

## Sharp rebound in profits for Q4FY26; all eyes on sustenance

Steel spreads have moved into the upper quartile of their three-year range in February'26, due to a 13-17% price hike (vs. Q3FY26 avg.) across the steel chain and stable RM cost, which should strongly benefit steel players across the flat, long and intermediate universe. This surge is largely driven due to the combination of reduction in imports, uptick in domestic demand and normalisation of inventories. Although the spike in coking coal cost poses a threat on spreads in 1QFY27 which should moderate gradually with end of seasonal disruptions in Australia. Our stainless-steel universe has witnessed much strong price hikes due to benefits from China's policies and favourable nickel price. Effectively, we expect improved spreads to sustain in FY27, leading to better profits for complete steel chain. Sambhv steel and Kirloskar Ferrous Ind. remain our top picks, backed by attractive valuations.

Prices	Feb-26	YoY	MoM	3Y Avg	3Y Percentile
HRC – Rs/tonne	52,100	14%	5%	50,882	58%
TMT – Rs/tonne	49,795	3%	1%	48,596	69%
Iron ore fines – Chhattisgarh – Rs/tonne	4,792	-5%	3%	4,787	50%
Iron ore lumps – Chhattisgarh – Rs/tonne	6,290	-11%	2%	6,617	33%
Thermal coal – US\$/tonne	102	10%	10%	102	53%
Coking coal - US\$/t	247	23%	6%	245	64%
Pig iron – foundry grade price	42,586	14%	2%	42,156	50%
Sponge iron	27,386	6%	5%	27,258	61%
Scrap price	35,341	8%	6%	35,151	64%
Pellet price	10,381	6%	8%	9,709	97%
Stainless Steel CRC – series 200 proxy	1,35,250	2%	2%	1,33,518	75%
Stainless steel CRC - Series 300	2,03,500	11%	2%	1,98,305	72%
ERW pipes	52,067	13%	5%	50,932	58%
GP pipes	69,125	16%	5%	66,151	72%
<b>Spreads</b>					
HRC	22,203	56%	9%	17,462	83%
TMT	29,483	11%	-1%	26,735	78%
Pig Iron	13,070	105%	0%	9,109	89%
Pellets	4,245	29%	17%	3,580	86%

Source: Bigmint, MNCL Research

**What drives the rebound in spreads after 2years:** Both HRC and TMT spreads has witnessed a surge after 2years of muted levels. As showed in the table above, the complete steel supply chain has witnessed price hikes (13-17% yoy, except iron ore), continued till date, driven by several macro factors like elimination of imports after the safeguard duties, normalising of inventories, domestic mills regaining pricing power as supply was diverted to exports and some support from rising coking coal prices. Similar trend was witnessed in pellet, intermediates like pig iron & DRI and value-added products like ERW and GP pipes. The average price of steel products for Feb'26 has now crossed the 3-year averages as shown in the table above and the heat maps on the next page after almost 2years. Stainless steel flat product prices have seen a hike of 20-25% (vs. Q3FY26) due to elimination of rebate to Chinese mills and favourable nickel prices (due to supply adjustments in Indonesia).

**Raw Material Trend - Supportive but not for long:** Iron prices (adjusted for the change in taxation and royalty calculation in January) has remain status quo. Similarly, Australia coking coal prices which gets accounted with a 3-month lag remains at low levels (~US\$200/t) for Q4FY26. However, coking coal prices have surged in Jan'26 due to heavy rainfall and cyclone in Queensland, slowdown in mining and disruptions at rail and port facilities. This cost pressure will be accounted in Q1FY27.

### Ratnamani Metals & Tubes (Rating: BUY)

CMP/TP (Rs)	2390/2460
Upside	3%

### Venus Pipes & Tubes (Rating: BUY)

CMP/TP (Rs)	1063/1680
Upside	58%

### Scoda Tubes (Rating: BUY)

CMP/TP (Rs)	131/250
Upside	91%

### Kirloskar Ferrous Industries (Rating: BUY)

CMP/TP (Rs)	382/570
Upside	49%

### Godawari Power & Ispat (Rating: BUY)

CMP/TP (Rs)	266/310
Upside	17%

### Sambhv Steel (Rating: BUY)

CMP/TP (Rs)	97/155
Upside	59%

Sahil Sanghvi  
[sahil.sanghvi@mnclgroup.com](mailto:sahil.sanghvi@mnclgroup.com)

Uvais Khatri  
[uvais.khatri@mnclgroup.com](mailto:uvais.khatri@mnclgroup.com)

**Likely Winners:** We expect Integrated steel producers and intermediate steel to benefit the most from elevated spreads. Pellet producers with captive mines are expected to report a surge in margins. From our coverage, we expect strong margin rebound for Kirloskar Ferrous Ind. (KFIL) and Godawari Power & Ispat. ERW, GP Converters will have jump in absolute EBITDA despite margin levels not moving much. On the stainless-steel front, we expect a strong uptick in realisation for all names in our coverage – Ratnamani metals, Scoda tubes and Venus pipes. Sambhv steel will be a major beneficiary due to its backward integration on MS pipes, leading to expansion of spread and margins with some benefits of low-cost inventory on stainless steel business.

