

Rating: Subscribe

Issue Offer

Fresh Issue of 1,57,14,286 equity shares amounting to INR 2,200 Mn, and No Offer for sale of equity shares aggregating up to total of INR 2,200 Mn.

Issue Summary

Price Band INR	130-140
Face Value INR	10
Implied Market Cap INR Mn.	8387
Market Lot	100
Issue Opens on	May 28, 2025
Issue Close on	May 30, 2025
No. of share pre-issue	4,41,94,700
No. of share post issue	5,99,08,986
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

MUFG Intime India Private Limited

Book Running Lead Managers

Monarch Network Capital Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	90.04%	66.43%
Public & Others	9.96%	33.57%

Objects of the issue

- Capital expenditure towards expanding production capacity of seamless and welded tubes and pipes
- Funding the part incremental working capital requirements of the Company
- General corporate purposes.

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Incorporated in 2008, Scoda Tubes Limited is a manufacturer of stainless-steel tubes and pipes. The company's products are broadly categorized into two types: (i) seamless tubes/pipes and (ii) welded tubes/pipes. The company markets its products under the brand name "Scoda Tubes Limited." Customers include engineering companies, EPC (Engineering, Procurement, and Construction) firms, and industrial companies across sectors such as oil and gas, chemicals, fertilizers, power, pharmaceuticals, automotive, railways, and transportation.

Investment Rationale:

Integrated Manufacturing Enhancing Cost Efficiency: The strategically located manufacturing facility near Mundra port and in-house hot piercing mill (20,000 MT capacity) enable backward integration and reduce reliance on external suppliers. This setup enhances production flexibility, lowers input costs, and strengthens the company's position as a competitive, cost-effective player in the stainless-steel market

Diversified End-User Industries Mitigating Sectoral Risk: The company supplies its products to a broad range of industries including Oil & Gas, Chemicals, Fertilisers, Power, Pharmaceuticals, Automotive, Railways, and Transportation. This sectoral diversification reduces dependency on any single industry and mitigates the risk of cyclical downturns. It also enables the company to maintain steady demand across varying economic environments and industrial investment cycles.

Exclusive Distribution Network Supporting Market Penetration: The company has established exclusive stockist arrangements both domestically and internationally, including dedicated partners in Maharashtra (India) and the United States. This focused distribution strategy ensures better control over pricing, customer service, and inventory management. It also strengthens the company's presence in key markets while reducing overhead and enhancing brand visibility through trusted local partners.

Strong Quality Control with Low Rejection Rates: A dedicated 14-member quality control team ensures adherence to stringent international standards through mandatory and supplementary testing. The company reports a low internal rejection rate of 2.6% and an even lower customer rejection rate of 0.31% in FY24, reflecting high operational discipline and product quality that boosts brand trust.

Valuation and View:

Scoda Tubes with its strong focus on stainless-steel tubes and pipes, robust international certifications, integrated manufacturing capabilities, and consistent financial growth, the company is well-positioned to capitalize on rising global and domestic demand across diversified industries. Continued investments in production infrastructure and expansion of its accredited product portfolio are expected to drive further market penetration and operational efficiency. **At the upper price band of INR 140, the issue has a P/E ratio of 25.23x, based on annualised 9MFY25 EPS of INR 5.5. We assign a "Subscribe for Long Term" rating for this issue.**

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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