

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

Venus Pipes & Tubes Limited

11th May, 2022



VENUS[®]
PIPES AND TUBES



Date: 11-May-2022

Details of the Issue

Price Band	₹ 310 - ₹326
Issue Size	₹ 165.4 Cr
Face Value	₹ 10
Bid Lot	46
Listing on	BSE, NSE
Post Issue Mcap.	Rs. 662 Cr
Investment Range	Rs.14,260 - 14,996

Important Indicative Dates (2022)

Opening	11-May
Closing	13-May
Basis of Allotment	19-May
Refund Initiation	20-May
Credit to Demat	23-May
Listing Date	24-May

Lead Managers

SMC capital

No of shares

Fresh Issue of Shares	50,74,100
Offer for Sales	0
Total No of Shares	50,74,100

Offer Details

Offer Size	Rs.165 Cr.
Fresh Issue	Rs. 165 Cr (100%)
OFS	Rs 0 Cr (0%)

Type	No of Shares (k)	Rs In Cr		% of Issue
		Lower	Upper	
QIB	2537	78.7	82.7	50%
NIB	761	23.5	24.8	15%
Retail	1775	55	58	35%
Total	5074	157.3	165.4	100%

Type	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	8469	55.6%	8469	41.7%
Promoter Group	1313	8.6%	1313	6.4%
Public	5439	35.7%	10513	51.8%
Total	15,222	100%	20,296	100%

Source: RHP data, GEPL Research

Company Profile

The Company was incorporated on February 17, 2015 as Venus Pipes & Tubes Private Limited as a private limited company. Venus Pipes is a pipes and tubes manufacturer with the sole focus on manufacturing of welded and seamless pipes in a single metal category, i.e. stainless steel.

Business Highlights & Products

The Company Manufactures Stainless Steel Tubular Products in 2 broad categories: (i) seamless tubes/pipes; and (ii) welded tubes/pipes.

company is currently manufacturing 5 product lines, namely,

- Stainless steel high precision & heat exchanger tubes;
- Stainless steel hydraulic & instrumentation tubes;
- Stainless steel seamless pipes;
- Stainless steel welded pipes;
- Stainless steel box pipes

Manufacturing Facilities

It has one manufacturing plant which is strategically located at Bhuj-Bhachau highway, Dhaneti (Kutch, Gujarat) in close proximity, around 55 kilometers and 75 from the ports of Kandla and Mundra, respectively, that helps company in reducing logistic costs on procurement of raw materials and imports and export of Products.

Company's Manufacturing Facility has separate seamless and welded divisions with latest product-specific equipment and machineries including tube mills, pilger mills, draw benches, swaging machines, pipe straightening machines, TIG/MIG welding systems, plasma welding systems, etc. As of February 28, 2022, their Manufacturing Facility has a total installed capacity of 10,800 MT per annum.

Key Raw Materials

Company's basic raw material includes SS coils and hollow pipes and they procure raw materials based on market availability, pricing and quality through three main channels: (i) domestic suppliers such as steel manufacturers, stockists and traders; (ii) international suppliers from China, Indonesia, Malaysia and Singapore; and (iii) high sea purchases.

Utilization of IPO Proceeds

Company's issue Size is Rs 165 Cr. Of which it has planned Financing the project cost towards capacity expansion, technological upgradation, cost optimization of the operations and support to the manufacturing facility and backward integration for manufacturing of hollow pipes (Rs 107 Cr) and to meet long term working capital requirement with Rs 25 Cr.

Board of Directors

Its board of directors include **Jayantiram Motiram Choudhary** is the Chairman, Non-Executive Director and one of the Promoters of the company. He has been associated with the company since its incorporation. **Arun Axaykumar Kothari** is the Promoter, Managing Director and CFO of the company. He has been associated with the company since September 14, 2021

Key Managerial Post

It includes **Pavan Kumar Jain** is the Company Secretary and compliance officer. He has also been associated with the company since August 18, 2020. **Kumar Shishir C Sinha** is the president (marketing) of the company. He has been associated with the company since March 01, 2021. **Kunal Bubna** is the president (finance and accounts) of the company. He has been associated with the company since July 01, 2021. **Bharat Kumar Prajapati** is the production head of the company. He has been associated with the company since September 02, 2020.



