

IPO Note

24th June 2025

Company Overview

Sambhav Steel Tubes is a leading manufacturer of electric resistance welded (ERW) steel pipes and structural tubes (hollow section) in India, with a significant installed capacity of 1,698,000 MTPA as of March 31, 2025. The company has established a strong presence through its backward-integrated manufacturing setup, enabling the production of a wide range of value-added steel products such as ERW black pipes, pre-galvanized (GP) pipes, cold rolled full hard (CRFH) pipes, galvanized iron (GI) pipes, steel door frames, and stainless steel (SS) products including HRAP coils and CR coils. The company is one of only two manufacturers in India, as of December 2024, producing ERW pipes using narrow-width hot-rolled (HR) coils, which offers enhanced precision and customization, according to a CRISIL report. The company's products are rust-resistant and tailored to meet specific market requirements, ensuring wide application across multiple sectors, including housing and infrastructure, water transportation, agriculture, automobile, telecommunications, oil and gas, engineering, solar energy, firefighting systems, and conveyor support structures. Sambhav Steel has a broad distribution network across 15 Indian states and one union territory as of December 31, 2024. According to the CRISIL report, they are amongst few players in India manufacturing stainless steel coils with backward integration and currently have the capability of manufacturing stainless steel (SS) blooms/slabs, which are captively consumed to produce HR coil, hot rolled annealed pickled (SS HRAP) coil and CR coil. The company's operations are based in the mineral-rich state of Chhattisgarh, with facilities located at Sarora (Tilda) and Kuthrel. This proximity to raw material sources, including high-grade iron ore from a Navratna PSU and coal from a Maharatna PSU, benefits the company. This strategic location ensures efficient logistics and uninterrupted supply of key inputs. Since commencing operations in 2018 with sponge iron production, Sambhav has rapidly diversified and scaled up its manufacturing capabilities to include a range of high-quality finished and intermediate steel products. Its facilities are equipped with advanced technologies, such as hydraulic automatic gauge control (HAGC) in hot rolling mills, which support precision manufacturing and reduce reliance on external suppliers.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment/Prepayment of a portion of certain outstanding borrowings;
- ⇒ General corporate purposes.

Investment Rationale

A single location backward integrated facility is a key competitive advantage

The company presents a compelling investment opportunity owing to its fully backward-integrated, single-location manufacturing facility in India, which spans the entire steel value chain from sponge iron to value-added finished products. This integration enables captive production of key intermediates like sponge iron, mild steel, stainless-steel blooms and slabs, HR and CR coils, as well as galvanized products such as GP coils. These feed into the manufacture of ERW black pipes, CRFH pipes, Corten steel pipes, GP and GI pipes, steel door frames, and stainless-steel products such as HRAP and CR coils. This strategic integration ensures strong control over raw material supply, cost efficiency, consistent product quality, and enhanced margins. Over the years, Sambhav has progressively undertaken forward integration initiatives, such as the in-house development of narrow-width HR coils used in ERW pipe manufacturing, reducing dependence on external suppliers and aligning production flexibility with customer demand. The company's product portfolio has steadily expanded, most recently including GI pipes, galvanized GP coils, and stainless-steel coils, reinforcing its focus on high-margin, value-added products. The company also operates a 25 MW captive power plant (upgraded from 15 MW in FY24), using waste heat recovery (WHRB) and AFBC technologies, which is expected to meet over 56% of its power requirements. Additionally, the company's efficient scrap recycling system, in which steel scrap generated across facilities is reused in steel melting operations, minimizes raw material procurement costs and production waste in manufacturing processes, enabling improved operating margins.

