

May 08, 2026

## Suraj Products Limited: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term –Fund based- Term Loans	16.00	16.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Long term – Fund Based-Cash Credit	35.00	35.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Short term - Non-fund based Facilities	6.50	6.50	[ICRA]A2; upgraded from [ICRA]A3+
<b>Total</b>	<b>57.50</b>	<b>57.50</b>	

\*Instrument details are provided in Annexure II

### Rationale

The ratings upgrade factors in the improvement in the financial risk profile of Suraj Products Limited (SPL). Steady accruals has aided the company to channelise its free cash flows for debt reduction over the years, thereby strengthening its credit metrics over the years. The capital structure, as reflected by the gearing, improved to 0.13 times as on March 31, 2025 and is estimated to have improved further to around 0.03 times as on March 31, 2026 from 1.88 times as on March 31, 2020. The Interest coverage ratio and Total Debt/OPBDITA improved to 16.45 times and 0.54 times, respectively in FY2025 and is estimated to have improved further to around 29 times and 0.16 times, respectively in FY2026 from 2.64 times and 5.17 times, respectively in FY2020. The company's overall leverage was negative on a net debt basis as on March 31, 2025 and March 31, 2026, supported by a sizeable on-balance sheet liquidity. The ratings continue to derive comfort from SPL's vertically integrated nature of operations, characterised by the presence of DRI<sup>1</sup> kiln (used to manufacture sponge iron), mini blast furnace (used to manufacture pig iron), induction furnace and continuous caster to produce billets using captive sponge iron and pig iron. The manufactured billets are then subjected to rolling to produce TMT bars of desired profile. The ratings also derive comfort from the presence of the company's captive power plant (CPP), leading to availability of power at a competitive rate that positively impacts its cost structure owing to a highly power intensive nature of operation. In addition, ~100% of the company's total thermal coal requirements for manufacturing of sponge iron are met from the linkages obtained through auctions, keeping the landed cost of coal competitive and enhancing raw material security. The smaller kiln size of the company permits using low grade domestic thermal coal having lower calorific value, keeping production costs lower. The ratings also derive strength from the favourable location of SPL's plant in terms of proximity to major raw material sources.

The ratings are, however, constrained by the intensely competitive nature of the secondary steel industry, which leads to pricing pressure, keeping margins under check. The ratings also remain constrained by the exposure of the company to the cyclicity inherent in the steel industry and susceptibility of SPL's profitability to the volatility in raw material prices and end-product realisations, although the vertically integrated nature of operations reduces the vulnerability to an extent. The ratings also factor in SPL's small scale of operations relative to other established players in the secondary steel industry, which constrains its ability to benefit from the economies of scale and limits its pricing flexibility.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit metrics would continue to remain at comfortable levels, going forward, aided by steady accruals and low dependence on debt.

<sup>1</sup> Direct reduced iron

## Key rating drivers and their description

### Credit strengths

**Improvement in financial risk profile** – Steady accruals has aided the company to channelise its free cash flows for debt reduction over the years, thereby strengthening its credit metrics over the years. The capital structure, as reflected by the gearing, improved to 0.13 times as on March 31, 2025 and is estimated to have improved further to around 0.03 times as on March 31, 2026 from 1.88 times as on March 31, 2020. The Interest coverage ratio and Total Debt/OPBDITA improved to 16.45 times and 0.54 times, respectively in FY2025 and is estimated to have improved further to around 29 times and 0.16 times, respectively in FY2026 from 2.64 times and 5.17 times, respectively in FY2020. The company's overall leverage was negative on a net debt basis as on March 31, 2025 and March 31, 2026, supported by a sizeable on-balance sheet liquidity. ICRA also understands that the company is expected to follow a prudent capital allocation policy, commensurate with its earnings, which will support the financial risk profile over the near term.

**Vertically integrated nature of operations with capacity to manufacture sponge iron, pig iron, billets and TMT bars** – The company has a vertically integrated continuous casting steel manufacturing facility with a capacity of 36,000 MTPA of sponge iron, 24,000 MTPA of pig iron, 72,600 MTPA of billets and 72,600 MTPA of TMT bars. Billets are manufactured using captive sponge iron and pig iron. The manufactured billets are then subjected to rolling to produce TMT bars of desired profile.

**Presence of captive power plant, coal linkage and ability to process inferior grade input materials for steel making strengthen the operating profile of the company** – The company's steel melting operation is highly power intensive. The company has a captive power plant (CPP) of 9 mega watt (MW), out of which 3 MW is based on waste-heat-recovery (WHR) technology, 3 MW is based on atmospheric fluidised bed combustion (AFBC) process and the balance 3 MW utilises gas from the mini blast furnace (MBF) to produce power. The cost structure of the steel melting operation, which is highly power intensive in nature, is positively impacted by the power available from the CPP at a competitive rate. The input cost for WHR remains very low as it uses waste heat gas obtained from the sponge iron kiln. The input mix for AFBC primarily includes Dolochar (byproduct obtained from sponge iron production) and the turbine utilises process gases from MBF. Power generated through SPL's captive power plant at a competitive rate meets the major part of its overall power requirement, which positively impacts the cost structure. In addition, ~100% of the company's total thermal coal requirements for manufacturing of sponge iron are met from the linkages obtained through auctions, keeping the landed cost of coal competitive and enhancing raw material security. The smaller kiln size of the company permits using low grade domestic thermal coal having lower calorific value, keeping production costs lower.

### Credit challenges

**Competitive nature of the industry likely to keep margins under check** – SPL is a secondary steel producer and derives the major portion of its revenue from semi-urban and rural areas. The fragmented nature of the long product/semis industry and intense competition from other organised as well as unorganised players are likely to keep its margins under check.

