SAMBHV STEEL TUBES LIMITED

June 24, 2025

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Steel
Offer for sale (Shares)	12,195,121
Fresh Issue (Shares)	53,658,536
Net Offer to the Public	**65,853,657**
Issue Size (Rs. Cr.)	507-540
Price Band (Rs.)	77-82
Offer Date	25-Jun-25
Close Date	27-Jun-25
Face Value	10
Lot Size	182

Issue Composition

	In shares
Total Issue for Sale	65,853,657
QIB	32,926,829
NIB	9,878,049
Retail	23,048,780

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	71.93%	56.24%
QIB	0.00%	11.17%
NIB	28.07%	24.77%
Retail	0.00%	7.82%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

1. Pre-payment or scheduled re-payment of a portion of certain outstanding borrowings availed by the Company; and
2. General corporate purposes.

Book Running Lead Manager

- Nuvama Wealth Management Limited
- Motilal Oswal Investment Advisors Limited

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in 2017, Sambhv Steel Tubes Limited is a manufacturer of electric resistance welded ("ERW") steel pipes and structural tubes (hollow section) in India. The company's manufacturing facility is located in Village - Sarora, Tehsil Tilda, Raipur ("Sarora (Tilda) Facility") in the mineral-rich state of Chhattisgarh. The company's iron ore is sourced from "Navratna" Public Sector Undertaking ("PSU") mining company's mines and coal from a "Maharatna" PSU through one of its highest coal producing subsidiary whose mines are Asia's largest coal mines and are merely 250 kilometres from its Sarora (Tilda) Facility. As of March 31, 2024, the company has had a wide distribution network in India which extends across 15 states and one union territory as of December 31, 2024. The company has a widespread presence in the Indian states of Chhattisgarh, Maharashtra, Gujarat, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh and Telangana. Sambhv Steel Tubes Limited's sales and marketing team comprises 23 personnel, as of July 31, 2024.

Products:

- Sponge iron: Sponge iron is used for the manufacturing of crude steel (blooms/ slabs).
- Blooms/ slabs (Mild steel and stainless steel): Blooms can be rolled into multiple long and flat finished products.
- Narrow-width HR coil (mild steel and stainless steel): The majority of inhouse narrow-width HR coil to manufacture ERW black pipes and tubes. They also sell HR coils to other manufacturers who use HR coil as a raw material.
- GI pipe: The Compay sell GI pipes and tubes primarily to distributors and directly to various consumers, which include certain government projects.

Based on strength, Strategy, and risk factors please write the outlook of the company in 80 words

1. **Integrated Manufacturing Facility and Backward Integration:** Sambhv Steel Tubes Limited operates a fully integrated manufacturing facility in India, producing intermediate products like sponge iron, blooms, HR/CR coils, and stainless steel coils, primarily for captive use in making ERW pipes, CRFH pipes, Corten steel pipes, GP/GI pipes, and steel door frames. Through backward integration, the company controls raw material supply, lowers costs, and enhances product quality. Its in-house capabilities reduce dependency on external suppliers and cut delivery timelines. The Sarora (Tilda) plant also includes a 25 MW captive power plant, improving energy efficiency and reducing emissions through WHRB and AFBC systems powered by industrial by-products.
2. **Scrap Utilization and Sustainability Measures:** Sambhv Steel Tubes Limited emphasizes sustainability by efficiently recycling mild steel and stainless steel scrap across its operations, reducing raw material costs and waste. Scrap generated from divisions like the pipe mill, rolling mill, and SMS is remelted in-house to produce steel blooms and slabs, minimizing market dependency and enhancing resource utilization. This closed-loop system supports higher operating margins and environmental stewardship. The integrated facility enables cost-effective, efficient production of value-added steel products while lowering reliance on external sourcing, underlining the company's commitment to sustainable manufacturing and operational excellence.
3. **Strategic Plant Location and Logistics Advantage:** Strategically located in

Chhattisgarh, Sambhv Steel Tubes Limited benefits from proximity to high-quality raw material sources like a Navratna PSU for iron ore and a Maharatna PSU for coal. Long-term supply contracts ensure a stable input stream. The Sarora (Tilda) facility is close to Asia's largest coal mines and is well-connected via road and rail networks, enabling smooth logistics for both input procurement and finished goods distribution. With access to key industrial and logistics hubs like Raipur, the company reduces lead times and operational complexities, offering timely delivery and reliable service across India.