Strong execution capabilities and process innovation allows production of value-added products

The company demonstrates strong process innovation and execution capabilities, positioning it as a differentiated and cost-effective player in the steel manufacturing sector. Since commencing operations in 2018 with sponge iron production, the company has strategically advanced its manufacturing

Issue Details

Offer Period	25 th June, 2025 - 27 th June, 2025
Price Band	Rs. 77 to Rs. 82
Bid Lot	182
Listing	BSE & NSE
Issue Size (no. of shares in mn)	65.8
Issue Size (Rs. in bn)	5.4
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	35%
Retail	15%

BRLM	Nuvama Wealth Management, Motilal Oswa Investment Advisors
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	71.9	57.4
Public	28.1	42.6
Total	100.00	100.00

(Assuming issue subscribed at higher band)

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Sambhav Steel Tubes Ltd.

processes to produce a wide range of value-added and customized products. A key milestone in its innovation journey has been the development of narrow-width hot-rolled (HR) coil manufacturing capabilities, which match the quality standards of primary producers. This capability allows Sambhav to reduce its dependency on external suppliers, lower capital expenditure, and enhance cost efficiency in its pipe manufacturing operations. The company employs advanced metallurgical processes such as the argon oxygen decarburization method for producing stainless steel (SS) blooms and slabs, making it one of the few players in India to adopt this cost-efficient, high-yield technique. Additionally, it uses the ladle refining furnace process to produce high-quality alloy steel with precise control over chemical composition. The company's commitment to sustainability is evident in its use of waste heat recovery boilers (WHRBs) and atmospheric fluidized bed combustion (AFBC) systems for captive power generation, which utilize by-products such as flue gases and dolomitic limestone to reduce waste and energy costs. These innovations have enabled the company to expand into high-margin product segments such as GI and GP pipes with advanced threading, corten steel for marine transport applications, and eco-friendly steel door frames used in affordable housing projects. The backward integration in stainless steel has further enabled the company to produce specialized grades, such as SS HRAP and CR coils, catering to niche markets with limited domestic supply. This emphasis on continuous process innovation supports product diversification, operational efficiency, and margin expansion, positioning it for sustained long-term growth.

Valuation

Sambhav Steel Tubes Limited stands out in the Indian steel industry as the only player with a single-location, backward-integrated setup capable of producing sponge iron, blooms/slabs, hot-rolled (HR) coils, and various value-added products, including GP/GI pipes, stainless steel HRAP and CR coils. The company's backward integration from iron ore to finished products significantly reduces its dependency on third-party suppliers, enhances operational efficiency, and enables faster responsiveness to market demands. The company also continues to develop new value-added products and focus on customization to expand its customer base and meet evolving market trends. Ongoing product development remains a core focus area for the company, and aim to continue this in the future. As part of its growth strategy, the company is aggressively expanding its installed capacity from ~1.1 MTPA in FY24 to ~1.7 MTPA in FY25, and plans further to add 1.2 MTPA through a new greenfield facility. This phased expansion aims to capture the increasing domestic demand for ERW and stainless-steel pipes, driven by government infrastructure push and rising applications in the industrial and consumer sectors. Additionally, by enhancing its product mix and forward integrating into steel door frames and specialized GP pipes for coastal markets, the company is aligning its offerings with evolving industry trends. On the financial front, the company has demonstrated a consistent and robust financial trajectory, underpinned by strong revenue growth and industry-leading profitability metrics. The company is also actively pursuing capital expenditure across its existing and upcoming facilities to enhance capacity and product capabilities. While this expansion may compress free cash flows in the near term, management expects improved operating leverage and scale benefits to support profitability and debt servicing. Overall, Sambhav's financial outlook appears stable and growth-oriented, driven by capacity augmentation, higher operational efficiencies, strong industry tailwinds, robust backward integration and a growing portfolio of value-added products. **The issue is valued at a P/E of 36.4x on the upper price band based on FY25 annualized earnings, which is deemed fair. Therefore, we recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company's underutilization of manufacturing capacities and inability to effectively utilize expanded manufacturing capacities could harm its business, prospects, and financial performance.
- ⇒ The company depends on certain key suppliers for specific raw materials and has not entered into definitive supply agreements with most of its suppliers. A failure by suppliers to meet their obligations may affect the availability and cost of raw materials, which can adversely impact business, results of operations, profitability, margins, cash flows, and financial condition. Further volatility in raw material prices and the inability to pass on the increase in raw material costs to customers may impact the results of operations, profitability, and margins.
- ⇒ The company relies heavily on ERW pipe and tube sales, and a drop in demand could impact its financial performance. Failure to diversify may also hinder growth and profitability.

