

Stock Idea Note - Sambhv Steel Tubes Ltd.

**Company Overview**

Sambhv Steel Tubes Ltd., incorporated in 2018, is among India's leading manufacturers of electric resistance welded (ERW) steel pipes and structural tubes (hollow sections), and is also one of the select few producers of stainless-steel coils. The company began operations with sponge iron manufacturing and has progressively expanded its product portfolio across the steel value chain to include blooms/slabs, hot rolled (HR) coils, cold rolled (CR) coils, and a wide range of value-added products. These include ERW black pipes and tubes, cold rolled full hard (CRFH) pipes, steel door frames, pre-galvanized (GP) coils and pipes, and most recently, stainless-steel flat products. Sambhv operates a fully backward-integrated manufacturing process, ensuring consistent product quality, reliable supply, and cost efficiency. Its manufacturing facilities are strategically located in Raipur, Chhattisgarh, a state known for its rich mineral reserves. Being in close proximity to key raw material suppliers, such as NMDC and SECL, provides a significant logistics advantage by lowering transportation costs, reducing delivery times, and improving production efficiency. Additionally, Raipur's central location enhances accessibility to major markets, facilitating smooth and cost-effective distribution of finished products. The company's largest and most advanced facility in Kesda is expected to be commissioned by FY27. This expansion is expected to further strengthen Sambhv's integrated value chain, enhance capacity, and improve its ability to cater to both domestic and international markets. With a presence across 15 states and one union territory, and a robust network of over 700 dealers, Sambhv Steel Tubes continues to contribute to India's growing infrastructure and manufacturing needs.

**Investment Rationale**

**Structural shift toward value-added products to drive earnings expansion**

Sambhv Steel has demonstrated a clear strategic shift toward value-added products, which is emerging as a key driver of earnings growth. During Q3FY26, the company achieved its highest-ever sales volume of value-added products, with strong contributions across all segments. Over 9MFY26, value-added sales reached approximately 2.6 lakh tons, reflecting 60% annual growth and highlighting the success of the company's product mix transition. This shift has supported a healthy EBITDA per ton of over Rs. 6,800 for 9MFY26, despite temporary margin pressures in Q3FY26 arising from factors such as stainless steel import relaxations, a 6% sequential decline in HR coil prices and planned shut-downs to expand galvanizing capacity. Management emphasized that these headwinds are expected to reverse in Q4FY26, aided by higher steel prices, benefits from lower-cost raw material inventory, and improved utilization of expanded capacity. Additionally, the execution of four co-branding MOUs for stainless steel pipes, with several others in progress, is expected to increase branded volumes without compromising margins. Continued focus on deeper market penetration and distributor-led growth positions the company for structurally higher profitability as operating leverage improves.

**Strong execution visibility backed by capacity expansion to support growth**

The company is strengthening execution visibility across both brownfield and greenfield expansion projects. Management confirmed that execution of the Kesda greenfield project and Kuthrel Unit-II has commenced, with meaningful progress achieved within two months of breaking ground following environmental clearance. The first phase at Kesda targets 3,50,000 tons of stainless steel capacity, which is expected to take total stainless steel capacity to 4,70,000 tons by Q4FY27. The capex for phase one is estimated at around Rs. 930-940 crores, of which Rs. 250 crores have already been incurred. The remaining Rs. 700 crores will be deployed over the next 12 months, funded through a mix of long-term debt and internal accruals. Further, brownfield expansions remain on track, with GP

**Stock Rating**

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

**Sector Outlook**

Positive

**Stock**

CMP (INR)	92
Target Price (INR)	107
NSE Symbol	SAMBHV
BSE Code	544430
Bloomberg	SAMBHV IN
Reuters	SMBV.BO

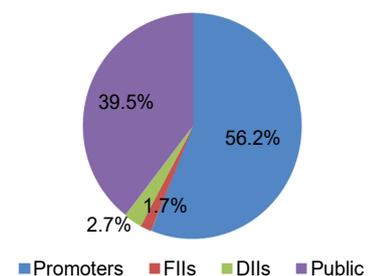
**Key Data**

Nifty	25,694
52WeekH/L (INR)	149 / 81
O/s Shares (Cr.)	29.5
Market Cap (INR)	2,712.2
Face Value (INR)	10

