



# Vraj Iron And Steel Limited

**Issue Opens - June 26, 2024 to June 28, 2024**

**Price Band**  
**₹195 to ₹207**

**Face Value**

₹10

**Lot Size**

72 Shares

**Issue Size**

₹171.00 Cr

**Issue Type**

Book Built

[research@ganeshstock.com](mailto:research@ganeshstock.com)

# Important Events



Issue Size

8,260,870 shares / ₹171.00 Cr

Fresh Issue

8,260,870 shares / ₹171.00 Cr

Offer for Sale

N/A

Basis of Allotment

Monday, July 1, 2024

Initiation of Refunds

Tuesday, July 2, 2024

Credit of Shares to Demat

Tuesday, July 2, 2024

Vraj Iron and Steel Listing Day

Wednesday, July 3, 2024

## Objects of The Offer

The company proposes to utilise the Net Proceeds in the following manner.

- Funding for Capital Expenditure towards the "Expansion Project" at 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; and
- Capital expenditure towards the "Expansion Project" at Bilaspur Plant.
- General Corporate Purposes.

# Brief profiles of the Directors



**Vijay Anand Jhanwar**, 43, is the Chairman and Managing Director of our Company. He has been on the Board since April 7, 2012. He holds a Bachelor's degree in Engineering from Nagpur University and has held significant roles in various industry associations and councils, such as the Chhattisgarh Sponge Iron Manufacturers Association and the Steel Consumer Council of India. He also serves as a director in multiple companies and has 22 years of experience.

**Prasant Kumar Mohta** is a Whole-Time Director and has been on the Board since August 26, 2013. He holds a Bachelor's degree in Commerce from Utkal University and has 20 years of experience, primarily in accounts and finance.

**Praveen Somani**, a Whole-Time Director since September 7, 2021, joined the Company in 2012 as General Manager of the Bilaspur Plant. He has 11 years of experience and oversees day-to-day operations at the Bilaspur Plant.

**Sanjeeta Mohta**, a Non-Executive Independent Director since November 10, 2023, holds a Post Graduate Diploma in Family Business Management from Symbiosis Centre for Management and Human Resource Development. She has 20 years of experience in various roles, including General Manager and State Finance Officer.

**Sumit Deb**, a Non-Executive Independent Director since December 19, 2023, has a Bachelor's degree in Mechanical Engineering from Orissa University of Agriculture and Science. He has over 30 years of experience, including leadership roles at NMDC Limited and other organizations.

**Pramod Kumar Vaswani**, a Non-Executive Independent Director since December 19, 2023, holds a Master's degree in Commerce from Ravi Shankar University. He has around 20 years of experience in the iron and steel industry and has held directorships in several companies.



# About The Company

Vraj Iron and Steel Limited is a manufacturer of steel products like sponge iron, billets, and TMT bars under the brand Vraj. They currently operate two manufacturing plants in Chhattisgarh with a combined capacity of 231,600 tons per year. They are also expanding their capacity to 500,100 tons and are installing a captive power plant to meet their energy needs.




## Description of Their Business

Vraj Iron and Steel Limited is engaged in manufacturing sponge iron, M.S. billets, and TMT bars under the Vraj brand. They operate two manufacturing plants located in Raipur and Bilaspur, Chhattisgarh, spanning 52.93 acres. As of December 31, 2023, the combined installed capacity of these plants was 231,600 tons per annum (TPA) for intermediate and final products. Additionally, their Raipur plant includes a captive power plant with an installed capacity of 5 MW.

Particulars	Unit of Measurement	Existing Installed Capacity			Proposed Expansion in Bilaspur	Installed Capacity after the Proposed Expansion		
		Raipur	Bilaspur	Total		Raipur	Bilaspur	Total
Sponge Iron	TPA	60,000	60,000	120,000	115,500	60,000	175,500	235,500
MS Billets	TPA	57,600	-	57,600	153,000	57,600	153,000	210,600
TMT Bars	TPA	54,000	-	54,000	-	54,000	-	54,000
<b>Total Products</b>	<b>TPA</b>	<b>171,600</b>	<b>60,000</b>	<b>231,600</b>	<b>268,500</b>	<b>171,600</b>	<b>328,500</b>	<b>500,100</b>
<b>Captive Power Plant</b>	<b>MW</b>	5	-	5	15	5	15	20

