

MSP Steel & Power Limited

September 25, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	254.59 (Reduced from 305.64)	CARE BBB; Stable	Upgraded from CARE BBB-; Positive
Short-term bank facilities	117.00	CARE A3+	Upgraded from CARE A3

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of MSP Steel and Power Limited (MSPL) take into account the significant improvement in capital structure and debt coverage indicators in FY25 (refers to April 1 to March 31) backed by conversion of the Optionally Convertible Debentures (OCDs) including yield to maturity into equity share capital which has led to both reduction in total debt and increase in net worth position of the company.

The ratings continue to derive comfort from the long track record and experience of the promoters, semi-integrated nature of operations and stable financial performance in FY25 and Q1FY26.

The above ratings are, however, constrained by the company's presence in highly cyclical steel industry with intense competition from the unorganised sectors and profitability susceptible to volatility in the prices of raw materials and finished goods.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation beyond Rs.3,000 crore along with improvement in operating profit margin beyond 5% on a sustained basis.
- Improvement in debt coverage indicators with TD/GCA going below 5x on a sustained basis.
- Full payment of right of recompense by the company to all the lenders and company coming out of the Corporate Debt Restructuring (CDR).

Negative factors

- Any major debt laden capex undertaken by the company leading to deterioration in capital structure (overall gearing ratio beyond 0.50x) on sustained basis.
- Any major decline in scale of operation or PBILDT margin going below 3.00% on a sustained basis.
- Any deterioration in debt coverage indicators with TDGCA going above 7x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the entity is expected to sustain its satisfactory financial risk profile amidst healthy cash flow generation from operations and absence of any large debt-funded capex or acquisition plans in the medium term.

Detailed description of key rating drivers:

Key strengths

Long track record and experience of the promoters

MSPL, incorporated in November 1968, is promoted by S. K. Agarwal (current chairman), having over four decades of experience in steel business. Under his leadership, the company has steadily grown into an integrated steel player in and around the state of Chhattisgarh.

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

Semi integrated nature of operations

MSPL is a semi-integrated player having manufacturing facilities of both intermediate products like pellet, sponge iron, billets and value-added end products like TMT bars & structural. MSPL needs uninterrupted supply of power which is augmented by its 87.5MW captive power plant. MSPL also has its own railway siding of ~2.4 km at Jamgaon, Raigarh, outside its plant ensuring allocation of railway rakes from loading points on priority basis.

Significant improvement in capital structure and debt protection metrics

The company had undergone restructuring post which it had been carrying a sizeable long-term debt. In FY25, the company has converted its OCDs into equity share capital which has led to reduction in total debt from Rs.1,020.15 crore as on March 31, 2024 to Rs.333.29 crore as on March 31, 2025, which also led to increase in net worth. Accordingly, the capital structure of the company has improved significantly with overall gearing ratio reducing from 2.41x as on March 31, 2024, to 0.36x as on March 31, 2025. Furthermore, with no debt-funded capex planned in near future, the capital structure is expected to continue to remain comfortable going forward.

The debt coverage indicators have also improved significantly marked by improvement in Total debt/ GCA from 22.48x as on March 31, 2024, to 5.96x as on March 31, 2025, on account to reduction in total debt. PBILDT interest coverage ratio improved to 1.65x in FY25 as against 1.45x in FY24 on account of increase in PBILDT.

Stable financial performance in FY25 and Q1FY26

The total operating income (TOI) of MSPL remained stable registering marginal growth of 1%, increasing from Rs.2,875 crore in FY24 to Rs.2,906 crore in FY25. The moderate growth in TOI is attributable to increase in overall sales volume despite moderation in average sales realisation.

The PBILDT margin witnessed improvement from 4.41% in FY24 to 4.60% in FY25 considering higher reduction in raw material cost compared to decline in sales realisation. However, the company reported net loss in FY25 as against net profit in FY24 mainly due to the absence of a one-time income item recorded in the FY24 related to reversal of provision on old advances due to amount recovery amounting to ₹30.75 crore, which had inflated non-operating income in FY24 and write off of MAT balance of Rs.26.49 crore in FY25.

In Q1FY26 the company reported a TOI of Rs.710.86 crore (Rs.772 crore in Q1FY25) with operating margin of the company improving to 6.32% as against 5.60% in Q1FY25. PAT margin has also improved to 2.51% as against 0.88% in Q1FY25 considering substantial reduction in interest cost.

