



## IPO Note

# P S Raj Steels Limited

Recommendation: **APPLY!**

### Company Background -

- **Incorporation:** P S Raj Steels Limited was originally incorporated on Nov 09, 2004. The registered office is located at Haryana, India.
- **Business Activity:** The company is engaged in the business of manufacturing and supplying of stainless-steel pipes & tubes.
- **Revenue Stream:** The company derives majority of its revenue from sale of stainless steel pipes & tubes and stainless steel sheets & coils.
- **Human Resource:** The company has 114 permanent employees as on Jan 31, 2025.

### Objects of the Issue -

- Working Capital Requirements
- General Corporate Expenses

### Promoters Name -

Raj Kumar Gupta, Deepak Kumar, Gaurav Gupta, Vishal Gupta, Nikita Gupta, M/s Raj Kumar HUF, M/s Deepak Kumar HUF and M/s Gaurav Gupta HUF

### Rationale for recommendation -

- ✓ The PE ratio is 13.63 times post issue annualized basis makes it fairly priced.
- ✓ The company's top line has increased consistently over the years.
- ✓ The bottom line and profitability margins also look sustainable.
- ✓ The company had positive cash flow from operations for the last three years.
- ✓ The company has vast experience in the industry.
- ✓ The management of the company is decent.

### IPO Details

Opening Date	Feb 12, 2025
Closing Date	Feb 14, 2025
Allotment Date	Feb 17, 2025
Listing Date	Feb 19, 2025
Stock Exchange	NSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹132 to ₹140
Issue Size	28.28 Cr.
Fresh Issue	28.28 Cr.
Offer for Sale	-
Application Amt	₹ 1,40,000 (1,000 shares)

### INDUSTRY - Stainless Steel

Avg. P/E ratio as per RHP - 48.55

KPI's	KPIs (In Lakhs)			
	FY 22	FY 23	FY 24	Sep-24
Revenue	17,971.82	22,542.65	29,774.93	13,911.15
EBITDA	670.73	694.72	1,080.10	635.68
Net Profit	357.08	365.18	636.29	387.06
RoCE	23.52%	23.44%	31.82%	17.78%*
ROE	17.29%	15.03%	20.79%	11.63%*
P/E	21.64	21.15	12.14	13.63*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	73.20%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	11.53	10.27
BVPS	499.06	88.32
P/E	12.14	13.63
P/BV	0.28	1.59
Mkt Cap (In Cr)	77.26	105.54

\*Annualized

### Lead Managers -

**Khambatta Securities Limited**

### Registrar -

**Bigshare Services Private Limited**

**Business Overview -**

P S Raj Steels Limited is engaged in the business of manufacturing and supplying of stainless-steel pipes & tubes. They offer over 250 standard sizes and provide customized solutions tailored to customer preferences. The company delivered its finished goods under the brand name “PSSR”.

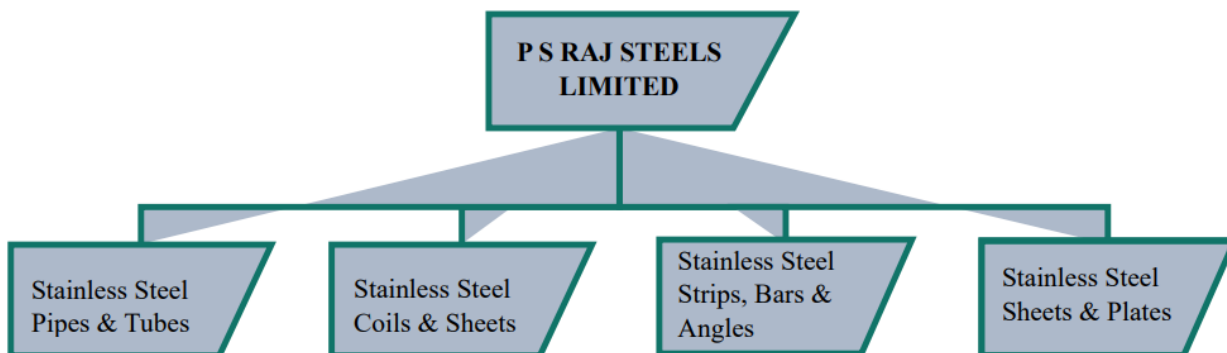
The products serve a wide range of sectors for fabrication and industrial applications. Key sectors include railways, furniture, households, gate railing, door frames, rice plants, sugar mills, food processing and heat exchanger etc.