We expect spreads for steel players to moderate in Q1FY27 due to the spike in coking coal cost. However, we expect coking coal cost to also moderate post the end of seasonal disruptions in Australia. Therefore, we expect the steel pack to report much better spreads in FY27 vs. FY26, should the price hikes sustain along with the resilient domestic demand.

**Top Pick:**

**Sambhv Steel tubes:** Given Sambhv's Q3 margin compression was driven by realization lag versus raw material costs and partial outsourcing of coils, the current spread environment suggests a meaningful sequential EBITDA/ton recovery in Q4, with operating leverage further aided by higher internal GP capacity and improving stainless mix. At CMP, stock trades at attractive valuation of 6.7x FY28 EV/EBITDA.

**KFIL:** Pig iron spreads should meaningfully improve along with higher sales (unlike shutdowns in Q3FY26). Casting demand remains strong backed by robust sales of tractor and CV. Alloy steel spreads should further support along with value added sales of tubes due to the ONGC order. Stocks trades at very attractive valuation of 5.4x FY28 EV/EBITDA.

**Exhibit 5: Prices (MoM basis) - Second month of consecutive price hikes across steel value chain**

Prices	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
HRC – Rs/tonne	2%	-2%	-2%	-1%	-1%	-3%	-3%	0%	9%	5%
TMT – Rs/tonne	-4%	-6%	-3%	5%	-3%	-4%	1%	5%	10%	1%
Iron ore fines – Chhattisgarh – Rs/tonne	2%	-3%	-9%	8%	-5%	-5%	0%	0%	-2%	3%
Iron ore lumps – Chhattisgarh – Rs/tonne	0%	-2%	-9%	7%	-5%	-5%	1%	0%	-1%	2%
Thermal coal – US\$/tonne	-4%	-6%	-14%	7%	19%	-1%	3%	4%	1%	10%
Coking coal - US\$/t	5%	-7%	-8%	6%	0%	2%	3%	7%	11%	6%
Pig iron – foundry grade price	0%	-6%	0%	1%	-3%	1%	2%	0%	10%	2%
Sponge iron	-8%	-3%	5%	0%	1%	-4%	0%	0%	7%	5%
Scrap price	-3%	-2%	-1%	-1%	0%	-4%	0%	1%	8%	6%
Pellet price	-4%	-7%	2%	9%	0%	-1%	-4%	-3%	3%	8%
Stainless Steel CRC – series 200 proxy	-1%	-2%	2%	0%	1%	-1%	-2%	-2%	5%	2%
Stainless steel CRC - Series 300	2%	0%	1%	2%	2%	0%	-4%	-1%	5%	2%
ERW pipes	1%	-2%	-2%	-1%	-1%	-2%	-3%	1%	9%	5%
GP pipes	2%	-1%	-3%	0%	0%	-2%	-1%	-1%	8%	5%

