



IPO Note

Vraj Iron and Steel Limited

Recommendation: **APPLY!**

Company Background -

- Incorporated in June 2004, Vraj Iron and Steel Limited manufactures Sponge Iron, M.S. Billets, and TMT bars under the brand Vraj.
- The company runs two manufacturing plants in Raipur and Bilaspur, Chhattisgarh, covering 52.93 acres.
- The company currently has a production capacity of 57,600 TPA of MS Billets, which its rolling mills can use to manufacture TMT Bars with a production capacity of 54,000 TPA.
- As of December 31, 2023, they had a workforce of 531 employees & workers, comprising of 296 permanent employees including 3 Directors, 9 employees at the Registered Office, 193 employees at Raipur Plant and 91 employees at Bilaspur Plant and 235 contract workers.

Objects of the Issue -

- Funding for Capital Expenditure towards the "Expansion Project" at the Bilaspur Plant.
- Repayment or prepayment of borrowings from HDFC Bank obtained by the company for the capital expenditure towards the "Expansion Project" at Bilaspur Plant.
- General Corporate Purposes.

Promoters Name -

Mr Vijay Anand Jhanwar, Ms Kusum Lata Maheshwari, Gopal Sponge and Power Private Limited, V. A. Transport Private Limited, Kirti Ispat Private Limited, Bhinaswar Commercial Private Limited and Utkal Ispat Private Limited.

Rationale for recommendation -

- ✓ The company has seen an increasing trend in the top line and bottom line of its financials
- ✓ The company has a P/E of 16.51 times on Post IPO basis.

IPO Details

Opening Date	June 26, 2024
Closing Date	June 28, 2024
Allotment Date	July 01, 2024
Listing Date	July 03, 2024
Stock Exchange	BSE, NSE
Lot Size	72 Shares
Issue Price Per Share	₹195 to ₹207
Issue Size	171 Cr.
Fresh Issue	171 Cr.
Offer for Sale	-
Application Amt	₹ 14,904 (72 shares) – 1,93,752 (936 shares)

KPIs

KPI's	2021	2022	2023	(Amt in Lacs)
				Dec-2023
Revenue	290.71	414.04	515.67	301.32
EBITDA	28.88	49.32	79.56	61.62
Net Profit	10.99	28.70	54.00	44.58
RoCE	24.05%	38.77%	47.62%	25.10%
ROE	19.01%	32.94%	38.32%	23.77%
P/E	46.62	17.83	9.48	11.48

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	74.95%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	30.09	22.55
BVPS	157.07	117.73
P/E	6.88	9.18
P/BV	1.32	1.76
Mkt Cap (In Cr)	511.74	682.74

Lead Managers -

Aryaman Financial Services Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Incorporated in June 2004, Vraj Iron and Steel Limited runs two manufacturing plants in Raipur and Bilaspur, Chhattisgarh, covering 52.93 acres.

Operational Focus and Expansion Plans: Vraj operates two integrated manufacturing plants in Chhattisgarh, strategically located in Raipur and Bilaspur. As of December 31, 2023, the combined installed capacity across these plants was 2,31,600 tons per annum (TPA), encompassing sponge iron, M.S. billets, and TMT bars under the brand 'Vraj'. The company is in the process of expanding its capacities significantly, aiming to increase production to 5,00,100 TPA and expand its captive power plant capacity from 5 MW to 20 MW by Q4 of FY 2024-25.

Product Portfolio and Market Presence: Vraj specializes in sponge iron, M.S. billets, and TMT bars, which collectively constitute the majority of its revenue stream. The company's integrated production facilities enable flexibility in meeting customer demands and adapting to market changes. Notably, TMT bars have shown robust growth in sales, achieving a CAGR of 78% from Fiscal 2021 to Fiscal 2023, while sponge iron production has grown at a CAGR of 8% during the same period.

Strategic Advantages and Financial Performance: Located in mineral-rich Chhattisgarh, Vraj benefits from proximity to raw material sources, minimizing logistics costs and ensuring a stable supply chain. This strategic positioning has supported the company's financial growth, with total income increasing at a CAGR of 33.4% from Fiscal 2021 to Fiscal 2023. Additionally, strong operational management has driven significant improvements in EBITDA and net profit margins over the same period, reflecting efficient cost controls and margin expansion initiatives.



Sponge Iron



MS Billets

Management and Governance: The company is led by an experienced board and management team with extensive industry expertise. Vijay Anand Jhanwar, the Promoter and Managing Director, brings over two decades of leadership in the iron and steel sector. The board comprises six directors, including three independent directors, ensuring robust governance and strategic oversight.

Competition -

The Construction Industry is extremely competitive where the key factors of competition primarily comprise quality, cost, and time of delivery.

