

Retail Research	IPO Note
Sector: Metal Products	Price Band (Rs): 77 - 82
20 th June 2025	Recommendation: Subscribe for Long Term Investment Horizon

Sambhv Steel Tubes Ltd.

Company Overview:

Sambhv Steel Tubes is one of the key manufacturers of Electric Resistance Welded (ERW) steel pipes and structural tubes (hollow section) in India in terms of installed capacity as of Mar'24. The company's backward integration processes allows them to manufacture a range of finished products including ERW black pipes & tubes (hollow section), pre-galvanized (GP) pipes, Cold Rolled Full Hard (CRFH) Pipes & galvanized iron (GI) pipes and steel door frames, using intermediate products such as sponge iron, blooms/slabs & hot rolled (HR) coil, cold rolled (CR) coil (mild steel) and GP coils which are manufactured in-house. The company is one of the two players in India manufacturing ERW steel pipes & tubes (along with hollow section pipes and tubes) using narrow-width HR coil, as of Dec'24. The 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 & gas, engineering, solar energy, fire-fighting systems and support structures of conveyors.

Key Highlights:

1. A single-location, fully backward-integrated facility in India: The company manufactures intermediate products like sponge iron, mild steel blooms/slabs, HR, GP and CR coils, primarily for in-house use in producing ERW black pipes, hollow sections, CRFH pipes, Corten steel pipes, GP/GI pipes and steel door frames. Recently, stainless steel products such as blooms/slabs, HR coils, HRAP coils and CR coils have also been added.

2. Strategic Raw Material Sourcing: The company's facilities are located near key raw material sources. The company procures high-grade iron ore from a Navratna PSU and coal from a Maharatna PSU, whose mines are among Asia's largest and just 250 km from the company's Sarora (Tilda) plant. This proximity ensures efficient logistics, a reliable supply chain and supports sponge iron production vital to steel manufacturing process.

3. Extensive Distribution Network: As of Dec'24, the company has 43 distributors operating across 15 states and one union territory, supported by over 700 dealers. This robust network gives them a competitive edge in the ERW steel pipes and structural tubes sector. Since launching ERW black pipes and tubes in FY24, the company has rapidly expanded its reach, especially in states like Chhattisgarh, Maharashtra, Gujarat and Uttar Pradesh. The company also supplies directly to end-customers, including infrastructure firms, government projects and OEMs in industries such as agriculture, construction and telecom.

Valuation: The company is valued at an annualized EV/EBITDA multiple of 18.2x and a P/E multiple of 44.5x for 9MFY25, based on the upper price band and post-issue capital. Sambhv Steel Tubes stands out as one of the few players in India with a backward integration facility, enabling it to offer a diverse portfolio of premium products in a cost-efficient manner. Between FY24–FY25, the company enhanced its manufacturing capabilities to include Stainless Steel (SS) Bloom, SS Hot Rolled Coils, SS Cold Rolled Coils and SS HRAP Coils—products known for their high margin potential. Additionally, it commenced production of Pre-Galvanised (GP) pipes and GP pipes, further expanding its value-added offerings. The proceeds from the issue will be used primarily to reduce debt, thereby lowering interest costs and strengthening the balance sheet. With ramp up in capacity utilization of CR coils (SS) and Pre-galvanized (GP) pipes expected over the next 2-4 quarters, margins are likely to expand. Strong industry tailwinds, robust backward integration and a growing portfolio of value-added products, the company is well-positioned for sustained growth. We recommend investors to subscribe the issue at cut-off price with a long-term investment horizon.

Issue Details	
Date of Opening	25 th June 2025
Date of Closing	27 th June 2025
Price Band (Rs)	77 - 82
Fresh Issue (Rs cr)	440
OFS (Rs cr)	100
Issue Size (Rs cr)	540
No. of shares	7,01,29,870 – 6,58,53,659
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	2,296 – 2,416
BRLMs	Nuvama Wealth Management, Motilal Oswal Investment Advisors
Registrar	KFin Technologies Ltd.
Bid Lot	182 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%
Employee Discount (Rs)	4

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Pre-payment or scheduled re-payment of a portion of certain outstanding borrowings availed by the Company	390.0
General corporate purpose*	-
Total proceeds from fresh issue	440.0