**Manufacturing Units:** The company has one manufacturing facility having installation capacity of 13,460 metric ton per annum and it is spread in the area of three (03) acres in Hisar, Haryana. The capacity utilization remained at 71.14%, 81.54%, 87.75% and 43.52% for FY22, FY23, FY24 and Sep-24 respectively.



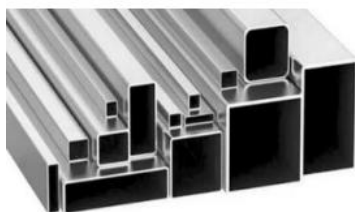
The company has entered into a co-branding agreement with Jindal Stainless Limited (JSL) on April 01, 2024, allowing the option to market Stainless steel pipes & tubes under the JSL brand. The company derives majority of their revenue under JSL brand constituting 72.78%, 63.66%, 45.87% and 50.62% for FY22, FY23, FY24 and Sep-24 respectively.

**Product Portfolio:**



The product offerings include:

- Outer Diameter (OD) Pipes (from ½ inch to 18 inches)
- Nominal Bore (NB) Pipes (from 3/8 inch to 18 inches)
- Section Pipes (square, rectangular and oval shapes)
- Slotted Pipes



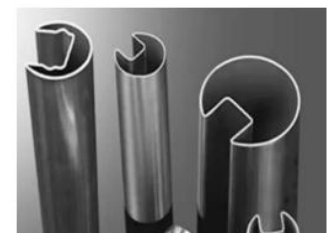
Stainless Steel Rectangular Pipes



Stainless Steel Oval Pipes



Stainless Steel Coils & Strips



Stainless Steel Slotted Pipes



Stainless Steel Sheets & Plates



Stainless Steel OD Pipes



Stainless Steel NB Pipes



Stainless Steel Square Pipes

**Revenue Bifurcation –**

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Stainless Steels Pipes & Tubes	16,985.05	94.51%	20,015.42	88.79%	20,571.01	69.09%	10,206.72	73.37%
Stainless Steel Sheets & Coils	536.85	2.99%	2,260.47	10.03%	8,866.13	29.78%	3,535.71	25.42%
Scrap & Waste	344.34	1.92%	228.15	1.01%	273.66	0.92%	136.16	0.98%
Job Work	54.21	0.30%	0.69	0.003%	0.96	0.003%	-	-
Freight & Loading charges	51.33	0.29%	34.70	0.15%	49.06	0.16%	26.90	0.19%
Other Services	-	-	3.21	0.01%	8.49	0.03%	5.67	0.04%
Consumable Stores	0.03	0.0002%	-	-	4.42	0.01%	-	-
Cutting Charges and other charges	-	-	-	-	1.20	0.004%	-	-
<b>Total</b>	<b>17,971.81</b>	<b>100.00%</b>	<b>22,542.64</b>	<b>100.00%</b>	<b>29,774.93</b>	<b>100.00%</b>	<b>13,911.16</b>	<b>100.00%</b>

**Competition -**

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality & price, technological advancements, cost efficiency, timely delivery and service reliability.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining Power of Buyers:** The bargaining power is high with the customers.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

**Business Strategies -**

1. The company plans to continue to diversify and expand their presence in new regions for the growth of the business.
2. The company intends to further develop technology systems in order to increase asset productivity, operating efficiencies and strengthening competitive position.
3. The company intends to make consistent efforts to strengthen own goodwill with the help of Jindal Stainless Limited and enhance brand visibility.

**Risk Factors -**

The company earns revenue from related parties' / group entities. They earned 11.27%, 19.66%, 23.62% and 21.63% in FY22, FY23, FY24 and Sep-24 respectively. But the trading is expected to decrease in FY25 as one of their group entity (Steelmint Industries Private Limited) has started procuring raw material from independent sources.

The company's business is largely concentrated in 4 states (Uttar Pradesh, Haryana, Delhi and Madhya Pradesh) contributing to 76.91%, 77%, 84.44% and 90.06% IN FY22, FY23, FY24 and Sep-24 respectively.

The company procures 95% (approx.) of raw materials from a single supplier (Jindal Stainless Limited).

The company has 2 cases against it for civil and criminal matters amounting to Rs. 472.73 lakhs and has filed 1 case for criminal matters amounting to Rs. 8.39 lakhs.

The group companies have 4 cases against it for tax and civil matters amounting 217.36 lakhs.

