Balasore Alloys Limited

October 26, 2026

Rating Action

Total Bank Loan Facilities Rated	**Rs. 245.00 Crore**	**Regulator^**
Long Term Rating	**IVR BB+/Positive (Rating upgraded; Outlook revised to 'Positive' from 'Stable')**	**RBI**
Short Term Rating	**IVR A4+ (Rating upgraded)**	**RBI**
^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: *None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

Rationale

The upgrade of the ratings assigned to the bank facilities of Balasore Alloys Limited (BAL) is driven by the Board's in-principal approval on September 21, 2026, to convert the external commercial borrowing (ECB) received from a promoter-group entity into foreign currency convertible bonds (FCCBs), which would leave the company with low external debt, along with the ramp up of its operations and resolution of legacy litigations. The ratings continue to derive strength from its integrated operations backed by a captive chromite mine and its long track record of operations under an experienced professional management. However, these rating strengths are partially offset by its weak reported profitability in FY26 (refers to the period April 01, 2025, to March 31, 2026) which however is expected to improve going forward, vulnerability of profitability to price cyclicality, power costs and regulatory and weather risks, and its leveraged capital structure as on March 31, 2026.

Outlook: Positive

The Positive outlook reflects the expected recovery in volumes and realisation from H2FY27 (refers to the period October 01, 2026, to March 31, 2027) as mining moves into higher-grade zones with all furnaces operational, and the expected conversion of the promoter-group ECB into FCCBs, which would leave the company with low external debt, improving the overall financial risk profile of the company.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Consolidated
Parent/ Group Support	Not applicable

List of companies considered for consolidation/combined analysis is given at Annexure 4.

Key Rating Drivers with Detailed Description

Strengths

- **Expected conversion of the promoter-group ECB into compulsorily convertible FCCBs**

  Between September 2022 and March 2023, Direct Investments Limited (DIL), a promoter-group entity, infused USD 64.59 million (Rs. 528.31 crore at the time of receipt) into BAL, which was subsequently treated as an ECB and enabled the company to settle the entire dues of its lenders, restore power supply and restart operations in December 2022. Further, the Board, at its meeting on September 21, 2026, accorded in-principle approval to convert the ECB (principal plus accrued interest) into FCCBs. Considering the above, IVR has treated the instrument as part of net worth from FY27 (refers to the period April 01, 2026, to March 31, 2027), owing to which total debt is expected to reduce to Rs. 75.00 crore as on March 31, 2027 (bank borrowings only) from Rs. 651.36 crore as on March 31, 2026, and the overall gearing is expected to improve to ~0.07x as on March 31, 2027, from 2.81x as on March 31, 2026. With no term debt envisaged until the next project, Total debt/EBITDA is expected to remain comfortable at below 1.00x over the medium term.

- **Ramp up of operations along with resolution of legacy litigations**

  BAL has been able to ramp up its operations in FY26, supported by uninterrupted ore supply from its captive mine and stable power supply. Overall capacity utilisation improved to 67.05% in FY26 from 55.90% in FY25 (refers to the period April 01, 2024, to March 31, 2025). The Balasore plant's utilisation rose to 65.00% from 57.44%, and the Sukinda unit's to 88.00% from 40.13%, with its production more than doubling in FY26. As a result, ferro chrome sales volume increased by 25.58% to 1,19,297 MT, and total operating income grew by 21.54% to Rs. 1,180.77 crore in FY26 from Rs. 971.48 crore in FY25 despite a ~3.00% decline in average realisation. EBITDA, however, declined to Rs. 17.05 crore in FY26 due to a largely non-cash foreign exchange restatement loss of Rs. 80.54 crore and one-off provisions of Rs. 53.35 crore; excluding these, EBITDA stood at ~Rs. 150.94 crore (up by 12.78% y-o-y). The company has also resolved its legacy

litigations, which has led to one-time charges of Rs. 11.83 crore in FY26. The CIRP admitted against it was terminated on November 27, 2025. Further, CIT(A) orders in favour of the company are expected to reduce its income tax contingent liabilities to ~Rs. 34 crore from Rs. 172.69 crore as on March 31, 2026. With further streamlining of operations, and the company's plans for underground mining, topline as well as profit are likely to improve going forward.

