

**MSP STEEL & POWER LIMITED**

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Date: 08<sup>th</sup> October 2024

To,  
The Manager,  
**National Stock Exchange of India Limited**  
“Exchange Plaza”, C-1, Block-G  
Bandra- Kurla Complex, Bandra (E)  
Mumbai- 400 051  
**Company Symbol: MSPL**

To,  
The Manager,  
**BSE Limited**  
Phirozee Jeejeebhoy Towers  
Dalal Street  
Mumbai – 400 001  
**Scrip Code No.: 532650**

Dear Sir/Madam,

**Sub: Intimation of Credit Rating**

Pursuant to Regulation 30 and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), we write to inform you that the Company has received intimation dated 7<sup>th</sup> October, 2024 from following rating agency in connection with revision of credit rating, the details of which are as below:

<b><u>Name of the Rating Agency</u></b>	<b><u>Type of Instrument</u></b>	<b><u>Amount (Rs. crore)</u></b>	<b><u>Rating Assigned*</u></b>	<b><u>Rating Action</u></b>
Care Edge Ratings	Long Term Bank Facilities	INR 305.64 (Reduced from 384.47)	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
	Short Term Bank Facilities	INR 117.00	CARE A3 (A Three)	Reaffirmed
	<b>Total Facilities</b>	<b>INR 422.64</b>		

This is for your information and record.

Thanking you  
Yours faithfully,  
**For MSP STEEL & POWER LIMITED**

**Kamal Kumar Jain**  
Chief financial Officer

## MSP Steel & Power Limited

October 07, 2024

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term bank facilities	305.64 (Reduced from 384.47)	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	117.00	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of MSP Steel & Power Limited (MSPL) factor in the improvement in financial performance of the company in FY24 (refers to the period April 1 to March 31) and Q1FY25. Total Operating Income (TOI) of the company grew by 12.74% in FY24 compared to FY23 primarily on account of growth in sales volume across product lines while PBILDT margin improved from 2.32% in FY23 to 4.41% in FY24.

The ratings also note the conversion of a portion of optionally convertible debentures (OCDs) amounting to Rs.357.26 crore (including yield to maturity) into equity share capital in September 2024 which shall lead to improvement in capital structure and debt protection metrics going forward.

The ratings continue to derive strength from the long experience of the promoters in the steel industry and its semi-integrated nature of operations.

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

Furthermore, CARE Ratings Limited (CARE Ratings) has withdrawn the ratings assigned to one of the lenders for working capital facility sanctioned to the company amounting to Rs.13.22 crore on receipt of No dues certificate from the lender.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustainable growth in scale of operations with improvement in operating profit margin beyond 8% on a sustained basis.
- Effective management of working capital limits with utilization less than 70% on a sustained basis.

#### Negative factors

- Any major debt laden capex undertaken by the company leading to deterioration in capital structure (overall gearing ratio beyond 1.25x) on sustained basis.
- Significant elongation in the working capital cycle beyond the current level on a sustained basis.

**Analytical approach:** Standalone

**Outlook:** Positive

CARE Ratings Limited (CARE Ratings) has revised the outlook of MSPL from 'Stable' to 'Positive' in view of expected improvement in financial performance of the company with improvement in debt protection metrics. The outlook shall be revised to 'Stable' in case the company is unable to sustain its envisaged revenues and profitability or avails any substantial debt thereby impacting the capital structure or leverage indicators.

### Detailed description of key rating drivers:

#### Key strengths

##### Long track record and experience of the promoters

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

##### Semi integrated nature of operations

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

MSPL is a semi-integrated player having manufacturing facilities of both intermediate products like sponge iron, billets and value-added end products like TMT bars & structural. MSPL needs uninterrupted supply of power which is augmented by its 76MW captive power plant (24MW from waste heat recovery plant and 52MW from thermal 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.

