

## **Scoda Tubes Limited – Business Overview**

### **Core Business:**

Scoda Tubes Limited is an Indian manufacturer and exporter of stainless steel tubes and pipes with over 14 years of experience. The company specializes in the production of:

1. **Seamless Tubes and Pipes**
2. **Welded Tubes and Pipes**

**These are further segmented into five key product categories:**

- Stainless steel seamless pipes
- Stainless steel seamless tubes
- Stainless steel seamless “U” tubes
- Stainless steel instrumentation/hydraulic tubes
- Stainless steel welded tubes and “U” tubes

### **Manufacturing Facility:**

- Located at Rajpur, Kadi (Mehsana, Gujarat) near Mundra Port (360 km) and an Inland Container Depot (23 km), which supports cost-efficient logistics.
- Facility includes advanced equipment: hot piercing mill, pilger mills, cold drawing lines, bright annealing furnace, and testing machines.
- Installed capacities as of December 2024:
  - 20,000 MT/year for mother hollow
  - 10,068 MT/year for seamless products

- 1,020 MT/year for welded products

**Backward Integration:**

Scoda operates a hot piercing mill to produce mother hollow (the base raw material for seamless tubes), allowing better control over quality, costs, and supply chain dependencies. Surplus mother hollows are also sold in the market.

**Markets Served:**

Scoda's products are used across diverse industries including:

- Oil & Gas (onshore/offshore)
- Chemicals and Petrochemicals
- Fertilisers
- Power and Energy
- Pharmaceuticals
- Automotive
- Railways and Transportation

**Export Focus:**

- Exported to 16 countries in FY24 including the USA, Germany, Netherlands, Spain, and Italy.
- Export contribution was ~28% of revenue for the 9 months ended December 2024.
- Company plans to expand exports to the Middle East (Kuwait, UAE).

**Additional Revenue:**

Apart from manufacturing, the company also provides job work services such as:

- Annealing
- Straightening
- Pickling

- Marking

These services are offered to other manufacturers or customers on a contract basis.

**Brand and Market Positioning:**

Products are sold under the “Scoda Tubes Limited” brand. The company actively promotes its brand through participation in both domestic and international trade expos like:

- Stainless Steel World (Netherlands)
- Wire & Tube Dusseldorf (Germany)
- UK Metal Expo
- Heat Exchanger World (US/Rotterdam)
- Chemtech and Stainless Steel Expo (India)

In summary, Scoda Tubes Limited is a specialized stainless-steel tube and pipe manufacturer with significant vertical integration, export presence, and a diversified industrial customer base.

Scoda Tubes Limited is launching its Initial Public Offering (IPO) with the following key details:

**IPO Details**

- **Issue Period:** May 28 to May 30, 2025
- **Price Band:** ₹130 to ₹140 per equity share
- **Lot Size:** 100 shares
- **Issue Size:** ₹220 crore (entirely a fresh issue)
- **Listing Date:** June 4, 2025
- **Stock Exchanges:** BSE and NSE

**Promoter Shareholding**

- **Pre-IPO Promoter Holding:** 90.04%
- **Post-IPO Promoter Holding:** 66.42%

## Objects of the Issue

Scoda Tubes Limited's Initial Public Offering (IPO) aims to raise ₹220 crore through a fresh issue of equity shares. The proceeds from the IPO are intended to be utilized for the following purposes:

1. **Capital Expenditure for Capacity Expansion:** Approximately ₹76.9 crore (35% of the proceeds) will be allocated towards expanding the company's production capacity for seamless and welded tubes and pipes. This expansion is expected to enhance operational efficiency and meet growing market demand.
2. **Incremental Working Capital Requirements:** Around ₹110 crore (50% of the proceeds) is earmarked to fund the company's incremental working capital needs. This infusion will support day-to-day operations and facilitate smoother business functioning.
3. **General Corporate Purposes:** The remaining ₹33 crore (15% of the proceeds) will be used for general corporate purposes, which may include strategic initiatives, administrative expenses, and other operational requirements.

This strategic allocation of funds is designed to strengthen Scoda Tubes Limited's market position and support its long-term growth objectives.

## Strength and Weakness:

### ✓ Strengths

1. **Robust Revenue Growth:** The company has shown significant financial growth over recent years. Revenue increased from ₹195.05 crore in FY22 to ₹307.79 crore in FY23, and further to ₹402.49 crore in FY24. Correspondingly, EBITDA rose from ₹9.99 crore in FY22 to ₹58.79 crore in FY24, and Profit After Tax (PAT) improved from ₹1.64 crore to

₹18.30 crore during the same period.

2. **Backward Integration:** Scoda Tubes operates a hot piercing mill with an annual capacity of 20,000 metric tons to produce mother hollows, a key raw material for seamless pipes. This integration enhances control over quality and supply chain efficiency.
3. **Diverse Client Base and Export Markets:** The company serves various industries, including oil & gas, chemicals, fertilizers, power, pharmaceuticals, automotive, and transportation. It exports to 16 countries, including the USA, Germany, and Italy, with exports contributing approximately 28% of revenue in the first nine months of FY24. [mint](#)
4. **Strategic Location:** The manufacturing facility is situated in Rajpur, Kadi (Mehsana, Gujarat), providing logistical advantages due to its proximity to ports and industrial hubs.
5. **Institutional Investor Confidence:** Prior to the IPO, Malabar Investments and Carnelian Capital acquired a combined 9.96% stake in the company, indicating institutional confidence in its prospects.

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## Weaknesses & Risks

1. **Volatility in Raw Material Prices:** Raw materials, such as stainless steel hollow pipes, constitute 80-85% of the total cost of sales. Price volatility in these materials can adversely affect profitability.
2. **High Debt to Equity Ratio.**

## Conclusion: Scoda Tubes Limited IPO

Scoda Tubes Limited presents itself as a growing stainless steel pipes and tubes manufacturer with strong operational integration, an expanding product portfolio, and increasing global footprints. The company has demonstrated consistent revenue and EBITDA growth, backed by backward integration (mother hollow manufacturing) and a diversified client base across critical industries like oil & gas, petrochemicals, and automotive.

However, investors should weigh the following risks before subscribing to the IPO:

- High working capital requirements

- Exposure to raw material price volatility
- Leveraged capital structure
- Short profitability history and relatively high valuation