



LONG TERM SUBSCRIBE

IPO Report

16th Sept '25

Snapshot

Company is engaged in manufacturing of Thermo Mechanically Treated Bars (“TMT Bars”) at its manufacturing facility situated at Bhayla Village, Ahmedabad, Gujarat, India. TMT Bars are high-strength reinforcement steel used widely in construction industry due to their exceptional strength, ductility, and corrosion resistance. (*Dun & Bradstreet Report*) Company conduct its business predominantly in the State of Gujarat from where company derived 98.93%, 96.72%, 98.75% and 97.42% of its revenues from operations in the three months period ended June 30, 2025 and Fiscal 2025, Fiscal 2024 and Fiscal 2023 respectively. Company’s revenue from operations from sale of TMT Bars in the three months period ended June 30, 2025 and Fiscal 2025, Fiscal 2024 and Fiscal 2023 constituted approximately 95.99%, 91.63%, 94.06% and 96.85% of the revenue from operations.

VALUATION

Company is bringing the issue at price band of Rs 94-99 per share at p/e multiple of approx. 14x on post issue FY25 basis. Company has shown improvement in financial performance consequent to implementation of backward integration project (CCM division) . Company is positioned to take advantage of the steady growth in the steel bar and rods industry. Also, company has long-term customer relationships augmented by large distribution network & established infrastructure with backward integration with strong logistics support. Company has track record of growth in financial performance & experienced promoters and committed senior management team. Hence, we recommend “Long Term Subscribe” to the issue.

Price Band (Rs./Share)	94-99
Opening date of the issue	17th Sept '2025
Closing Date of the issue	19th Sept '2025
No of shares pre issue	3,46,31,210 Eq Shares
Issue Size	Rs 141-148.50 Cr
Fresh issue	1,50,00,000 Eq Shares
Face Value (Rs/ share)	Rs 10/share
Bid Lot	150
Employee Discount	Rs 15/share
BIDDING DETAILS	
QIBs (Including Anchor)	30% of the offer (Approx 45,00,000 Eq Shares)
Non-Institutional	20% of the offer (Approx 30,00,000 Eq Shares)
Retail	50% of the offer (Approx 75,00,000 Eq Shares)
Lead managers	Arihant Capital Markets
Registrar to the issue	Kfin Technologies Ltd

WHAT WE LIKE

Positioned to take advantage of the steady growth in the steel bar and rods industry

Company is engaged in manufacturing of TMT Bars from scrap through thirty - ton induction furnace in CCM and rolling mill and also from billets through reheating furnace and rolling mill at company’s manufacturing facility situated at Bhayla Village, Ahmedabad, Gujarat, India. Company’s business is predominantly conducted in the State of Gujarat, and company derive its revenue from retail as well as institutional customers

Long-term customer relationships augmented by large distribution network

Company’s business is predominantly conducted in the State of Gujarat (except Saurashtra and Kutch district of Gujarat), and company derive its revenue from retail as well as institutional customers. Company have a history of high customer retention. As of June 30, 2025, 4 out of company’s top 10 customers have been company’s customers for more than three years. Company’s long-term relationships and ongoing active engagements with customers also allow it to enhance its ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base.

Integrated Manufacturing Facility

Company’s total income has grown at a CAGR of (6.48) % from ₹ 88,205.61 lakhs in Fiscal 2023 to ₹ 77,140.76 lakhs in Fiscal 2025. Company’s revenue from operations were ₹ 21,225.92 lakhs in the three months period ended June 30, 2025. Company’s demonstrated track record of growth financial performance is evidenced by the significant increase in sales volume and revenue from TMT bars. The volume of TMT bars sold increased from 1,51,795 MT in Fiscal 2023 to 1,61,902 MT in Fiscal 2024, representing a growth of approximately 6.66%. However, revenue from TMT bars decreased from ₹ 85,420.37 lakhs in Fiscal 2023 to ₹ 82,110.69 lakhs in Fiscal 2024 due to reduction in TMT Bars selling price.



