Vraj Metaliks Private Limited

July 15, 2025

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	15.00	CARE BBB-; Stable	Assigned
Short-term bank facilities	10.00	CARE A3	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Vraj Metaliks Private Limited (VMPL) derives strength in the form of financial flexibility by virtue of being part of Chhattisgarh-based Vraj and Agrawal Sponge group with experienced promoters in the iron and steel industry, robust capacity utilisation of sponge iron unit with almost 100% utilisation over the last 3 years ended FY25 (refers to the period April 1 to March 31), strategic location of the plant and comfortable capital structure and debt protection metrics albeit moderate net worth size.

The ratings are, however, constrained by its moderate scale of operations, absence of captive power plant, moderate group exposure, highly fragmented nature of industry, exposure to cyclicality inherent in steel industry, profitability susceptible to volatility in prices of raw materials & finished goods and geographical concentration and moderate customer concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in scale of operations and operating margins beyond 6% on a sustained basis.

Negative factors

- Declining scale of operations below Rs.150 crore with moderation in operating margin below 4% on a sustained basis.
- Any major debt funded capex leading to moderation in overall gearing ratio beyond 0.50x on a sustained basis.
- Any significant increase in funded exposure towards group companies.
- Any significant payout in the form of dividend or buyback impacting the capital structure.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the entity is likely to sustain its comfortable financial risk profile on account of low debt.

Detailed description of key rating drivers:

Key strengths

Financial flexibility by virtue of being part of Chhattisgarh-based Vraj and Agrawal Sponge group with experienced promoters

The company is a part of Chhattisgarh based Vraj group with its flagship entity, Vraj Iron and Steel Limited (VISL; rated CARE A-; Stable/ CARE A2+) owned by Jhanwar family and Agrawal group with its flagship entity, Agrawal Sponge Private Limited (ASPL) and See Saw Iron & Steel Private Limited (SSISPL) owned by Agrawal family. Both the promoters have over two decades of experience in the iron and steel industry. The company is currently managed by Vijay Anand Jhanwar, who has more than 20 years of experience in the industry, and Kailash Agrawal, who has over 40 years of experience along with his son Ankur Agarwal. The company derives financial flexibility by virtue of being part of Vraj and Agrawal Sponge group. Both the groups have demonstrated support in the form of corporate guarantee provided for the facilities availed by VMPL.

Comfortable capital structure and debt protection metrics albeit moderate net worth size

The capital structure of the company stood comfortable, marked by overall gearing of 0.10x as on March 31, 2024 (0.02x as on March 31, 2020) on account of low debt with no term loan and low utilization of fund-based limits. However, the company has provided corporate guarantee to one of its associate companies against its working capital and term loan facility amounting to

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Rs.29.50 crore as on March 31, 2024. Taking cognizance of the same, adjusted overall gearing ratio stood at 0.81x as on March 31, 2024 (1.55x as on March 31, 2020).
With low debt in the books, TDGCA stood at 0.55x as on March 31, 2024 (0.28x as on March 31, 2020). However, the net worth position of the company stood moderate at Rs.62.80 crore as on March 31, 2024 with company undertaking buy back of its equity shares during FY23 and FY24. Going forward, in the absence of any major debt funded capex plans, the capital structure and debt coverage indicators are expected to remain comfortable.

Strategic location of the plant
The manufacturing facility is located in Raikot village, Bastar District, Chhattisgarh, which is well-connected by road and railway networks and is in close proximity to iron ore and coal producers. Additionally, sourcing raw materials from neighbouring states, if necessary, will not pose any issues. The facility also benefits from its proximity to Vishakhapatnam Port (around 300 km), ensuring efficient logistics and transportation.

Robust capacity utilisation of sponge iron unit
VMPL has maintained 100% capacity utilisation of its sponge iron unit in recent years (FY23-FY25). This consistent performance highlights the company's effective production management and full utilisation of its fixed costs which ultimately contributes to the operating margin.

Key weaknesses

Moderate scale of operation
TOI of the company grew at a CAGR of around 20% from FY20 to FY23, increasing from around Rs.110 crore in FY20 to around Rs.230 crore in FY23. However, in FY24, the same witnessed de-growth to Rs.204 crore due to decline in average realisation of finished goods (i.e. sponge iron), despite volumes remaining more or less similar. In FY25 also, the revenue is expected to be slightly lower due to decline in realisation and remain moderate, however, volumes are expected to remain at similar levels. The PBILDT margin of the company witnessed improvement over the years from 3.98% in FY20 to 7.17% in FY24. The improvement has been on account of improved scale of operations and decline in raw material prices. In FY25, the operating margin is expected to decline to around 5% due to decline in realisation of finished goods. With low capital costs and improvement in operating margin, PAT margin also witnessed improvement from 2.17% in FY20 to 5.36% in FY24. In FY25, the PAT margin is expected to moderate with decline in PBILDT margin, however, expected to remain above 3.5%.

