

Vraj Iron and Steel Ltd



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Capacity expansion to bolster growth

Vraj Iron and Steel currently operate through two manufacturing plants which are located at Raipur and Bilaspur in Chhattisgarh spread across 52.93 acres and having major presence in Chhattisgarh. As of December 31, 2023, the aggregate installed capacity of their manufacturing plants was 2,31,600 tons per annum.

The manufacturing plant at Raipur also includes a captive power plant with an aggregate installed capacity of 5 MW, as of December 31, 2023.

The company is in the process of increasing the capacity of their manufacturing plants and captive power plant, and expects to increase their aggregate installed capacity from 2,31,600 Tons per annum to 5,00,000 Tons per annum, and the captive power plants aggregate installed capacity from 5 MW to 20 MW.

As of December 31, 2023, the total debt is 49.299 cr, including loans obtained from banks for the Bilaspur Plants's expansion project amounting to 32.850 cr.

As on June 3, 2024 the debt for the Bilaspur Plant's expansion project is 70.0 cr.

Vraj Iron and steel intends to use the net proceeds from the issue to repay all their loans undertaken in the Bilaspur expansion project

Industry	Iron and Steel
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Issue Details

Listing	BSE & NSE
Open Date	26 th June 2024
Close Date	28 st June 2024
Price Band	INR 195-207
Face Value	INR 10
Market Lot	72 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	100.0
Issue Size (INR cr)	INR 171.0
Issue Size (Shares)	8,260,870
QIB Share (%)	≤50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35 %
Pre issue sh (nos)	24,721,720
Post issue sh (nos)	32,982,620
Post issue MCap(INR cr)	662.04

Shareholding (%)	Pre (%)	Post (%)
Promoter	99.99	75.0
Public	0.01	25.0
TOTAL	100	100

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	ROCE (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	290.7	27.7	9.5	9.5	3.3	3.3	17.4	19.1	13.1	62.0	2.5	26.2
FY22	414.0	48.4	27.4	11.7	6.6	8.7	26.4	33.1	23.5	23.7	1.7	14.9
FY23	515.67	77.2	51.1	15.0	9.9	16.4	42.7	38.4	32.0	12.6	1.3	9.0

Issue Structure and Offer Details

The proposed issue of Vraj Iron and Steel Ltd India Ltd is solely a fresh issue of 0.82 crore shares aggregating to INR 171 crores. The price band for the issue is in the range of INR 197-207 and the bid lot is 72 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 50.00% of the Net offer
NIB	Not more than 15.00% of the Offer
Retail	Not more than 35.00% of the Offer

Source: Company Reports

Objects of the Issue

- The company proposes to utilize the Net Proceeds from the Issue towards capital expenditure for the Bilaspur Expansion Project :
 - i) Repayment or prepayment of borrowings from HDFC Bank for the Bilaspur expansion project
 - ii) Capital expenditure towards the Expansion at the Bilaspur plant
- General corporate purposes : The company intends to strengthen its capital base and enhance the visibility of its brand.

Growth Strategies

They operate two integrated steel manufacturing plants located in Bilaspur and Raipur, Chhattisgarh. These facilities enable them to maintain control over all operational aspects, except for sourcing primary raw materials, and contribute to their operational margins. This integrated setup allows them to emphasize quality and establish multiple points of sale across the steel value chain. Their main manufacturing focus is on sponge iron, MS billets, and TMT bars, with a total production capacity of 120,000 TPA for sponge iron, marking the start of their backward integration.

Their product portfolio primarily consists of Sponge Iron, TMT Bars branded as 'Vraj' TMT Bars, and MS Billets. These products collectively contributed 96.88%, 97.01%, 95.31%, and 96.40% to total revenue from operations for the periods ending December 31, 2023, Fiscals 2023, 2022, and 2021 respectively, according to their Restated Consolidated Financial Statements. Their diversified range of products has led to a balanced product mix, reducing dependence on any single product and thereby mitigating risks associated with revenue streams.

Risks and Concerns

Their revenue stream is solely dependent on the sale of steel products such as TMT Bars, MS Billets, Sponge Iron, and related items. The iron and steel industry is known for its volatility in demand and pricing, which follows cyclical patterns. A decrease in steel prices could have a significant impact on their business, financial performance, prospects, and overall financial health.

Both of their existing manufacturing facilities are situated exclusively within the same region, specifically in Raipur and Bilaspur, Chhattisgarh. Furthermore, their Expansion Project is currently underway in Bilaspur, Chhattisgarh, exposing them to risks associated with geographical concentration.

Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	290.7	414.0	515.7	Adjusted EPS (INR)	3.3	8.7	16.4
<i>YoY Growth (%)</i>	<i>#N/A</i>	<i>42.4</i>	<i>24.5</i>	Adjusted Cash EPS (INR)	5.5	10.9	18.4
Employee Cost	5.6	6.6	7.3	CFO Yield (%)	1.4	1.3	9.2
<i>Employee Cost to Sales (%)</i>	<i>1.9</i>	<i>1.6</i>	<i>1.4</i>	Adjusted FCF per share (INR)	6.9	3.3	19.4
Other Expenses	39.0	40.5	48.6	FCF Yield (%)	3.3	1.6	9.4
<i>Other Exp to Sales (%)</i>	<i>13.4</i>	<i>9.8</i>	<i>9.4</i>	Solvency Ratio (X)			
EBITDA	27.7	48.4	77.2	Total Debt to Equity	0.8	0.5	0.2
<i>Margin (%)</i>	<i>9.5</i>	<i>11.7</i>	<i>15.0</i>	Net Debt to Equity	0.7	0.4	0.1
<i>YoY Growth (%)</i>	<i>#N/A</i>	<i>75.1</i>	<i>59.3</i>	Net Debt to EBITDA	1.5	0.8	0.2
Depreciation & Amortization	7.3	7.2	6.4	Return Ratios (%)			
EBIT	20.4	41.2	70.7	Return on Equity	19.1	33.1	38.4
<i>Margin (%)</i>	<i>7.0</i>	<i>10.0</i>	<i>13.7</i>	Return on Capital Employed	13.1	23.5	32.0
<i>YoY Growth (%)</i>	<i>#N/A</i>	<i>102.3</i>	<i>71.5</i>	Return on Invested Capital	20.4	70.7	74.1
Other Income	0.2	0.3	1.8	Working Capital Ratios			
Bill discounting & other charges	6.2	4.4	3.5	Payable Days (Nos)	15	7	10
Fin Charges Coverage (X)	3.3	9.4	20.3	Inventory Days (Nos)	28	28	22
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	9	10	9
PBT	14.4	37.2	69.0	Net Working Capital Days (Nos)	22	32	22
<i>Margin (%)</i>	<i>5.0</i>	<i>9.0</i>	<i>13.4</i>	Net Working Capital to Sales (%)	6.0	8.7	6.0
<i>YoY Growth (%)</i>	<i>#N/A</i>	<i>158.1</i>	<i>85.5</i>	Valuation (X)			
Tax Expense	4.9	9.8	17.9	P/E	62.0	23.7	12.6
<i>Tax Rate (%)</i>	<i>33.8</i>	<i>26.4</i>	<i>25.9</i>	P/BV	11.9	7.9	4.8
PAT	9.5	27.4	51.1	EV/EBITDA	26.2	14.9	9.0
<i>Margin (%)</i>	<i>3.3</i>	<i>6.6</i>	<i>9.9</i>	EV/Sales	2.5	1.7	1.3
<i>YoY Growth (%)</i>	<i>#N/A</i>	<i>186.8</i>	<i>86.8</i>	Cash Flow Statement			
Min Int/Sh of Assoc	1.4	1.3	2.9	PBT	14.4	37.2	69.0
Net Profit	11.0	28.7	54.0	Adjustments	0.0	(0.3)	7.0
<i>Margin (%)</i>	<i>3.8</i>	<i>6.9</i>	<i>10.5</i>	Change in Working Capital	0.0	(18.4)	4.8
<i>YoY Growth (%)</i>	<i>#N/A</i>	<i>161.3</i>	<i>88.1</i>	Less: Tax Paid	(4.9)	(9.8)	(17.9)
Balance Sheet				Cash Flow from Operations	9.5	8.7	62.9
Share Capital	4.9	4.9	4.9	Net Capital Expenditure	(3.8)	(1.2)	(1.5)
Total Reserves	52.4	81.8	135.6	Change in Investments	(2.2)	(0.1)	(38.9)
Shareholders Fund	57.4	86.7	140.5	Cash Flow from Investing	(6.0)	(1.4)	(40.4)
Long Term Borrowings	28.2	17.1	8.0	Change in Borrowings	(9.9)	(2.8)	(19.0)
Deferred Tax Assets / Liabilities	2.0	2.5	2.5	Less: Finance Cost	(6.2)	(4.4)	(3.5)
Other Long Term Liabilities	1.4	1.4	1.4	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.4	0.5	0.7	Dividend Paid	0.0	0.0	0.0
Total Liabilities	89.4	108.3	153.1	Cash flow from Financing	(16.1)	(7.2)	(22.5)
Net Block	63.8	57.9	53.0	Net Cash Flow	(12.6)	0.2	(0.0)
Capital Work in Progress	0.2	0.2	0.2	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	0.1	0.1	0.3
Non Current Investments	12.9	15.1	17.6	Closing Balance of Cash	0.1	0.3	0.3
Long Term Loans & Advances	4.0	3.5	10.4				
Other Non Current Assets	0.6	0.8	0.5				
Net Current Assets	8.0	30.8	71.4				
Total Assets	89.4	108.3	153.1				

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