4. **Process Innovation and Value-Added Product Capabilities:** Since its inception in 2018, Sambhv Steel Tubes Limited has focused on innovation, expanding from sponge iron to high-value pipes and coils. It manufactures narrow-width HR coils using sponge iron and scrap, reducing costs and capital intensity. Advanced technologies like AOD for stainless steel and ladle refining for alloy steel improve metal yield and product quality. WHRB and AFBC power plants enhance energy efficiency using industrial waste. The company has recently launched GI and GP pipes, stainless steel coils, and steel door frames, catering to infrastructure, rural housing, and OEM segments, demonstrating its diversified, innovation-led product portfolio.

5. **Pan-India Distribution Network:** Sambhv Steel Tubes Limited has built a robust distribution network across 15 Indian states and one union territory, comprising 43 distributor branches and over 700 dealers as of December 31, 2024. This network enables widespread market penetration for its ERW pipes and structural tubes. The company also supplies directly to government bodies, infrastructure firms, and OEMs in industries such as construction, agriculture, and telecommunications. The strategic shift to a distributor-led sales model in FY24 enhanced its market reach and brand visibility, providing a significant competitive edge and supporting faster order fulfillment and customer service across diverse industrial sectors.

6. **Industry Outlook and Growth Potential:** Sambhv Steel Tubes Limited is well-positioned to capitalize on rising domestic demand for ERW steel pipes, driven by large-scale government programs like Jal Jeevan Mission and infrastructure push under Amrit Bharat Station Scheme. Demand for steel pipes is expected to grow at an 8–9% CAGR from FY25 to FY29, driven by irrigation, urban infrastructure, and substitution of conventional materials with lighter, more efficient steel tubes. With integrated capabilities, consistent product quality, and a growing product mix, the company is poised to benefit from sectoral tailwinds and infrastructure-led growth across both urban and rural India.

7. **Strong Financial Performance:** Sambhv Steel Tubes Limited has demonstrated strong financial growth, with revenue rising from ₹8,193.49 million in FY22 to ₹12,857.57 million in FY24, and PAT increasing from ₹721.08 million to ₹824.39 million over the same period. In the nine months ending December 31, 2024, the company recorded ₹10,160.92 million in revenue and ₹406.85 million in PAT. Total equity rose to ₹4,382.82 million by FY24, with assets nearly doubling. EBITDA improved steadily, supported by rising volumes and cost efficiencies. The company's disciplined resource use and integrated operations support its robust margins and provide a solid base for future expansion.

Strategy

Production capacity expansion with focus on valued added products : Sambhv Steel Tubes Limited continues to expand its production capacity with a strategic focus on value-added products. As of March 31, 2025, the Sarora (Tilda) Facility reached a capacity of 1.54 million MTPA, while the newly commissioned Kuthrel Facility added 158,000 MTPA, producing GP coils, GP pipes, and stainless steel variants. The company is also developing a greenfield facility in Kesda, Chhattisgarh, through its subsidiary Sambhv Tubes Private Limited, with a planned capacity of 1.2 MMTPA in three phases. These closely located plants are expected to boost backward integration, improve operational synergies, and strengthen the company's ability to meet future market demand. The table below shows how our installed capacity has increased in its Sarora (Tilda) Facility and Kuthrel Facility over the years to reach our installed capacity as of March 31, 2025:

Fiscal Year	Milestone	Total Installed Capacity (MTPA)
2018	Acquired the Sarora (Tilda) Facility and commenced manufacturing sponge iron with installed capacity of 60,000 MTPA	60,000
2019	Increased the sponge iron installed capacity to 90,000 MTPA	90,000
2020	Commissioned a 15 MW captive power plant and commenced manufacturing blooms/slabs with installed capacity of 120,000 MTPA	210,000
2022	Increased the installed capacity of blooms/slabs to 150,000 MTPA and commenced manufacturing HR coils with installed capacity of 150,000 MTPA	390,000
2023	- Increased the installed capacity of sponge iron to 105,000 MTPA -Increased the installed capacity of blooms/slabs to 231,000 MTPA - Increased HR coil capacity to 350,000 MTPA - Installed 100,000 MTPA capacity to manufacture CR coils - Commenced ERW pipe production with 150,000 MTPA capacity, later increased to 250,000 MTPA	1,036,000
2024	-Increased installed capacity of blooms/slabs to 317,400 MTPA - Commenced manufacturing GI pipes -Commissioning of dedicated 132 kVA power line	1,122,400
2025*	-Increased sponge iron capacity to 280,000 MTPA - Increased HR coil capacity to 390,000 MTPA - Allocated blooms/slabs capacity for mild steel to 300,000 MTPA - Increased ERW & GI pipes capacity to 350,000 MTPA - Increased captive power plant capacity to 25 MW -Commissioned production of stainless steel blooms/slabs (60,000 MTPA) and stainless steel HR coils (60,000 MTPA) -Commissioned production of GP coils, GP pipes, SS HRAP coils and SS CR coils	1,540,000 1,698,000

**As of March 31, 2025*

Expanding Distributor Network and Customer Base: Sambhv Steel Tubes Limited aims to strengthen and grow its distributor network, targeting increased penetration in underrepresented regions like the coastal states and Delhi. As of December 2024, the company had 43 distributor branches across 15 states and one union territory, with strong sales in North and West India. Backed by expanding production capacities, Sambhv seeks to boost sales through both new distributors and deeper engagement with existing ones. It also plans to expand direct sales to infrastructure firms and government bodies. The company is also exploring export opportunities, with initial shipments to the Middle East and plans to enter new international markets.