The company faces competition from competitors that have a pan-India presence and from competitors that have a strong presence in regional markets.

The industry has slightly higher barriers to entry due to capital requirements.

The bargaining power is higher with the suppliers and customers both.

Business Strategies -

Capacity Expansion: Vraj Steel plans to expand Sponge Iron and MS Billet capacities at its Bilaspur plant, alongside increasing captive power capacity. This strategic move aims to meet rising market demand efficiently and capitalize on economies of scale.

Debt Reduction: Proceeds from the upcoming issue will be used to repay loans, significantly reducing debt levels and strengthening the company's financial position.

Customer Focus and Efficiency: By enhancing customer relationships and operational efficiencies through integrated manufacturing and streamlined processes, Vraj Steel aims to optimize production and sustain competitiveness in the steel industry.

Risk Factors -

The company has legal proceedings amounting to Rs. 29.8 Crores, which, if determined adversely, may affect the business and financial condition.

The company has had negative operating cash flows for the period ended Dec-23.

PEER ANALYSIS

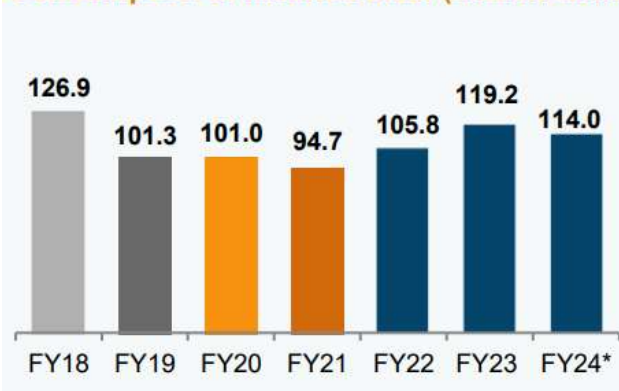
Particulars	VRAJ IRON AND STEEL LIMITED			Sarda Energy and Minerals Limited			Godawari Power and Ispat Limited		
	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23
NP Margin	3.78%	6.93%	10.47%	17.10%	20.62%	14.34%	16.59%	27.18%	13.80%
EBITDA Margin	9.93%	11.91%	15.43%	29.54%	35.73%	26.34%	30.02%	37.85%	21.35%
RoCE	27.27%	39.45%	47.14%	14.67%	28.08%	19.69%	35.13%	53.03%	26.18%
ROE	19.01%	32.94%	38.32%	16.95%	26.86%	17.71%	32.19%	44.29%	20.30%
EPS (INR)	4.44	11.61	21.84	104.00	223.07	169.94	181.17	111.41	61.16
P/E	46.62	17.83	9.48	0.41	0.51	0.62	1.00	3.43	5.70

Indian Steel Industry -

Introduction and Market Size -

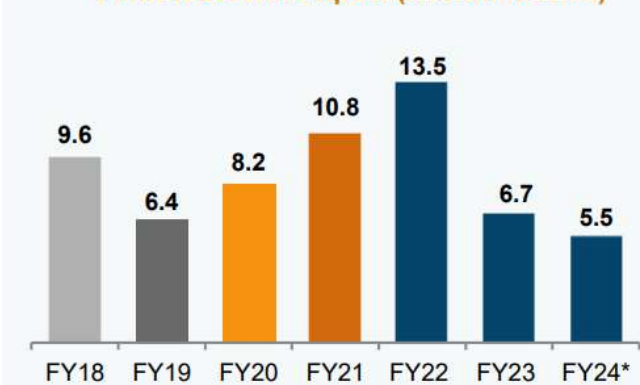
India is the second-largest steel producer in the world with an installed capacity of 161.3 MT in FY23. It is also the second-largest consumer of finished steel with a consumption of 120 MT in FY23. The per capita finished steel consumption in India was 81.1 kg in CY22, significantly lower than the world average of 222 kg per capita. The National Steel Policy 2017 envisages that per capita finished steel consumption will increase to 158-160 kg by FY31.

Consumption of finished steel (million tonnes)



The steel industry in India has grown steadily with a CAGR of 16.4% from FY19-FY22 in value terms, driven by volume and realisation growth. The size of the industry reached Rs. 9 lakh crores in FY22 as the average prices of finished steel rose by 45% on a y-o-y basis. During FY23, the size of the industry stood at 9.2 lakh crore, indicating a growth of 2.7% y-o-y. This growth can be attributed to increased volumes of finished steel by 13.3% y-o-y and high prices of steel.

