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VRAJ IRON AND STEEL LIMITED



(Please scan this QR code to view the RHP)

Our Company was originally incorporated as "Phil Ispat Private Limited" as a private limited company under the provisions of the Companies Act, 1956, pursuant to a certificate of incorporation dated June 16, 2004 issued by the Registrar of Companies, Madhya Pradesh and Chhattisgarh. Pursuant to special resolution passed by the shareholders of our Company at the extraordinary general meeting held on September 29, 2023, the name of our Company was changed to "Vraj Iron & Steel Private Limited" and a fresh certificate of incorporation pursuant to change of name dated October 30, 2023 was issued by Registrar of Companies, Chhattisgarh. Thereafter, our Company was converted to a public limited company, pursuant to a special resolution passed by the shareholders of our Company at the extraordinary general meeting held on October 31, 2023 and the name of our Company was changed to **"Vraj Iron & Steel Limited"** and a fresh certificate of incorporation consequent upon conversion to a public limited company dated November 10, 2023 was issued to our Company by the Registrar of Companies, Chhattisgarh. For details in relation to change in the address of the registered office of our Company, see *"History and Certain Corporate Matters"* on page 226 of the Red Herring Prospectus dated June 18, 2024 ("RHP").

Registered Office: First Floor, Plot No 63 & 66, Ph No 113, Mother Teresa Ward No. 43, Jalvihar Colony, Raipur, Chhattisgarh, India, 492001. Corporate Identity Number: U27101CT2004PLC016701
Tel: +91-771-4059002, Contact Person: Priya Namdeo, Company Secretary and Compliance Officer; E-mail: info@vrajimt.in; Website: www.vrajimt.in

OUR PROMOTERS: VIJAY ANAND JHANWAR, KUSUM LATA MAHESHWARI, GOPAL SPONGE AND POWER PRIVATE LIMITED, V.A. TRANSPORT PRIVATE LIMITED, KIRTI ISPAT PRIVATE LIMITED, BHINASWAR COMMERCIAL PRIVATE LIMITED AND UTKAL ISPAT PRIVATE LIMITED

INITIAL PUBLIC OFFERING OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF VRAJ IRON AND STEEL LIMITED ("OUR COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE) ("ISSUE PRICE") AGGREGATING UP TO ₹ 1,710.00 MILLION ("THE ISSUE"). THE ISSUE WILL CONSTITUTE [●]% OF OUR POST-ISSUE PAID-UP EQUITY SHARE CAPITAL.

The average cost of acquisition of Equity Shares by our Promoters is as follow:

Name of the Promoter	Number of Equity Shares held	Average cost of acquisition per Equity Share (in ₹) [^] A
Gopal Sponge and Power Private Limited	17,982,900	5.14
V. A. Transport Private Limited	5,555,500	3.60
Vijay Anand Jhanwar	991,645	4.54
Kusum Lata Maheshwari	191,675	6.00

^A Kirti Ispat Private Limited, Bhinaswar Commercial Private Limited and Utkal Ispat Private Limited do not hold any Equity Shares since the incorporation of the Company.

^A Cost of acquisition includes share transfer charges and stamp duty expenses.

^A As certified by M/s. Amitabh Agrawal & Co., Chartered Accountants, by way of their certificate dated June 18, 2024.

The Issue is being made in accordance with Regulation 6(1) of the SEBI (ICDR) Regulations, 2018.

QIB Portion: Not more than 50% of the Issue | Non-Institutional Portion: Not less than 15% of the Issue | Retail Portion: Not less than 35% of the Issue

Our Company is engaged in manufacturing of Sponge Iron, M.S. Billets, and TMT bars. We currently operate through two manufacturing plants which are located at Raipur and Bilaspur in Chhattisgarh.

PRICE BAND: ₹ 195 TO ₹ 207 PER EQUITY SHARE OF FACE VALUE OF ₹ 10/- EACH.

THE FLOOR PRICE IS 19.50 TIMES THE FACE VALUE AND THE CAP PRICE IS 20.70 TIMES THE FACE VALUE.

BIDS CAN BE MADE FOR A MINIMUM OF 72 EQUITY SHARES AND IN MULTIPLES OF 72 EQUITY SHARES THEREAFTER.

THE FACE VALUE OF THE EQUITY SHARES IS ₹ 10/- EACH. THE ISSUE PRICE IS [●] TIMES OF THE VALUE OF THE EQUITY SHARES.

In accordance with the recommendation of a Committee of Independent Directors (consisting of Ms. Sanjeeta Mohta (Chairman), Mr. Sumit Deb & Mr. Pramod Kumar Vaswani), pursuant to their resolution dated June 18, 2024, the above provided Price Band is justified based on quantitative factors / KPIs as disclosed in the "Basis of Issue Price" section vis-a-vis the WACA of primary issuance / secondary transactions as disclosed in the "Basis of Issue Price" section.

IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THE INFORMATION INCLUDED IN THE RHP AND THE TERMS OF THE ISSUE, INCLUDING THE RISKS INVOLVED AND NOT RELY ON ANY OTHER EXTERNAL SOURCES OF INFORMATION ABOUT THE ISSUE AVAILABLE IN ANY MANNER.

In relation to Price Band, potential investors should only refer to this price band advertisement for the Issue and should not rely on any media articles/ reports in relation to the valuation of our Company as these are not endorsed, published or confirmed either by our Company or by the BRLM.

