

## Company Overview

Venus pipes & tubes ltd. was incorporated in 2015. The company is one of the growing stainless steel pipes and tubes manufacturer and exporter in India. Over six years of experience in the manufacturing of stainless steel tubular products in two broad categories are 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. The products under which the brand name "Venus" that they supply their products for application in diverse sectors including chemicals, engineering, fertilizers, pharmaceuticals, power, food processing, paper and oil & gas. 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.

## Objects of the issue

The IPO aims to utilize the net proceed for the following objectives;

- ⇒ To meet long-term working capital requirements.
- ⇒ General corporate purposes.
- ⇒ Financing project costs for capacity growth, technology upgrades, operational cost optimization, manufacturing facility support, and backward integration for hollow pipe manufacturing.

## Investment Rationale

### 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.

## Valuation and Outlook

Currently, Venus Pipes has a total production capacity of 10.8 ktpa, of which 3.6 ktpa is dedicated to seamless SS pipes & 7.2 ktpa for welded SS pipes. The company plans to expand its seamless capacity to 9.6 ktpa and welded capacity to 14.4 ktpa and 9.6 ktpa of new capacity towards backward integration to manufacture mother hollow pipes. Total capacity would double from 10.8ktpa to 24ktpa. Their products are largely used in industries like pharmaceuticals, food processing, etc. The GoI has announced Production Linked Incentive ("PLI") schemes for boosting the domestic manufacturing in certain sectors, which shall have a consequent positive impact on their order book. Backward integration with in-house production of hollow pipes, acquisition of slitting machine for cutting steel strips/coils as per desired width and enriched product mix with higher diameter pipes would lead to continued improvement in margins. At the upper end of the price band, the issue is valued at a P/E of 21x based on FY22 annualized earnings, which we believe is reasonably priced. Hence, we recommend a "SUBSCRIBE" rating on this issue for the long term.

## Issue Details

Offer Period	11 <sup>th</sup> May - 13 <sup>th</sup> May 2022
Price Band	INR.310 to INR.326
Bid Lot	46
Listing	BSE&NSE
Issue Size (no. of shares in mn)	50.
Issue Size (INR. in bn)	1.65
Face Value	10

## Issue Structure

QIB	50 %
NIB	15 %
Retail	35 %
BRLM	SMC Capitals.
Registrar	KFin Technologies Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters	64.27%	48.20%
Public	35.73%	51.80%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



## Income Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
<b>Revenue</b>				
Revenue from operations	1,188	1,778	3,093	2,768
<b>Total Revenue</b>	<b>1,188</b>	<b>1,778</b>	<b>3,093</b>	<b>2,768</b>
<b>Expenses</b>				
Cost of materials consumed	1,054	1,588	2,107	2,575
Purchase of Stock in Trade		66	525	65
Changes in inventories of finished goods and work-in-progress	(37)	(84)	(17)	(367)
Employee benefit expenses	25	27	32	42
Other expenses	63	65	99	99
<b>Total Operating Expenses</b>	<b>1,105</b>	<b>1,662</b>	<b>2,746</b>	<b>2,413</b>
<b>EBITDA</b>	<b>83</b>	<b>116</b>	<b>348</b>	<b>355</b>
Depreciation and amortisation expense	20	21	10	11
Other income	18	15	27	15
<b>EBIT</b>	<b>81</b>	<b>110</b>	<b>365</b>	<b>360</b>
Finance Costs	31	46	56	43
<b>Profit before tax</b>	<b>49</b>	<b>65</b>	<b>310</b>	<b>317</b>
Current tax	13	15	78	79
Adjustment for tax relating to earlier periods		1	1	
Deferred Tax Charge/ (charge)	(1)	8	(6)	2
<b>Total Tax</b>	<b>12</b>	<b>24</b>	<b>73</b>	<b>81</b>
<b>PAT</b>	<b>37</b>	<b>41</b>	<b>236</b>	<b>236</b>
<b>Diluted EPS</b>	<b>2</b>	<b>2</b>	<b>12</b>	<b>12</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Cash flow from operating activities	(67)	24	113	(580)
Cash flow from investing activities	(14)	(124)	(24)	485
Cash flow from financing activities	77	100	(92)	95
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3)</b>	<b>1</b>	<b>(3)</b>	<b>(0)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>1</b>
<b>Cash and cash equivalents on acquisition of subsidiary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>0</b>

Source: RHP, BP Equities Research



## Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	9MFY22
<b>Liabilities</b>				
Share capital	87	87	87	152
Other equity	34	75	312	1,053
Non-controlling interests				
<b>Net worth</b>	<b>122</b>	<b>163</b>	<b>399</b>	<b>1,205</b>
Borrowings	144	186	185	163
Lease liabilities		4	3	3
Other financial liabilities				
Provisions	1	2	2	3
Deferred tax liabilities (net)	2	9	4	7
<b>Total Non current liabilities</b>	<b>146</b>	<b>201</b>	<b>195</b>	<b>175</b>
Borrowings	150	240	190	337
Lease liabilities		1	1	1
Trade payables	325	413	424	524
Other financial liabilities	1	0	1	1
Other current liabilities	29	31	62	65
Provisions	0	0	0	0
Liabilities for current tax (net)	19	24	103	155
<b>Total Current liabilities</b>	<b>523</b>	<b>709</b>	<b>782</b>	<b>1,083</b>
<b>Total Liabilities</b>	<b>791</b>	<b>1,072</b>	<b>1,375</b>	<b>2,463</b>
<b>Assets</b>				
Property, plant & equipment	98	122	195	212
Right-of-use asset				
Capital work in progress		32		47
Goodwill				
Other intangible assets		1	1	1
Income tax assets (net)				
Other non-current assets	3	20	13	16
<b>Total Non Current Assets</b>	<b>100</b>	<b>175</b>	<b>209</b>	<b>276</b>
Inventories	362	443	442	861
Investments				
Trade receivables	216	307	451	742
Cash and cash equivalents	3	4	1	0
Bank balances other than above	15	50	44	73
Loans				
Other financial assets	11	0	26	7
Others current assets	84	93	204	503
<b>Total Current Assets</b>	<b>691</b>	<b>897</b>	<b>1,166</b>	<b>2,186</b>
Net Current Assets	168	188	385	1,104
<b>Total Assets</b>	<b>791</b>	<b>1,072</b>	<b>1,375</b>	<b>2,463</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ The company may not accomplish their growth strategy, and their business may suffer if they fail to manage their growth efficiently or effectively.
- ⇒ They face certain challenges because of their limited operating history in the highly competitive stainless steel pipes and tubes market, which may affect their future performance
- ⇒ Their existing international operations and their plans to expand into additional overseas market subject to them to various business, economic, political, regulatory and legal risks



Research Desk

Tel: +91 22 61596406

Institutional Sales Desk

Tel: +91 22 61596403/04/05

Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392