



Issue Highlights

Industry	Metals
Total Issue (Shares) - Fresh Issue	5,074,100
Net Offer to the Public	5,074,100
Issue Size (Rs. Cr.)	157-166
Price Band (Rs.)	310-326
Offer Date	11-May-22
Close Date	13-May-22
Face Value	10
Lot Size	46

Issue Composition

	In shares
Total Issue for Sale	5,074,100
QIB	2,537,050
NIB	761,115
RETAIL	1,775,935

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	64.27%	48.20%
Public	35.73%	51.80%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

- 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.

Book Running Lead Manager

- SMC Capitals Limited

Name of the registrar

- KFIN TECHNOLOGIES LIMITED

Venus Pipes & Tubes Limited 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.

Strength

International Accreditations and product approvals: The company is one of the growing brands in stainless steel pipes/tubes having presence in both seamless pipes and welded pipes/tubes segment. The company follows international standard manufacturing practises and its 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; and (iii) PED 2014/68/EU and ADW/AD 2000 –Merkblatt W0 from TUV, which is a requirement for supply in the European Union countries. Such practices and accreditations, coupled with its technical capabilities and know-how enable it to manufacture products for both domestic and international customers as per ASTM (US), EN (Europe), JIS (Japan) and DIN (Germany) standards, its capabilities and accreditations have enabled it to supply its 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, it has orders for supplying its Products to 16 Fortune India 500 companies along with orders with other market players and business entities that follow stringent quality standards. It believes that its certifications and industrial expertise favourably position it 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: As the company has been catering to customers (both domestic and international) in only one metal segment since its 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. This gives the company benefit of segment expertise thereby placing it in a

position of advantage vis-à-vis its competitors in accurately assessing and responding to customer preferences in this segment as there are very few manufacturers in this single metal product segment. It believes that this focus has well positioned in attracting and retaining customers with requirements for specialised stainless steel pipes and tubes including continued client interest from emerging sectors like chemical, petrochemicals, engineering, oil and gas, fertilizers, food processing, pharmaceuticals, power etc

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

- i. **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.
- ii. **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.
- iii. **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:

The company has started exporting its Products in the year 2017 and as on February 28, 2022 it has exported to 20 countries including countries in European Union, Brazil, UK, Israel etc. In order to increase its share in the international market, it has appointed sole distributors in markets like Italy and Kuwait in addition to appointing marketing representatives for the European market. Further, the details of its customer across sectors for the nine-month period ended December 31, 2021 and Fiscals 2021, 2020 and 2019, respectively are as below:

Sector	Nine (9) months period ended December 31, 2021		Fiscal 2021		Fiscal 2020		Fiscal 2019	
	Revenue (in mn₹)	% of revenue	Revenue (in mn ₹)	% of Revenue	Revenue (in mn ₹)	%of Revenue	Revenue (in mn ₹)	%of Revenue
Chemicals	310.47	11.22	573.75	18.55	320.24	18.01	183.99	15.49
Engineering	734.81	26.55	448.22	14.49	291.49	16.39	247.1	20.81
Fertilizers	13.24	0.48	60.94	1.97	26.02	1.46	3.33	0.28
Pharma	10.62	0.38	33.69	1.09	49.16	2.76	26	2.19
Power	4.30	0.16	17.4	0.56	2.29	0.13	6.9	0.58
Food Processing	41.44	1.50	7.58	0.25	12.54	0.7	8.7	0.73
Paper	20.85	0.75	3.11	0.1	0.98	0.06	1.27	0.11
Oil & Gas	2.13	0.08	0.36	0.01	0.82	0.05	1.01	0.09
Others	26.84	0.97	10.41	0.34	14.16	0.8	24.95	2.1
Export	264.06	9.54	147.95	4.78	60.1	3.38	133.95	11.28
Stockist / Traders	1338.93	48.37	1,789.90	57.86	1,000.28	56.26	550.32	46.34
Grand Total	2767.69	100	3,093.31	100	1,778.08	100	1,187.52	100

Strategy

Increasing existing capacity: The 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. The company is proposing to expand its 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). It believes that the additional production capacities will place it in a competitive position to cater to the demands of its existing clients as well as the new customers it intends to acquire in the future. Its products are largely used in industries like pharmaceuticals, food processing, etc. The Government of India has announced Production Linked Incentive ("PLI") schemes for boosting the domestic manufacturing in certain sectors, as highlighted below, which it believes shall have a consequent positive impact on its order book.