- **Integrated operations backed by a captive chromite mine**

  BAL's captive, non-auctioned Kaliapani chromite mine in the Sukinda Valley, Jajpur district of Odisha (reserves/resources of 41.27 million tonnes as per SRK Consulting, July 2026; lease valid till 2050), caters to almost the entire chrome ore requirement of the company. The cost of captive ore is ~Rs. 5,000/MT against ~Rs. 25,000/MT for ore purchased from Odisha Mining Corporation, the only merchant seller in the region, which gives the company a structural raw material cost advantage over non-integrated producers. Supported by captive ore availability and stable power supply, capacity utilisation improved to 67.05% in FY26 from 55.90% in FY25 and sales volume of ferro chrome increased by 25.58% to 1,19,297 MT from 94,994 MT, which drove a 21.54% growth in total operating income (TOI) to Rs. 1,180.77 crore in FY26 from Rs. 971.48 crore in FY25.

- **Long track record of operations and experienced professional management**

  BAL has been engaged in ferro chrome manufacturing for over four decades since its incorporation in 1984. Its day-to-day operations are managed by a professional team led by Mr. Arun Kumar Jain (Managing Director), who has around two decades of experience, and Mr. Chikali Nagaraju (Executive Director – Operations & Mines), who has around 38 years of experience in plant and mining operations. They are supported by the heads of mines and plant, with ~30 years and ~40 years of industry experience respectively, and by an eight-member Board chaired by Dr. Pravakar Mohanty, in which independent directors constitute ~60%.

Weaknesses

- **Weak profitability witnessed in FY26 however expected to improve going forward**

  Reported EBITDA declined to Rs. 17.05 crore in FY26 from Rs. 98.55 crore in FY25, and the EBITDA margin contracted to 1.44% from 10.14%, owing to a ~3.00% decline in average realisation higher power & fuel and employee costs, and other expenses that included a largely non-cash foreign exchange loss of Rs. 80.54 crore (restatement of the

ECB) and provisions of Rs. 53.35 crore for doubtful advances and receivables. Consequently, the company reported a net loss of Rs. 29.36 crore in FY26 against a PAT of Rs. 53.91 crore in FY25, and gross cash accruals (GCA) declined to Rs. 33.61 crore from Rs. 105.89 crore. Further, TOI declined by 29.43% to Rs. 423.51 crore in H1FY27 from Rs. 600.13 crore in H1FY26 (refers to the period April 01, 2025, to September 30, 2025), as production declined by 33.2% owing to heavy rainfall at the mines, lower realisation due to low grade quality of ferro chrome and relining of a furnace. However, excluding the forex loss and provisions, EBITDA stood at ~Rs. 150.94 crore (12.78%) in FY26, and the EBITDA margin improved to 11.29% in H1FY27 from 2.38% in H1FY26 on lower raw material, power and other costs. With mining moving into higher-grade zones and all furnaces operational, IVR expects TOI to moderate by ~10% in FY27 before a sharp recovery in FY28 (refers to the period April 01, 2027, to March 31, 2028) on ramp-up of volumes, with the EBITDA margin expected in the range of ~12%-14%. Achievement of the expected recovery from H2FY27 remains a key rating monitorable.

- **Vulnerability of profitability to price cyclicality, power costs and regulatory and weather risks**

  The company's revenues and margins remain exposed to the cyclicality of ferro chrome prices, which track global stainless-steel demand, particularly from China. As BAL derives almost its entire revenue from a single product, any downturn in prices would directly affect its top line and cash accruals. Further, in the absence of a captive power plant, the company sources its entire power requirement from the grid at tariffs significantly higher than those of integrated peers, which offsets a large part of its captive ore advantage and keeps its profitability vulnerable to tariff revisions. Its operations in Odisha are also susceptible to adverse weather; cyclones and heavy rainfall have disrupted mining and production in the past, including a ~33% decline in production in H1FY27. Being dependent on its captive mine, the company is also exposed to regulatory risks related to environmental clearances, mining capacity approvals and royalty levels, any adverse change in which could affect ore availability and cost.

