

## Company Overview

VMS TMT Ltd. is engaged in the manufacturing of Thermo Mechanically Treated (TMT) Bars, a high-strength reinforcement steel widely used in the construction industry for its exceptional strength, ductility, and corrosion resistance. The company's operations are primarily conducted in the State of Gujarat (excluding the Saurashtra and Kutch districts), from where it generates more than 95% of its revenue from retail as well as institutional sales. Under a retail license agreement dated November 7, 2022, with Kamdhenu Limited, the company markets its TMT Bars under the Kamdhenu brand on mutually agreed terms within Gujarat on a non-exclusive basis. In addition, it sells scrap and binding wires both within Gujarat and to other states. The company focuses on Tier II and Tier III cities for the sales of its TMT Bar through a non-exclusive distribution network comprising 3 distributors and 227 dealers as of July 31, 2025. Gujarat is divided into three zones, namely central, north, and south, with one distributor in each zone to optimize market penetration, service delivery, and operational efficiency. VMS continuously seeks to expand its presence by appointing new distributors and dealers to strengthen its distribution network across diverse regions and customer segments. The company has an annual installed production capacity of 200,000 metric tonnes (MT) of TMT Bars, and production of TMT Bars in the three-month period ended June 30, 2025. Its products meet the standards set by the Bureau of Indian Standards (BIS), and the company holds several quality management certifications, 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. VMS believes that consistently maintaining high-quality standards is vital to its long-term growth.

## Objects of the issue

The net proceeds are proposed to be used in accordance with the following:

- ⇒ Repayment/ prepayment, in full or part, of all or a portion of certain borrowings availed by the company;
- ⇒ General corporate purposes.

## Investment Rationale

### Backward integration and strong logistics support enhance efficiency and margins

VMS TMT Ltd. manufactures TMT Bars through a thirty-ton induction furnace in a continuous casting machine (CCM) and rolling mill, and also from billets through its reheating furnace and rolling mill. In September 2024, the company completed the backward integration of its CCM division, enabling it to produce TMT Bars directly from scrap and thereby reducing its dependency on billet from suppliers. Before this integration, billets were the primary raw material for TMT Bar production, sourced largely from domestic markets across Gujarat, Chhattisgarh, Maharashtra, Madhya Pradesh, Odisha, and Rajasthan. At present, the company's key raw materials include scrap, manganese, non-coking coal, dolomite, limestone, and bentonite. With the commencement of the CCM division, scrap has become its primary raw material, which it plans to source primarily from overseas and also directly from the domestic market. Procuring raw materials locally helps lower transportation costs and delivery time, and keeps inventory levels under control. This backward integration strategy delivers multiple operational benefits, including cost savings, higher process efficiency, and enhanced quality control. By reducing its dependence on external billet procurement, the company mitigates risks related to price volatility, supply chain disruptions, and inconsistent raw material quality. VMS TMT's business is significantly dependent on efficient supply chain management. The company has established strong supplier relationships in Gujarat and purchases most of its raw materials locally. For product delivery, it uses a fleet of over 50 trucks provided by a third-party transportation and logistics provider. The company believes its doorstep delivery to retail customers provides a significant competitive edge. These initiatives are aligned with VMS TMT's long-term vision of sustainable and efficient manufacturing, aimed at ensuring better margins, operational stability, and scalable growth opportunities.

### Integration of renewable energy into the energy mix a key for cost optimization and sustainability

With the installation of a thirty-ton electric induction furnace, VMS TMT's power requirement has risen significantly from 4 MW to 22 MW, making electricity one of the most critical operational expenses in its TMT Bar manufacturing. Currently, the company meets its power requirements through the state power grid, supplied by Uttar Gujarat Vij Company Limited. However, the rising cost of electricity has necessitated a strategic shift toward renewable energy to manage costs better and ensure long-term sustainability. Apart from scrap, the company's major cost of production involves power

## Issue Details

Offer Period	17 <sup>th</sup> Sept. 2025 - 19 <sup>th</sup> Sept. 2025
Price Band	Rs. 94 to Rs. 99
Bid Lot	150
Listing	BSE & NSE
Issue Size (no. of shares in mn)	15
Issue Size (Rs. in bn)	1.5
Face Value (Rs.)	10