Finished Steel Export (million tonnes)



Trend in consumption of Sponge Iron, Billets and TMT Bar/Rod -

- Sponge iron consumption is expected to grow by 10-12% y-o-y in FY24. This growth is likely to be driven by a ramp-up in infrastructure activity and upcoming elections. In the medium term, the growth is likely to moderate and grow at a CAGR of 7.5-8.5% between FY24 and FY26.
- Billets consumption is expected to grow by 10-12% y-o-y in FY24. In the medium term, the growth is likely to moderate to a CAGR of 7.5-8.5% between FY24 and FY26 on account of high base and expected moderation in capital expenditure post the elections.
- TMT bars & rods consumption is expected to grow by 10-12% y-o-y in FY24. In the medium term, the growth is likely to moderate to a CAGR of 7.5-8.5% between FY24 and FY26 on account of high base, expected moderation in capital expenditure post the election period.

Government Initiatives -

- National Steel Policy (NSP) was introduced in 2017 with the objective to increase domestic steel production and consumption, produce high-quality steel and increase in India's competitiveness globally.
- The government introduced the Domestically Manufactured Iron & Steel Products (DMI & SP) Policy in May 2017 to provide preference to domestically produced iron and steel material in government tenders.
- Domestic Integrated Steel Producers (ISPs) have decided to make available four main products utilized by engineering exporters, i.e. Hot Rolled Coil (HRC), Cold Rolled Coils (CRC), Wire Rods and Alloy Bars to MSME members of Engineering Export Promotion Council (EEPC) of India at the export parity price, in order to reduce their cost of input steel so that their export products are more competitive in the international market.

Key Management -

Key Management Persons Name -	Vijay Anand Jhanwar
Age	43
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 22 years of experience.
Qualification	Bachelor's degree in Engineering
Roles and Responsibility	-
Other Directorships	Vraj Metaliks Private Limited, Utkal Ispat Private Limited

Key Management Persons Name -	Prasant Kumar Mohta
Age	46
Designation and No. of years of experience	Whole – time Director, 20 years of Experience
Qualification	B. Com Degree
Roles and Responsibility	Accounts and Finance of the company
Other Directorships	Vraj Commercial Private Limited

Key Management Persons Name -	Praveen Somani
Age	43
Designation and No. of years of experience	Whole-Time Director, 11 years of experience
Qualification	No formal education
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Sanjeeta Mohta
Age	45
Designation and No. of years of experience	Non-Executive and Independent Director, 20 years of experience
Qualification	PGD in Family Business Management
Roles and Responsibility	-
Other Directorships	Truvalue Developers Private Limited, Plakshtech Private Limited

Key Management Persons Name -	Sumit Deb
Age	61
Designation and No. of years of experience	Non-Executive Independent Director, 30 years of experience
Qualification	B.Sc. in Mechanical Engineering
Roles and Responsibility	-
Other Directorships	Federation of India Mineral Industries

Key Management Persons Name -	Pramod Kumar Vaswani
Age	55
Designation and No. of years of experience	Non-Executive Independent Director, 20 years of experience
Qualification	M. Com in Finance and Financial Management Services
Roles and Responsibility	-
Other Ventures	Director at Vaswani Industries Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	290.71	414.04	515.67	301.32
Other Income	0.23	0.34	1.75	3.49
Total Income	290.93	414.38	517.42	304.81
Expenses				
Cost of Material Consumed	213.24	314.32	375.46	205.50
Purchase of Stock in Trade	1.82	5.40	6.04	2.71
Changes in inventories of finished goods, WIP and Stock in trade	3.40	-1.21	1.06	-9.87
Employee Benefits Expense	5.57	6.63	7.29	5.83
Finance Costs	5.98	3.95	2.99	1.94
Depreciation & Amortisation expenses	7.27	7.18	6.44	4.38
Other Expenses	39.24	40.92	49.14	38.61
Total Expenses	276.53	377.20	448.42	249.10
EBITDA	28.88	49.32	79.56	61.62
EBITDA Margin	9.93%	11.91%	15.43%	20.45%
Share of Profit of associates	1.45	1.34	2.89	3.07
Profit/(Loss) before tax	15.85	38.53	71.88	58.78
Tax Expense				
Current tax	3.93	9.51	17.81	14.11
Deferred Tax Expenses/(credit)	0.94	0.32	0.08	0.09
Total Tax	4.87	9.83	17.89	14.20
Profit/(Loss) for the year	10.99	28.70	54.00	44.58
Net Profit Margin	3.78%	6.93%	10.44%	14.62%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	4.94	4.94	4.94	24.72
Other Equity	52.85	82.19	135.97	162.78
Total Equity	57.79	87.14	140.92	187.50
2. Non-current liabilities				
Borrowings	28.24	17.09	7.99	35.39
Lease Liabilities	1.42	1.42	1.41	1.41
Provisions	0.37	0.53	0.68	0.82
Deferred Tax Liabilities (Net)	2.02	2.53	2.55	2.86
Total Non-current liabilities	32.05	21.56	12.63	40.49
3. Current liabilities				
Borrowings	17.54	25.42	14.99	13.91
Lease Liabilities	0.16	0.16	0.16	0.16
Trade Payables	-	-	-	-
Total outstanding dues of micro enterprises & small enterprises	0.04	0.01	0.24	0.00
Total outstanding dues of creditors other than micro enterprises & small enterprises	11.93	7.89	13.26	4.85
Other Financial Liabilities	3.19	2.32	2.54	2.53
Other Current Liabilities	3.22	2.78	3.09	0.47
Provisions	0.04	0.05	0.05	0.05
Current Tax Liabilities (Net)	0.38	3.44	3.67	3.10
Total Current liabilities	36.49	42.07	38.00	25.06
Total Liabilities	68.54	63.64	50.62	65.55
Total Equity and Liabilities	126.34	150.77	191.54	253.05