- **Leveraged capital structure**

  The tangible net worth (TNW) declined to Rs. 231.74 crore as on March 31, 2026, from Rs. 397.09 crore as on March 31, 2025, owing to the net loss and an increase in intangible assets (mine development) to Rs. 283.92 crore, while total debt increased to Rs. 651.36 crore from Rs. 600.01 crore, mainly due to restatement of the ECB. Consequently, the overall gearing deteriorated to 2.81x as on March 31, 2026, from 1.51x as on March 31,

2025, and TOL/ATNW to 5.32x as on March 31, 2026, from 3.20x as on March 31, 2025, while the interest coverage declined to 1.73x in FY26 from 6.62x in FY25 on lower EBITDA. The financial risk profile is also weighed down by sizeable slow-moving assets, comprising capital advances of Rs. 162.66 crore (including Rs. 150.41 crore given during 2016-2018 for the underground mining project) and low-grade WIP inventory of Rs. 133.42 crore, along with contingent liabilities of Rs. 231.94 crore as on March 31, 2026. However, the overall gearing improved to 1.71x as on September 30, 2026, from 2.42x a year earlier, on reversal of payables, profit accretion and repayment of short-term borrowings and inter-corporate deposits (ICDs). Further, with the ECB treated as part of net worth on conversion, the overall gearing is expected to improve to ~0.07x as on March 31, 2027, and the debt protection metrics, including DSCR, are expected to remain comfortable over the medium term.

Liquidity – Adequate

The liquidity of the company is expected to remain adequate, marked by projected GCA of Rs. 132.99 crore in FY27 and Rs. 191.01-205.30 crore during FY28-FY29 against debt repayment obligation of only Rs. 18.57 crore (ICDs) in FY27, with no term debt repayment thereafter as the ECB is proposed to be converted into FCCBs. The company does not have sanctioned fund-based working capital limits at present; its working capital demand loans/overdraft of Rs. 21.42 crore as on March 31, 2026, were secured against lien-marked fixed deposits of Rs. 20.53 crore, and the proposed cash credit limit of Rs. 130.00 crore is yet to be sanctioned. Free cash and bank balance stood at Rs. 0.78 crore as on March 31, 2026, and the current ratio stood below unity at 0.71x (0.80x as on March 31, 2025); however, the current ratio is expected to improve to ~1.30x as on March 31, 2027,

Rating Sensitivities

Upward Factors

- Timely completion of the conversion of the ECB into FCCBs, along with sustained improvement in profitability and cash accruals, leading to Total Debt/EBITDA below 1.00x on a sustained basis.
- Sustained improvement in debt protection metrics, with DSCR above 3.00x, along with improvement in customer and geographical diversification and in liquidity on a sustained basis.

Downward Factors

- Delay in the conversion of the ECB beyond March 2027 or any adverse regulatory outcome on the ECB/FCCB or the relisting, leading to Total Debt/EBITDA above 2.50x on a sustained basis.

- Further moderation in profitability, crystallisation of contingent liabilities or any large debt-funded capex for the underground mining project, leading to DSCR below 1.50x on a sustained basis.

About the Group

Balasore Alloys Limited (BAL) belongs to the Ispat Group, an industrial group with interests in steel and ferro alloys that was founded by the late Mr. M. L. Mittal. The promoter group holds 61.44% of BAL's equity through Indian bodies corporate and foreign companies based in Mauritius and Singapore. Direct Investments Limited (British Virgin Islands), a promoter-group entity, provided long-term funding of USD 64.59 million in FY23, which was used to settle the company's bank dues and restart operations. The promoter family has been based overseas since the late 1990s and is not involved in the company's day-to-day operations. BAL is run by professional management under the oversight of a Board on which independent directors are in the majority.

