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IPO Note



Company Name: "Scoda Tubes Limited"

Date: 26 May 2025

Scoda Tubes Limited

About the Company

Scoda Tubes Ltd. is a globally recognized manufacturer of stainless-steel piping solutions, committed to building more than just high-performance products—it strives to shape a more sustainable future. From humble beginnings, the company has grown into an industry leader, known for its technical expertise, customer-focused approach, and eco-conscious mindset.

Its portfolio includes high-quality Austenitic, Martensitic, Duplex, and Super Duplex seamless pipes, tubes, and 'U' tubes, designed for durability across diverse industrial applications.

Scoda Tubes Ltd. operates a fully integrated manufacturing facility with advanced solar infrastructure, reflecting its commitment to reducing environmental impact and enhancing energy efficiency. Sustainability is central to its operations, with ongoing investments in clean technologies.

Backed by skilled professionals and modern infrastructure, Scoda Tubes Ltd. is driven by a mission to deliver exceptional quality, long-term performance, and sustainable growth—aspiring to global respect as a trusted manufacturer of stainless-steel solutions.

Outlook & Valuation

Scoda Tubes Limited has shown consistent operational growth, supported by its specialized focus on stainless-steel tubes and pipes, integrated manufacturing operations, and strategic plant location. The company benefits from promoter experience, international accreditations, and diversified customer and geographic presence.

However, recent financial indicators such as an increase in debtor days (from 62 in FY23 to 82 in FY24), rising working capital cycle, and a decline in current ratio (from 1.22 in FY22 to 1.09 in FY24) highlight the need for tighter financial discipline. Volatility in raw material prices, dependence on global macroeconomic trends, exposure to import competition, and geopolitical uncertainties may continue to weigh on near-term profitability.

Valuation-wise, while the company's fundamentals are supported by long-term infrastructure demand and government-led initiatives such as "Make in India" and "Atmanirbhar Bharat", current financial ratios and industry pressures suggest that the stock is fairly valued at present levels.

Outlook: Considering the operational strengths but also factoring in the existing working capital challenges, market risks, and margin pressures, we maintain a neutral view on Scoda Tubes. The outlook remains stable, with medium-term performance likely to depend on improved cash flow management, sustained demand from infrastructure sectors, and mitigation of external risks.

Recommendation : NEUTRAL

Issue Details:

Price Band (Rs)	Rs 130– Rs 140
Issue Size	220 Cr
Lot Size	100 shares
Issue Opens	May 28, 2025
Issue Closes	May 30, 2025
Lead Manager	Monarch Network Capital Ltd
Registrar	MUFG Intime India Private Limited
Listing Date	Jun 4, 2025
Listing on	BSE, NSE

We advise a cautious approach for investment opportunity at this stage.

Indicative Timetable

Finalization of Basis of allotment	Jun 2, 2025
Refund/ Unblocking of ASBA	Jun 3, 2025
Credit of Equity Shares to DP A/C	Jun 3, 2025

Issue Breakup

QIB	Not more than 50.00% of the Net offer
RETAIL	Not less than 35.00% of the Offer
NII (HNI)	Not less than 15.00% of the Offer
TOTAL	100%

Promotor Shareholding

Pre Issue Share Holding	100%
Post Issue Share Holding	-

Scoda Tubes Limited

Objective of The Issue

The company propose to utilise the Net Proceeds towards funding the following objects:

- ❑ The proceeds will be used to finance capital expenditure for expanding the production capacity of seamless and welded tubes and pipes, amounting to ₹77 crore.
- ❑ An amount of ₹110 crore will be allocated towards funding a part of the company's incremental working capital requirements.

Business Overview

Scoda Tubes Limited is a leading Indian manufacturer of stainless-steel tubes and pipes with over 14 years of experience in the industry. Headquartered in Gujarat, the company specializes in producing high-quality stainless-steel solutions that cater to both domestic and international markets. Scoda Tubes has built a strong reputation for engineering excellence, product reliability, and a commitment to precision manufacturing.

The company's product offerings are broadly classified into two categories—seamless tubes and pipes and welded tubes and pipes—and are further segmented into five key product lines:

- 1.Stainless steel seamless pipes
- 2.Stainless steel seamless tubes
- 3.Stainless steel seamless "U" tubes
- 4.Stainless steel instrumentation tubes
- 5.Stainless steel welded tubes and "U" tubes

These products are marketed under the brand name "Scoda Tubes Limited" and are used across a wide range of industries including oil and gas, chemicals, fertilizers, power, pharmaceuticals, automotive, railways, and transportation.

