



Located in (Dhaneti) Kutch, Gujarat, Venus pipes is specialized in stainless steel seamless and welded pipes for industrial applications such as chemicals, engineering, fertilisers, pharmaceutical, power, food processing, paper and oil & gas. The demand for the products in ordinary course of business comes from three categories broadly new projects, maintenance and replacements. The company is further looking to double its capacity with expansion into more SKUs both in seamless and welded pipes. Further, the company is setting up a piercing line for manufacturing of hollow pipes so that it would help reduce its procurement of hollow pipes.

The company is backed with increasing commodity prices environment that is likely to reflect in their margins. It is also supported by the growth of the industry that it serves backed with favourable government policies. We recommend a subscribe for long term for the company.



#### About Company

Venus Pipes and Tubes Limited ("Venus Pipes") was incorporated on Feb 17, 2005. Venus Pipes is a pipes and tubes manufacturer with the sole focus on manufacturing of welded and seamless pipes in a single metal category, ie stainless steel.

The company manufactures stainless tubular products in 2 broad categories 1. Seamless tubes/pipes; and 2. Welded tubes/pipes.

Venus Pipes has one manufacturing plant which has separate seamless and welded divisions with latest product specific equipment and machineries. As of February 28,2022, their manufacturing facility has a total installed capacity of 10800 MTPA.

#### Issue details

Price Band (in ₹ per share)	310-326
Issue size (in ₹ Crore)	157-165
Fresh Issue (in ₹ Crore)	157-165
OFS (in ₹ Crore)	NIL
Issue open date	11-05-2022
Issue close date	13-05-2022
Tentative date of Allotment	19-05-2022
Tentative date of Listing	24-05-2022
Total number of shares (lakhs)	50.74
No. of shares for QIBs (50%) (lakhs)	25.37
No. of shares for NII (15%) (lakhs)	7.61
No. of shares for retail investors (35%) (lakhs)	17.76
Minimum order quantity	46
Face value (in ₹)	10.00
Amount for retail investors (1 lot)	14,260-14,996
Maximum number of shares for Retail investors at lower Band	644(14 Lots)
Maximum number of shares for Retail investors at upper band	598(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,99,640-1,94,948
Exchanges to be listed on	BSE, NSE

#### Promoters

1. Megharam Sagramji Choudhary
2. Jaynatiraman Motiram Choudhary
3. Dhruv Mahendrakumar Patel
4. Arun Axaykumar Kothari

#### Objective of the Offer

1. 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
2. To meet long term working capital
3. General corporate purposes

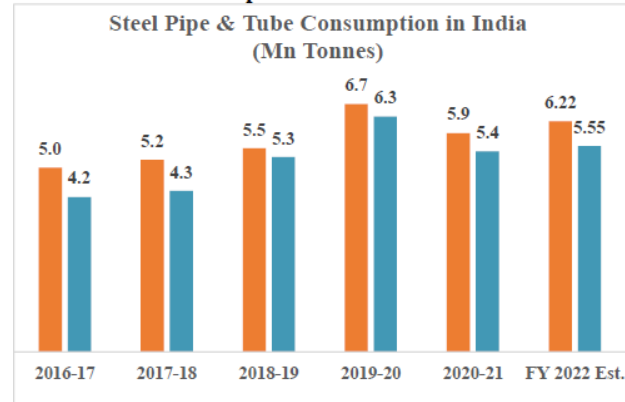
**Brief Financials**

Particulars (Rs. Cr)*	DEC 21 (9M)	FY21	FY20	FY19
Share Capital	15.23	8.73	8.73	8.73
Net Worth	120.48	39.93	16.28	12.17
Revenue from Operation	276.77	309.33	177.81	118.75
PBT	31.70	30.95	6.49	4.95
PAT	23.60	23.63	4.13	3.75
Basic EPS(Rs)	15.50	18.04	3.15	2.86
NAV	79.15	30.48	12.43	9.29
P/E#	15.77^	18.07	NA	NA
P/B #	4.12	10.70	NA	NA

Source: RHP # Calculated at the upper price band, \* Restated consolidated financials ^Annualised P/E

**Industry Review**

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.

**Production & Consumption Growth Trend**

Source: Center for Monitoring Indian Economy

Annual production of steel tubes & pipes in India is estimated to reach 6.22 Mn Tonnes in FY 2022 while apparent consumption<sup>2</sup> is estimated at 5.55 Mn Tonnes, but it continued to remain lower compared to the pre-pandemic level (FY 2020). Rising output is backed by resuming demand recovery in the major end user industry demand. The country's 10M FY 2022 steel pipes & tubes output was up by 8% while its consumption was up by 4% on y-o-y basis to reach 5.18 Mn Tonnes and 4.63 Mn Tonnes, respectively.



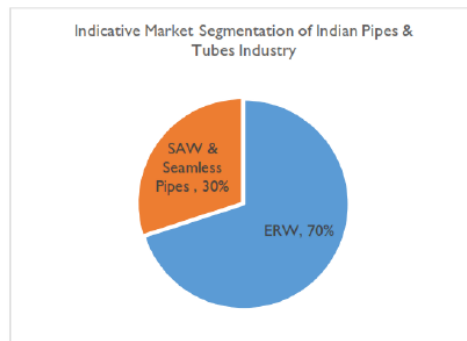
## Industry Review

### Domestic Industry Size

Due to diversified application in several industries, steel pipes and tubes industry is one of the important segments of the Indian steel sector. However, it accounts for just 8% share in the overall steel consumption basket which translate into consumption ranging from nearly 6.7 million tons to 8 million tons in the last five years while a few industry experts also suggest the actual usage of steel pipes & tubes in India to be about 12-13 million tons. In value terms, the size of the Indian steel pipes & tube industry is estimated at nearly INR 550-600 billion. With nearly 10 kg per capita consumption (PCC), steel pipes & tubes consumption in India is less than half of the global average(21-22 kg PCC) and about one fifth of the Chinese (55-60 kg PCC) which indicates huge opportunities for growing penetration of steel pipes & tubes in the Indian market.