Backward integration and cost optimization to improve margins: The company plans to set up a piercing line for manufacturing of hollow pipes with the capacity of 800 MT per month, as its backward integration strategy. With the piercing plant, it will be able to produce hollow pipes from SS round bar, for which it has earmarked fund requirement of Rs 10.62 Crore from the Issue Proceeds. It believes that the setting-up of the in-house piercing line for manufacturing of hollow pipes shall assist it in achieving seamless backward integration of its processes and shall have a positive impact on improving its manufacturing control over the production of seamless pipes and reduce its dependence on raw material imports. It further believes that this shall have a significant impact on improving its operating margins which shall lead to cost optimization, thereby improving its profitability and results of operations.

Tap new geographies to increase export: It started exporting its Products in the year 2017 and as on February 28, 2022 it has exported to 20 countries including Brazil, UK, Israel and countries in the European Union, etc. In order to increase its share in the international market, in addition to selling its Products through stockists/traders, it has appointed sole distributors in Italy and Kuwait and a marketing representative for servicing the European market. The company has established its credentials in the international market with stockist/traders and sole distributors in a short span of four years and it intends to leverage its existing relationships to further deepen its presence in the international market, particularly in the European Union. Further, the announcement by the Chinese Government on April 28, 2021 with respect to cancellation of the export rebates on several steel products including welded and seamless steel pipes with effect from May 1, 2021 is expected to benefit domestic pipes and tubes manufacturers in India. The cancellation of export tax rebates would encourage Chinese steel manufacturers to turn to the domestic market and would reduce the domestic production of various steel products for export. Due to this development, the demand for seamless pipes in international market is expected to increase and it believes its Company is well-positioned to take the benefit of the aforesaid regulatory announcement by the Chinese Government.

Continue to improve operating efficiencies through technology enhancements: Its production process is completely automated with its Manufacturing Facility, housing latest productspecific equipment and machineries that support it in

manufacturing of its Products in accordance with its customer requirements. In line with its proposed expansion plans, it intends to further develop its technology systems in order to increase asset productivity, operating efficiencies and strengthening its competitive position. It believes that its in-house technology capabilities shall continue to play a key role in effectively managing and expanding its operations, maintain strict operational and fiscal controls and continue to enhance customer service levels. The company is proposing to install an acid regeneration plant (“ARP”) wherein the consumption of acid in its manufacturing process shall be reduced substantially and it believes that the same shall help in improving its operating margins. It believes that significant environmental and economic advantages shall follow from reduced usage of raw acids and chemicals, used in the neutralization plant along with reduction of sludge production. It also believes that the plant productivity shall increase with the implementation of ARP by fewer stoppages for dumping and reduced down time for cleaning of sludge filled pickling tanks. Further, it intends to introduce Enterprise Resource Planning (“ERP”) system for efficient control over its manufacturing process which shall provide it benefits including improved productivity, increased efficiency, reduced cost, and streamlined processes. It believes that such technological enhancements shall improve its competitiveness vis-à-vis its peer group/competitors and place its in a competitive position.

Strengthen brand value: The company is in the business of manufacturing of stainless steel pipes/tubes since approximately six years whereas its peer group industry players/competitors have the benefit of longer operating history in comparison with its, and therefore, its brand development is at a relatively nascent stage. Considering its current market presence with its customers in diversified sectors and geographies in order to further penetrate the market, it intends to make consistent efforts to strengthen its brand “Venus” and enhance its brand visibility for attaining parity with its industry peers. Towards this end, it intends to undertake various marketing initiatives including participation in industrial trade fares, exhibitions, and digital marketing. It believes that such initiatives shall improve its brand positioning, overall brand recall value and support us in its growth strategy

Risk

- 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 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 has not entered into long-term agreements with its customers for purchasing its Products nor for the supply of raw materials with its suppliers.
- The company requires to obtain consents under certain environmental laws, which are critical for operating its Manufacturing Facility.

Peer comparison

Company Name	Total Income	PAT	EPS	P/E	P/BV	B/V	FV	CMP	MCAP
Jindal Saw	13112.37	468.92	14.67	6.12	0.40	225.25	2	89.80	2871.39
Ratnamani Metals	2860.79	320.44	68.58	32.09	5.03	437.64	2	2200.60	10282.96
Venus Pipes & Tubes Limited*	369.03	31.46	15.50	21.03	2.25	144.74	10	326.00	661.65

**Financials are TTM based

*Financials are estimated Annualised FY22

Valuation:

Considering the P/E valuation, on the upper end of the price band of Rs.326, the stock is priced at pre issue P/E of 15.77x on an estimated annualised FY22 EPS of Rs.20.67. Post issue, the stock is priced at a P/E of 21.03x on its EPS of Rs.15.50. Looking at the P/B ratio at Rs.326, pre issue, book value of Rs. 79.15 of P/Bvx 4.12x. Post issue, book value of Rs.144.74 of P/Bvx 2.25x.