Seamless vs. Welded Products

Seamless pipes are produced using round bars and do not have a welded seam, which gives them superior strength and pressure-bearing capability, making them ideal for high-pressure and high-temperature applications. In contrast, welded pipes are manufactured by shaping and welding flat steel strips, offering advantages such as longer lengths and smoother surface finishes, although with slightly lower pressure tolerance near the weld zone.

Backward Integration and Manufacturing Capabilities
Scoda Tubes operates a hot piercing mill with a production capacity of 20,000 metric tonnes per annum (MTPA), used to manufacture mother hollows—the primary raw material for seamless products. This backward integration enhances operational efficiency by reducing dependence on external suppliers and enabling greater cost control.

Financials

Income Statement			(Rs in millions)
Particulars	FY24	FY23	FY22
Revenue from Operation	3,999	3,051	1,940
Other income	26	27	10
Total Income	4,025	3,078	1,951
Cost of material	2620	2126	1611
Employee Benefit Exp	74	55	29
Finance Cost	191	116	72
Depreciation	164	115	15
Other expenses	717	523	201
Total expenses	3,765	2,934	1,927
Profit before tax	259	144	23
Total Tax expenses	76	40	7
Profit after tax	183	103	16
Basic EPS	4.60	2.60	0.72

Cash Flow Statement			(Rs in millions)
Particulars	FY24	FY23	FY22
Net Profit before tax	259	144	23
Cash generated from Operating Activity	57	223	-460
NET CASH FLOW FROM OPERATING ACTIVITY	23	203	-469
NET CASH FLOW FROM INVESTING ACTIVITY	-466	-385	-334
NET CASH FLOW FROM FINANCING ACTIVITY	443	179	802
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	0	-2	-1
Cash and Cash Equivalent at the beginning of the year	1	3	4
Cash and Cash Equivalent at the end of the year	0	1	3

Scoda Tubes Limited

Balance Sheet			(Rs in millions)
Particulars	2024	2023	2022
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	816	621	106
Capital Work-in-Progress			346
Intangible Assets	1	1	-
Financial Assets			
Investments	9	9	5
Other Financial Assets	62	50	3
Deferred Tax assets (net)	-	4	3
Other non-current assets	156	58	94
Current Assets			
Inventories	1119	995	626
Financial Assets			
Trade Receivables	893	516	353
Cash and Cash Equivalents	0	1	3
Bank Balance other than cash and cash equivalents	224	104	4
Loans			2
Other Financial Assets	3	1	0
Other Current Assets	21	24	16
Total Assets	3304	2383	1561
EQUITY AND LIABILITIES			
Equity	-	-	-
Equity Share Capital	13	13	13
Other Equity	623	440	337
Total Equity	636	453	350
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	575	438	382
Lease Liabilities	4	4	4
Provisions	6	4	3
Deferred Tax Liabilities (Net)	3	-	-
Current Liabilities			
Financial Liabilities			
i. Borrowings	1452	955	717
ii. Lease Liabilities	0	0	0
Trade Payables			
i. Micro and Small Enterprises	-	-	-
ii. Other than Micro and Small Enterprises	539	475	87
Other Financial Liabilities	2	1	-
Other Current Liabilities	26	27	16
Provisions	3	2	0
Current Tax Liabilities (Net)	59	24	2
Total Liabilities	2668	1930	1211
Total Equity and Liabilities	3304	2383	1561

Scoda Tubes Limited

Directors Profile

Samarth Patel : Chairman and Whole-time Director
Samarth Patel serves as the Chairman and Whole-time Director of Scoda Tubes Ltd. and is one of the company's promoters. He holds a Bachelor's degree in Science from Yashwantrao Chavan Maharashtra Open University. With over five years of experience in the steel industry, he has been associated with the company since December 29, 2017. He is primarily responsible for overseeing export sales and marketing activities.

Jagrutkumar Patel : Managing Director
Jagrutkumar Patel is the Managing Director and a promoter of the company. He holds a Bachelor's degree in Computer Engineering from Kalol Institute of Technology & Research Centre, affiliated with Gujarat University. With over a decade of experience in the construction and real estate sectors, he has been serving as a Director since September 26, 2016. He currently oversees domestic sales and marketing functions at Scoda Tubes Ltd.

Saurabh Patel : Non-Executive Director
Saurabh Patel is a Non-Executive Director and one of the promoters of Scoda Tubes Ltd. He holds a Bachelor's degree in Commerce from Yashwantrao Chavan Maharashtra Open University. He brings over five years of experience in the construction and real estate industry and has been a part of the company's Board since December 31, 2020. He is responsible for supervising project development initiatives.