Focus on Value-Added Products and Customization: Sambhv Steel Tubes Limited continues to prioritize value-added and customized products to cater to evolving industry needs. In FY25, it launched SS HRAP coils, SS CR coils, CRFH pipes, GP coils, and GP pipes, enhancing product range and end-use applications. These offerings serve diverse sectors including plumbing, irrigation, telecom, and firefighting systems. By closely working with clients to develop tailor-made solutions, the company strengthens customer relationships and increases wallet share. This strategy helps diversify its customer base, expand industry exposure, and deliver high-quality products with improved dimensional accuracy and surface finish, boosting its competitiveness and market appeal.

Operational and Cost Optimization Strategy: Sambhv Steel Tubes Limited is committed to improving operational efficiency and cost control through automation, captive power generation, and optimized raw material usage. The company's 132KvA power line and 25 MW captive power plant reduce reliance on external energy sources and enhance reliability. Technologies used in producing GP coils and pipes help minimize zinc consumption without compromising on quality. Sambhv also recycles manufacturing by-products like dolochar, further reducing operational costs. These initiatives, combined with increased capacity utilization and scale efficiencies, are integral to the company's cost optimization strategy and enable it to maintain competitiveness in a price-sensitive market.

Ongoing Brand Building and Marketing Initiatives: Sambhv Steel Tubes Limited actively builds its brand through integrated marketing across digital, print, and outdoor media. Direct engagement strategies such as "Chai pe Charcha," dealer meets (including one in Singapore), and collaboration with architects and contractors have strengthened its market presence. The company frequently participates in major trade fairs like Tube India and the All India Steel Conclave, enhancing visibility and industry connections. These efforts support customer loyalty, attract new business, and showcase product innovation. Sambhv plans to continue scaling its marketing efforts across multiple platforms to deepen brand recognition and establish itself as a leading player in the steel tubes industry.

Risk Factor

- **Capacity Risk:** Under-utilization of existing and expanded manufacturing capacities may adversely impact Sambhv Steel Tubes Limited's growth and financial performance.
- **Raw Material Risk:** Rising costs or supply shortages of key raw materials like iron ore, coal, pellets, sponge iron, and scrap could negatively affect the company's operations, margins, and cash flows.
- **Supplier Dependency:** Reliance on key suppliers without definitive contracts poses a risk to raw material availability and pricing, which may affect profitability.
- **Price Volatility:** Fluctuations in raw material prices and limited ability to pass on increased costs to customers could pressure margins and financial results.
- **Financing Constraints:** Restrictive covenants in financing agreements may limit Sambhv Steel Tubes Limited's flexibility in executing business, expansion, and diversification plans.

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
APL Apollo Tubes Limited	19996.29	757.06	27.28	65.72	11.82	151.65	2	1792.95	49758.77
Hariom Pipes Industries Limited	1357.04	61.73	19.93	18.96	2.04	184.93	10	377.95	1170.41
Hi-Tech Pipes Limited	3067.64	72.94	3.59	27.48	1.59	61.91	1	98.67	2004.06
JTL Industries Limited	1915.98	98.83	2.59	28.85	2.35	31.86	1	74.73	2855.00
Rama Steel Tubes Limited	1048.06	22.75	0.15	79.87	5.11	2.34	1	11.98	1861.97
Surya Roshni Limited	7435.87	346.60	15.93	20.80	2.92	113.27	5	331.30	7210.28
Sambhv Steel Tubes Limited	1354.79	54.25	1.84	44.54	2.59	31.63	10	82.00	2416.22

***Peer companies financials are TTM based**
*****Sambhv Steel Tubes Limited is based on Estimated Annualised FY25**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.82, the stock is priced at pre issue P/E of 36.43 x on Estimated Annualised FY25 EPS of Rs.2.25. Post issue, the stock is priced at a P/E of 44.54x on its EPS of Rs. 1.84. Looking at the P/B ratio at Rs. 82 pre issue, book value of Rs. 20.42 of P/Bvx 4.02x. Post issue, book value of Rs.31.63 of P/Bvx 2.59x.

