



IPO NOTE

VRAJ IRON AND STEEL LIMITED

Rating:

SUBSCRIBE

(For Long Term)



ISSUE OFFER

Issue Opens on	JUNE 26, 2024
Issue Close on	JUNE 28, 2024
Total IPO size (cr)	₹171.00
Fresh issue (cr)	₹171.00
Offer For Sale (cr)	NIL
Price Band (INR)	195 - 207
Market Lot	72
Face Value (INR)	₹10
Retail Allocation	35%
Listing On	NSE, BSE

ISSUE BREAK-UP (%)

QIB Portion	<div style="width: 50%;"></div>	50%
NII Portion	<div style="width: 15%;"></div>	15%
Retail Portion	<div style="width: 35%;"></div>	35%

SHAREHOLDING (No. of Shares)

Pre Issue	Post Issue
24,721,750	32,982,620

INDICATIVE TIMETABLE

Finalisation of Basis of Allotment	01-07-2024
Refunds/Unblocking ASBA Fund	02-07-2024
Credit of equity shares to DP A/c	02-07-2024
Trading commences	03-07-2024

Vraj Iron and Steel Limited manufactures Sponge Iron, M.S. Billets, and TMT bars under the brand Vraj. Its product offerings cater to a mix of customers that consist of industrial customers and end-users. The Company sells its products directly as well as through brokers/dealers.

OBJECTS OF THE ISSUE

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

OUTLOOK & VALUATION

Vraj Iron and Steel is a manufacturer of Spong Iron, M.S. Billets, and TMT bars. Its well-established and strategically located manufacturing facilities, coupled with a focus on value-added products and ongoing expansion plans, position the company for future growth.

Vraj Iron and Steel boasts a record of consistent financial performance over the past three years, with a strong focus on profitability. However, some key risks require careful consideration. The company's manufacturing facilities are concentrated in a single region, and it lacks long-term customer contracts. Additionally, the steel industry is highly competitive, and Vraj Iron and Steel is susceptible to supply disruptions and raw material price fluctuations.

Despite these risks, the IPO's P/E valuation of 9.48x appears reasonable. Considering the potential for long-term growth and the possibility of modest listing gains, we recommend a subscribe rating for this IPO.



KEY MANAGERIAL PERSONNEL

01

Vijay Anand Jhanwar

Chairman and Managing Director of the Company. He has been on the Board of Directors of the Company since April 7, 2012. He holds a Bachelor's degree in Engineering from Nagpur University. He has approximately 22 years of experience.

02

Priya Namdeo

Company Secretary and Compliance Officer of the Company. She has been appointed as the Company Secretary and Compliance Officer w.e.f December 1, 2023. She holds a degree of Masters in Commerce from Pt. Ravi Shankar Shukla University, Raipur, Chhattisgarh. She is an associate member of The Institute of Company Secretaries of India.

03

Shriram Verma

Chief Financial Officer of the Company. He has been appointed as the Chief Financial Officer w.e.f December 1, 2023. He holds a Post Graduate Diploma in Computer Application from Nishita Computer Center, Shailendra Nagar, Raipur. He has approximately 24 years of experience.

04

Rakesh Kumar Soni

Factory Head for the Raipur Plant. He has been appointed as the Plant head w.e.f. July 25, 2022. He holds a degree in Bachelor in Commerce from University of Rajasthan. He was Plant Head of S.K. Sarawagi & Co. Pvt. Ltd., Raipur from 2007 to 2019. He has approximately 34 years of experience.



COMPANY PROFILE

- The company currently operates through two manufacturing plants which are located at Raipur and Bilaspur in Chhattisgarh spread across 52.93 acres.
- As of December 31, 2023, the aggregate installed capacity of the manufacturing plants was 2,31,600 tons per annum (“TPA”) (comprising intermediate and final products).
- It is in the process of increasing the capacities of its existing manufacturing plants and captive power plant, which is expected to increase the aggregate installed capacity from 2,31,600 TPA to 5,00,100 TPA and the captive power plant's aggregate installed capacity from 5 MW to 20 MW.
- As of December 31, 2023, it 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.

COMPETITIVE STRENGTHS

- Integrated and well-established manufacturing setup.
- Manufacturing plants are strategically located, and supported by robust architecture, leading to cost efficiencies and a stable supply chain.
- Diversified product mix with a strong focus on value-added products.
- Experienced Promoter, Board, and management team.
- Consistent track record of growth and financial performance.

KEY STRATEGIES

- Expansion of manufacturing facilities.
- Reduce Debt Levels and improve Debt to Equity Ratio.
- Strengthen its customer base by growing existing customer business and acquiring new customers.
- Focus on operational efficiencies to improve returns.

KEY CONCERNS

- Both of its existing manufacturing facilities are concentrated in a single region.
- Do not have long-term agreements with its customers.
- The Indian steel industry is highly competitive.
- Inadequate or interrupted supply and price fluctuation of raw materials could adversely affect its business.

COMPARISON WITH LISTED INDUSTRY PEERS

Name of the Company	EPS (Basic)	NAV	TOTAL INCOME (In Cr.)	RoNW (%)
Vraj Iron & Steel Limited	21.84	285	5,156.71	38.32%
Peer Group				
Sarda Energy and Minerals Limited	169.94	967.72	42,119.00	17.71%
Godawari Power and Ispat Limited	61.16	277.09	57,530.40	20.31%
Shyam Metalics and Energy Limited	33.26	280.79	126,101.8	11.85%

FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (RS. IN MILLION)	FY 2023	FY 2022	FY 2021
Equity Share Capital	49.44	49.44	49.44
Other reserves	1,359.71	821.94	528.50
Net Worth	1,409.15	871.39	577.94
Total Borrowings	79.91	170.92	282.40
Revenue	5,156.71	4,140.43	2,907.06
EBITDA	5,156.71	4,140.43	291.00
Profit before Tax	718.84	385.31	158.51
Net Profit of the Year	539.97	287.04	109.85


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