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CM RATING 37 / 100

VMS TMT

TMT bars manufacturer

Total installed capacity is 200000 TPA

Incorporated in 2013, VMT TMT 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. The company is manufacturing TMT bars from scrap and billets at its manufacturing facility. TMT bars are manufactured through thirty - ton induction furnace from scrap in its continuous casting machine (CCM) and rolling mill and from billets through its reheating furnace and rolling mill.

The total annual installed capacity of TMT bars is 200,000 tonnes per annum (tpa). Production of TMT bars in the three months period ended June 30, 2025, fiscal 2025, fiscal 2024 and fiscal 2023 was 35,741 tonnes, 1,26,065 tonnes, 1,60,321 tonnes, and 1,61,807 tonnes, respectively.

Revenue 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, respectively. Revenue from operations also includes sale of scrap, binding wires and billets which constituted approximately 3.54%, 7.35%, 5.94%, 3.15% of the total revenue from operations in the three months period ended June 30, 2025, and fiscal 2025, fiscal 2024 and fiscal 2023, respectively.

The business is predominantly conducted in Gujarat (except Saurashtra and Kutch district of Gujarat) from where it 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.

There is a retail license agreement dated November 7, 2022, with Kamdhenuto market TMT bars under the Kamdhenu brand on mutually agreed terms within Gujarat (except the Saurashtra and Kutch district of Gujarat) on a non-exclusive basis. It sells scrap and binding wires in Gujarat and other states. The focus of sales of TMT bars is Tier II and Tier III cities.

VMS TMT and Aditya Ultra Steel, one of its group companies manufacturing TMT bars under the Kamdhenu group brand in Gujarat, entered an MoU, dated 16 May 2024. Pursuant to the MoU, Aditya Ultra Steel will focus its business operations on the Saurashtra and Kutch districts of Gujarat and will not to sell, deal, distribute, or supply TMT bars and allied products outside these areas. Similarly, VMS TMT agreed to concentrate its business operations in districts other than Saurashtra and Kutch in Gujarat for selling, dealing, distributing, and supplying TMT bars and allied products beyond Saurashtra and Kutch, Gujarat.

TMT bars are sold through a non-exclusive distribution network, comprising three distributors and 227 dealers as of 31 July 2025.

TMT has a diverse customer base of retail and institutional customers, primarily based in Gujarat (except the Saurashtra and Kutch districts of Gujarat). In the three months period ended June 30, 2024, and fiscal 2025, retail sales constituted 86.93% and 78.66%, respectively and institutional sales constituted 12.60% and 20.33%, respectively, of the total revenue from operations.

Raw materials including scrap and billets are sourced domestically and internationally, from countries such as Hongkong, UAE, Kuwait, Australia and Singapore and will continue to be procured from these sources, either

independently or in association with third parties, for the manufacturing process. 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 its material purchases were from suppliers in Gujarat.

The promoters are Varun Manojkumar Jain, Rishabh Sunil Singhi, Manojkumar Jain and Sangeeta Jain.

The Offer and the Objects

The offer comprises a fresh issue of up to 1,50,00,000 equity shares, aggregating Rs 149 crore at the upper price band and Rs 141 crore at the lower price band of Rs 94.

The net proceeds from the issue will go towards repayment/ prepayment, in full or part, of all or a portion of certain borrowings availed, amounting Rs 115 crore, and the balance towards general corporate purposes. As of June 30, 2025, total outstanding borrowings (fund-based) amounted to Rs 261.71 crore.

Strengths

Products meet the standards set by the Bureau of Indian Standards (BIS). It also maintains a number of quality management system certificates in line with industry standards, including ISO 9001:2015 for quality management standards, ISO 45001:2018 for occupational health and safety management system standards and ISO 14001:2015 for environmental management system standards.

The process of setting up a 15 MW solar power plant for captive power consumption is to reduce current and future electricity expenses and carbon footprint. VMS TMT and Prozeal entered an MoU to take on lease certain parcel of land, measuring 32.91 acres, situated at Village Forna, Diyodar Taluka, District Banaskantha, Gujarat, to set up a solar project at the said land. As much as 22 MW of power required for uninterrupted operations is sourced from Uttar Gujarat Vij. With the installation of the electric furnace, TMT bars will be manufactured from scrap, eliminating the re-heating furnace majorly, to reduce its cost of production significantly and eliminate dependency on coal. However, TMT bars are currently manufactured from scrap and billets.

