

VRAJ Iron And Steel Limited

February 26, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	38.00	CARE A-; Stable	Assigned
Long-term bank facilities	40.00	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	50.00 (Enhanced from 30.00)	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings for bank facilities of VRAJ Iron And Steel Limited (VISL) continues to be supported by experience of promoters with a long track record of operations, semi-integrated nature of operations, and strategic location of plants. Ratings also consider completion of sponge iron and waste heat recovery boiler (WHRB) plant with MS billet plant being in the final stage of completion and commercial operations date (COD) expected by March 2026, satisfactory capacity utilisation, and satisfactory financial performance marked by a steady scale of operations despite moderation in margins in 9MFY26 amid muted realisation.

Company's sales volumes are expected to remain healthy in the near-to-medium-term considering steady demand from end-user industries. Sales realisation remained muted in FY25 and 9MFY26, which is likely to constrain operating margins to some extent.

However, geographical concentration risk, susceptibility to input price volatility, cyclical nature associated with the steel industry and moderate group exposure through equity and corporate guarantee (CG) extended to another group entity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above ₹750 crore and operating margins beyond 13% on a sustained basis.
- Sustenance of the capital structure below 0.20x and total debt to gross cash accruals (TD/GCA) below 1.0x on a sustained basis.
- Maintenance of an operating cycle of less than 30 days on a sustained basis.

Negative factors

- Decline in scale of operations below ₹350 crore and deterioration in the operating margins below 7.5% on a sustained basis.
- Major debt-funded capex leading to a deterioration in the capital structure, with the overall gearing above 0.50x and TD/GCA above 2x.

Analytical approach: Standalone after factoring linkages with group entities in form of sales/purchases, equity investments and corporate guarantees.

Outlook: Stable

The 'stable' outlook assigned to the long-term rating is based on promoters' ability to maintain its financial risk profile, marked by expected increase in scale of operations post completion of capex, while maintaining its capital structure and debt protection indicators at around current levels.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

Promoters have over 20 years of experience in the steel industry, leading to better understanding of local market dynamics and healthy relationships with customers and suppliers. Currently, day-to-day operations are being managed by Vijay Anand Jawar, Prashant Kumar Mohta, and Praveen Somani, supported by a team of experienced professionals.

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

Semi-integrated nature of operations and captive power plant

Manufacturing operations are semi-integrated, with sponge iron plants, ingots, billets, and rolled products derived from sponge iron and billets. There is a gradual shift in the product sales mix towards downstream products through higher production and sales of billets and TMT bars. Sponge iron is captively consumed for manufacturing billets, and the balance is sold externally. VISL also has a 20-MW captive power source (waste heat recovery), which has been increased from 5 MW to meet most power requirements for its manufacturing operations and reduce dependence on external power sources, leading to a better cost structure, positively impacting the company's profitability margins.

Strategic plant location

Freight cost constitutes a significant portion in manufacturing steel products, as a large amount of bulky raw materials are required to be sourced to the manufacturing site. Manufacturing facilities are near sources of the main raw materials (iron-ore and coal) required for manufacturing its products, leading to relatively lower landed cost and raw material security. The plants are also well-connected through road (state highway and national highway) and rail transport (Raipur railway station), which facilitates easy transportation of raw materials and finished goods.

Completion of sponge iron and WHRB plant with MS billet plant being in final stage of completion and COD expected by March 2026

Earlier the company was in the process of setting up 153,000 TPA of MS Billets and 115,500 TPA additional capacity of sponge iron and 15 MW WHRB-based captive power plant (CPP) at Bilaspur at an estimated cost of ~₹165 crore. The project cost was decided to be financed at a debt to equity ratio of 1.06:1.

Subsequently, in Q1FY25, the company came up with IPO of ₹171 crore, which was fully subscribed. Of the proceeds, the company per prospectus was supposed to utilise the proceeds for repayment of debt of ₹70 crore already availed for the project and ₹59.5 crore towards part funding of the project cost. The balance was allocated for issue expenses and general corporate purpose. The company has repaid the loan and utilised ₹59.25 crore of issue proceeds for capex up to September 30, 2025.