COMPANY BACKGROUND

Company have a diverse customer base of retail and institutional customers primarily based in the State of Gujarat (except Saurashtra and Kutch district of Gujarat). Company have a retail license agreement dated November 7, 2022, with Kamdhenu Limited which allows it to market its TMT Bars under the Kamdhenu Brand on mutually agreed terms within the State of Gujarat (except Saurashtra and Kutch district of Gujarat) on a non-exclusive basis. Company sell its TMT Bars to customers through distribution network, on a non-exclusive basis, which comprise of 3 distributors and 227 dealers as of July 31, 2025. Accordingly, company rely on its distributors and dealers with whom company do not have any formal arrangements. Company's ability to expand and grow its brands reach significantly depends on the reach and effective management of company's distributor and dealer network. Company continuously seek to increase the penetration by appointing new distributors and dealers to ensure wide distribution network targeted at different consumers and areas.

Presently, company is manufacturing TMT Bars from scrap and billets at company's manufacturing facility. TMT Bars are manufactured through thirty - ton induction furnace from scrap in its continuous casting machine ("CCM") and rolling mill and also from billets through its reheating furnace and rolling mill. Company's total annual installed capacity of TMT Bars is 200,000 metric tonnes ("MT") per annum and company's production of TMT Bars in the three months period ended June 30, 2025, Fiscal 2025, Fiscal 2024 and Fiscal 2023 was 35,741 MT, 1,26,065 MT, 1,60,321 MT and 1,61,807 MT, respectively.

In September 2024, Company has completed the backward integration of its CCM division which have enabled it to manufacture TMT Bars from scrap, reducing its dependency on billets from suppliers. Prior to company's backward integration, company's main raw material for its TMT Bars used to be billets, which company used to primarily source domestically from, inter alia, Gujarat, Chhattisgarh, Maharashtra, Madhya Pradesh, Orisha and Rajasthan. Presently, company's basic raw materials are scrap, manganese, non-coking coal dolomite, limestone and bentonite, which it source both domestically and from other countries such as Hongkong, UAE, Kuwait, Australia, Singapore among other countries and will continue to do so. In the three months period ended June 30, 2025 and Fiscal 2025, Fiscal 2024 and Fiscal 2023, 69.93%, 69.99%, 64.04% and 77.65%, respectively, of company's material purchases were from suppliers in Gujarat. Further, purchase of raw material locally saves in transportation costs and time of delivery and keeping company's raw material inventory level under check. Currently, apart from scrap, company's major cost of production involves power expenses. Company require 22MW of power for its uninterrupted operations, which company source from Uttar Gujarat Vij Company Limited. To reduce company's electricity expenses, company have initiated the process of setting up of a 15 MW solar power plant in Gujarat for company's captive consumption. In this regard, Company have entered into a MOU dated August 22, 2024 and addendum to the MOU dated September 10, 2025 with Prozeal Green Energy Limited ("Prozeal") pursuant to which the Prozeal has arranged and Company has taken on lease certain parcel of land from third parties admeasuring 32.91 acres bearing account no. 118, Survey No. 489 and account no. 363, Survey No. 490 situated at Village Forna, Diyodar Taluka, District Banaskantha, Gujarat to set up a solar project at the said land. Company has already made an advance payment to Prozeal and have also received the provisional registration of renewable energy project under Gujarat Renewable Energy Policy, 2023 on October 25, 2024 from Gujarat Energy Transmission Corporation Limited. With the installation of the electric furnace, company is manufacturing TMT Bars from scrap, eliminating the reheating furnace majorly which will allow it to reduce its cost of production significantly and eliminate company's dependency on coal, however, currently company is manufacturing TMT Bars both from scrap and billets.

Company's business is predominantly conducted in the State of Gujarat (except Saurashtra and Kutch district of Gujarat) and it derive revenue from retail as well as institutional sales. Company market and sell its TMT Bars in the State of Gujarat (except Saurashtra and Kutch district of Gujarat) under the Kamdhenu Brand. Company also sell scrap and binding wires in the State of Gujarat and other states. Company's focus on sales of TMT Bars has been Tier II and Tier III cities. As of June 30, 2025, company use fleet of over 50 trucks provided by a third-party transportation and logistics provider for delivery of company's products to its customers.