Domestic demand for TMT bars is anticipated to rise significantly, driven by the government's focused efforts on enhancing the nation's infrastructure. The construction industry's growth in India is on an upward trajectory, increasingly favouring TMT bars due to their superior qualities. TMT bar consumption in India is projected to record a CAGR of around 7%, reaching over 62 million tonnes by FY 2030.

TMT bars are known for their exceptional strength, durability, and ability to withstand seismic activities, making them indispensable in modern construction.

Backward integration of the CCM division commenced in September 2024 to enable manufacture of TMT bars from scrap, reducing dependency on billets from suppliers. Prior to backward integration, the main raw material for TMT bars was billets, sourced domestically from, inter alia, Gujarat, Chhattisgarh, Maharashtra, Madhya Pradesh, Orissa and Rajasthan. Presently, basic raw materials are scrap, manganese, non-coking coal dolomite, limestone and bentonite, sourced both domestically and from other countries such as Hongkong, the UAE, Kuwait, Australia, Singapore among other countries and will continue to be sourced from them.

Established relationships with suppliers and logistics providers in Gujarat is resulting in reduced transportation costs and improved delivery times. The network allows VMS TMT to efficiently serve its primary market and ensure product availability.

Gujarat is a significant hub for TMT steel production in India, with a robust network of rolling mills spread across various districts. The state's strategic location, availability of raw materials, and well-developed infrastructure make it an ideal region for steel manufacturing.

Weaknesses

The sales and distribution channels are heavily reliant on Kamdhenu's market presence and network. Any changes in Kamdhenu marketing strategies, distribution channels, or market coverage could affect its access to customers and sales opportunities.

Furthermore, there is a risk of brand dilution if Kamdhenu expands the product portfolio or partners with other manufacturers to reduce the exclusivity and differentiation of its TMT bars in the market. It is also exposed to legal and regulatory risks associated with the use of the brands of Kamdhenu, such as trademark infringement claims or change in intellectual property laws.

A retail licence agreement, dated November 7, 2022, was entered with Kamdhenu for the sale of TMT bars under the Kamdhenu brand. The agreement requires royalties for the use of the Kamdhenu' trademark within Gujarat (except Saurashtra and Kutch districts of Gujarat). Under the terms of the agreement, Rs 600 per tonne plus applicable taxes on regular sales and Rs 400 per tonne plus applicable taxes on project sales are payable, with a minimum monthly royalty payment of Rs 10,00,000 per month plus applicable taxes. The royalty rates are subject to review after a year from the date of the agreement, upon mutual consent. Any increase in royalty payments could adversely affect profitability, business operations and financial condition.

While the Kamdhenu NXT brand is widely recognized in Gujarat, its awareness and market penetration outside the state might be limited. This could hinder the ability to expand into new regions where competitors may already have a strong presence.

The major raw materials for the manufacturing processes are mild steel scrap, billets, sponge iron and coal. Volatility in commodity prices can significantly affect the raw material costs.

A significant portion of revenue is derived from the top ten customers, with its single largest customer contributing 30.19% of the revenue from operations in the three months period ended June 30, 2025. Loss of any of these customers or a reduction in purchases by any of them could adversely affect operations, cash flows, and financial condition.

Demand and pricing of TMT bars is volatile and sensitive to the cyclical nature of the industries being served, including raw material prices. Any decrease in TMT bar prices or sales could have a material adverse effect on its business, results of operations, prospects and financial condition.

The debt-to-equity ratio was a high of 3.78 times, 3.77 times, 4.25 times and 5.28 times in the three months period ended June 30, 2025, and fiscal 2025, fiscal 2024 and fiscal 2023, respectively, denoting significant outstanding debt and financial obligations.

Negative operating cash flows of Rs (22.42) crore, Rs (17.94) crore and Rs (11.35) crore recorded in the three months period ended June 30, 2025, fiscal 2025 and fiscal 2023, respectively.

