

Venus Pipes IPO Snapshot

About the Company

Venus Pipes & Tubes Ltd. (VPTL) is engaged in the manufacturing and exports of stainless-steel pipes and tubes. VPTL is mainly engaged in manufacturing stainless steel tubular products in two broad categories - Seamless tubes/pipes and welded tubes/pipes. VPTL is currently manufacturing 5 product lines under these two categories (i) stainless steel high precision & heat exchanger tubes (ii) stainless steel hydraulic & instrumentation tubes (iii) stainless steel seamless pipes (iv) stainless steel welded pipes and (v) stainless steel box pipes ("Products").

Brand "Venus" under VPTL supplies products for applications in diverse sectors including (i) chemicals (ii) engineering (iii) fertilizers (iv) pharmaceuticals (v) power (vi) food processing (vii) paper and (viii) oil & gas. The company has one manufacturing plant which is strategically located at Bhuj-Bhachau highway, Dhaneti (Kutch, Gujarat) having a capacity of 10800 MT/annum. Post completion of the expansion, its overall capacity will stand enhanced to 24000 MT/annum.

Objective of the Issue

The net proceeds from the IPO will be used for the following purposes -

- To finance its funding requirements for capacity expansion
- Technology up-gradation
- Working Capital requirements
- Backward Integration for hollow pipe manufacturing to optimize cost

Competitive Strengths

- International Presence, Accreditations and product approvals
- Specialised production of Stainless-Steel Pipes and Tubes
- Customer Diversification
- Multi-fold demand of the Products
- Experienced and Qualified Team

Particulars	Details
Scrip Name	Venus Pipes
IPO Date	11 May-13 May 2022
Initiation of Refunds	20 May 2022
Listing Date	24 May 2022
IPO Face Value (Rs.)	10
IPO Price Band (Rs.)	310-326
IPO Lot Size	46
Issue Size (Rs. Cr.)	165.42
Fresh Issue (Rs. Cr.)	165.42
Offer for Sale (Rs. Cr.)	165.42
QIB Share	50%
Retail	35%
NII (HNI)	15%

Particulars (Rs. Cr.)	FY20	FY21	9 Months ending FY22
Total Revenue	179.32	312.03	278.28
Profit After Tax	4.13	23.63	23.60

Valuation & View

VPTL has seen a robust revenue CAGR of 61% during FY19- FY21 on the back of robust demand and higher commodity prices. Similarly, the net profits were grown to Rs.23.63 cr. in FY21 against Rs.3.75 cr. in FY19. The company has seen high returns on its net worth as compared to its peers such as Jindal Saw and Ratnamani Metal & Tubes Ltd. We believe the company is rightly valued at a P/E of 18x lower than an industry composite of 20.74x with robust revenue and profit growth. Hence, we recommend, investors to **SUBSCRIBE** to the issue.

Risks & Concerns

- Dependence and customer concentration on top ten (10) customers
- High competition from other large and established competitors, reduced prices, operating margins, profits and further result in loss of market share
- Inability to effectively utilize manufacturing capacities
- Inability to raise additional capital for current and future expansion plans leading affecting business prospects
- Adverse effects of pending outstanding litigations

Peer Comparison

Name of the Company	Total Income (Rs. Cr.)	FV	P/E	EPS (Diluted) Rs.	RONW (%)	NAV/Share (Rs.)
VPTL	312	10	18.07	18.04	59.18	30.48
Jindal Saw Ltd.	10872	2	9.43	10.02	4.69	218.39
Ratnamani Metal & Tubes Ltd.	2341.5	2	32.06	59.07	13.9	425.35

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