## Issue Structure

QIB	30%
NIB	20%
Retail	50%

BRLM	Arihant Capital Markets Ltd.
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Registrar	Kfin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	96.3	67.2
Public	3.7	32.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

(Assuming issue subscribed at higher band)

expenses. To reduce this burden, VMS TMT has initiated the setup of a 15 MW solar power plant in Gujarat for its captive consumption. For this purpose, it entered into an MoU dated August 22, 2024. An addendum to the MOU dated September 10, 2025, with Prozeal Green Energy Limited (Prozeal) pursuant to which Prozeal has arranged and the company has taken on lease a specific parcel of land from third parties for the development of a solar project. This initiative is a key part of the company's broader energy optimisation strategy, which aims to lower operational costs while reducing dependence on conventional power sources. The company plans to expand its solar capacity in a phased manner to meet its full power requirements. By gradually increasing the share of solar power in its overall consumption, the company aims to improve cost efficiency and strengthen its long-term competitiveness.

## Valuation

VMS TMT Ltd. manufactures TMT Bars in the steel industry and markets them under the "Kamdhenu" brand. India's domestic consumption of TMT Bars has been rising steadily, driven by strong momentum in the construction and infrastructure sectors. Consumption has expanded from about 41.6 million tons in FY21 to an estimated 62.5 million tons in FY25, registering a healthy CAGR of around 10.7% during this period. This sharp rise highlights the critical role of TMT Bars in supporting demand generated by large-scale infrastructure investments, rapid urbanization, and sustained growth in both residential and commercial real estate projects. Domestic demand for TMT Bars is expected to continue rising, supported by the government's focused efforts to strengthen the nation's infrastructure. VMS TMT is well-positioned to take advantage of this demand growth. The company's backward integration of its CCM division has enhanced cost and process efficiency while improving quality control. In addition, its strong logistics network helps reduce supply chain disruptions. By lowering dependence on external sources, the company also minimizes risks associated with inconsistent quality and price volatility. These measures contribute to improved margins and scalable growth. Since power is one of its major production costs, the company has also initiated the setup of a solar power plant for captive consumption, which is expected to gradually improve cost efficiency. On the financial front, the company has demonstrated strong growth momentum, with both EBITDA and net profit delivering robust double-digit growth during the FY2023-25 period. EBITDA grew at a CAGR of 44.2%, while net profit registered a significant CAGR of 91.7% over the same period. **On the upper price band, the issue is valued at a P/E ratio of 22x based on FY25 earnings, which is higher compared to its peers. However, considering the company's strong financial position and favourable market conditions, we recommend a "SUBSCRIBE" rating for this issue.**

## Key Risks

- ⇒ The company is dependent on a retail licence agreement with Kamdhenu Ltd. for the sale of TMT bars, and the agreement is non-exclusive in nature. It has certain restrictions and obligations, such as minimum sales quotas, branding guidelines, packaging, and royalty payments. If this agreement with Kamdhenu Ltd. is terminated, the company may face difficulties in retaining its network of distributors and dealers, which could materially and adversely impact its business, results of operations and financial condition.
- ⇒ The company does not have long-term arrangements with any of its customers, distributors or dealers. Any termination of any of its current arrangements with the customers, distributors or dealers could materially and adversely affect the business, results of operations and financial condition.
- ⇒ The company's manufacturing facility and sales are concentrated in Gujarat, India, where it derived more than 95% of its revenues from operations. Any significant social, political, economic or seasonal disruption, natural calamities or civil disruptions in Gujarat could adversely affect its business, results of operations and financial condition.

