



Press Release
SHAH SPONGE AND POWER LIMITED
December 02, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	94.78	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	0.96	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	95.74	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on Rs.95.74 Cr. bank facilities of Shah Sponge and Power Limited (SSPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects moderation in scale of operations in terms of revenue and profitability margins owing to decline in price realisations as well as temporary halts during capex implementation phase. The production slowed down due to monsoon related disruption and subdued demand. The company remains exposed to inherent cyclicalities in the iron and steel industry. The company has installed 350 TPH Direct Reduced Iron (DRI), 42 TPH Waste Heat Recovery Boiler and 15 MW solar power plant which is expected to increase the scale of operations and profitability margins and the benefit of the same is expected in near term. The financial risk profile is moderate marked by steady increase in net worth, slightly weakened gearing and moderate debt protection metrics. The liquidity is adequate backed by steady net cash accruals against debt repayments, maintenance of DSRA account for 3 month's interest obligation with UBI bank, moderate bank limit utilization and current ratio albeit intensive working capital cycle due to inventory days. Further, the ratings consider the experienced management, semi-integrated nature of operations and locational advantage of its located in Jamshedpur, Jharkhand. However, these rating strengths are partially offset by susceptibility of profitability to volatility in raw material prices and its presence in highly fragmented industry with low bargaining power.

About the Company

Kolkata Based, SSPL was incorporated in 2005. It is engaged in manufacturing sponge iron, billets and fly ash bricks. SSPL has set up its semi-integrated steel plant at village Juri at Hata from steel city Jamshedpur with installed capacity of 130000 MT of billets, 172500 MT of sponge iron and 30000000 fly ash brick per annum. Currently Ms. Sumitra Kumar Shah, Mr. Shyam Sunder Shah, Mr. Raj Kumar Shah and Mr. Satya Nand Jha are the directors of the company.

Unsupported Rating
Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SSPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations aided by a semi-integrated manufacturing facility

SSPL has established a long track record of operations in the iron and steel industry. The company is managed by Shri Shyam Sunder Shah and Shri Raj Kumar Shah, who have extensive industry knowledge of more than four decades. Acuite believes that the extensive experience of the management and the long track record of operations at SSPL will continue to benefit the company's growth plans.

The company has partially integrated steel manufacturing facility engaged in the manufacturing of sponge iron, billets, and eco-friendly fly ash brick. The sponge iron required to produce billets is met entirely through the in-house production of sponge iron. The surplus production of sponge iron is sold to other billet manufacturers in the market. Acuite believes the semi-integrated nature of operations of the company provides efficiency in terms of operations and mitigates the risks arising from the cyclical nature of steel industry to some extent.

Moderate Financial Risk Profile

The financial risk profile of the company is marked by steady increase in net worth, increase in gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.163.57 Cr. in FY25 as against Rs.162.39 crore in FY2024 due to low accretion of reserves. The gearing stood at 1.10 times in FY25 as compared to 0.78 times in FY2024. The debt protection metrics includes Interest Coverage Ratio (ICR) stood at 2.33 times in FY2025 as against 2.92 times in FY2024 and Debt Service Coverage Ratio (DSCR) stood at 1.13 times in FY25 as against 1.29 times in FY2024. The Debt/EBITDA stood at 8.85 times in FY2025. Acuite believes the financial risk profile of the company will remain on similar levels over the medium term.

Weaknesses

Decline in operating performance

The operating income of the company stood at Rs.415.14 Cr. in FY25 as against Rs.500.89 Cr. in FY24 due to decline in price realization and subdued demand. Additionally, due to capex implementation, temporary halts led to decrease in revenue. Further, the revenue achieved was Rs.247.38 Cr. in H1FY26 as compared to Rs.181.71 Cr. in H1FY25 was due to stabilization in capacity additions.

The EBITDA margin stood at 4.88% in FY25 as against 5.44% in FY24 due to increase in administrative and other manufacturing costs. The PAT margin stood at 0.28% in FY25 as against 0.41% in FY24. Further, EBITDA and PAT margins stood at 8.51% and 0.68% respectively till H1FY26. The profitability margins are linked to the inherent cyclical steel industry. Acuite believes that the scale of operations will improve over the medium term, backed by demand from infrastructure segment and stabilization of capacity additions.