**To be determined upon finalization of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount to be utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds, in accordance with the SEBI ICDR Regulations.*

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	17,33,56,120	71.9
Public & Others	6,76,45,880	28.1
Total	24,10,02,000	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	16,88,10,665	56.6
Public & Others	12,93,34,192	43.4
Total	29,81,44,857	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	16,90,87,827	57.4
Public & Others	12,55,72,709	42.6
Total	29,46,60,537	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY22	FY23	FY24	9MFY25
Revenue from operations	819	937	1,286	1,016
EBITDA	125	117	160	106
PAT	72	60	82	41
EBITDA Margin (%)	15.2	12.5	12.4	10.5
PAT Margin (%)	8.8	6.4	6.4	4.0
RoE (%)	48.3	28.7	18.8	-
RoCE (%)	29.6	20.9	18.2	-
P/E (x)*	27.4	32.7	24.0	-

Source: RHP, SSL Research

*Note: Pre-issue P/E based on upper price band

Risk Factors

- **Under-utilization of manufacturing facility:** Under-utilization or ineffective use of expanded manufacturing capacity could negatively impact business performance.
- **Increase or shortfall of raw material:** Rising costs or shortages of key raw materials like iron ore and coal could significantly impact company's profitability.
- **Financing arrangements contain restrictive covenants:** The company's financing agreements include restrictions that may limit company's business flexibility, including expansion and diversification plans.
- **Reduction in the demand for ERW pipes:** The company relies heavily on ERW pipe and tube sales, and a drop in demand could impact the financial performance. Failure to diversify may also hinder growth and profitability.

Growth Strategies

- Production capacity expansion with focus on value added products.
- Expanding their distributor network and increasing business share from existing distributors and direct customers.
- Continue to focus on value-added products and customization.
- Continue to focus on operational and cost optimization.
- Continue emphasizing brand building.

