

Rating: N/A

Issue Offer

Fresh Issue of 1,50,00,000 shares up to INR 1,485 Mn & No OFS issue by Promoters group taking the total issue size of 1,50,00,000 shares at INR 1,485 Mn.

Issue Summary

Price Band INR	94-99
Face Value INR	10
Implied Market Cap INR Mn.	4910
Market Lot	150
Issue Opens on	Sep 17, 2025
Issue Close on	Sep 19, 2025
No. of share pre-issue	3,46,31,210
No. of share post issue	4,96,31,210
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 30
Retail Portion	≥ 50
NII Portion	≥ 20

Registrar

Kfin Technologies Limited

Book Running Lead Managers

Arihant Capital Markets Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	96.28%	67.18%
Public & Others	3.72%	32.82%

Objects of the issue

	Exp. Amt (INR Mn.)
• Repayment/ prepayment, in full or part, of all or a portion of certain borrowings availed by the Company	1,150
• General Corporate Purposes	0

VMS TMT Limited is a Gujarat-based steel manufacturer producing TMT bars for construction. Based in Ahmedabad, they generate over 96% of revenue from local Gujarat customers. The company sells under the "Kamdhenu" brand through 3 distributors and 227 dealers across most of Gujarat. They manufacture TMT bars from both scrap metal and billets using induction furnaces and rolling mills.

Company completed backward integration, allowing direct manufacturing from scrap reducing dependency from suppliers and improve margins.

Investment Rationale:

Strategic Brand Licensing with a Recognized Market Leader: The company operates under a critical non-exclusive retail license agreement with Kamdhenu Ltd., a nationally recognized and trusted brand in the construction materials sector. This partnership allows VMS TMT to market its TMT bars under the "Kamdhenu" brand across the vast majority of Gujarat (excluding Saurashtra and Kutch). This provides an immediate and formidable market advantage by granting access to an established brand's goodwill, customer loyalty, and perceived quality, effectively bypassing the significant time and capital required to build a brand from scratch. This strategy allows the company to focus its resources on production and distribution while competing effectively with larger national players.

Completed Backward Integration Enhancing Operational Efficiency and Margins: A pivotal achievement for the company has been the successful backward integration of its manufacturing process, finalized in Q2FY25. The installation of a 30-ton electric induction furnace and a Continuous Casting Machine (CCM) enables VMS TMT to produce its own billets directly from scrap metal, which are then rolled into TMT bars. This strategic move fundamentally alters its cost structure by reducing reliance on third-party billet suppliers, thereby insulating itself from external price volatility and supply chain disruptions. The integration is a primary driver behind the impressive expansion in EBITDA margins, which grew from 2.48% in FY23 to 5.91% in FY25, as it allows for greater control over raw material quality and significant cost savings per ton of output.

Established Distribution Network and Strong Customer Relationships: The company has cultivated an extensive and reliable distribution channel within its target market. As of Jul-25, this network consists of 3 distributors overseeing 227 dealers, ensuring comprehensive coverage and efficient last-mile delivery across Gujarat. This extensive reach is complemented by strong, long-term relationships with its customer base. As of recent reporting periods, 4 out of its top 10 customers have been associated with the company for over three years. This high retention rate indicates customer satisfaction, product reliability, and provides a stable, predictable revenue stream, which is invaluable for planning and growth.

Robust Operational and Distribution Capabilities: Company has adopted a deliberate and capital-efficient strategy to expand its market share within its core market of Gujarat and utilizing its existing 200k ton capacity more effectively. It is leveraging its recent backward integration to reduce raw material costs and enhance supply chain control. Its strategic focus include setting up a captive solar power plant to reduce energy expenses and exploring product diversification to maximize the value of its established distribution network.

Outlook: VMS TMT Limited has established itself in India's growing TMT bar market, with a strong regional footprint in Gujarat accounting for over 96% of revenue. The company leverages a trusted brand through its licensing agreement with Kamdhenu Ltd., which provides market recognition and reach without the burden of building its own brand. By backward integration, the company has reduced its reliance on external suppliers. Supported by an extensive network of distributors and dealers, the company ensures widespread availability and customer retention. Future initiatives like a 15 MW solar plant aim to reduce energy costs and enhance sustainability. Building on strong regional growth and operational improvements, the company plans to leverage its core expertise while exploring diversification opportunities, further strengthening its presence in the steel industry.

Disclaimer: Arihant Capital is the Book Running Lead Manager for this issue. This note is for investor education purposes only and does not constitute a recommendation.

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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