Companies Competitive Strength

International Accreditations and product approvals

They are one of the growing brands in stainless steel pipes/tubes having presence in both seamless pipes and welded pipes/tubes segments. It follow international standard manufacturing practises and their Manufacturing Facility benefits from the quality benchmarking certifications such as (i) ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 from Bureau Veritas, a third-party inspection organization accredited by the United Kingdom Accreditation Service; (ii) certification under the Indian Boiler Regulation (“IBR”) for manufacturing and supply of stainless steel seamless and welded pipes

Specialised production of Stainless Steel Pipes and Tubes

They are a pipes and tubes manufacturer with the sole focus on manufacturing of welded and seamless pipes in a single metal category, i.e., stainless steel. As they have been catering to customers (both domestic and international) in only one metal segment since inception, over the years it has built expertise in terms of production process, inventory management and marketing of products in the stainless steel pipes and tubes segment.

Customer Diversification

It started exporting Products in the year 2017 and as on February 28, 2022 They have exported to 20 countries including countries in European Union, Brazil, UK, Israel etc. In order to increase share in the international market, They have appointed sole distributors in markets like Italy and Kuwait in addition to appointing marketing representatives for the European market

Experienced and Qualified Team

Its Promoters and senior management team is well experienced in this industry both from marketing and distribution of products in this sector. their Promoters, Megharam Sagramji Choudhary, Jayantiram Motiram Choudhary, Dhruv Mahendrakumar Patel and Arun Axaykumar Kothari are first generation entrepreneurs, and have an average experience of approximately 8 years in stainless steel welded/seamless pipes and tubes industry in addition to expertise in marketing

Key Strategies Implemented by Company

Increasing existing capacity

Company is currently manufacturing welded pipes/tubes with size 6 mm - 219.3 mm and seamless pipes/tubes with size of 6 mm - 114.3 mm diameters. Company is proposing to expand existing manufacturing capacity for welded pipes/tubes and seamless pipes/tubes for manufacturing higher diameter welded pipes/tubes (up to 1219.2 mm) and seamless pipes/tubes (up to 168.3 mm).

Backward integration and cost optimization to improve margins

Company believe that the setting-up of the in-house piercing line for manufacturing of hollow pipes shall assist us in achieving seamless backward integration of processes and shall have a positive impact on improving manufacturing control over the production of seamless pipes and reduce Company’s dependence on raw material imports.

Financial Snapshot

Particulars	As of 31 Dec -21	2021	2020	2019
Equity Share Capital	15.2	8.73	8.73	8.73
Reserves	105.3	31.2	7.6	3.44
Net worth as stated	120.5	39.9	16.3	12.2
Revenue from Operations	276.7	309.4	177.8	118.8
EBITDA as stated	35.5	34.8	11.6	8.4
EBITDA (%) as stated	12.8%	11.2%	6.6%	7%
Profit Before Tax	31.7	30.9	6.49	4.95
Net Profit for the period	23.6	23.6	4.1	3.7
Net Profit (%) as stated	8.4%	7.5%	2.3%	3.1%
EPS (₹)	15.5	18.04	3.15	2.86
RoNW (%)	26%	59%	25.3%	30.8%
Net Asset Value (₹)	79.15	30.4	12.4	9.3



Valuations and Recommendation:

- Venus Pipes and fittings annualized earnings comes at Rs 31.46 Cr which bring a earnings multiple of 21(x) on its PAT
- VPTL has shown Ratnamani Metals and Jindal Saw as its listed peers. They are currently trading at a P/E of 32.96 and 6.21 (as of May 06, 2022). However, they are not truly comparable on an apple-to-apple basis.
- The IPO is fairly priced compared with peers.
- We Assign “SUBSCRIBE” rating to the issue.



Notes

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