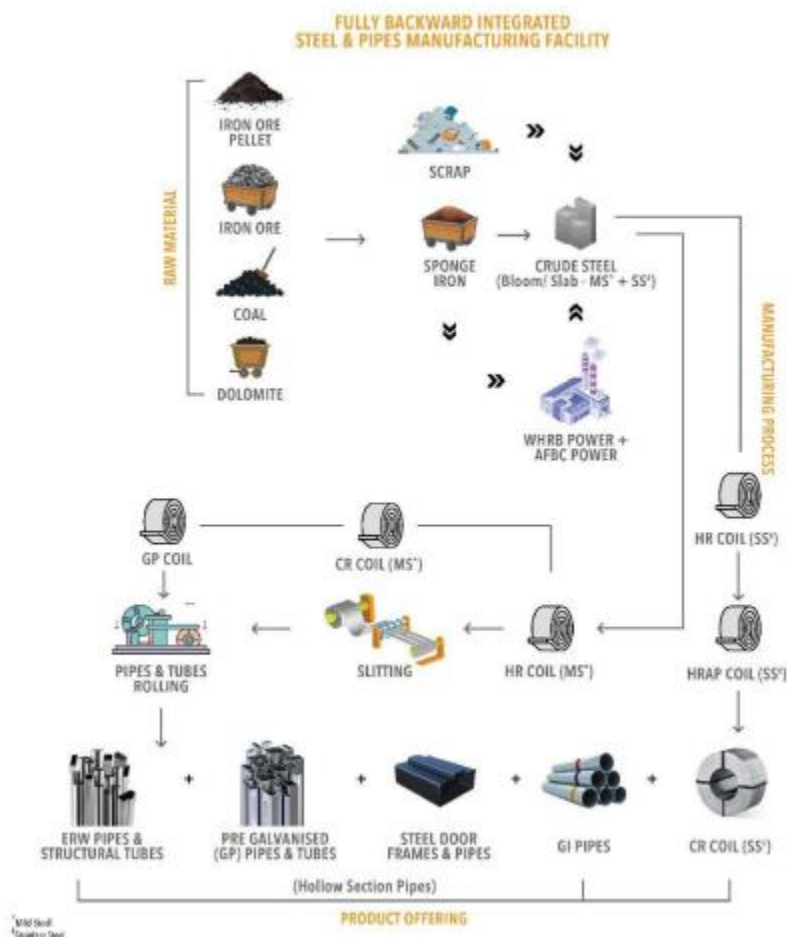
Manufacturing Facility

Manufacturing Capacity	Installed capacity				Capacity utilization#			
	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
(A) Sarora (Tilda) Facility	(in Metric TPA)				(%)			
Sponge iron	90,000	1,05,000	1,05,000	2,80,000	120.2	111.3	114.7	89.0
Bloom/slabs (MS)	1,50,000	2,31,000	3,17,400	3,00,000	110.4	94.5	82.6	85.1
Bloom slabs with argon oxygen decarburization (AOD) (SS)	-	-	-	60,000	-	-	-	47.1
HR coil (MS)	1,50,000	3,50,000	3,50,000	3,90,000	102.7	54.6	58.7	57.9
HR coil (SS)	-	-	-	60,000	-	-	-	42.2
ERW black pipes and tubes including CRFH pipes	-	2,50,000	2,50,000	3,50,000	-	41.8	74.0	70.6
CR coils (MS)	-	1,00,000	1,00,000	1,00,000	-	-	-	18.0
Total (A)	3,90,000	10,36,000	11,22,400	15,40,000				
(B) Kuthrel Facility	(in Metric TPA)				(%)			
CR coils (SS)	-	-	-	58,000	-	-	-	47.97
Pre-galvanized (GP) pipes	-	-	-	1,00,000	-	-	-	36.99
Total (B)	0	0	0	1,58,000				
Total installed capacity (MTPA)	3,90,000	10,36,000	11,22,400	16,98,000				
Power (MW)	15	15	15	25	91.4	92.7	90.1	89.0