**INDUSTRY OVERVIEW -**

**Indian Steel Market –**

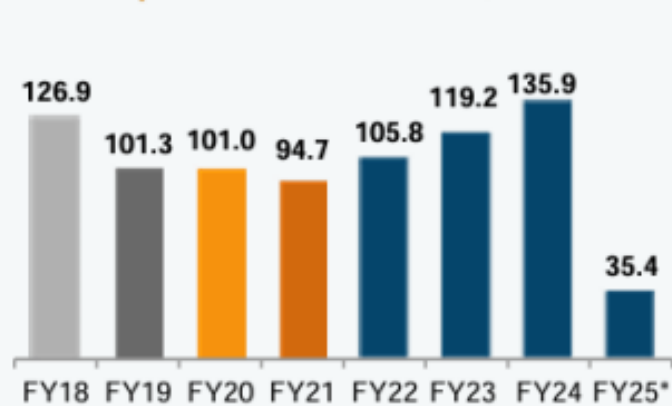
India's steel industry has grown dramatically. Since 2008, domestic steel demand has climbed by over 80% while production has increased by 75%. Steel production capacity has increased in tandem with the growth in demand, which has mostly been organic.

The production of finished steel was 120.01 MT and that of crude steel was 133.60 MT in FY22. Finished steel production was 121.29 MT while 125.32 MT of crude steel was produced in FY23. The production of finished and crude steel was 138.5 MT and 143.6 MT, respectively, in FY24.

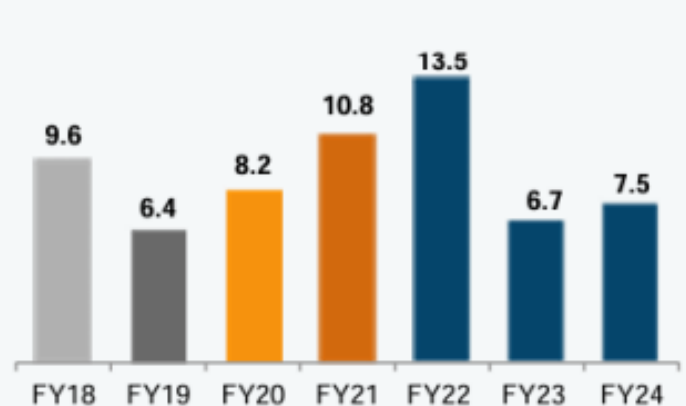
Finished steel import and export totalled 6.02 MT and 6.7 MT, respectively, in FY23. The quantity of finished steel imported and exported in FY24 was 8.32 MT and 7.49 MT, respectively.

By 2030–31, the annual production of steel is projected to surpass 300 MT. With a 10% yield loss or a 90% conversion ratio for the conversion of raw steel to finished steel, crude steel production is set to reach 255 MT at 85% capacity utilisation, resulting in 230 MT of finished steel production by 2030–31. By 2030–31, with net exports of 24 MT, India's steel production is anticipated to surpass consumption of 206 MT, pushing the percapita steel consumption up to 160 kg.

**Consumption of finished steel (million tonnes)**



**Finished Steel Export (million tonnes)**



(Source:RHP)