The company achieved COD of additional capacity increment of sponge iron plant in December 2024 and 15-MW WHRB-based CPP in March 2025 and additional capacity for MS Billet plant's COD was delayed due to early onset on monsoon in the region and delayed supply from suppliers. However, the management expects to achieve COD by March 2026; the company has already applied for Consent to Operate (CTO). Till date, the company has incurred ₹190 crore, and the cost overrun has been funded from internal accrual of the company.

Apart from this, the company has set up 15-MWp solar power plant at a cost of ₹49 crore in current financial year (FY) financed through debt of ₹38 crore and ₹11 crore through internal accrual of the company. The plant achieved COD on December 18, 2025.

Satisfactory capacity utilisation

The company successfully commissioned an additional 115,500 MTPA sponge iron capacity in December 2024, enhancing its overall manufacturing scale and product integration. Capacity utilisation (CU) for sponge iron operations remained robust at above 90% in FY25, reflecting strong demand conditions and efficient operational performance.

CU of MS billets improved to 84% in FY25, compared to 77% in FY24, supported by higher downstream consumption and improved operational efficiencies. Utilisation of TMT bar capacity increased significantly to 67% in FY25 from 48% in FY24, driven by improved demand.

In H1FY26, CU across all product segments witnessed further improvement. The utilisation levels are expected to remain healthy in H2FY26, supported by expected commissioning of additional capacity in MS billet (153,000 MTPA) plant by January 2026-end.

Satisfactory financial performance in FY25 and 9MFY26 despite moderation in margin

In FY25, the company reported a total operating income (TOI) of ₹475.03 crore, reflecting a growth of ~13% over FY24 (₹419.86 crore). Improvement in TOI was primarily driven by higher sales volumes of sponge iron and TMT bars. However, despite increase in volumes, profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin moderated to 13.20% in FY25 from 18.33% in FY24, largely due to a decline of ~10% in average selling prices across all product categories. Consequently, profit after taxation (PAT) margin also declined to 8.81% in FY25 from 12.89% in FY24.

In H1FY26 and 9MFY26, the company achieved a TOI of ₹271.29 crore and ₹417.72 crore. Notably, the company commissioned its WHRB plant in March 2025, adding an additional capacity of 15 MW. Since the expanded billet plant capacity is yet to be

commissioned (expected COD by March 2026), the company sold surplus power to the grid, generating an income of ₹5.50 crore in H1FY26.

In H1FY26 and 9MFY26, the company's profit before depreciation, interest, and taxes (PBDIT) margin stood at 11.31% and 9.11%. Moderation in operating profitability in Q3FY26 was primarily attributable to a decline in realisations across key products.

The company's revenue and operating margins are expected to improve amid commissioning of solar power plant in December 2025 and expected commissioning of operations of the billet plant by March 2026.

Comfortable capital structure and debt protection metrics in FY25

The company's capital structure remained comfortable in FY25, with overall gearing improved to 0.01x as on March 31, 2025 from 0.34x as on March 31, 2024, primarily due to repayment of term loan from issue proceeds and lower utilisation of working capital limits as on March 31, 2025.

Debt protection metrics also remained strong, with TD/GCA at 0.04x (PY: 1.06x) and interest coverage at 30.72x (PY: 26.57x), reflecting robust cash flow generation and minimal debt burden.

On December 18, 2025, the company commissioned a 15-MWp solar plant after obtaining approvals from Chhattisgarh State Renewable Energy Development Agency (CREDA) and Chhattisgarh State Power Transmission Company Limited (CSPTCL), incurring a total cost of ₹49 crore funded through ₹38 crore term debt from HDFC Bank and ₹11 crore from internal accruals. Despite the additional debt for the solar project, overall gearing is expected to remain comfortable in the near term, supported by low repayment obligations and strong internal accruals.

Key weaknesses

Geographical concentration risk and moderate customer concentration risk

VISL's operations are constrained in terms of its geographical reach, as majority its customers are within Chhattisgarh, restricting its market reach outside the state and risking its sustainability of cash flows in times of adverse market conditions. However, Chhattisgarh has a large installed capacity of billets, which reduces off-take risk of sponge iron and largely provides revenue certainty.

Top five customers form ~32% of the total revenue for FY25 (37% of the total revenue for FY24), which exposes the company to moderate customer concentration risk. The group deals with B2B customers, which reduces demand volatility and off-take risk to a large extent.