With over 98% of revenue coming from Gujarat, VMS TMT is highly dependent on a single geographic market. The concentration is vulnerable to regional economic downturns or market saturation.

Competition from national and local players. Inability to compete effectively could have a material adverse impact on business, results of operations and financial condition.

Subject to strict quality requirements and regular quality inspections by Kamdhenu, the brand licensor. Failure to comply with quality standards may lead to cancellation of its retail license agreement with Kamdhenu.

Requires licenses and approvals for undertaking businesses. Failure to obtain or retain such licenses or approvals in a timely manner, or at all, could adversely affect operations and financial condition.

Valuation

Sales were down by 12% to Rs 770.19 crore in FY 2025. The OPM rose 120 bps to 5.9%, leading to 10% increase in OP to Rs 45.53 crore. Other income rose 477% to Rs 1.22 crore and interest cost increased 9% to Rs

19.85 crore while depreciation went up 73% to Rs 6.81 crore. PBT rose 4% to Rs 20.09 crore. Tax expenses were 20% lower at Rs 4.67 crore. Net profit increased 14% to Rs 8.58 crore.

FY2025 EPS on post-issue equity works out to Rs 3.1. At the upper price band of Rs 99, P/E works out to be 32

Total outstanding borrowings amounted to Rs 261.71 crore as of June 30, 2025. As much as 43.94% of the debt will be repaid from the issue proceeds, bringing down interest costs substantially and boosting profit. The EPS works out to Rs 4.9 if 43.94% of 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 20.

As of 15 September 2025, listed peers Kamdhenu traded at FY2025 P/E of 13, Vraj Iron and Steel trades at FY2025 PE of 11, BMW Industries at 14, and Electrotherm (India) at 4.

For FY2025, VMS TMT's Ebitda margin and ROE stood at 5.9% and 20.1% as compared with 10.1% and 18.8% for kamdhenu, 13.1% and 10.9% for Vraj Iron and Steel, 21.2% and 9.2% for BMW Industries and 11.6% and (-)377.9% for Electrotherm (India), respectively.

VMS TMT: Issue Highlights	
Fresh issue (in number of shares)	15000000
For Fresh Issue Offer size (in Rs crore)	
- in Upper price band	149
- in Lower price band	141
Offer for sale (in number of shares)	0
Offer for sale (in Rs crore)	
- in Upper price band	0
- in Lower price band	0
Price Band (Rs)	94-99
Pre issued capital (Rs crore)	34.63
Post issue capital (Rs crore)	49.63
Pre issue promoter shareholding (%)	96.28
Post issue Promoter shareholding	67.18
Bid Size (in No. of shares)	150
Issue open date	17-09-2025
Issue closed date	19-09-2025
Listing	BSE,NSE
Rating	37/100

VMS TMT: Consolidated Financials				
Particulars	2303 (12)	2403 (12)	2503 (12)	2506 (03)
Total Income	882.01	872.96	770.19	212.26
OPM	2.5	4.7	5.9	9.2
Operating Profits	21.91	41.20	45.53	19.48
Other Income	0.04	0.21	1.22	1.13
PBIDT	21.95	41.41	46.74	20.62
Interest	12.83	18.18	19.85	6.71
PBDT	9.12	23.23	26.90	13.91
Depreciation	3.58	3.93	6.81	2.43
PBT	5.55	19.30	20.09	11.48
Share of Profit/loss of JV	0.00	0.00	0.00	0.00
PBT Before EO	5.55	19.30	20.09	11.48
EO	0.00	0.00	0.00	0.00

PBT after EO	5.55	19.30	20.09	11.48
Provision for Tax	1.35	5.83	4.67	2.90
Profit after Tax	4.20	13.47	15.42	8.58
PPA	0.00	0.00	0.00	0.00
Net profit after PPA	4.20	13.47	15.42	8.58
MI	0.00	0.00	0.00	0.00
Net profit after MI	4.20	13.47	15.42	8.58
EPS (Rs)*	0.8	2.7	3.1	#
*EPS annualized on post issue equity capital of Rs 49.63 crore of face value of Rs 10 .each				
# Not annualised due to seasonality of business				
Figures in Rs crore				
Source: Capitaline Corporate Database				