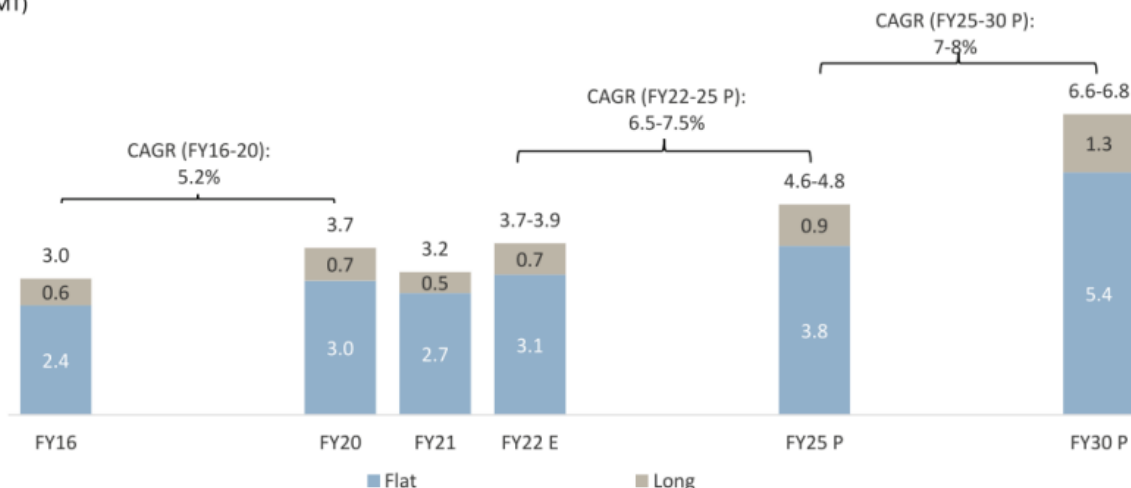
**Indian Stainless Steel Market:**

India is a significant player in the global stainless steel industry. It is the world's second-largest consumer. According to the Indian Stainless Steel Development Association (ISSDA), India's installed stainless steel capacity stood at around 7.5 million tonnes (MT) in March 2024.

The Indian stainless steel market was valued at US\$ 17.45 bn in 2024 and is expected to grow to US\$ 31.91 bn by 2034, representing a CAGR of 6.2%. India's stainless steel consumption surged 11% from 4.02 mn tonnes in FY23 to 4.46 mn tonnes in FY24. Goa, Punjab, Rajasthan and Karnataka are expected to experience CAGRs of over 7% through 2034.

**Stainless steel – flat and long (melt) demand up to fiscal 2030**

(MT)



(Source:RHP)

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Deepak Kumar</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 28+ years of experience
<b>Qualification</b>	Bachelor of Laws (LLB) and Master of Science degree in Applied Psychology
<b>Responsibility</b>	Responsible for overseeing the core business operations, ensuring that all strategic initiatives align with the Company's vision and goals.
<b>Other Directorships</b>	Steelmint Industries Private Limited

<b>Key Management Persons Name -</b>	<b>Gaurav Gupta</b>
<b>Age</b>	43
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 20+ years of experience in stainless-steel industry.
<b>Qualification</b>	Bachelor's degree in Computer Applications
<b>Responsibility</b>	Responsible for overseeing production, dispatch, and the procurement of raw materials.
<b>Other Directorships</b>	Steelmint Industries Private Limited

<b>Key Management Persons Name -</b>	<b>Nikita Gupta</b>
<b>Age</b>	38
<b>Designation and No. of years of experience</b>	Promoter and Non-Executive Director, 7+ years of experience in stainless-steel industry
<b>Qualification</b>	Bachelor of Science in Fashion Design
<b>Other Ventures</b>	Sheela Stainless Private Limited

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- Raj Kumar Dewan, Dinesh Vinayak and Alok Kumar Jain are Independent Directors of the Company. They also have vast experience and education in their respective fields.
- Vinod Kumar (CFO) holds a B.Com degree and has 17+ years of experience in accounting and financial management.
- Ms. Suman (CS) has 3 years of experience.

## FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	17,971.82	22,542.65	29,774.93	13,911.15
Other Income	17.57	1.63	1.46	0.44
<b>Total Income</b>	<b>17,989.39</b>	<b>22,544.28</b>	<b>29,776.39</b>	<b>13,911.59</b>
<b>Expenses</b>				
Cost of Material Consumed	16,123.95	19,386.54	18,479.65	9,403.39
Purchases of stock-in-trade	531.37	2,236.73	8,768.60	3,492.05
Change in Inventories of Stock In Trade	-139.33	-636.44	472.78	-395.95
Employee Benefit Expenses	137.60	104.97	136.19	81.49
Finance Cost	121.91	127.85	152.17	77.60
Depreciation and Amortization Expense	94.02	80.32	82.41	41.08
Other expenses	647.50	756.13	837.61	694.49
<b>Total Expenses</b>	<b>17,517.02</b>	<b>22,056.10</b>	<b>28,929.41</b>	<b>13,394.15</b>
<b>EBITDA</b>	<b>670.73</b>	<b>694.72</b>	<b>1,080.10</b>	<b>635.68</b>
<b>EBITDA Margin</b>	<b>3.73%</b>	<b>3.08%</b>	<b>3.63%</b>	<b>4.57%</b>
<b>Profit/(Loss) before tax</b>	<b>472.37</b>	<b>488.18</b>	<b>846.98</b>	<b>517.44</b>
<b>Tax Expense</b>				
Current tax	125.69	127.78	216.89	132.83
Deferred Tax	-10.40	-4.78	-6.20	-2.45
<b>Total Tax</b>	<b>115.29</b>	<b>123.00</b>	<b>210.69</b>	<b>130.38</b>
<b>Profit/(Loss) for the year</b>	<b>357.08</b>	<b>365.18</b>	<b>636.29</b>	<b>387.06</b>
<b>Net Profit Margin</b>	<b>1.99%</b>	<b>1.62%</b>	<b>2.14%</b>	<b>2.78%</b>