Key weaknesses

Exposure to volatility in price of inputs & finished goods

Raw material consumption is the single largest cost component for MSPL (constituting about 85% of total cost of sales during FY25). The company does not have integration for its basic raw materials like iron ore & coal and has to procure the same from open market. The company procures iron ore from mines in Odisha and Jharkhand and coal through e-auctions and from traders. Though the prices of finished goods move in tandem with raw material prices, there is a time lag. Since the raw material is the major cost driver and the prices of the same are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices.

Cyclical nature in the steel industry with intense competition from the unorganized sectors

The Indian secondary steel industry is characterized by high degree of fragmentation due to the presence of large numbers of unorganized players and also exhibits cyclical nature. MSPL markets its produce mainly in eastern India, which is a hub of steel plants, on account of proximity to the mineral rich states of Odisha and Chhattisgarh. Furthermore, low level of product differentiation in the downstream steel segment further intensifies the competition, leading to lower bargaining power vis-à-vis the customers. Also, the infrastructure and housing industry is the major end user of steel products. Going forward, the profitability of the company remains susceptible to the performance of the said user industries.

Liquidity: Adequate

The liquidity profile of the company is adequate marked by company earning GCA (adjusted with interest liability charged on OCDs being non-cash in nature) of Rs.68.77 crore vis-à-vis debt repayment obligation of Rs.51 crore in FY25. In FY26, the company has debt repayment obligation of Rs.18.23 crore against which it is expected to generate sufficient cash accruals. Furthermore, the company has received approvals for payment of right of recompense of some of the lenders amounting to Rs.43 crore by September 2025. The management has arranged and infused Rs.12 crore unsecured loans and expects to infuse further

Rs.23 crore. The management has articulated that the payment of right of recompense would be made out of this infusion and internal accruals to be generated by the company. The maximum utilization of the fund-based limits averaged out to ~93% during the last 12 months ended April 2025. MSPL has cash and cash equivalent of Rs.3.76 crore as on March 31, 2025. The current ratio stood at 1.10x as on March 31, 2025.

Applicable criteria

[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

MSPL is the flagship company of the MSP group which is over a decade old business house belonging to Agrawal family of Kolkata. MSPL is a semi-integrated steel player, engaged in the manufacturing of pellets, sponge iron, MS ingot and rolled products (TMT and structural products). The company has Sponge Iron (DRI) unit, induction furnace for MS billets, rolling mill for TMT Bars and structural mill for structural products at Raigarh, Chhattisgarh. Apart from this, for having backward integration, the company has iron ore beneficiation plant, pellet plant, coal washery, captive power plant and railway siding of 2.4 km. Besides, the company is also involved in manufacturing fly ash bricks (48,600 TPA).

The company had undergone restructuring of debt under Sustainable Structuring of Stress Assets (S4A) scheme of RBI which was implemented in January 2018 with cut-off date being September 30, 2017.

MSPL has two subsidiaries MSP Cement Ltd (100% holding), and Prateek Mines & Minerals Private Limited (63.69% holding), both having negligible operations.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	2,875.33	2,905.51	710.86
PBILDT	126.89	133.75	44.90
PAT	14.39	-28.71	17.84
Overall gearing (times)	2.41	0.36	NA
Interest coverage (times)	1.45	1.65	4.39

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

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 facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	246.78	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	September 2025	7.81	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	7.00	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	110.00	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	7.81	CARE BBB; Stable	-	1)CARE BBB-; Positive (07-Oct-24)	1)CARE BBB-; Stable (07-Sep-23)	1)CARE BBB-; Stable (07-Jul-22)
2	Fund-based - LT-Cash Credit	LT	246.78	CARE BBB; Stable	-	1)CARE BBB-; Positive (07-Oct-24)	1)CARE BBB-; Stable (07-Sep-23)	1)CARE BBB-; Stable (07-Jul-22)
3	Non-fund-based - ST-Bank Guarantee	ST	7.00	CARE A3+	-	1)CARE A3 (07-Oct-24)	1)CARE A3 (07-Sep-23)	1)CARE A3 (07-Jul-22)
4	Non-fund-based - ST-Letter of credit	ST	110.00	CARE A3+	-	1)CARE A3 (07-Oct-24)	1)CARE A3 (07-Sep-23)	1)CARE A3 (07-Jul-22)
5	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	-	-	1)Withdrawn (07-Jul-22)

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

Annexure-3: Detailed explanation of covenants of rated 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 - ST-Bank Guarantee	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](#)

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.

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