Source: RHP, SSL Research

#Annualised

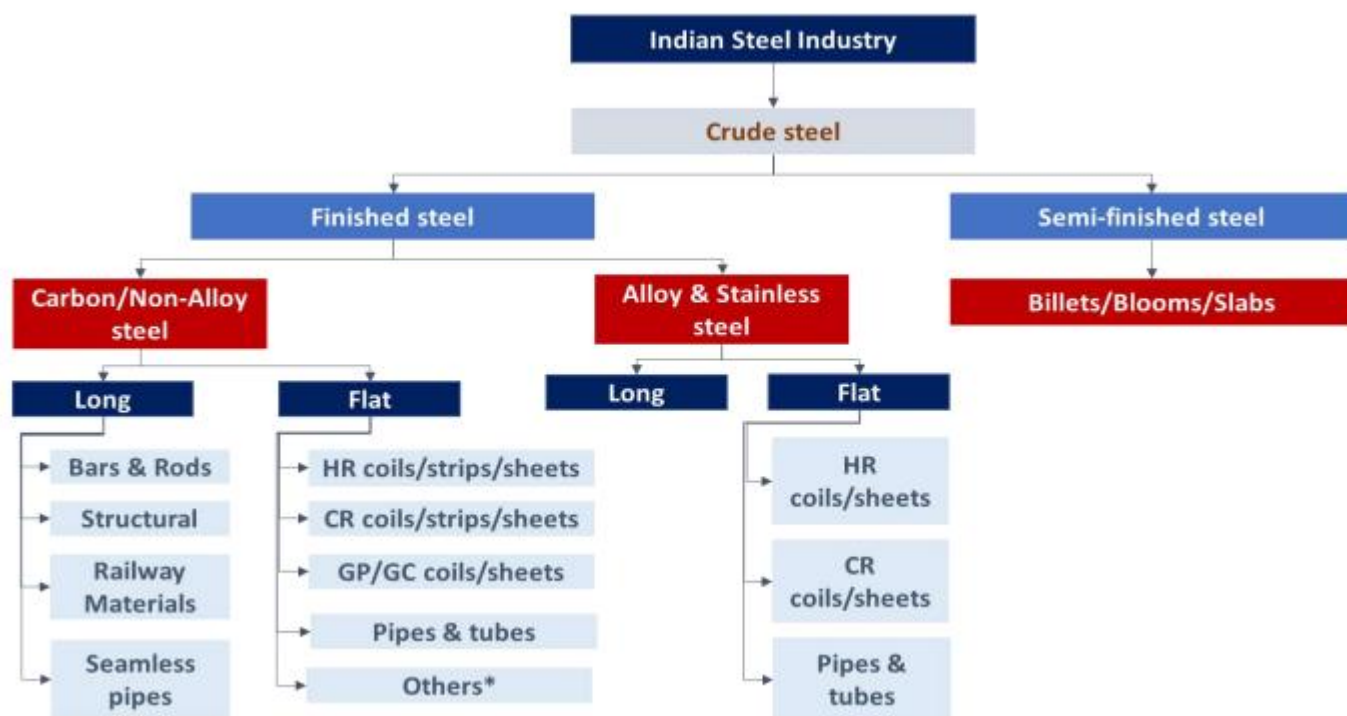
Manufacturing Process



Source: RHP, SSL Research

Industry Overview

Structure of the Indian steel industry:



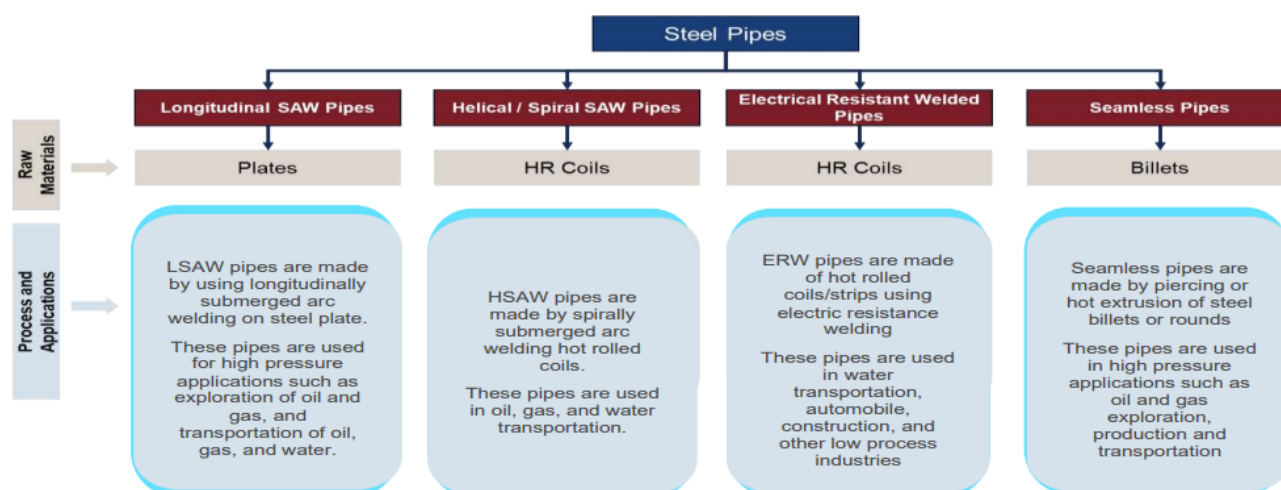
* Others include prime plate plates, hot strip mill plates, colour-coated coils/sheets, electrical coils/sheets, tin plates, tin-free steel, tin mill black plates, pipes, etc

Note: Pipes and tubes included under both flat carbon/non-alloy steel segment and flat alloy & stainless steel segment include hollow section pipes and welded pipes.

Further, seamless pipes under long segment also includes hollow section.