Statement of Assets and Liabilities				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	61.31	61.31	61.31	551.83
Reserves and surplus	2,003.64	2,368.70	2,998.63	2,890.95
<b>Total Equity</b>	<b>2,064.95</b>	<b>2,430.01</b>	<b>3,059.94</b>	<b>3,442.78</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	369.22	165.87	39.89	32.17
Long-Term Provisions	18.24	25.38	35.50	39.94
<b>Total Non-current liabilities</b>	<b>387.46</b>	<b>191.25</b>	<b>75.39</b>	<b>72.11</b>
<b>CURRENT LIABILITIES</b>				
Short-term Borrowings	1,339.63	1,636.07	1,740.55	1,692.89
Trade Payables	509.27	2,703.32	5.08	43.99
Other Current Liabilities	165.44	321.51	107.33	148.91
Short-term provisions	126.96	129.47	218.81	135.73
<b>Total Current liabilities</b>	<b>2,141.30</b>	<b>4,790.37</b>	<b>2,071.77</b>	<b>2,021.52</b>
<b>Total Liabilities</b>	<b>2,528.76</b>	<b>4,981.62</b>	<b>2,147.16</b>	<b>2,093.63</b>
<b>Total Equity and Liabilities</b>	<b>4,593.71</b>	<b>7,411.63</b>	<b>5,207.10</b>	<b>5,536.41</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	444.86	431.27	403.87	439.22
Deferred tax assets (net)	29.69	34.47	40.66	43.11
Other Non- current Assets	7.14	36.28	43.73	44.87
<b>Total Non-Current assets</b>	<b>481.69</b>	<b>502.02</b>	<b>488.26</b>	<b>527.20</b>
<b>CURRENT ASSETS</b>				
Current Investments	1.04	1.09	1.17	1.19

Particulars	FY 22	FY 23	FY 24	Sep-24
Inventories	1,980.20	4,429.92	2,153.19	2,297.34
Trade Receivables	1,420.89	1,398.90	1,507.08	1,748.17
Cash & Cash equivalents	4.13	3.33	5.07	7.84
Short term loans and advances	85.89	33.79	437.55	333.33
Other Current Assets	619.89	1,042.58	614.78	621.31
<b>Total Current assets</b>	<b>4,112.04</b>	<b>6,909.61</b>	<b>4,718.84</b>	<b>5,009.18</b>
<b>Total Assets</b>	<b>4,593.73</b>	<b>7,411.63</b>	<b>5,207.10</b>	<b>5,536.38</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	41.70	256.18	487.30	344.12
Net Cash Flow from Investing Activities	97.15	-94.29	-61.58	-77.20
Net Cash Flow from Financing Activities	-135.16	-162.67	-423.99	-264.16

**Key Ratios**

Per Share Data	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	6.47	6.62	11.53	10.27
BV per share	336.78	396.32	499.06	88.32

Operating Ratios	FY 22	FY 23	FY 24	FY 25*
EBITDA Margins	3.73%	3.08%	3.63%	4.57%
PAT Margins	1.99%	1.62%	2.14%	2.78%
Inventory days	40.33	71.92	26.47	42.23
Debtor days	28.94	22.71	18.53	23.29
Creditor days	11.60	42.22	0.07	13.63

Return Ratios	FY 22	FY 23	FY 24	FY 25*
RoCE	23.52%	23.44%	31.82%	17.78%
RoE	17.29%	15.03%	20.79%	11.63%

Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
EV/EBITDA	5.62	6.09	4.48	1.44
Market Cap / Sales	0.05	0.04	0.03	0.38
P/E	21.64	21.15	12.14	13.63
Price to Book Value	0.42	0.35	0.28	1.59

Solvency Ratios	FY 22	FY 23	FY 24	FY 25*
Debt / Equity	0.83	0.74	0.58	0.26
Current Ratio	1.92	1.44	2.28	2.28
Quick Ratio	1.00	0.52	1.24	1.24
Asset Turnover	3.91	3.04	5.72	5.34
Interest Coverage Ratio	4.73	4.81	6.56	7.66

**INTERPRETATION -**

- The top line has increased over the years. It increased by 25.43% in FY23 and 32.08% in FY24. In increase in both the years was due to increase in sales volume and value of manufacturing goods (domestic demand). The trading revenue also increased due to addition of new customers and sale made to related parties/ group entities i.e. Steelmint Industries Private Limited
- The net profit had also increased over the years. It increased by 2.27% in FY2023 and by 74.24% in FY24. The sudden increase in FY24 was due to decrease in cost of materials consumed.
- The EBITDA margin and PAT margin saw a slight dip in FY2023.
- The RoCE and RoE increased over the years.