Particulars	FY 21	FY 22	FY 23	Dec-23
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	60.46	54.54	49.65	45.88
Right Of Use Asset	3.39	3.35	3.31	3.28
Capital Work-in-progress	0.16	0.19	0.19	24.49
Investments accounted for using equity method	12.19	14.02	16.40	22.14
Investments	1.12	1.45	1.60	0.74
Other Financial Assets	3.79	2.82	3.83	4.13
Other Non-Current Assets	0.75	1.51	7.13	38.48
Total Non-Current assets	81.86	77.88	82.10	139.13
2. Current assets				
Inventories	22.49	31.93	31.71	50.35
Trade Receivables	6.99	11.83	12.90	13.67
	-	-	-	-
Cash & Cash equivalents	0.11	0.28	0.26	0.18
Bank Balances other than above	3.30	3.69	8.68	37.47
Loans	0.06	0.06	35.59	0.07
Other Financial Assets	0.12	0.12	0.16	0.38
Other Current Assets	11.42	24.98	20.13	11.81
Total Current assets	44.48	72.90	109.44	113.92
Total Assets	126.33	150.77	191.54	253.05

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	Dec-23*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	Dec-23*
Diluted EPS	11.61	21.84	30.09	EV/EBITDA	2.62	2.06	4.98
BV per share	35.25	57.00	157.07	Market Cap / Sales	1.65	1.32	1.70
<u>Operating Ratios</u>				P/E	17.83	9.48	6.88
EBITDA Margins	14.83%	20.47%	19.43%	Price to Book Value	5.87	3.63	1.32
PAT Margins	9.84%	15.46%	18.34%	<u>Solvency Ratios</u>			
Inventory days	28.15	22.44	40.94	Debt / Equity	0.49	0.16	0.13
Debtor days	10.43	9.13	11.11	Current Ratio	1.73	2.88	4.55
Creditor days	53.40	81.57	43.82	Quick Ratio	1.45	2.54	4.00
<u>Return Ratios</u>				Asset Turnover	2.75	2.69	1.19
RoCE	38.77%	47.62%	17.02%	Interest Coverage Ratio	14.35	18.33	27.87
RoE	32.94%	38.32%	19.16%				

*Dec-2023 is annualized

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Aryaman Financials Services Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Aryaman Financials Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Shivam Chemicals Limited	20.18	44	April 30, 2024	48.60
2.	Arrowhead Separation Engineering Limited	13.00	233	Nov 28, 2023	147.10
3.	Mish Designs Limited	9.76	122	Nov 07, 2023	269.00
4.	Sunita Tools Limited	22.04	145	Oct 11, 2023	680.50
5.	Master Components Limited	15.43	140	Sep 29, 2023	313.10
6.	HMA Agro Industries Limited	480.00	585	July 04, 2023	54.75
7.	CFF Fluid Control Limited	85.80	165	June 12, 2023	826.40
8.	Command Polymers Limited	7.09	28	March 29, 2023	25.40

The company has handled 13 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 27th June 2024.

As per the offer document, from the above-mentioned mandates 2 have opened at a discount and 6 have opened at premium on the listing day.

RECOMMENDATION -

The company has been in the industry since 2004 and has good experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 22.55 times which makes it fairly priced by looking at the performance of the company and sector.

The company has seen an increase in the top line and bottom line of its financials but has seen a sudden increase in the profitability margins for Dec -23. The company operates in a growing industry. The company has good on-going projects which we believe will yield good growth to the company going forward. The company can see a good increase in its margins by enhancing its operations. Thus, knowledgeable investors can **APPLY** to this IPO keeping in mind that it is for a long-term investment.

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