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CM RATING 38 /100

Rajputana Stainless

Cyclical steel play

IPO is to fund expansion and for repayment of debt

Rajputana Stainless (RSL) manufactures long and flat stainless-steel products. The company sells its products under the brand name 'RSL'.

The company offers a range of stainless-steel products, including billets, forging ingots, rolled black and bright bars, flat & patti, and other ancillary products, in over 80 diverse grades.

RSL currently operates exclusively on business-to-business (B2B), catering to a customer base that primarily comprises manufacturers and traders. RSL's focus on the B2B segment enables it to deliver stainless-steel solutions that meet the requirements of industrial clients across various applications. RSL supplies its products to various industries, including seamless pipes, aerospace, forging, oil and gas, defense, automotive, aviation, and precision engineering.

The company primarily sells its products domestically through direct sales and traders. It is also exporting to nine countries including Turkey, UAE, Poland, Portugal, USA, South Africa, South Korea, Czech Republic and Kuwait. The company sells its products in 14 states and 2 union territories in India. During the period ending Fiscal 2025, the company catered to over 370 customers, out of which around 167 customers have been associated with the company for over a period of 3 years.

RSL manufacturing facility is at Kalol, Panchmahal, Gujarat, spread across 35,196.98 square meter (including unutilised area of the land approximately 17,610 square meter). As on September 30, 2025, the company had an installed melting capacity of 48,000 tons per annum (mtpa), rolling capacity of 36,000 tpa and bright bar capacity of 6,000 tpa, heat treatment facility of 2,000 tons and Oxygen and Nitrogen plants having installed capacity of 350 cum/hour and 200 cum/hour respectively. Further, the company plans to expand its manufacturing operations through forward integration and product diversification by setting up a plant for manufacturing stainless-steel seamless pipes.

Incorporated in 1991 the company started commercial operations in the year 1993 with manufacturing of mild steel products and steel castings. At the time of incorporation, the company was promoted and run by the erstwhile promoters i.e. Shri O.P. Agarwal, and Shri Ram Sharan Tambi. However, the company was classified as a Non-BIFR sick industrial unit in the year 1999. Subsequently, during the year 1999-2000, the promoters i.e. Shankarlal Deepchand Mehta and Babulal D Mehta were appointed as directors on the board of the company and later on, in the year 2007, Jayesh Natvarlal Pithva joined with them on the board. During the period 1999-2006, the management took various steps for the revival of the company including shifting the main focus of the company from producing mild steel products and steel casting to producing stainless-steel products, setting up of bright bar shop and payment of outstanding dues which resulted in improvement in the financial health of the company.

Object of the offer

The Rs 254.98 crore IPO comprises a fresh issue of 1,46,50,000 equity shares to raise Rs 178.73 crore and an offer for sale (OFS) of up to 62,50,000 equity shares worth up to Rs 76.25 crore at higher price band of Rs 122. Shankarlal Deepchand Mehta will offload a part of his stake in the OFS.

RSL will utilise Rs 18.57 crore from the net fresh issue proceeds to fund expansion of the existing manufacturing facility at Panchmahal district, Gujarat through forward integration and diversification of product portfolio, Rs 98 crore for repayment of its borrowings, and the remaining funds will be utilised for general corporate purposes.

Strengths

The company has an established operation and offers a diverse product portfolio.

RSL benefits from established relationship with various clientele.

The company is led by a qualified and dedicated management team under the guidance of its Board of Directors. Its promoter Shankarlal Deepchand Mehta and Babulal D Mehta have been associated with the company since the year 1999 and Jayesh Natvarlal Pithva and Yashkumar Shankarlal Mehta since the year 2007 & 2015 respectively. Collectively, they bring more than 5 decades of business experience in the steel industry and have played a significant role in the development of the company's business.

Weaknesses

The company faces customer concentration risk as the company derived around 45% of its revenue from operations from its top-10 clients, in the six months ended September 30, 2025.

Raw material cost constituted more than 75% of the total revenues as such margins are susceptible to fluctuation in raw material prices.

The company, promoters, directors, key management personnel are parties to certain legal proceedings. Litigations involving the company aggregate amounting to Rs 128.62 crore which is 72.81% of the company's net worth and any adverse decision in such proceedings may have a material adverse effect on the company's financial condition.

The company's manufacturing facility and proposed facility is located in Gujarat and therefore its operation is highly vulnerable to regional conditions and economic downturns in the region.