# Product portfolio



Sr. No.	Name of Product	Description	End use
1	<p style="text-align: center;"><b>Sponge Iron</b></p> 	<p><b>A critical raw material for the steel industry.</b></p> <p>Sponge iron is the key raw material required to manufacture good quality steel. Sponge iron is a spongy mass of iron which is a metallic product produced through direct reduction of iron ore/iron pellet in the solid state. It is quite versatile and can be used in both induction as well as electric arc furnaces. It is used as raw material for Billets manufacturing. Our Company has an installed capacity of producing over 1, 20,000 TPA of Sponge iron annually.</p>	Industrial-Downstream steel manufacturing
2	<p style="text-align: center;"><b>MS Billets</b></p> 	<p><b>MS Billets</b> are semi-finished casting product produced in a steel mill that needs to be further processed to transform them into a finished good. It is around or square cross-sectioned metal length which is created directly by the process of continuous casting or by indirectly hot rolling an ingot. It is used as raw material for TMT Bars manufacturing.</p>	Industrial-Downstream steel manufacturing
3	<p style="text-align: center;"><b>TMT Bars</b></p> 	<p><b>TMT steel bars</b> of exceptional quality are manufactured through a hot rolling process in which heated iron billets are continuously passed through rollers of decreasing diameters. This TMT Saria is passed through a water cooling system for thermo mechanical treatment after which they exit the last rolling mill.</p>	Industrial

# Track Record Of Financial Performance



(₹ in million)

Particulars	Period Ended	Year ended		
	December 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from Operations	3,013.21	5,156.71	4,140.43	2,907.06
Other Income	34.87	17.50	3.40	2.26
<b>Total Income (I+II)</b>	<b>3,048.08</b>	<b>5,174.21</b>	<b>4,143.84</b>	<b>2,909.32</b>
<b>Expenses</b>				
Cost of materials consumed	2,054.99	3,754.62	3,143.15	2,132.39
Purchase of Stock in Trade	27.14	60.40	53.99	18.21
Changes in inventories of finished goods, WIP and Stock in trade	(98.73)	10.60	(12.07)	34.03
Employee Benefits Expense	58.26	72.93	66.34	55.72
Finance Costs	19.44	29.88	39.49	59.83
Depreciation & Amortisation expenses	43.79	64.42	71.82	72.66
Other Expenses	386.06	491.39	409.23	392.41
<b>Total Expenses</b>	<b>2,490.93</b>	<b>4,484.23</b>	<b>3,771.95</b>	<b>2,765.25</b>
<b>Share of Profit of associates</b>	<b>30.66</b>	<b>28.86</b>	<b>13.42</b>	<b>14.45</b>
<b>Profit/(loss) before Exceptional Items and Tax (III-IV+V)</b>	<b>587.81</b>	<b>718.84</b>	<b>385.31</b>	<b>158.51</b>
Exceptional Items	-			
<b>Profit/(loss) before Tax (VI-VII)</b>	<b>587.81</b>	<b>718.84</b>	<b>385.31</b>	<b>158.51</b>
<b>Tax Expense</b>				
Current Tax	141.10	178.06	95.09	39.30
Deferred Tax	0.92	0.81	3.17	9.36
<b>Total Tax Expense</b>	<b>142.02</b>	<b>178.87</b>	<b>98.26</b>	<b>48.66</b>
<b>Profit/(loss) after Tax (VIII-IX)</b>	<b>445.80</b>	<b>539.97</b>	<b>287.04</b>	<b>109.85</b>
<b>Other Comprehensive Income/(Loss)</b>				
<b>Items that will not be reclassified to profit or Loss</b>				