Industry overview

Since 2000, steel production in the country has seen a phenomenal increase as the sector witnessed high investments in capacity addition as well as technology upgradation. In 2018, India surpassed Japan to become the second largest steel producer in the world, after China. According to World Steel Association (WSA), India produced 118.13 Mn tons of crude steel in CY 2021 and accounted for 6.1% share in global crude steel production. In 2021, India's crude steel production registered a robust y-o-y growth of 18% against 10% contraction in the previous year while it grew at a CAGR of 4% between 2017-21. On consumption side, India is also the second largest consumer of finished steel. The emergence of a middle-class consumer segment has altered the consumption landscape in India, and with it the industrial production. The country's overall finished steel consumption in India is estimated to have been growing at 7% per annum since 2016 till 2019 to reach 102.6 Mn Tonnes but in 2020, it dropped by 14% against 6% y-o-y growth in 2019. International statistics indicates steel pipes & tube segment constitute ~8% share of the total steel consumption. Subdued industrial activity, and economic uncertainty have dampened the demand scenario, leading to lower consumption. However, economic recovery in 2021 points towards rising consumption of finished steel, consequently driving the steel production. During 10M FY 2022, the country's finished steel production was 21.06% higher than previous year output and it stood at 93.3 Mn tonnes while its consumption was ~15% higher and stood at 86.83 Mn tonnes. Presence of such a vast primary steel manufacturing infrastructure has also helped in the growth of secondary and finished steel products. In pipes& tubes segment, India has emerged as one of the major producers of steel pipes, after Europe and China. The country has a well-developed steel manufacturing industry capable of manufacturing crude steel to value added steel products, including pipes & tubes. Availability of raw material, cheap labor, and ability to produce steel at a low cost have supported India's progress in the steel pipes and tubes industry. As per industry sources, the country's current manufacturing capacity of steel pipes and tubes stands at around 21.5 million tons which is further split into welded, seamless, and casted pipes with respective capacities of 16.3 million tons, 1.5 million tons and 3.7 million tons. Within welded pipes segment, ERW capacity is estimated at 9.5milliontons and SAW pipes at 6.80 million tons.

EVENT	INDICATIVE DATE (On or about)
IPO Opening Date	11-May-22
IPO Closing Date	13-May-22
Basis of Allotment	19-May-22
Initiation of Refunds	20-May-22
Credit of Shares to Demat	23-May-22
Listing Date	24-May-22

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	31-Dec-21 (9 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	276.77	309.33	177.81
Total expenditure	241.26	274.55	166.17
Operating Profit	35.51	34.78	11.64
OPM%	12.83	11.24	6.54
Other Income	1.51	2.70	1.51
PBDIT	37.02	37.48	13.15
Depreciation	1.06	0.97	2.11
PBIT	35.97	36.51	11.04
Interest	4.26	5.56	4.55
PBT	31.70	30.95	6.49
Tax	8.11	7.32	2.36
Profit After Tax	23.60	23.63	4.13

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Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-21	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	21.21	19.53	12.21
Intangible Assets	0.11	0.07	0.06
CapitalWork-in-Progress	4.68	0.00	3.21
Financial assets	0.00	0.00	0.00
Other non-current Financial assets	1.64	1.32	2.05
Total Non- Current Assets	27.64	20.91	17.53
Current assets			
Inventories	86.10	44.18	44.28
Trade Receivables	74.21	45.07	30.75
Cash and Bank balances	0.04	0.07	0.35
Bank Balances other than cash and cash equivalents	7.29	4.39	5.00
Other financial assets	0.71	2.56	0.01
OtherCurrentAssets	50.29	20.36	9.28
Total current assets	218.64	116.63	89.66
Total Assets	246.28	137.54	107.19
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	16.32	18.49	18.59
Lease Liabilities	0.26	0.32	0.39
Provisions	0.29	0.22	0.16
DeferredTaxLiabilities(Net)	0.66	0.43	0.93
Total non-current liabilities	17.52	19.45	20.06
Current liabilities			
Financial liabilities			
Borrowings	33.69	19.01	24.03
Lease Liabilities	0.08	0.07	0.07
Trade payables			
-total outstanding dues of micro enterprises and small enterprises	0.89	0.00	0.00
-total outstanding dues of creditors other than micro enterprises and small enterprises	51.51	42.42	41.30
OtherFinancialLiabilities	0.06	0.14	0.03
Provisions	0.01	0.00	0.00
Current tax liabilities (net)	15.53	10.28	2.38
Other Current liabilities (net)	6.52	6.23	3.05
Total current liabilities	108.28	78.16	70.85
Total liabilities	125.79	97.61	90.92
Net worth represented by:			
Equity share capital	15.22	8.73	8.73
Other equity	105.26	31.20	7.54
Total Equity	120.48	39.93	16.28

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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