Source: RHP, SSL Research

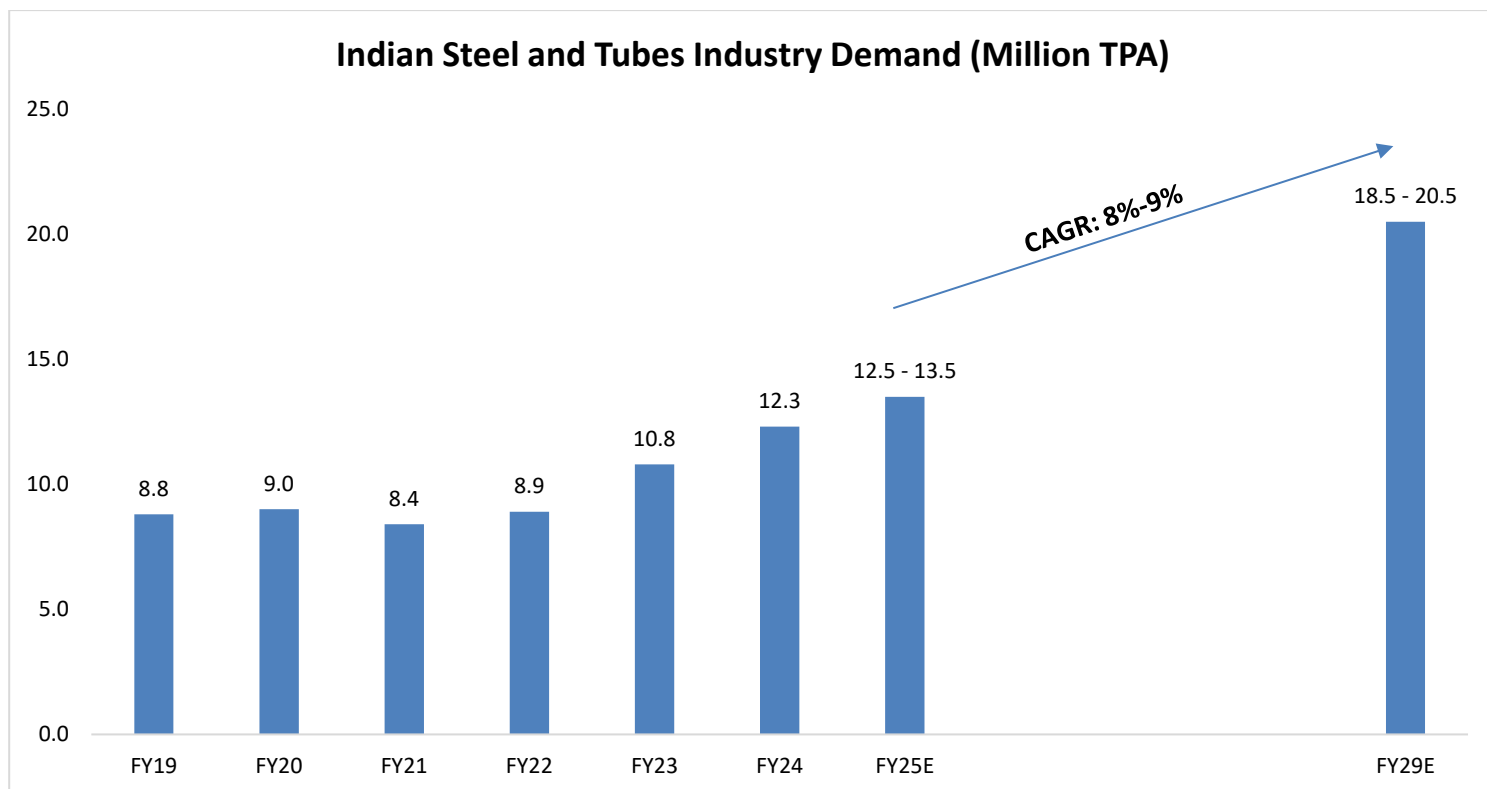
Indian steel pipes industry:



Note: Sponge iron, another product of interest, is used as a key raw material in the steel making process in the electric arc furnace or induction furnace routes.

