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Issue Details

Price Band (Rs)	Rs.310 - 326
Face Value (Rs)	10
Issue Size (Rs)	165.42Cr
Issue Type	Book Building
Minimum lot	46 Shares
Issue Opens	May 11, 2022
Issue Closes	May 13, 2022
Listing on	BSE, NSE

Indicative Timeline

Indicative Timeline	On or before
Finalization of Basis of Allotment	May 19, 2022
Unblocking of Funds	May 20, 2022
Credit of shares to Demat Account	May 23, 2022
Listing on exchange	May 24, 2022

Other Detail

Book Running Lead Managers	SMC Capitals Limited
Registrar	KFIN Technologies Limited

Venus Pipes & Tubes Limited

Company Background

Venus Pipes & Tubes Limited ("Venus") is a manufacturer and exporter of stainless steel pipes and tubes. The company is manufacturing stainless steel tube products in two broad categories - seamless tubes/pipes and welded tubes/pipes under which five categories of products are manufactured namely, stainless steel high precision & heat exchanger tubes, stainless steel hydraulic & instrumentation tubes, stainless steel seamless pipes, stainless steel welded pipes and stainless steel box pipes. Venus Pipes & Tubes Limited has one manufacturing plant which is located at Bhuj-Bhachau highway, Dhaneti (Kutch, Gujarat) with an installed capacity of 10,800 MT per annum. The company sells products in both domestic and international markets. Venus Pipes & Tubes exports its products to 18 countries including Brazil, the UK, Israel and countries in the European Union, etc.

Issue Details

The offer comprises Fresh Issue of Equity Shares aggregating upto Rs.165.42Cr.

Issue Objectives

1. Financing the project cost towards capacity expansion, technological upgradation, cost optimization of our operations and support to the manufacturing facility and backward integration for manufacturing of hollow pipes.
2. To meet long-term working capital requirements.
3. General corporate purposes.

IPO share allotment pattern

Category	Allocation	Number Of Shares	Issue Size at Rs.310 (Rs.Cr)	Issue Size at Rs.326 (Rs.Cr)
QIB	50%	25,37,050	79	83
Non-Institutional	15%	7,61,115	24	25
Retail	35%	17,75,935	55	58
Total		50,74,100	157.30	165.42

Source: Company RHP, ACMIIL Research

Outlook and Valuations

Venus is a rapidly expanding stainless steel producer and exporter. It produces seamless and welded tubes/pipes and has a capacity of 10,800tpa installed. During FY19-21, it has grown well with sales CAGR of 61% to Rs3.09bn and EBITDA CAGR of 105% to Rs348mn in FY21. Backward integration and volume increase are the keys to future growth. Venus is boosting the capacity of its SS pipes from 10,800 to 24,000 tpa, as well as backward integrating them, which will save money. At the upper price band of Rs.326/-, stock is priced at 21.03x its FY22E EPS of Rs.15.50/-(based on annualize latest earnings and on fully diluted post issue equity). **We recommend subscribing to the issue from a listing gain perspective.**

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Competitive Strengths

International Accreditations and product approvals

Venus Pipes is one of the growing brands in stainless steel pipes/tubes having presence in both seamless pipes and welded pipes/tubes segments. They follow international standard manufacturing practices and their Manufacturing Facility benefits from the quality benchmarking certifications. Their capabilities and accreditations have enabled them to supply their Products to 57 Fortune India 500 companies in the past across sectors, including chemicals, engineering, pharmaceuticals, oil & gas, etc., and as of February 28, 2022, they have orders for supplying their Products to 16 Fortune India 500 companies along with orders with other market players and business entities that follow stringent quality standards. Their certifications and industrial expertise favourably position them in servicing client requirements across all segments of the stainless steel seamless and welded pipes/tubes market.

Specialised production of Stainless Steel Pipes and Tubes

Venus Pipes is catering to customers (both domestic and international) in only one metal segment since their inception, and has built expertise in terms of production process, inventory management and marketing of products in the stainless steel pipes and tubes segment. This gives them the benefit of segment expertise thereby placing them in a position of advantage vis-à-vis their competitors in accurately assessing and responding to customer preferences in this segment as there are very few manufacturers in this single metal product segment.