Considering the P/E valuation, on the lower end of the price band of Rs.77, the stock is priced at pre issue P/E of 34.21 x on Estimated Annulaised FY25 EPS of Rs. 1.84. Post issue, the stock is priced at a P/E of 41.83x on its EPS of Rs. 1.84. Looking at the P/B ratio at Rs. 77 pre issue, book value of Rs. 20.42 of P/Bvx 3.77x. Post issue, book value of Rs.31.63 of P/Bvx 2.43x.

Industry Outlook

According to the CRISIL Report, the demand for domestic steel pipes and tubes is expected to have grown at a CAGR of 5-6% during Fiscals 2019-2025 to rise from 8.8 MTPA in Fiscal 2019 to 12.50-13.50 MTPA in Fiscal 2025, led by government initiatives to augment urban structural infrastructure and to infuse investments in the oil and gas sector. Going forward, domestic steel pipe demand is projected to increase to 18.50-20.50 MTPA in Fiscal 2029 at a 8-9% CAGR during the period between Fiscal 2025 and Fiscal 2029 on a high base.

Outlook

Sambhv Steel Tubes Limited presents a compelling IPO opportunity, backed by a fully integrated manufacturing model, expanding product portfolio, and strong financial performance. Its strategic backward integration ensures cost efficiency, raw material security, and quality control, while ongoing capacity expansion and distribution network growth position it well to capture rising demand from infrastructure and industrial sectors. Though risks such as raw material price volatility and supplier dependency exist, Sambhv's operational scale, innovation capabilities, and sustainability focus provide strong fundamentals. The company is well-placed to deliver long-term value, making its IPO offering attractive for investors seeking growth in the steel sector.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	25-June-25
BID/ISSUE CLOSES ON	27-June-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	30-June-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	01-July-25
Credit of Equity Shares to Demat Accounts of Allottees	01-July-25
Commencement of trading of the Equity Shares on the Stock Exchanges	02-July-25

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-24 (9 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	1016.09	1285.76	937.22
Total expenditure	909.73	1125.89	819.92
Operating Profit	**106.37**	**159.87**	**117.30**
OPM%	10.47	12.43	12.52
Other Income	2.71	3.62	1.78
Total Net Income	**109.08**	**163.49**	**119.08**
Interest	30.79	31.82	21.82
PBDT	**78.29**	**131.68**	**97.27**
Depreciation	22.59	20.91	16.15
PBT	**55.70**	**110.77**	**81.12**
Tax	15.02	28.33	20.73
Profit & Loss	**40.69**	**82.44**	**60.38**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-4	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	753.98	336.74	294.04
Capital work-in-progress	78.60	215.61	21.51
Goodwill	0.56	0.00	0.00
Other intangible assets	0.02	0.05	0.13
Investments accounted for using the equity method	0.00	0.00	0.00
Financial Assets			
Loans	0.16	0.09	0.05
Other financial assets	25.97	15.27	8.68
Other non-current assets	61.29	57.06	21.36
Total non-current assets	**920.58**	**624.82**	**345.77**
Current asset			
Inventories	260.04	149.06	141.45
Financial Assets			
Trade receivables	136.02	94.10	34.57
Cash and cash equivalents	1.12	7.58	0.20
Bank balances other than (ii) above	7.93	35.40	7.51
Loans	0.95	0.47	0.18
Other financial assets	1.03	1.68	0.36
Other current assets	78.48	27.03	22.12
Current tax assets (net)	5.67	0.00	0.00
Total current assets	**491.24**	**315.31**	**206.37**
Total Assets	**1411.82**	**940.13**	**552.14**
Non-current liabilities			
Financial liabilities			
Borrowings	345.36	181.43	168.99
Lease liabilities	2.07	3.54	2.24
Provisions	2.56	1.40	0.85
Deferred tax liabilities (net)	27.98	18.75	14.21
Total Non- Financial liabilities	**377.97**	**205.11**	**186.28**
Current liabilities			
Financial Liabilities			
Borrowings	273.79	165.45	113.78
Lease liabilities	0.24	0.13	0.05
Trade payables- Total outstanding dues of micro and small enterprises	3.33	1.80	0.13
Trade payables-Total outstanding dues of creditors other than micro and small enterprises	176.24	95.97	28.16
Other financial liabilities	92.24	12.76	6.87
Other current liabilities	8.74	13.48	5.65
Provisions	0.81	0.25	0.15
Current tax liabilities (net)	0.00	6.91	0.67
Total - Current Liabilities	**555.39**	**296.74**	**155.46**
Total Liabilities	**933.36**	**501.85**	**341.74**
Net worth represented by:			
Equity share capital	241.00	241.00	20.09
Other equity	237.46	197.28	190.31
Net Worth	**478.46**	**438.28**	**210.40**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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