### Market Segmentation

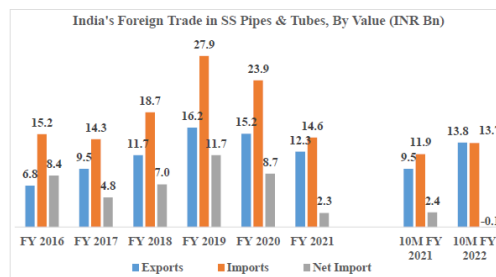
In terms of market segmentation, steel pipes & tube industry is equally split between ERW and SAW & Seamless pipes (S&S pipes) while by volume the ratio stands at 70:30, respectively. ERW pipes find prominence because of their diverse applications as well as implementation of advanced technology such as the Direct Forming Technology which allows for customized sizes and cost savings on raw material.



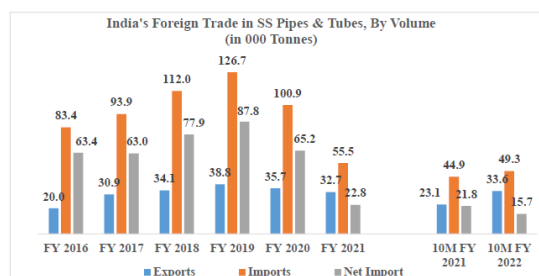
Basis raw material segmentation, the domestic demand for Stainless steel pipes & tubes is currently estimated at nearly 1.1Mn Tonnes in 2021.

### Export and Import of SS Pipes & Tubes

India has continued to remain a net importer of SS pipes and tubes during the years 2016-21 where import value observed uneven growth in response to domestic demand scenario. Consequently, SS pipes & tubes import value declined at 1% CAGR during FY2016-21 to settle at INR 14.6 billion in FY 2021 while import volume declined at 8% CAGR to settle at 55.5 thousand tons in FY 2021. During 10M FY 2022, India continued to remain a net importer by volume but by value it emerged as net exporter which depicts the influence of mild appreciation in rupee value that translated in lower import bills.



Source: Ministry of Commerce



Source: Ministry of Commerce



## Industry Review

Annually, import observed decline for the two consecutive years in FY 2020 and FY 2021 where it declined by 14% and 39% in value terms and by 20% and 45% in volume terms, respectively. Contraction in industrial growth in India, leading to lower demand for SS pipes and tubes could be the major reason behind this drop-in import. It will be noteworthy to highlight that decline in volume was sharper than value which implies higher landed cost amidst depreciating rupee value. Falling imports in FY 2020 can be attributed to widespread moderation in economic activity while in FY 2021 it was largely due to Covid-19 pandemic induced market sentiments which impacted domestic consumption. During 10M FY 2022, India's SS pipes & tubes import observed 16% y-o-y growth in value terms and 9.7% increase by volume which point out revival in domestic end user industries in the last financial year.



## 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.

### 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.



## Risk Factors

### Well established competitors

They face competition, including from other large and established competitors, and they may fail to compete successfully against existing or new competitors, which may reduce the demand for their Products which may lead to reduced prices, operating margins, profits and further result in loss of market share.

### Uncertainties in raw material supply

The Company has not entered into long-term agreements with customers for purchasing their Products nor for the supply of raw materials with suppliers. They are subject to uncertainties in demand and there is no assurance that these customers and suppliers shall continue to purchase their Products or sell raw materials to them or that they shall not scale down their orders. This could impact the business and financial performance of their Company.

### Failure to renew regulatory licences

They are subject to various government regulations and if they fail to obtain, maintain or renew statutory and regulatory licenses, permits and approvals required to operate business, business, results of operations and cash flows may be adversely affected. In addition, they have certain obligations under policies imposed and schemes launched by the government that may not be directly beneficial or profitable to the business.

## Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	RONW
Venus Pipes and Tubes Ltd.	312.00	10	18.04	30.48	18.07	10.70	59.18%
Jindal Saw Ltd.	10872.00	2	10.02	218.39	9.05	0.41	4.69%
Ratnamani Metal and Tube Ltd.	2341.50	2	59.07	425.35	38.08	5.31	13.90%

\*P/E & P/B ratio based on closing market price as on May 9th, 2022, At the upper price band of IPO, financial details consolidated audited results as on FY21.



## Our View

Located in (Dhaneti) Kutch, Gujarat, Venus pipes is specialized in stainless steel seamless and welded pipes for industrial applications such as chemicals, engineering, fertilisers, pharmaceutical, power, food processing, paper and oil & gas. The demand for the products in ordinary course of business comes from three categories broadly new projects, maintenance and replacements. It exports to 20 countries including Brazil, UK, Israel and EU countries. The company is further looking to double its capacity with expansion into more SKUs both in seamless and welded pipes. Further, the company is setting up a piercing line for manufacturing of hollow pipes so that it would help reduce its procurement of hollow pipes.

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**Source– Company, RHP**



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