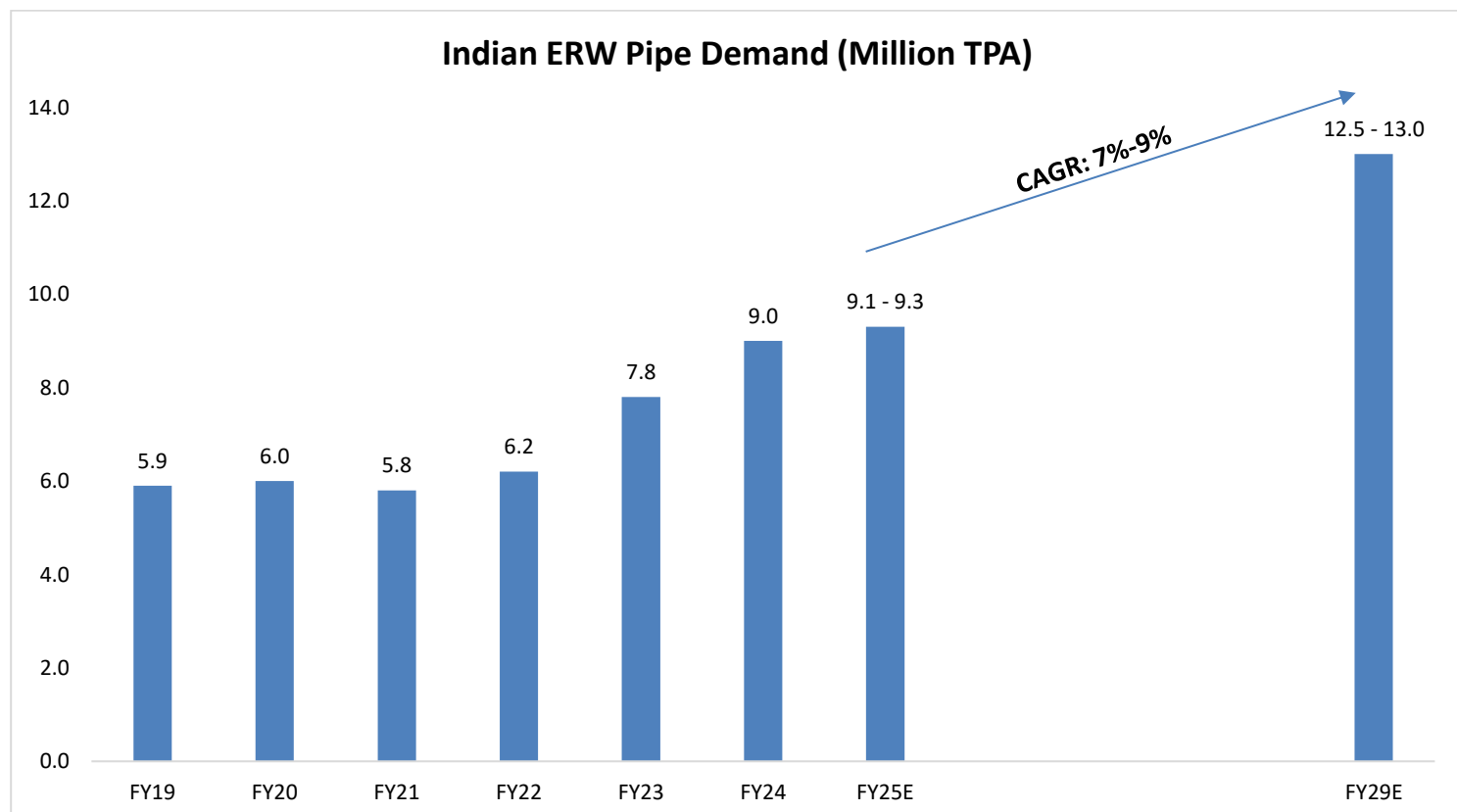
Source: RHP, SSL Research

The Indian steel pipes and tubes industry is expected to grow at a CAGR of 8%-9% between FY25E and FY29E:



Source: RHP, SSL Research

The Indian ERW pipe demand is expected to grow at a CAGR of 7%-9% between FY25E and FY29E:



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT				
(Rs cr)	FY22	FY23	FY24	9MFY25
Revenue from Operations	819	937	1,286	1,016
YoY growth (%)	-	14.4	37.2	-
Cost Of Revenues (incl Stock Adj)	620	697	920	707
Gross Profit	200	241	366	309
Gross margins (%)	24.4	25.7	28.4	30.5
Employee Cost	23	41	57	61
Other Operating Expenses	52	82	149	142
EBITDA	125	117	160	106
EBITDA margins (%)	15.2	12.5	12.4	10.5
Other Income	1	2	4	3
Interest Exp.	19	22	32	31
Depreciation	10	16	21	23
PBT	97	81	111	56
Exceptional item	-	-	-	-
Tax	25	21	28	15
PAT	72	60	82	41
PAT margin (%)	8.8	6.4	6.4	4.0