Profitability susceptible to input price volatility

The major raw materials (iron ore and coal) form the largest component of total cost of sales of steel products. Basic raw materials such as iron ore, coal, pig iron, dolomite, and manganese ore, which are used to produce sponge iron, and billets are directly sourced from the domestic market (less than 10% of the total coal purchase is imported), prices of which are volatile. However, the company has coal linkage with Southeastern Coalfields Limited (SECL) for ~40-45% of their coal requirements, which is renewable on expiry, mitigating pricing and supply risk of coal to a certain extent.

Cyclicality associated with the steel industry

The steel is a cyclical industry strongly correlated to economic cycles, since its key users, construction, infrastructure, automobiles, and capital goods heavily depend on the economy. Apart from local factors, the global demand-supply situation, especially in China is a major factor, impacting steel prices and volumes. Producers of steel products are essentially price-takers in the market, which directly expose their cash flows and profitability to steel price volatility.

Moderate group exposure

The company's total group exposure stood at ₹57.99 crore in the form of equity investment of ₹22.99 crore (increased from ₹10.40 crore as on March 31, 2024) and corporate guarantee (CG) of ₹35.0 crore for working capital limit (increased from ₹25 crore as on March 31, 2024) crore extended to Vraj Metaliks Private Limited (VMPL; rated 'CARE BBB-; Stable / CARE A3'). Hence, total exposure to the group accounted for ~15% of tangible net worth (TNW) as on March 31, 2025. VMPL is an operational entity and is generating adequate GCA to meet its debt repayment obligations and does not require VISL's support.

Liquidity: Adequate

The company's liquidity profile remains adequate, supported by healthy GCA of ₹52 crore against debt repayment low debt repayment obligation. Working capital utilisation was low at 39% for 12 months ended October 2025, indicating efficient fund

management. In current FY, the company got sanction of term loan of ₹38 crore from HDFC Bank to fund its 15 MWp solar plant, commissioned on December 18, 2025, at a total project cost of ₹49 crore. VISL has free cash and liquid investments (including free fixed deposits) stood at ₹35.64 crore as on March 31, 2025, and ₹27.35 crore as on September 30, 2025, providing liquidity cushion. The company enhanced its non-fund-based limit to ₹50 crore from ₹30 crore, improving financial flexibility. Unutilised cash credit limit of ₹20.25 crore as on October 31, 2025, is expected to meet incremental working capital needs in the near term.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Factoring Linkages Parent Sub JV Group](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals and mining	Ferrous metals	Iron and steel

Incorporated in 2004, VISL is engaged in manufacturing sponge iron having current capacity of 235,500 MT, MS billets (57,600 MT), TMT bars (54,000 MT), and a WHRB CPP of 20 MW. In FY12, GSPPL bought a majority stake in VISL. In July 2024, VISL got listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) platform.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	419.86	475.03	417.72
PBILDT*	76.94	62.71	38.04
Profit after tax (PAT)	54.12	41.83	15.50
Overall gearing (x)	0.34	0.01	NA
Interest coverage (x)	26.57	30.72	NA

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

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	40.00	CARE A-; Stable
Fund-based - LT-Term Loan	-	-	-	January 2034	38.00	CARE A-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	50.00	CARE A-; Stable / CARE A2+

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	Fund-based - LT-Cash Credit	LT	40.00	CARE A-; Stable	1)CARE A-; Stable (09-Jan-26)	1)CARE A-; Stable (10-Jan-25)	1)CARE A-; Stable (05-Jan-24) 2)CARE A-; Stable (08-Nov-23)	1)CARE A-; Stable (08-Nov-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	50.00	CARE A-; Stable / CARE A2+	1)CARE A-; Stable / CARE A2+ (09-Jan-26)	1)CARE A-; Stable / CARE A2+ (10-Jan-25)	1)CARE A-; Stable / CARE A2+ (05-Jan-24) 2)CARE A-; Stable / CARE A2+ (08-Nov-23)	1)CARE A-; Stable / CARE A2+ (08-Nov-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (10-Jan-25)	1)CARE A-; Stable (05-Jan-24) 2)CARE A-; Stable (08-Nov-23)	1)CARE A-; Stable (08-Nov-22)
4	Fund-based - LT-Term Loan	LT	38.00	CARE A-; 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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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.

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