Intensive working capital cycle

The intensive working capital cycle of the company is marked by Gross Current Assets (GCA days) of 132 days in FY25 as against 108 days in FY24 mainly due to inventory days. The inventory days stood at 118 days in FY25 as against 82 days in FY24. The inventory buildup was due to commissioning phase. The debtor days stood at 1-day FY25 as against 4 days in FY24. The company operates on an advance payment basis resulting in low debtor days. The other current assets mainly include advances recoverable in cash or kind of Rs.10.43 Cr, insurance

claim receivable of Rs.5.74 Cr. and others. The creditor days stood at 4 days in FY25 as against 3 days in FY24 due to advance payment terms with suppliers resulted in lower creditor days. Acuite believes that the working capital cycle of the company will remain on similar levels over the medium term.

Susceptibility of profitability to raw material price volatility

The price of iron ore/ coal and others which are the main raw materials and finished steel products prices are highly volatile in nature. The company is exposed to the risk of price volatility from the time of procurement of the product till sale of the same. This also exposes the risk of the company's growth and profitability.

Exposure to the cyclical and competitive steel sector

The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. However, the outlook for the steel industry in the short to medium term appears to be good with expected robust demand in the domestic markets driven by various government initiatives and expected improvement in the infrastructure and real estate sector. However, any adverse fluctuations in the prices of finished products or any downturn in the steel sector may impact the company adversely.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

The company maintains a Debt Service Reserve Account (DSRA) equivalent 3 months interest debt servicing obligation.

Stress Case scenario

Acuite believes that, the company is maintaining DSRA mechanism equivalent to 3 months interest debt servicing obligation, the company will be able to service its debt on time, even in a stress scenario.

Rating Sensitivities

Movement in operating income and profitability margins
Movement in Working Capital cycle
Movement in capital structure and debt protection metrics

Liquidity Position

Adequate

The liquidity position of the company is adequate reflected by sufficient net cash accruals of Rs.9.79 Cr. in FY2025 as against the long-term debt repayment of Rs.7.62 Cr. during the same period. The unsecured loan from director stood at Rs.0.50 Cr. in FY25 as against Rs.1.00 Cr. in FY24. These are interest free and infused according to the business requirements. The company also maintains DSRA account of 3 months interest with UBI Bank. The fund-based limit remains moderately utilised at 74 per cent and non-fund-based limit utilized at 21 percent over ten months ended October 2025. The current ratio stood moderate at 1.19 times in FY25 1.47 times in FY2024. The company maintains cash and bank balances of Rs.1.55 Cr. in FY25. The intensive working capital of the company is marked by Gross Current Assets (GCA days) of 132 days in FY25 as against 108 days in FY24. Acuite believes that going forward the company will maintain adequate liquidity position on account of steady accruals against debt repayment, maintenance of DSRA, moderate bank limit utilization and current ratio albeit intensive working capital cycle.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	415.14	500.89
PAT	Rs. Cr.	1.18	2.05
PAT Margin	(%)	0.28	0.41
Total Debt/Tangible Net Worth	Times	1.10	0.78
PBDIT/Interest	Times	2.33	2.92

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide its press release dated November 25th, 2025 had denoted the rating of Shah Sponge and Power Limited as CRISIL BB+/ Stable 'Downgraded and Issuer not co-operating'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Oct 2024	Cash Credit	Long Term	42.50	ACUITE BBB- (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	27.50	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	2.04	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	40.00	ACUITE BBB- (Reaffirmed & Withdrawn)
	Covid Emergency Line.	Long Term	7.88	ACUITE BBB- (Reaffirmed & Withdrawn)
	Covid Emergency Line.	Long Term	1.13	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	35.00	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	4.71	ACUITE BBB- (Reaffirmed & Withdrawn)
	Proposed Long Term Bank Facility	Long Term	12.64	ACUITE Not Applicable (Withdrawn)
24 Jul 2023	Cash Credit	Long Term	42.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	27.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.63	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.78	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	13.69	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.30	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE BBB- Stable (Assigned)
29 May 2023	Covid Emergency Line.	Long Term	13.69	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.78	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.63	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	27.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	42.50	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.30	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	7.50	ACUITE A3 (Assigned)
	Proposed Short Term Bank Facility	Short Term	1.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Reaffirmed)
		Long		ACUITE BBB- Stable

07 Mar 2022	Cash Credit	Term	20.00	(Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	11.55	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	16.35	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	3.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	42.50	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2029	7.57	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Forward Contracts	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.96	Simple	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.39	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2027	4.32	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	24 Mar 2034	40.00	Simple	ACUITE BBB- Stable Assigned

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