BALANCE SHEET				
(Rs cr)	FY22	FY23	FY24	9MFY25
Assets				
Net Block	235	294	337	754
Capital WIP	17	22	216	79
Intangible Assets	0	0	0	1
Other Non current Assets	17	30	72	87
Current Assets				
Inventories	122	141	149	260
Trade receivables	16	35	94	136
Cash and Bank Balances	8	8	43	9
Short-term loans and advances	0	0	0	1
Other Current Assets	43	22	29	85
Total Current Assets	189	206	315	491
Current Liabilities & Provisions				
Trade payables	31	28	98	180
Other current liabilities	26	13	33	101
Short-term provisions	0	0	0	1
Total Current Liabilities	57	42	131	281
Net Current Assets	132	165	184	210
Assets Classified as held for sale	-	-	-	-
Total Assets	402	511	809	1,130
Liabilities				
Share Capital	20	20	241	241
Reserves and Surplus	129	190	197	237
Total Shareholders Funds	149	210	438	478
Minority Interest	-	-	-	-
Total Debt	241	283	347	619
Long Term Provisions	1	1	1	3
Lease Liabilities	0	2	4	2
Net Deferred Tax Liability	10	14	19	28
Total Liabilities	402	511	809	1,130

Cash Flow (Rs Cr)	FY22	FY23	FY24
Cash flow from Operating Activities	345	656	1,424
Cash flow from Investing Activities	(1,002)	(849)	(3,116)
Cash flow from Financing Activities	657	195	1,766
Free Cash Flow	(644)	(216)	(1,425)

RATIOS			
	FY22	FY23	FY24
Profitability			
Return on Capital Employed (%)	29.6	20.9	18.2
Return on Equity (%)	48.3	28.7	18.8
Margin Analysis			
Gross Margin (%)	24.4	25.7	28.4
EBITDA Margin (%)	15.2	12.5	12.4
Net Profit Margin (%)	8.8	6.4	6.4
Short-Term Liquidity			
Current Ratio (x)	1.2	1.3	1.1
Quick Ratio (x)	0.4	0.4	0.6
Avg. Days Sales Outstanding	7	13	27
Avg. Days Inventory Outstanding	72	74	59
Avg. Days Payables	16	13	32
Fixed asset turnover (x)	3.5	3.2	3.8
Debt-service coverage (x)	0.4	0.3	0.4
Long-Term Solvency			
Total Debt / Equity (x)	1.6	1.3	0.8
Interest Coverage Ratio (x)	6.1	4.7	4.5
Valuation Ratios*			
EV/EBITDA (x)	17.7	19.2	14.3
P/E (x)	27.4	32.7	24.0
P/B (x)	13.2	9.4	4.5
EV/Sales (x)	2.7	2.4	1.8
Mkt Cap/Sales (x)	2.4	2.1	1.5

**Valuation ratios are based on pre-issue capital at the upper price band*

Source: RHP, SSL Research

Peer Comparison

Particulars (Rs cr)	Sambhv Steel Tubes	APL Apollo Tubes	Hariom Pipes Industries	Hi-Tech Pipes	JTL Industries	Rama Steel Tubes	Surya Roshni
CMP (Rs)	82	1,773	392	99	75	12	346
Sales	1,355	20,690	1,357	3,068	1,913	1,048	7,435
EBITDA	142	1,199	175	160	123	29	579
Net Profit	54	757	62	73	99	23	348
Mkt Cap.	2,416	49,143	1,214	2,016	2,880	1,913	7,558
Enterprise Value	2,586	49,202	1,565	2,012	2,865	1,997	7,278
EBITDA Margin (%)	10.5	5.8	12.9	5.2	6.4	2.8	7.8
Net Profit Margin (%)	4.0	3.7	4.6	2.4	5.2	2.2	4.7
P/E (x)	44.5	64.9	19.6	27.6	29.1	83.2	21.7
EV/EBITDA (x)	18.2	41.0	8.9	12.6	23.3	68.9	12.6
RoE (%)	18.8	19.4	11.9	8.0	9.9	6.5	15.1
RoCE (%)	18.2	22.8	14.1	11.7	13.2	8.5	20.9
EV/Sales (x)	1.9	2.4	1.2	0.7	1.5	1.9	1.0

The data is based on FY25 financial data.

For Sambhv Steel Tubes Ltd, Financials are annualized based on 9MFY25 data.

For Sambhv Steel Tubes Ltd, the Market Cap, EV/EBITDA (x) and P/E (x) are calculated on post-issue equity share capital based on the upper price band.

CMP of peer companies is as of 20th June, 2025.

Source: RHP, SSL Research.

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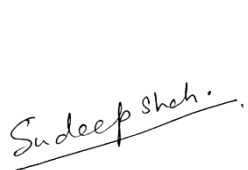
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