### **Improvement in financial performance**

The TOI of MSPL witnessed an y-o-y growth of 12.74% in FY24 compared to FY23. The growth in TOI is attributable to increase in capacity utilization backed by growth in sales volume across product lines. Furthermore, the PBILDT margin has also improved from 2.32% in FY23 to 4.41% in FY24 on account of better absorption of fixed costs with increased volumes along with decline in prices of raw materials.

In Q1FY25, TOI witnessed a y-o-y growth of 15% as compared to Q1FY24. The PBILDT margin also witnessed improvement to 5.60% in Q1FY25 compared to 4.89% in Q1FY24. The company earned PAT of Rs.6.77 crore in Q1FY25 vis-à-vis Rs.1.41 crore in Q1FY24.

### **Conversion of a portion of OCDs into equity share capital in September 2024 which shall lead to improvement in capital structure and debt protection metrics going forward**

The company has undergone restructuring post which it has been carrying a sizeable long-term debt. The capital structure of the company, though witnessed improvement, continued to remain leveraged marked by overall gearing of 2.41x as on March 31, 2024, as against 2.55x as on March 31, 2023. The high gearing is on account of unsustainable debt majorly OCDs in the books amounting to Rs.586.28 crore as on March 31, 2024. However, with conversion of a portion of OCDs (amounting to Rs.357.26 crore including yield to maturity) into equity share capital in September 2024, the overall debt is expected to reduce significantly going forward, leading to improvement in capital structure. The overall gearing is expected to improve significantly and go below unity in FY25.

The debt coverage indicators, though improved, continued to remain high marked by total debt/ GCA of 22.48x as on March 31, 2024. PBILDT interest coverage ratio witnessed improvement from 0.77x in FY23 to 1.45x in FY24 on account of increase in PBILDT. With conversion of OCD into equity, the debt protection metrics are also expected to improve going forward.

### **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 FY24). 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.

### **Cyclicality 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 cyclicality. 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. Further, low level of product differentiation in the downstream steel segment further intensifies the competition, leading to lower bargaining power vis-à-vis the customers. Further, 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.85.58 crore vis a vis a debt repayment obligation of Rs.53 crore in FY24. In FY25, the company has debt repayment obligation of around Rs.51 crore against which the company is expected to generate sufficient cash accruals. The maximum utilization of the fund-based limits averaged out to ~86% during the last 12 months ended May 2024. MSPL has cash and cash equivalent of Rs.25.78 crore as on March 31, 2024. Further, the company also holds earmarked fixed deposits with the bankers against availed bank facilities of Rs.26.48 crore as on March 31, 2024. The current ratio stood at 1.24x as on March 31, 2024.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[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 Standalone Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	2,550.40	2,875.33	772.00
PBILDT	59.15	126.89	43.27
PAT	-53.70	14.39	6.77
Overall gearing (times)	2.55	2.41	NA
Interest coverage (times)	0.77	1.45	2.10

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-; Positive
Fund-based - LT-Term Loan		-	-	01-09-2025	58.86	CARE BBB-; Positive
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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	58.86	CARE BBB-; Positive	-	1)CARE BBB-; Stable (07-Sep-23)	1)CARE BBB-; Stable (07-Jul-22)	1)CARE BBB-; Stable (03-Aug-21)
2	Fund-based - LT-Cash Credit	LT	246.78	CARE BBB-; Positive	-	1)CARE BBB-; Stable (07-Sep-23)	1)CARE BBB-; Stable (07-Jul-22)	1)CARE BBB-; Stable (03-Aug-21)
3	Non-fund-based - ST-Bank Guarantee	ST	7.00	CARE A3	-	1)CARE A3 (07-Sep-23)	1)CARE A3 (07-Jul-22)	1)CARE A3 (03-Aug-21)
4	Non-fund-based - ST-Letter of credit	ST	110.00	CARE A3	-	1)CARE A3 (07-Sep-23)	1)CARE A3 (07-Jul-22)	1)CARE A3 (03-Aug-21)
5	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	-	1)Withdrawn (07-Jul-22)	1)CARE BBB-; Stable (03-Aug-21)

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 the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE 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

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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