RISKS TO INVESTORS

- 1) Geographical concentration risk: Both of our existing manufacturing facilities are concentrated in a single region i.e. Raipur and Bilaspur, Chhattisgarh. Further our Expansion Project is also being implemented at Bilaspur, Chhattisgarh and hence we face geographical concentration related risks.
- 2) Product concentration risk: 100% of our revenue is from sale of our steel products such as TMT Bars, MS Billets, Sponge Iron & others related items. Volatility in the demand and pricing in the iron and steel industry is common and is cyclical in nature. A decrease in steel prices may have a material adverse effect on our business, results of operations, prospects and financial condition.
- 3) We have had experienced negative cash flows from operating, investing and financing in the recent past, and we may have negative cash flows in the future. Our net cash flow for the period / years are set forth in the table below:

(₹ in million)

Particulars	December 31, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Net cash flow from operating activities (A)	(101.94)	628.73	87.44	222.08
Net cash flow from investing activities (B)	(142.64)	(403.68)	(13.59)	(60.01)
Net cash flow from financing activities (C)	243.71	(225.19)	(72.15)	(161.49)
Net increase/(decrease) in cash and cash Equivalents (A+B+C)	(0.87)	(0.14)	1.70	0.58

- 4) There have been past instances of procedural delays by the Company in filing of certain GST returns and making payments under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948 during Fiscals 2023, 2022, 2021 and for the nine-months period ended December 31, 2023 is approximately ₹ 237.45 million. Any future instances of such delays may result in levy of penalties on the Company from the respective government authorities and in turn may have a material adverse impact on our financial condition and cash flows.
- 5) There have been certain instances of delays by one of our Promoters viz. Bhinaswar Commercial Private Limited ("BCPL") in obtaining Credit Information Companies memberships, providing the details of the membership of the Credit Information Companies to RBI, as well as delay in submitting certificate of registration and filing returns, which could expose BCPL to certain penalties and restrictions.
- 6) Average cost of acquisition of equity shares for our Promoters is in the range of ₹3.60 to ₹6.00 per share and Issue Price at higher end of the price band is ₹ 207.00 per share.
- 7) A majority of our Directors of the Company do not have prior experience of being a director of a public listed company.
- 8) We do not have long-term agreements with our customers and we derive a significant portion of our revenues from our top 10 (ten) customers. The loss of, or a significant reduction in the revenues we receive from, one or more of these customers which would have a material adverse effect on our business, results of operations and financial condition. Our revenue (in %) from top 5/10 customers for the period / years are set forth in the table below:

Particulars	December 31, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
Income from top 5 customers	41.48%	39.42%	38.70%	38.13%
Income from top 10 customers	63.82%	58.56%	61.06%	58.27%

- 9) Our Directors and our Promoter, namely, Gopal Sponge and Power Private Limited have provided personal and corporate guarantees to certain loan facilities availed by us, which if revoked may require alternative arrangements guarantees, repayments of amounts due or termination of the facilities. Total sanctioned and outstanding amount of such loans are ₹1,648.50 million and ₹492.99 million.
- 10) Our lenders have charge over our movable and immovable properties in respect of finance availed by us. Our inability to meet our obligations under our debt financing arrangements could adversely affect our business, results of operations and cash flows.
- 11) Our Promoters Gopal Sponge and Power Private Limited, Kirti Ispat Private Limited and Utkal Ispat Private Limited and our Group Company Vraj Metaliks Private Limited are engaged in activities which is similar to our business. This may be a potential source of conflict of interest for us and which may have an adverse effect on our business, financial condition and results of operations.
- 12) Total capital expenditure for the Expansion Project is ₹1,645 million. We have already deployed ₹1,020 million till June 03, 2024 out of which ₹700 million and ₹320 million deployed from HDFC bank loan and internal accruals respectively. We have not yet placed orders / made payment in relation to ₹625 million to be incurred for the Expansion Project. Any delay in placing the orders or inability of the vendors to provide the plant and machineries or complete the civil and related works etc. in a timely manner, or at all, the same may result in time and cost over-runs.
- 13) Capital expenditure to the tune of ₹1,295 million required towards the "Expansion Project" at Bilaspur would be funded out of the Net Proceeds of the Issue. Hence, we have not made any alternate arrangements for the same. Any shortfall in raising / meeting the same could adversely affect our growth plans, operations and financial performance. Details of net proceeds are given below:

(₹ in million)

Particulars	Total Estimated Cost	Amount Deployment from Internal Accruals till June 03, 2024	Amount to be deploy from Internal Accruals in FY 2024-25 (From June 04, 2024)	Amount which will be financed from Net Proceeds
1) "Expansion Project" at Bilaspur Plant				
a) Repayment or prepayment of borrowings from HDFC Bank	700	Nil	Nil	700
b) Capital expenditure towards the "Expansion Project" at Bilaspur Plant	945	320	30	595
Total of "Expansion Project" at Bilaspur Plant	1,645	320	30	1,295

- 14) We may be unable to follow the new industry trends such as Steel scrap recycling policy, Decarbonising the Steel Industry, Green Steel and Carbon Capture Utilisation and Storage (CCUS) and Enhancing Sustainability and ESG Focus.
- 15) No shares (primary and secondary) have been acquired by our Promoter, member of Promoter Group and other shareholders with rights to nominate directors or any other right, in the last three years preceding the date of the Red Herring Prospectus except for issuance of equity shares on bonus issue. Since there are no such transactions, comparisons of Weighted Average Cost of Acquisition (WACA) with IPO Floor Price & Cap Price are not possible.
- 16) The BRLM associated with the Issue (Aryaman Financial Services Limited) has handled 13 public issues (2 Main Board & 11 SME Issue) in the past 3 financial year, out of which 4 issues (2 Main Board & 2 SME Issue) closed below the Issue Price on listing date.

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