About the company

BAL (formerly Ispat Alloys Limited) was incorporated in May 1984 in Balasore, Odisha, as a public limited company and was originally promoted by Mr. M. L. Mittal, founder of the Ispat Group; the promoter group held 61.44% of its equity share capital as on March 31, 2026. The company's operations are currently managed by a team of experienced professionals. The company is engaged in mining of chromite ore and manufacturing of high carbon ferro chrome, a key alloying input for stainless steel. It operates a ferro chrome plant at Balgopalpur, Balasore, with an installed capacity of 1,60,000 MTPA through five furnaces, and a unit at Sukinda, Odisha, with a capacity of 15,660 MTPA, and is backward integrated through its captive Kaliapani chromite mine in the Sukinda Valley (lease valid till 2050).

Key Financial Indicators (Consolidated):

For the year ended/ As on*	31-03-2025	31-03-2026
	Audited	Audited
Total Operating Income	971.48	1180.77
EBITDA	98.55	17.05
PAT	53.91	-29.36
Total Debt	600.01	651.36
Tangible Net Worth (TNW)	397.09	231.74
EBITDA Margin (%)	10.14	1.44
PAT Margin (%)	5.34	-2.43
Overall Gearing (times)	1.51	2.81
Interest Coverage (times)	6.62	1.73

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Key Financial Indicators (Standalone):

For the year ended/ As on*	31-03-2025	31-03-2026
	Audited	Audited
Total Operating Income	971.48	1180.77
EBITDA	98.71	17.23
PAT	54.07	-29.19
Total Debt	600.01	651.36
Tangible Net Worth (TNW)	484.56	228.05
EBITDA Margin (%)	10.19	1.47
PAT Margin (%)	5.56	-2.47
Overall Gearing (times)	1.24	2.86
Interest Coverage (times)	6.63	1.75

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Implication

Criteria for assigning Rating outlook

Policy on Default Recognition

Complexity Level of Rated Instruments

Consolidation of Companies

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years

Sr. No.	Instruments/ Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in in 2023-24
					November 26, 2025	-	-
1.	Fund based facilities	LT	130.00	IVR BB+/Positive	IVR BB/Stable	-	-
2.	Non-fund based facilities	ST	115.00	IVR A4+	IVR A4	-	-

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned / Outlook	Listing Status	Regulator^	Complexity Indicator
Proposed Cash Credit	NA	NA	NA	NA	130.00	IVR BB+/Positive	NA	RBI	Simple
Proposed Letter of Credit	NA	NA	NA	NA	115.00	IVR A4+	NA	RBI	Simple

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/Len_Balasore_Alloys26_Oct26_c93ca70229.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: NA

Annexure 4: List of companies considered for Consolidated/Combined analysis:

Name of the entity	Extent of Consolidation	Rationale for consolidation
Balasore Alloys Limited	Full	Holding Company
Milton Holdings Ltd, Mauritius	Full	Wholly owned subsidiary of BAL
Balasore Metals Pte Ltd, Singapore	Full	Wholly owned subsidiary of BAL
Balasore Alloys Nigeria Ltd, Nigeria	Full	Wholly owned subsidiary of BAL
Balasore Energy Ltd	Full	Associate of BAL

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference Shares	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) *	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11a	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
11b	Fixed Deposits raised by Banks	+
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI

Sr. No.	Instrument / activity Name	Regulator of the instrument
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts $	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	+
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side Regulator such as IRDAI, PFRDA @

Footnotes:

** Includes securitisation transactions involving assignee payout, acquirer's payout.*

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Infomerics Valuation and Rating Limited shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

 # There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.

$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

+ To be finalized following a discussion with the regulatory authorities.

***Note:** For activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.*

Analytical Contact

Name: Sandeep Khaitan
Landline Number: (033) 4803 3621
Email ID: sandeep.khaitan@infomerics.com

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