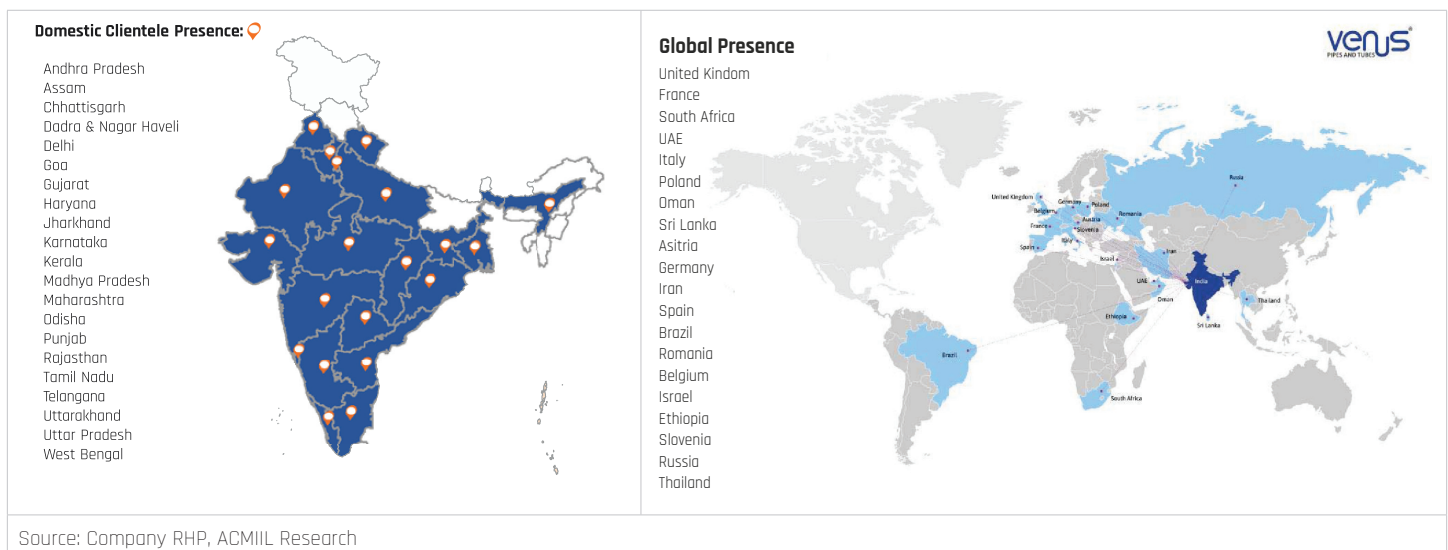
Multi-fold demand of Products:

The demand for Products in its ordinary course of business is generated from three broad categories:

- **New projects:** It supplies its Products for new projects across a diversified range of sectors, including but not limited to, oil and gas, pharmaceuticals, engineering, chemical, etc., on a regular basis throughout the year. It has maintained its presence in these sectors on a consistent basis in the last three financial years and has continued to secure orders both from existing and new customers.
- **Repair and maintenance:** it has regularly supply its Products to existing / new customers consequent to normal wear and tear of the products being used by them. The frequency of such orders is dependent on the relevant sector and typically an instruction / order is raised to supply a specific number of pieces in order to rectify the deficiency.
- **Replacement:** Most of its Products are used in the transportation of highly corrosive fluids, requiring production in compliance with applicable quality standards. Due to their application in highly corrosive environment, these Products slowly corrode throughout their calculated design life. After the designed service life of a particular piping bundle of any project is over, it is essential to replace the entire piping with new pipes.

Customer Diversification

Venus Pipes sells their products both in the domestic as well as the international markets. In the domestic market, they sell their products to the end customers as well as traders/stockists while in the international market they supply their products through traders/stockists, authorized distributors and through certain marketing representatives in the European Union market. The company started exporting their 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. 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

Company's promoters and senior management team is well experienced in this industry both from marketing and distribution of products in this sector. The Promoters 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, procurement, finance, accounting and customer relationship management. Their Promoters Megharam Sagramji Choudhary and Dhruv Mahendrakumar Patel, in aggregate, have more than 21 years of experience in relation to manufacturing and trading of iron, steel and SS pipe related products, in addition to having expertise in marketing. Their senior management team comprises of professionally qualified members with experience and knowledge in the pipe industry and regulatory environment.

Financial Snapshot

Particulars (Rs.Mn)	FY19	FY20	FY21	9MFY22
Equity share capital	87.33	87.33	87.33	152.22
Net worth	121.74	162.76	399.31	1,204.82
Revenue from Operations	1,187.52	1,778.08	3,093.31	2,767.69
EBITDA	82.94	116.36	347.76	355.12
EBITDA Margin	7.0%	6.5%	11.2%	12.8%
Net Profit	37.5	41.28	236.32	235.95
Net Profit Margin	3.16%	2.32%	7.64%	8.53%
Diluted EPS (Rs)	2.86	3.15	18.04	15.5
RONW (%)	30.80%	25.36%	59.18%	19.58%
Debt to Equity Ratio	2.42	2.62	0.94	0.42

Source: Company RHP, ACMIIL Research

Comparison with Listed Peers FY21:

Company	Standalone/ Consolidated	Revenue Including other Income FY21 (Rs.Mn)	EPS	NAV per equity share (₹)	P/E	RONW(%)
Venus Pipes & Tubes Limited	Consolidated	3,120	18.04	30.48	21.03	59.18
Jindal Saw Limited	Consolidated	108,720	10.02	218.39	9.69	4.69
Ratnamani Metal & Tubes Limited	Consolidated	23,415	59.07	425.35	41.51	13.9

Source: Company RHP, ACMIIL Research,

All the financial information for listed industry peers mentioned above is on a consolidated basis and is sourced from the annual reports/financial results as available of the respective company for the year ended March 31, 2021. ^P/E Ratio has been computed based on the Issue price and annualize December 2021 earnings.

Risks and concerns

- The company faces competition, including from other large and established competitors, and it may fail to compete successfully against existing or new competitors, which may reduce the demand for its Products which may lead to reduced prices, operating margins, profits and further result in loss of market share.
- The company may not accomplish its growth strategy, and its business may suffer if it fails to manage its growth efficiently or effectively.
- The Company has not entered into long-term agreements with its customers for purchasing its Products nor for the supply of raw materials with its suppliers.

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Weekly Derivative Synopsis	Top Mutual Fund Schemes
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