Remeasurement of defined benefit obligation	-	0.74	0.23	0.02
Income Tax credit/(expense) for defined benefit obligation	-	(0.19)	(0.06)	0.00
Fair Valuation of investment in Equity Shares through OCI	-	1.50	3.24	0.93
Income Tax credit/(expense) for Revaluation of investments	-	(0.34)	(0.74)	(0.21)
Fair value adjustments in investment of Vraj Metaliks in Equity Shares of Chhattisgarh Steel & Power Ltd through OCI	14.35	(4.98)	4.78	(14.19)
Income Tax credit/(expense) for Revaluation of investments	(3.28)	1.14	(1.09)	3.25
Share of Other Comprehensive Income in associates	-	(0.08)	0.05	0.05
<b>Items that will be reclassified to profit or Loss</b>				
Fair Valuation of investment in Equity Shares through OCI	(4.52)	-	-	-
Income Tax credit/(expense) for Revaluation of investments	1.04	-	-	-
<b>Total Other Comprehensive Income/(loss) net of taxes</b>	<b>7.58</b>	<b>(2.21)</b>	<b>6.40</b>	<b>(10.17)</b>
<b>Total Comprehensive Income/(loss) for the year (X+XI)</b>	<b>453.38</b>	<b>537.76</b>	<b>293.45</b>	<b>99.68</b>
<b>Earnings/(loss) per Share</b>				
Basic	18.03	21.84	11.61	4.44
Diluted	18.03	21.84	11.61	4.44



Key Financial data for the nine months ended December 31, 2023 and Fiscals 2023, 2022 and 2021 are as below as per the Restated Consolidated Financial Statements:

(₹ in million)

Particulars	December 31, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Total Income	3,048.08	5,174.21	4,143.84	2,909.32
EBITDA	651.04	813.14	496.61	291.00
EBITDA Margin	21.61%	15.77%	11.99%	10.01%
Profit After Tax	445.80	539.97	287.04	109.86
PAT Margin	14.79%	10.47%	6.93%	3.78%
Net Worth	1,874.99	1,409.15	871.39	577.94
ROE <sup>(1)</sup>	23.78%	38.32%	32.94%	19.01%
ROCE <sup>(2)</sup>	25.34%	44.98%	32.14%	20.68%





# Strengths

1. An integrated and well-established manufacturing setup has been developed by the company.
2. Manufacturing plants are strategically located, supported by robust architecture, leading to cost efficiencies and a stable supply chain.
3. The quantity and average price of coal have been efficiently procured by the company.
4. A diversified product mix with a strong focus on value-added products has been achieved.
5. The company is backed by an experienced promoter, board, and management team.
6. A consistent track record of growth and financial performance has been maintained.

# Threats

1. Substantial competition is faced by the company from domestic steel producers.
2. High working capital requirements are a challenge.
3. Negative cash flows have been posted in the past.
4. Both manufacturing plants are located in the same state.

# Valuation and Outlook



The expected share price for Vraj Iron and Steel Limited IPO is set between ₹195 to ₹207 per share. The company's valuation shows a Price-to-Earnings (P/E) ratio of 9.47x, based on a price above ₹207, and FY23 EPS is ₹21.84

## Peer Analysis

*(₹ in million, except percentages and ratios)*

Particulars	CMP*	EPS	RONW (%)	NAV per share (₹)**	EBITDA Margin	Revenue from Operations (₹ in Million)	Face Value (₹)
Vraj Iron & Steel Limited	[●]	21.84	38.32%	285	15.77%	5,156.71	10.00
Sarda Energy and Minerals Limited	224.15	169.94	17.71%	967.72	26.35%	42,119.00	1.00
Godawari Power and Ispat Limited	966.75	61.16	20.31%	277.09	21.50%	57,530.40	5.00
Shyam Metals and Energy Limited	608.85	33.26	11.85%	280.79	11.78%	126,101.8	10.00

Vraj Iron and Steel is a top manufacturer of sponge iron, M.S. billets, and TMT bars, well-positioned for growth with efficient operations and ongoing expansions. The company has shown strong and consistent financial performance, with revenue, EBITDA, and PAT growing at 21%, 41%, and 69% CAGR, respectively. The steel industry is expected to grow due to urbanization, infrastructure development, and increased demand in the automobile sector, with global demand remaining steady. However, Vraj Iron and Steel faces risks such as having all manufacturing facilities in one region, no long-term customer contracts, high competition, and exposure to supply disruptions and raw material price fluctuations.

We assign a **"Subscribe"** grade for this issue.

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