**PEER ANALYSIS –**

Particulars	P S Raj Steels Limited			Remi Edelstahl Tubular Limited			Venus Pipes & Tubes Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.99%	1.62%	2.14%	0.60%	0.11%	1.17%	8.13%	7.97%	10.68%
EBITDA Margin	3.73%	3.08%	3.63%	7.32%	4.61%	6.26%	13.20%	12.89%	18.56%
RoCE	23.52%	23.44%	31.82%	6.28%	4.69%	6.88%	34.64%	19.93%	30.70%
ROE	17.29%	15.03%	20.79%	1.25%	0.29%	2.65%	24.62%	13.72%	21.17%
EPS (INR)	6.47	6.62	11.53	0.58	0.14	1.27	22.35	24.89	42.36
P/E	21.64	21.15	12.14	73.10	280.86	54.72	-	29.97	44.68

Particulars	P S Raj Steels Limited			Suraj Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.99%	1.62%	2.14%	0.9%	5.4%	6.4%
EBITDA Margin	3.73%	3.08%	3.63%	3.6%	10.9%	13.1%
RoCE	23.52%	23.44%	31.82%	5.6%	31.4%	27.8%
ROE	17.29%	15.03%	20.79%	3.3	19.4%	17.6%
EPS (INR)	6.47	6.62	11.53	1.56	10.69	11.72
P/E	21.64	21.15	12.14	40.64	7.34	18.61

- The market cap of the company is more compared to Remi Edelstahl Tubular Limited.
- The PE ratio of the company is better than its peers.
- The RoCE and RoE of the company is higher compared to Remi Edelstahl Tubular Limited and Suraj Limited.
- The cash conversion cycle of the company is better compared to its peers.



**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is **Khambatta Securities Limited**.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Khambatta Securities Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Jungle Camps India Limited	29.42	72.00	Dec 17, 2024	70.00
2.	Divine Power Energy Limited	22.76	40.00	Jul 02, 2024	126.40
3.	Vibhor Steel Tubes Limited	72.17	151.00	Feb 20, 2024	179.90
4.	EMS Limited	321.24	211.00	Sep 21, 2023	750.60
5.	Sahaj Fashions Limited	13.96	30.00	Sep 06, 2023	14.20
6.	De Neers Tools Limited	22.99	101.00	May 11, 2023	300.00
7.	Quicktouch Technologies Limited	9.33	61.00	May 02, 2023	70.55
8.	Quality Foils (India) Limited	4.52	60.00	Mar 24, 2023	91.10
9.	VELS Film International Limited	33.74	99.00	Mar 22, 2023	57.30
10.	Gayatri Rubbers and Chemicals Limited	4.58	30.00	Feb 07, 2022	437.50

The company has handled 9 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 8<sup>th</sup> Feb 2025.

As per the offer document, all the above-mentioned mandates have opened at a premium on the listing day.

## Recommendation -

P S Raj Steels Limited has been in the industry since 2004 and has vast experience in the industry.

The P/E on a post-IPO annualized basis is around 13.63 times which makes it fairly priced.

The company's management is decent.

The company's top line has increased consistently over the years. The bottom line saw a sudden increase in FY24 which should not be a major concern as it was due to decrease in cost of materials consumed. The profitability margins have increased over the years. The company has positive cash flow from operations for the last three years. Overall, the financials of the company looks sustainable.

But the company is significantly dependent on related parties' /group entities for their revenue generation and one of their key customer (Steelmint Industries Private Limited) started procuring raw materials from independent sources leading to decrease in revenue from trading.

Overall, the company has a range of over 250 standard sizes of pipes and caters to the needs of many industries. They have potential to grow if they diversify their product range further and increase their geographic presence. Additionally, they have entered into an agreement with Jindal Stainless Limited to sell their products under the JSL brand name. The steel and stainless steel industry holds promising prospects, supported by various government initiatives.

Thus, investors can **APPLY** this to IPO for long-term basis and check for further company updates.

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