Sambhav Steel Tubes Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	9MFY25
Revenue				
Revenue from Operations	8,193	9,372	12,858	10,161
Total Revenue	8,193	9,372	12,858	10,161
Expenses				
Cost of raw materials consumed	6,345	6,700	8,287	7,363
Purchases of stock-in-trade	135	569	1,057	76
Changes in inventories of stock-in-trade and finished goods	-282	-302	-142	-372
Employee benefit expenses	235	415	571	608
Other expenses	516	818	1,486	1,423
Total Operating Expenses	6,948	8,199	11,259	9,097
EBITDA	1,245	1,173	1,599	1,064
Depreciation and Amortization expenses	101	162	209	226
Other income	14	18	36	27
EBIT	115	179	245	253
Finance costs	191	218	318	308
Exceptional Item				
PBT	967	811	1,108	557
Total tax	246	207	283	150
PAT	721	604	824	407
Diluted EPS	3.6	3.0	3.8	1.7

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	9MFY25
Cash Flow from operating activities	345	656	1,424	(421)
Cash flow from investing activities	(1,002)	(849)	(3,116)	(2,001)
Cash flow from financing activities	657	195	1,766	2,357
Net increase/(decrease) in cash and cash equivalents	(1)	1	74	(65)
Cash and cash equivalents at the beginning of the period	1	1	2	76
Cash and cash equivalents at the end of the period	1	2	76	11

Source: RHP, BP Equities Research

Sambhav Steel Tubes Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	9MFY25
Assets				
Non-Current Assets				
Property, plant and equipment	2,353	2,940	3,367	7,540
Capital work in Progress	167	215	2,156	786
Other Intangible Assets	2	1	1	0
Goodwill	0	0	0	6
Other financial assets				
Loans	0	0	1	2
Other Financial Assets	58	87	153	260
Other non-current assets	115	214	571	613
Total Non current assets	2,695	3,458	6,248	9,206
Investments				
Inventory	1,215	1,414	1,491	2,600
(i) Trade Receivables	156	346	941	1,360
(ii) Cash and cash equivalents	1	2	76	11
(iii) Other Bank Balance	83	75	354	79
Loans	2	2	5	10
Other Financial assets	2	4	17	10
Current Tax Assets (Net)	0	0	0	57
Other current assets	431	221	270	785
Total Current Assets	1,890	2,064	3,153	4,912
Total Assets	4,585	5,521	9,401	14,118
Equity				
(a) Equity Share Capital	201	201	2410	2410
(b) Other Equity	1,292	1,903	1,973	2,375
Total Equity	1,493	2,104	4,383	4,785
Liabilities				
Non-current liabilities				
(i) Borrowings	1,365	1,690	1,814	3,454
(ii) Lease Liabilities	2	22	35	21
(iii) Provisions	9	8	14	26
(iv) Deferred tax liabilities (Net)	97	142	188	280
Total Non-current Liabilities	1,473	1,863	2,051	3,780
Current liabilities				
Financial Liabilities				
Borrowings	1,048	1,138	1,654	2,738
Trade payables:	310	283	978	1,796
Lease Liabilities	1	0	1	2
Provisions	0	1	2	8
Other current liabilities	80	57	135	87
Current Tax Liabilities (Net)	130	7	69	
Other financial Liabilities	49	69	128	922
Total Current Liabilities	1,619	1,555	2,967	5,554
Total Liabilities	4,585	5,521	9,401	14,118

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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