**Exposed to cyclicity inherent in the steel industry** – SPL is exposed to cyclicity inherent in the steel industry, which leads to volatility in revenue and cash flows for the industry players, including SPL. The cash flows and profitability of the company would remain volatile largely because of the fluctuation in steel spreads emanating from the mismatch in price movement of raw materials and end products. However, the vertically integrated nature of SPL's operations reduces the earnings volatility to an extent.

**Relatively smaller scale of operations** – Notwithstanding the increase in scale of operations of SPL in recent years, the same remained small compared to other established players in the secondary steel industry. This constrains its ability to benefit from the economies of scale and limits its pricing flexibility vis-à-vis that of the bigger entities operating in the industry.

## Environmental and social risks

**Environmental considerations** – Steel manufacturing is an energy intensive process and requires substantial use of fossil fuels, which results in greenhouse gas emissions, industrial waste generation, and environmental pollution. Increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for steel manufacturers in the medium term. This in turn leads to a greater focus on reducing the carbon footprint through various technological interventions, like increasing share of renewables in the energy mix, increasing the share of steelmaking through the electrical route, transition to green hydrogen technologies, decrease in fuel rate in furnaces, and setting up carbon capture utilisation and storage units, to name a few. With many of these emerging low-carbon technologies yet to achieve commercial viability, this transition could entail a significant investment for metal manufacturers. Further, SPL faces risk of physical climate change from floods and drought in the form of disruption in raw material availability due to extreme weather events and impact on water availability due to drought.

**Social considerations** – Social risks for steel manufacturers manifest from health and safety of employees involved in the manufacturing activity. Casualties/ accidents at operating units due to gaps in safety practices could not only lead to production outages for steel manufacturers like SPL, but also invite penal actions from regulatory bodies. The sector is exposed to labour related risks and risks of protests/social issues with local communities, which might impact expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could trigger local criticism.

## Liquidity position: Adequate

SPL's liquidity position is adequate with free cash/bank balances of around Rs. 35 crore and undrawn working capital lines of Rs.35 crore as on March 31, 2026 and healthy retained cash flows expected in the current fiscal. Against these sources of cash, the company has a total capex commitment of around Rs.18 crore and debt repayments obligations of around Rs.2 crore in FY2027. Overall, ICRA expects SPL to be able to comfortably meet its capex commitments and service its debt obligations through internal sources of cash and yet be left with sufficient cash surpluses.

## Rating sensitivities

**Positive factors** – ICRA may upgrade SPL's ratings if the company is able to materially increase its scale of operations with sustenance of profitability and liquidity position.

**Negative factors** – Pressure on SPL's ratings may arise if there is a weakening of the earnings profile due to adverse demand scenario. Additionally, any major debt-funded capex, leading to weakening of capital structure and liquidity position would put pressure on SPL's ratings.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Iron &amp; Steel</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SPL.

## About the company

Established in 1991, Champion Cement Industries Limited was involved in production of cement. The company's name was changed to Suraj Products Limited in 2000. Since 2002, the company discontinued the cement manufacturing plant and diversified into manufacturing of sponge iron and pig iron. The manufacturing facility is located in Sundargarh district, Odisha. The company commissioned its captive power plant (CPP) of 3 MW (waste heat recovery) and an induction furnace of 25,000

MT in 2017. In FY2019, SPL installed its second CPP of 3 MW (AFBC based) and doubled the steel melting capacity. The company has also installed a continuous casting machine for production of billets instead of ingots. At present, the company has an installed capacity to produce 36,000 MTPA of sponge iron, 24,000 MTPA of pig iron, 72,600 MTPA of billets, 72,600 MTPA of TMT bars and 9 MW of captive power generation capacity.

#### Key financial indicators (audited)

SPL	FY2024	FY2025
Operating income	344.68	326.37
PAT	28.93	21.43
OPBDIT/OI	14.76%	11.39%
PAT/OI	8.39%	6.57%
Total outside liabilities/Tangible net worth (times)	0.43	0.22
Total debt/OPBDIT (times)	0.79	0.54
Interest coverage (times)	14.63	16.45

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

#### Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CRISIL	CRISIL B+/Stable/A4; ISSUER NOT COOPERATING	January 31, 2026

Any other information: None

## Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years							
				FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	May 08, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	16.00	[ICRA]BBB+ (Stable)	Apr 21, 2025	[ICRA]BBB (Stable)	-	-	Jan-31-2024	[ICRA]BBB (Stable)	-	-
				-	-	-	-	Feb-26-2024	[ICRA]BBB (Stable)	-	-
Cash Credit	Long-term	35.00	[ICRA]BBB+ (Stable)	Apr 21, 2025	[ICRA]BBB (Stable)	-	-	Jan-31-2024	[ICRA]BBB (Stable)	-	-
				-	-	-	-	Feb-26-2024	[ICRA]BBB (Stable)	-	-
Non Fund-Based Facilities	Short term	6.50	[ICRA]A2	Apr 21, 2025	[ICRA]A3+	-	-	Jan-31-2024	[ICRA]A3+	-	-
				-	-	-	-	Feb-26-2024	[ICRA]A3+	-	-

### Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
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/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

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

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI

4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) 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 can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

**Disclosure:** SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term –Fund based- Term Loans	Simple
Long term – Fund Based-Cash Credit	Simple
Short term - Non-fund based Facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure II: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Term Loans	FY2017	NA	FY2027	16.00	[ICRA]BBB+(Stable)
NA	Cash Credit	NA	NA	NA	35.00	[ICRA]BBB+(Stable)
NA	Non Fund-Based Facilities	NA	NA	NA	6.50	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure III: List of entities considered for consolidated analysis- Not Applicable

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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