Absence of captive power plant
Iron & steel industry is a power intensive industry where stable supply of power is required favourably at minimum possible cost. Power cost minimisation is possible through utilization of captive fuel sources using waste heat gas recovery for power generation. However, VMPL does not have any captive power plant and sources power from Chhattisgarh State Electricity Board.

Geographical concentration and moderate customer concentration risk
The operations of the company are constrained in terms of its geographical reach as majority of its customers are located within the state of Chhattisgarh thereby restricting its market reach outside the state and risking sustainability of cash flows in times of adverse market conditions. However, the state of Chhattisgarh has large installed capacities of billet which reduces offtake risk to large extent and provides revenue certainty. In addition to Chhattisgarh, the company also sells its product in the states of Madhya Pradesh and Maharashtra.
VMPL has a diversified client portfolio with top 10 customers constituting around 74% (around 82% in FY23) of the total sales in FY24.

Moderate group exposure
The company had an exposure of Rs.41.08 crore (Rs.17.91 crore in the form of equity shares and Rs.23.17 crore in the form of inter-corporate deposits) as on March 31, 2023. In FY24, the company sold its investments at a profit of Rs.0.12 crore and also brought back the ICDs. In FY24, the company extended ICD amounting to Rs.18 crore to one of its group companies, MVK Industries Pvt Ltd (MVK) and accordingly, the funded exposure of the company to group company as a % of net worth stood at 29% as on March 31, 2024. Apart from this, the company has also extended corporate guarantee amounting to Rs.29.50 crore to MVK, against which MVK has sanctioned working capital limits of Rs.15 crore and outstanding term loan of Rs.1 crore as on March 31, 2025.

Exposure to cyclicality inherent in steel industry
Steel is a cyclical industry, strongly correlated to economic cycles since its key users i.e., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Fall in demand in any of these sectors directly impacts the demand of steel products. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

Highly fragmented nature of industry
The iron and steel industry is characterized by significant fragmentation and intense competition, with numerous organized and unorganized players. This competitive environment, combined with the commoditized nature of steel products, restricts the company's ability to set prices and reduces its bargaining power.

Profitability susceptible to volatility in prices of raw materials & finished goods
The prices of major raw materials, (iron ore and coal) as well as finished goods (sponge iron) have witnessed high volatility in the past. Since raw material is the major cost driver constituting around 84% of total cost of sales of VMPL in FY24 (around 87% of the total cost of sales in FY23), the profitability margin of VMPL is susceptible to input price fluctuation. Iron ore is sourced from domestic supplier NMDC (National Mineral Development Corporation) and the company maintains long-term supply agreements with NMDC, which are periodically renewed. The most recent renewal occurred on October 7, 2024, and is valid until March 31, 2027.

Liquidity: Adequate
The liquidity position of the company is adequate marked by low average utilisation of its fund-based working capital limits of around 6% during the last 12-months period ended February 2025 along with nil term debt. The company earned GCA of Rs.11.91 crore against nil debt repayment obligation in FY24. In 9MFY25 also, the company earned GCA of Rs.6.20 crore vis-à-vis nil debt repayment obligation. Going forward also, the company has no capex or major debt availment plans, which is expected to support liquidity. In FY23 and FY24, the company bought back its equity of Rs.28.70 crore (including premium of around Rs.7.95 crore), however, the management has articulated that there are no such plans for buy back in near future.

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Iron & Steel

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Sponge Iron

VMPL was incorporated in 2015. The manufacturing unit, which is situated in Bastar, Chhattisgarh with manufacturing of Sponge iron having a capacity of 60,000 MTPA, was taken over from Nav Bharat Fuels Company Limited in 2018 by Chhattisgarh-based Jhanwar and Agrawal families.
The company is currently managed by Vijay Anand Jhanwar, who has more than 20 years of experience in the industry, and Kailash Agrawal, who has over 40 years of experience along with his son Ankur Agarwal.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	229.69	203.77	152.84
PBILDT	14.50	14.61	8.23
PAT	10.82	10.91	5.42
Overall gearing (times)	0.12	0.10	NA
Interest coverage (times)	19.49	18.95	39.19

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Infomerics Ratings have moved the ratings of VMPL to issuer not cooperating category due to non-submission of data vide press release dated May 26, 2025.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A3				
2	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Arindam Saha Director **CARE Ratings Limited** Phone: +91-33-4018 1631 E-mail: arindam.saha@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Kamal Mahipal Assistant Director **CARE Ratings Limited** Phone: +91-33-4018 1628 E-mail: kamal.mahipal@careedge.in Rajat Tiwari Analyst **CARE Ratings Limited** E-mail: rajat.tiwari@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

**For detailed Rating Report and subscription information,
please visit www.careratings.com**