The operations of the company are working capital intensive with high inventory and receivable days.

The company relies substantially on the company's top 10 suppliers of the raw materials and work-in-progress goods used in the company's manufacturing processes. Any shortages, delay or disruption may have a material adverse effect on the company's operations.

The company derives the majority of sales from the domestic market and a significant portion of the company's domestic sales are derived from the states of Maharashtra, Gujarat & Uttar Pradesh. Any adverse developments in this market could adversely affect its business.

Demand for steel products depends on the construction and infrastructure sectors, which in turn is closely linked to the level of economic activity. Hence, the performance of the RSL remains susceptible to inherent cyclicity in these sectors.

RSL operates in a highly competitive and fragmented winding wire / conductor industry characterised by the presence of numerous organised and unorganised players, given the low technical expertise requirement and value addition in manufacturing winding wires / rods and ingots. Due to intense competition in the industry, the bargaining power of the company remains low.

Contingent liabilities as on September 30, 2025 stood at Rs 120.82 crore.

Valuation

Net profit stood at Rs 24.41 crore on net sales of Rs 501.53 crore in the six months ended September 2025.

Consolidated sales were up by 2.5% to Rs 932.16 crore in Fiscal 2025. Operating profit margin (OPM) expanded from 6.53% to 7.92%, leading to a 24.2% increase in operating profit to Rs 73.79 crore. Other income declined 6.3% to Rs 5.33 crore. Interest cost inclined 8.7% to Rs 15.72 crore and depreciation cost inclined by 5.3% to Rs 8.76 crore. PBT stood at Rs 54.64 crore up 29.1%. The company reported net profit of Rs 39.85 crore when compared to net profit of Rs 31.63 crore in FY2024. Tax expense was Rs 14.79 crore in FY2025 as against tax expense of Rs 10.69 crore in FY2024.

At the higher price band of Rs 122, the offer is made at a P/E of 25.58 times FY2025 EPS (of Rs 4.8)

As of September 30, 2025, total consolidated borrowings of the company stood at Rs 85.9 crore. The company proposes to pay off the whole of the borrowings from the net proceeds from fresh issue. Repayment of the borrowings will reduce the interest cost to near zero. The annualised EPS for H1FY26 works out to Rs 7.7 if its interest cost is removed, keeping all other items, including tax rate, same. The re-worked P/E at the upper price band moderates to 15.85 times of its annualised H1FY2026 EPS.

Listed players include Electrotherm(India) and Mukand. In comparison Electrotherm (India) trades at 17.2times P/ TTM EPS, and Mukand trades at 30.2 times P/ TTM EPS.

Rajputana Stainless: Issue Highlights	
Fresh issue (in Rs crore)	169.94-178.73
Offer for sale (in Rs crore)	72.5-76.25
Offer for sale (in number of shares)	
- in Upper price band	6250000
- in Lower price band	6250000
Price Band (Rs)	116-122
For Fresh Issue Offer size (in no of shares)	
- in Upper price band	14650000
- in Lower price band	14650000
Post issue capital (Rs crore)	
- in Upper price band	83.57
- in Lower price band	83.57
Post issue Promoter and Promoter Group shareholding	
-On higher price band (%)	57.03%
-On lower price band (%)	57.03%
Bid Size (in No. of shares)	110
Issue open date	09/03/2026
Issue close date	11/03/2026
Listing	BSE, NSE
Rating	38/100

Rajputana Stainless : Standalone Financials				
	2303 (12)	2403 (12)	2503 (12)	2509 (6)
Sales	947.67	909.81	932.16	501.53
OPM (%)	4.63	6.53	7.92	9.16
OP	43.85	59.41	73.79	45.92
Other inc.	3.02	5.69	5.33	1.24
PBIDT	46.86	65.10	79.12	47.16
Interest	11.37	14.47	15.72	10.25
PBDT	35.49	50.64	63.40	36.91
Dep.	6.91	8.32	8.76	4.60
PBT	28.58	42.32	54.64	32.32
Total Tax	4.53	10.69	14.79	7.91
Net Profit	24.04	31.63	39.85	24.41
EPS (Rs)*	2.9	3.8	4.8	#
EPS is on post issue equity capital of Rs 83.57 crore of face value of Rs 10 each				
Figures in Rs crore				
Source: Rajputana Stainless Issue Prospectus				