Piyush Shah : Independent Director
Piyush Shah is an Independent Director of the company. He holds a Bachelor's degree in Commerce from H.L. Commerce College, University of Gujarat, and is a Fellow Member of the Institute of Chartered Accountants of India. He also holds a Diploma in Information System Audit from the same institute. With over 20 years of experience in finance and taxation, he is the Managing Partner of Piyush J. Shah & Co., a chartered accountancy firm. He has previously worked with Shree Rama Multi-Tech Limited and served as a director at Bently Fittings Limited and Satyandra Packaging Limited. He joined Scoda Tubes Ltd. as an Independent Director on September 10, 2024.

Vipul Patel : Independent Director
Vipul Patel serves as an Independent Director at Scoda Tubes Ltd. He holds a Bachelor's degree in Chemical Engineering from Sardar Patel University and an MBA from Nirma University of Science and Technology, Ahmedabad. With over 10 years of experience in venture capital and private equity, he began his career with Hindalco Industries Limited and has been associated with IIMA Ventures since 2011, currently serving as Partner – Seed Investing. He joined the Board of Scoda Tubes Ltd. on September 10, 2024.

Neha Soni : Independent Director

Neha Soni is an Independent Director at Scoda Tubes Ltd. She holds a Bachelor's degree in Law from D.T. Law College and a Master's degree in Commerce from H.L. College of Commerce, both under the University of Gujarat. A Fellow Member of the Institute of Company Secretaries of India, she also holds a diploma in the French language from Alliance Française. With over 15 years of experience in corporate law and secretarial practices, she has held key roles at Gyscoal Alloys Limited and Jindal Worldwide Limited. She joined the Board on September 10, 2024.

Market Opportunity

Government initiatives like Make in India, Aatma Nirbhar Bharat, PLI, and infrastructure schemes such as Jal Jeevan Mission and PM Jivan Yojana are boosting opportunities for the stainless-steel tube and pipe sector. High budget allocations for railways, roads, and housing, along with anti-dumping duties on Chinese imports, are expected to strengthen domestic manufacturing. Rising global demand for LNG and investments in oil, gas, and infrastructure further support long-term industry growth.

Key Risk of The Business

- ❑ The company experienced an increase in debtor days from 62 in fiscal 2023 to 82 in fiscal 2024, causing working capital days to rise from 151 to 162. This may impact the company's ability to quickly convert production into revenue, requiring careful management of working capital.
- ❑ The current ratio declined from 1.22 in fiscal 2022 to 1.09 in fiscal 2024, indicating a reduced capacity to meet short-term obligations, necessitating close monitoring of liabilities and cash reserves.
- ❑ Fluctuations in raw material prices, especially stainless-steel round bars, pose margin risks. However, the company's experience and backward integration help mitigate this risk through optimal inventory management and back-to-back purchasing.
- ❑ High costs and volatility in gas pipelines and oil prices can negatively affect government and consumer spending, impacting demand.
- ❑ Geopolitical tensions, trade barriers, taxes, and restrictions may limit raw material access, export potential, and market growth.
- ❑ Cheaper imports of stainless-steel tubes and pipes could pressure sales and margins, though the company can respond by enhancing product quality and operational efficiency.
- ❑ Changes in government policies, customs duties, and regulations add further uncertainty to the business environment.

Scoda Tubes Limited

Competitive Strength

- ❑ Expertise in the specialised manufacturing of stainless-steel tubes and pipes.
- ❑ Strategically located plant with fully integrated operations for efficient production and logistics.
- ❑ Diverse customer base and broad geographical reach, reducing dependency risks.
- ❑ Promoters' valuable industry experience, strong qualifications, and well-established relationships.
- ❑ Rigorous and comprehensive quality control processes ensuring product excellence.
- ❑ Recognition through international accreditations and product certifications, enhancing market credibility.

Threats

- ❑ Increase in debtor days from 62 in fiscal 2023 to 82 in fiscal 2024, leading to higher working capital days and potential delays in revenue realization.
- ❑ Decline in the current ratio from 1.22 in fiscal 2022 to 1.09 in fiscal 2024, indicating reduced short-term liquidity and the need to closely monitor liabilities and cash balances.
- ❑ Raw material price volatility, especially in stainless-steel round bars, poses risks to profit margins, despite mitigation efforts like back-to-back purchases and backward integration.
- ❑ High gas pipeline costs and fluctuating oil prices can negatively impact government and consumer spending, affecting demand.
- ❑ Economic exposure to oil price swings, which influence inflation, fiscal deficits, and government spending in major importing and exporting countries.
- ❑ Geopolitical tensions, trade barriers, taxes, and reduced international investments may limit access to raw materials, markets, and growth opportunities.
- ❑ Competition from cheaper imports of stainless-steel tubes and pipes may pressure sales and margins, necessitating quality improvement and supply chain optimization.
- ❑ Changes in government policies, customs duties, and regulations introduce uncertainty and risk in the stainless-steel tubes and pipes sector.

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