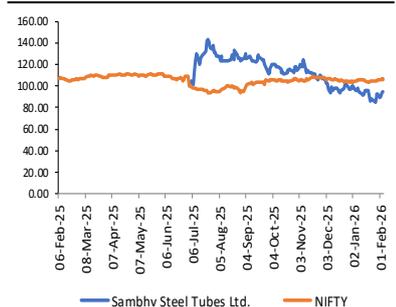
**Average volume**

3 months	1,101,653
6 months	1,314,395
1 year	4,684,591

**Share Holding Pattern (%)**



**Relative Price Chart**



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capacity already increased to 1,16,000 tons per annum and stainless steel CR capacity set to double by March 2026. These expansions are expected to materially contribute to volumes and margins from Q1FY27 onwards. With disciplined capital allocation and clear demand visibility across its product portfolio, the company appears well-positioned to sustain its growth trajectory.

## Valuation and Outlook

Sambhv Steel, a leading manufacturer of steel pipes and structural tubes, is evolving into an integrated steel solutions provider with a growing emphasis on higher-value products. The company has steadily transitioned toward a more diversified product mix, supported by a strong manufacturing base, backward integration and an expanding market presence. Leveraging its integrated capabilities, the company is moving up the value chain and reducing its reliance on lower-margin, commodity products. Strategically, the company is entering a phase of visible, execution-led growth. Ongoing brownfield expansions and the commencement of greenfield projects provide confidence in future capacity additions and scalability. Management commentary highlights steady execution progress with defined timelines and phased commissioning, which lowers execution risk. At the same time, the rising contribution of value-added products and branded offerings is expected to support better realizations and operating leverage. This enhances the company's ability to navigate commodity price volatility while sustaining margins over the medium term. Financially, Sambhv Steel has demonstrated improving operational efficiency and earnings momentum, supported by healthy cash flows and a disciplined capital allocation. The company is balancing growth investments with prudent funding through a mix of internal accruals and long-term debt, while maintaining focus on cost control and balance sheet strength. Overall, Sambhv Steel appears well-positioned to sustain profitable growth, supported by demand across infrastructure, construction, and industrial end markets. **On the valuation front, we value the company at 21x FY27E earnings, arriving at a target price of Rs. 107 (16% upside from the current market price) with a 12-month investment horizon.**

Key Financials						
YE March (INR. Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	819	937	1,286	1,511	2,358	2,901
Revenue Growth (Y-o-Y)	71.1%	14.4%	37.2%	17.5%	56.0%	23.0%
EBIDTA	125	117	160	155	250	336
EBIDTA Growth (Y-o-Y)	98.4%	(6.4%)	36.7%	(3.4%)	61.8%	34.4%
Net Profit	72	60	82	57	115	150
Net Profit Growth (Y-o-Y)	118.5%	(16.3%)	36.5%	(30.5%)	100.8%	30.4%
Diluted EPS	3.6	3.0	3.8	2.4	3.9	5.1
Diluted EPS Growth (Y-o-Y)	(78.2%)	(16.2%)	25.9%	(37.2%)	63.8%	30.4%
Key Ratios						
EBIDTA margin (%)	15.3%	12.5%	12.4%	10.2%	10.6%	11.6%
NPM (%)	8.8%	6.4%	6.4%	3.8%	4.9%	5.2%
RoE (%)	48.3%	28.7%	18.8%	11.6%	18.8%	19.7%
RoCE (%)	29.4%	20.4%	17.7%	12.0%	21.6%	25.3%
Valuation Ratios						
P/E (x)	25.6x	30.5x	24.3x	38.6x	23.6x	18.1x
EV/EBITDA	23.6x	25.5x	18.9x	20.7x	12.1x	8.9x
P/BV (x)	18.2x	12.9x	6.2x	5.5x	4.4x	3.6x
Market Cap. / Sales (x)	3.3x	2.9x	2.1x	1.8x	1.2x	0.9x

Source: Bloomberg, BP Equities Research



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Disclaimer Appendix

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

**Analyst (s) Certification:**

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**Week Gone**

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