INVESTMENT RATIONALE

<i>Established infrastructure with backward integration with strong logistics support</i>	Company is engaged in manufacturing of TMT Bars through thirty - ton induction furnace from scrap in its CCM and rolling mill and also from billets through company's reheating furnace and rolling mill at its manufacturing facility located at Bhayla Village near Ahmedabad, Gujarat, India. The capital cost of the backward integration project was approximately ₹ 11,711.51 lakhs which company had financed through borrowings from banks, internal accruals and raising funds through equity. Company have installed a thirty-ton electric induction furnace with installed capacity of 216,000 MT per annum and have installed power substation having 22,000 kVAh. Company require 22MW of power for its uninterrupted operations, which company source from Uttar Gujarat Vij Company Limited. To reduce its electricity expenses, company have initiated the process of setting up of a 15 MW solar power plant in Gujarat for its captive consumption.
<i>Experienced Promoters and committed senior management team</i>	Company is led by Promoters Varun Manojkumar Jain who is also the Chairman and Managing Director, Rishabh Sunil Singhi who is a Whole Time Director and Manojkumar Jain who is a Non-Executive Director. Company's Promoters are supported by a qualified and experienced management team under the guidance of its Board of Directors including the non-independent directors as well from various professional backgrounds. Varun Manojkumar Jain has more than eight (8) years of experience in the steel sector. Presently, he is also a Director in Aditya Ultra Steel Limited, one of company's Group Companies. He holds degree in Bachelor of Commerce from Gujarat University and has done Management Programme for family business from Indian School of Business (ISB), Hyderabad and has also passed the Professional Competence Examination from ICAI.

OBJECTS OF OFFER

The Issue comprises of a fresh issue of up to 1,50,00,000 equity shares of face value of ₹ 10 each . Company proposes to utilise the Net Proceeds of the Issue towards the following objects:

1. Repayment/ prepayment, in full or part, of all or a portion of certain borrowings availed by Company; and
2. General corporate purposes

RISKS

Company is dependent on a retail licence agreement with Kamdhenu Limited for sale of TMT bars and the agreement is non-exclusive in nature. Pursuant to this Agreement, company have paid a royalty of ₹ 208.57 lakhs, ₹ 654.83 lakhs, ₹ 610.66 lakhs and ₹ 535.45 lakhs, respectively, representing 0.98%, 0.85%, 0.70% and 0.61% of company's total revenue from operations for the three month period ended June 30, 2025 and Fiscal 2025, Fiscal 2024 and Fiscal 2023, respectively.

Source:RHP


Consolidated Financials

(Rs in lakhs)

Financials	FY23	FY24	FY25	Q1FY26
Total Revenue (A)	88201.35	87295.77	77019.10	21225.92
Total Expenditure (B)	86010.57	83175.48	72466.49	19277.59
EBIDTA	2190.78	4120.29	4552.61	1948.33
EBIDTA Margin	2.48	4.72	5.91	9.18
Other Income	4.26	21.09	121.66	113.43
Depreciation	357.61	393.28	680.53	243.27
EBIT	1837.43	3748.10	3993.74	1818.49
Interest	1282.70	1818.36	1984.76	670.63
PBT	554.73	1929.74	2008.98	1147.86
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	554.73	1929.74	2008.98	1147.86
Exceptional	0.00	0.00	0.00	0.00
PBT	554.73	1929.74	2008.98	1147.86
Tax	135.20	582.90	467.14	290.22
PAT	419.53	1346.84	1541.84	857.64
NPM	0.48	1.54	2.00	4.04
ROE%	13.60	28.96	20.14	10.49
EPS	1.39	4.01	4.29	2.48
Eq Cap	1,261.29	1,333.71	3,463.12	3,463.12
Net Worth	3,084.52	4,651.26	7,319.00	8,177.47

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
VMS TMT Limited	10.00	4.29	---	20.14	13.32
<i>Peers</i>					
Kamdhenu Limited	10.00	2.18	13.50	18.82	11.66
Vraj Iron and steel limited	10.00	13.55	11.77	10.88	116.53
BMW Industries Limited	10.00	2.83	16.57	9.16	30.84
Electrotherm (India) Limited	10.00	336.42	2.37	-377.85	-89.01



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