# VMS TMT Limited

## Income Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
<b>Revenue</b>				
Revenue from Operations	8,820	8,730	7,702	2,123
<b>Total revenue</b>	<b>8,820</b>	<b>8,730</b>	<b>7,702</b>	<b>2,123</b>
<b>Expenses</b>				
Cost of Materials Consumed	8,470	7,502	5,278	1,667
Purchase of traded goods	131	220	1,242	378
Changes In Inventories	-648	-41	-204	-522
Employee Benefit Expenses	92	101	132	45
Other Expenses	556	536	799	359
<b>Total operating expenses</b>	<b>8,601</b>	<b>8,318</b>	<b>7,247</b>	<b>1,928</b>
<b>EBITDA</b>	<b>219</b>	<b>412</b>	<b>455</b>	<b>195</b>
Depreciation and Amortisation Expenses	36	39	68	24
<b>EBIT</b>	<b>183</b>	<b>373</b>	<b>387</b>	<b>171</b>
Finance Costs	128	182	198	67
Other Income	0	2	12	11
<b>PBT</b>	<b>55</b>	<b>193</b>	<b>201</b>	<b>115</b>
<b>Tax Expense</b>				
Current Tax	0	38	32	22
Deferred Tax	13	20	15	7
<b>Total tax</b>	<b>14</b>	<b>58</b>	<b>47</b>	<b>29</b>
<b>Net Profit</b>	<b>42</b>	<b>135</b>	<b>154</b>	<b>86</b>
<b>Diluted EPS</b>	<b>1.4</b>	<b>4.0</b>	<b>4.5</b>	<b>2.5</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
Cash Flow from operating activities	-113	373	-179	-224
Cash flow from investing activities	-270	-500	-552	-49
Cash flow from financing activities	405	186	659	268
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22</b>	<b>59</b>	<b>-72</b>	<b>-5</b>
Cash and cash equivalents at the beginning of the period	1	22	81	9
Cash and cash equivalents at the end of the period	22	81	9	3

Source: RHP, BP Equities Research

## Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25	Q1FY26
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	754	734	1,742	1,763
Right of Use Assets	4	3	3	3
Capital Work-In-Progress	36	517	1	2
Other Intangible Assets	0	0	0	0
Financial Assets				
(i) Other Financial Assets	11	51	56	56
Other Non-Current Assets	150	118	5	4
<b>Total Non Current Assets</b>	<b>955</b>	<b>1,423</b>	<b>1,807</b>	<b>1,829</b>
<b>Current Assets</b>				
Inventories	1,059	1,094	1,519	1,921
Financial assets				
(i) Trade Receivables	90	157	250	117
(ii) Cash and Cash Equivalents	22	81	9	3
(iii) Bank balance other than Cash and Cash Equivalents	0	0	101	113
(iv) Other Financial Assets	0	5	11	11
Current Tax Assets (Net)	8	0	0	0
Other Current Assets	139	83	423	499
<b>Total Current Assets</b>	<b>1,318</b>	<b>1,420</b>	<b>2,314</b>	<b>2,665</b>
Assets associated with assets classified as held for Sale	0	0	0	0
<b>Total Assets</b>	<b>2,273</b>	<b>2,842</b>	<b>4,121</b>	<b>4,493</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity Share Capital	126	133	346	346
Other Equity	182	332	386	471
<b>Total equity</b>	<b>308</b>	<b>465</b>	<b>732</b>	<b>818</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Financial Liabilities				
(i) Borrowings	934	1,045	1,249	1,254
(ia) Lease liabilities	4	3	3	3
Provisions	2	2	3	3
Deferred Tax Liabilities (Net)	33	53	68	74
<b>Total Non-Current Liabilities</b>	<b>973</b>	<b>1,104</b>	<b>1,323</b>	<b>1,335</b>
<b>Current Liabilities</b>				
Financial Liabilities				
(i) Borrowings	693	933	1,508	1,838
(ia) Lease Liabilities	0	0	0	0
(ii) Trade Payables	265	121	411	312
(iii) Other Financial Liabilities	3	91	8	9
Other Current Liabilities	17	83	35	28
Provisions	14	15	86	117
Current Tax Liabilities (Net)	0	29	18	38
<b>Total Current Liabilities</b>	<b>992</b>	<b>1,273</b>	<b>2,066</b>	<b>2,341</b>
<b>Total Liabilities</b>	<b>1,964</b>	<b>2,377</b>	<b>3,389</b>	<b>3,676</b>
Liabilities associated with assets classified as held for Sale	0	0	0	0
<b>Total Equity and Liabilities</b>	<b>2,273</b>	<b>2,842</b>	<b>4,121</b>	<b>4,493</b>

Source: RHP, BP Equities Research

## Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6138  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392