterioration reflects the weak contribution margin and high fixed overheads, particularly employee and power costs, against low production.

High Cost Structure Leading to Loss-Making Operations
The company continues to face an uncompetitive cost structure due to high fixed employee expenses and high procurement and freight costs associated with sourcing iron ore externally rather than through captive mines. Despite lower production volume, employee expenses increased to Rs. 157 crore in FY25 (Rs. 139 crore in FY24), contributing to negative margins. Power and fuel costs also remained elevated at Rs. 115 crore in FY25. This structural cost imbalance has resulted in persistently negative operating margins, which fell sharply to -33.94% in FY25 from -3.68% in FY24, while net margin deteriorated to -34.64% in FY25. The company's ability to return to profitability is dependent on the commencement of captive mining, which is expected to reduce raw material costs and stabilise operations.

Exposed to Pellet Price Volatility and Competitive Industry Environment
KIOCL remains vulnerable to fluctuations in pellet prices due to a margin-linked business model and the absence of captive ore. With export volumes reducing drastically to 0.15 MTPA in FY25 from 1.59 MTPA in FY24, earnings became more dependent on domestic demand. Price volatility, combined with intense competition in the steel and pellet segment, limits pricing flexibility and margin expansion. Regulatory risks, such as the imposition of export duty in FY23, have historically affected the company's operating performance. The dependence on tolling arrangements further restricts profitability improvement until captive ore supply begins.

Environmental and Social Compliance Risks
Pellet manufacturing is inherently emission-intensive and subject to increasing environmental regulation. Any tightening of norms may involve higher compliance and capex requirements. Additionally, industrial safety lapses could lead to production disruption, reputational setbacks and penalties. While the company has taken steps to improve environmental performance, continuous compliance and monitoring remain essential.

LIQUIDITY INDICATORS: Adequate
The company's liquidity position is adequate, supported by cash and liquid investments of about Rs. 729 crore as on March 31, 2025, of which approximately Rs. 129 crore is lien-marked. KIOCL remains net debt-free, with no external borrowings on its books apart from lease liabilities. In FY26, the company has planned capital expenditure towards the development of the Devadari iron ore mine and other related projects, which is expected to be funded through a mix of internal accruals and debt. Additionally, being a public sector enterprise, the company enjoys high financial flexibility, enabling it to comfortably manage incremental funding requirements and maintain access to capital markets.

RATING SENSITIVITIES-Not Applicable for withdrawal of rating

Company profile:
KIOCL Limited, erstwhile Kudremukh Iron Ore Company Limited (hereinafter referred to as 'KIOCL' or 'the Company') is a flagship company under the Ministry of Steel, Government of India (GoI). It was formed on 2nd April 1976 for mining and the beneficiation of low-grade iron ore at Kudremukh, Karnataka, India. It is classified under the Mini Ratna category. It manufactures DR-grade pellets and has the manufacturing facilities to operate a 3.5 MTPA iron-oxide pellet plant

and blast furnace unit to manufacture pig iron at Mangalore, Karnataka. Apart from the manufacturing facilities, the company also operates in O&M activities related to extraction. KIOCL is listed on the Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Metropolitan Stock Exchange of India Ltd. (MSEL).

Key Financial Indicators: Standalone Financials

Key Parameters	Units	FY 2023	FY 2024	FY 2025	H1FY2026
Result Type		**Audited**	**Audited**	**Audited**	**Unaudited**
Total Operating Income	Rs. in Crs	1,543.20	1,854.07	590.46	268.55
EBITDA	Rs. in Crs	(159.74)	(68.41)	(200.41)	(63.31)
PAT	Rs. in Crs	(97.67)	(83.31)	(204.58)	(54.95)
Tangible Net Worth	Rs. in Crs	1359.74	1278.53	1000.59	1658.58
TOL/TNW	Times	0.69	0.41	0.58	0.58
Current Ratio	Times	2.65	4.42	3.56	3.51

Non-cooperation with a previous credit rating agency (CRA): Not Applicable

Rating history for the previous three years:

<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Instrument</th><th colspan="3">Current Rating (2025)</th><th colspan="3">Rating History for the past 3 years</th></tr>
<tr><th>Type</th><th>Amount (Rs. Crs.)</th><th>Rating</th><th>2024</th><th>2023</th><th>2022</th></tr>
<tr><td rowspan="2">1.</td><td rowspan="2">Fund-Based Limits</td><td rowspan="2">Long Term</td><td rowspan="2">0.00</td><td rowspan="2">Withdrawn</td><td>BWR A+/Negative Reaffirmed (16 Feb 2024)</td><td rowspan="2">NA</td><td>NA</td></tr>
<tr><td>BWR A/Negative/ Downgraded (23-Sep-2024)</td><td>BWR A+/Negative Assignment (18 Nov 2022)</td></tr>
<tr><td rowspan="2">2.</td><td rowspan="2">Fund-Based Limits</td><td rowspan="2">Long Term</td><td rowspan="2">(15.00)</td><td rowspan="2">BWR A - / Negative/ Downgraded and Withdrawn</td><td>BWR A+/Negative Reaffirmed (16 Feb 2024)</td><td rowspan="2">NA</td><td>BWR AA-/Negative Reaffirmation and change in outlook (19 Aug 2022)</td></tr>
<tr><td>BWR A/Negative/ Downgraded (23-Sep-2024)</td><td>BWR A+/Negative Downgrade (18 Nov 2022)</td></tr>
<tr><td rowspan="2">3.</td><td rowspan="2">Non Fund Based Limits</td><td rowspan="2">Short Term</td><td rowspan="2">1050.00
(185.00)</td><td rowspan="2">BWR A2 / Downgraded and Withdrawn</td><td>BWR A1+/ Reaffirmed (16 Feb 2024)</td><td rowspan="2">NA</td><td>BWR A1+ Reaffirmation (19 Aug 2022)</td></tr>
<tr><td>BWR A2+ Downgraded (23-Sep-2024)</td><td>BWR A1+ Reaffirmation (18 Nov 2022)</td></tr>
<tr><td colspan="3">Total</td><td>1050.00</td><td colspan="4">(Rupees One Thousand and Fifty Crores Only)</td></tr>
</table>

Any other information: Nil

BRICKWORK RATINGS

Analytical Approach - Standalone
To arrive at its ratings, BWR has relied on the company's standalone financials. BWR has applied its rating methodology as detailed in the Rating Criteria.

Applicable criteria

- General Criteria
- Approach to Financial Ratios
- Rating of Manufacturing Companies
- Short-term Debt
- Rating Withdrawal policy

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KIOCL Limited (KIOCL)

Annexure-I: Details of Bank Facilities rated by BWR

Name of the Lender	Type of Facilities	Tenure	Present Limits (Rs. Crs)	Complexity of instrument
Fund Based				
Canara Bank	Term Loan	Long Term	-	
ICICI Bank	*Overdraft (Sublimit of LC)*	*Long Term*	(5.00)	Simple
Yes Bank	*Cash Credit (Sublimit of LC)*	*Long Term*	(4.00)	Simple
	Working Capital Demand Loan	*Long Term*	(6.00)	Simple
Total: Long Term			**(15.00)**	
Non-Fund Based				
HDFC Bank	Letter of Credit	Short Term	125.00	Simple
	Bank Guarantee (Sublimit of LC)	*Short Term*	*(125.00)*	*Simple*
	Forward Contract	Short Term	25.00	Simple
ICICI Bank	Letter of Credit	Short Term	65.00	Simple
	Derivative Limit	Short Term	15.00	Simple
IndusInd Bank	Standby Line of Credit	Short Term	15.00	Simple
	Bank Guarantee	Short Term	60.00	Simple
	Letter of Credit	Short Term	110.00	Simple
	Forward Contract	Short Term	15.00	Simple
Yes Bank	Letter of Credit	Short Term	75.00	Simple

Name of the Lender	Type of Facilities	Tenure	Present Limits (Rs. Crs)	Complexity of instrument
	Sublimit (Letter of Credit) • *Bank Guarantee* • *Packing Credit* • *Post Shipment Finance*	 *Short Term* *Short Term* *Short Term*	 *(30.00)* *(15.00)* *(15.00)*	Simple
	Forward Contract	Short Term	25.00	Simple
Untied Portion	BG/ILC - Proposed	Short Term	**520.00**	**Simple**
Total : Short Term			***1050.00*** ***(185.00)***	
Total (Long Term + Short Term)			***1050.00***	
(Rupees One Thousand and Fifty Crores Only)				

For more information, please visit Complexity Levels (brickworkratings.com.

Note: ***NCD Listed on BSE***

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