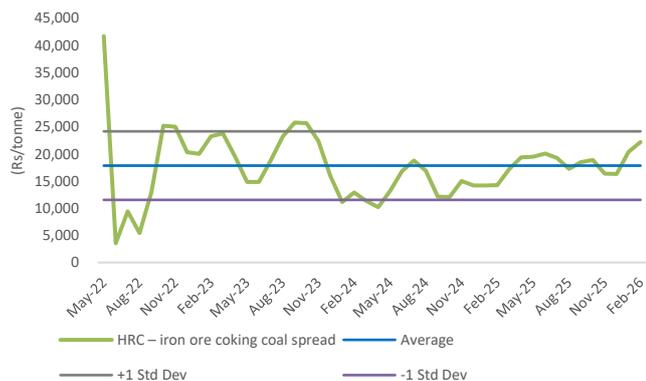
Source: Bigmint, MNCL Research

**Exhibit 5: Prices (YoY basis) – Lifts spread to 3year highs**

Prices	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
HRC – Rs/tonne	-5%	-6%	-5%	-2%	2%	0%	-2%	0%	9%	14%
TMT – Rs/tonne	-11%	-12%	-6%	1%	-5%	-12%	-9%	-4%	5%	3%
Iron ore fines – Chhattisgarh – Rs/tonne	-2%	5%	5%	14%	8%	-9%	-12%	-12%	-8%	-5%
Iron ore lumps – Chhattisgarh – Rs/tonne	-4%	0%	-9%	7%	2%	-12%	-16%	-16%	-13%	-11%
Thermal coal – US\$/tonne	-24%	-30%	-37%	-33%	-17%	-18%	-14%	-8%	-1%	10%
Coking coal - US\$/t	-14%	-29%	-31%	-10%	-10%	-13%	-10%	5%	21%	23%
Pig iron – foundry grade price	-14%	-17%	-14%	-10%	-11%	-12%	-7%	-1%	11%	14%
Sponge iron	-17%	0%	-4%	-2%	-4%	-15%	-8%	-5%	2%	6%
Scrap price	-14%	-12%	-8%	-7%	-6%	-12%	-10%	-6%	1%	8%
Pellet price	-15%	-5%	0%	12%	16%	-1%	-5%	4%	2%	6%
Stainless Steel CRC – series 200 proxy	-2%	-4%	-3%	-4%	-2%	-2%	-4%	-6%	0%	2%
Stainless steel CRC - Series 300	0%	1%	3%	4%	4%	4%	2%	2%	7%	11%
ERW pipes	-5%	-7%	-6%	-2%	2%	0%	-3%	1%	9%	13%
GP pipes	1%	0%	-1%	2%	6%	7%	3%	3%	12%	16%

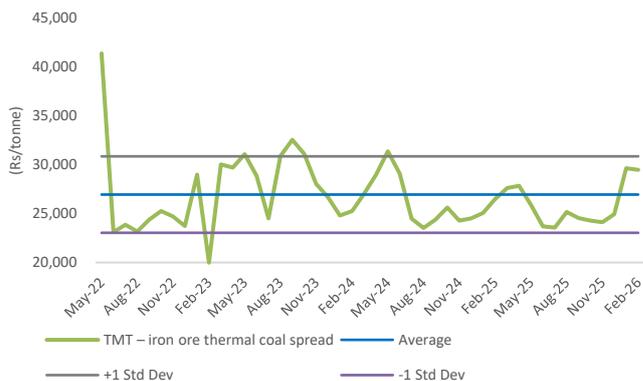
Source: Bigmint, MNCL Research

**Exhibit 3: HRC Spread**



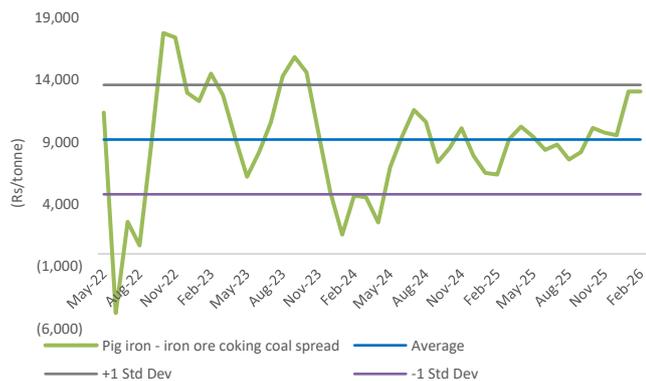
Source: BigMint, MNCL Research

**Exhibit 4: TMT Spread**



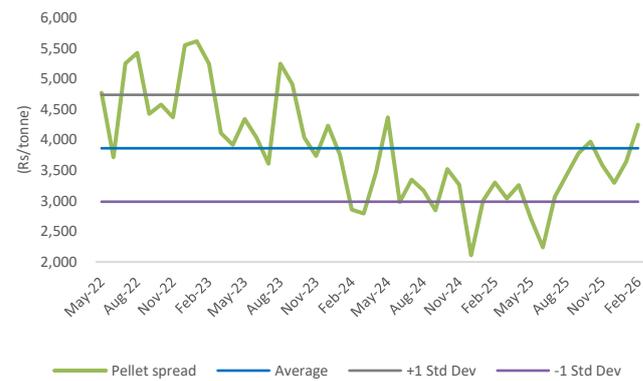
Source: BigMint, MNCL Research

**Exhibit 5: Pig Iron Spread**



Source: BigMint, MNCL Research

**Exhibit 6: Pellet Spread**



Source: BigMint, MNCL Research

## Financial Estimates

Company	Market Cap (Rs mn)	CMP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)		
			FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Ratnamani Metals & Tubes	1,69,693	2,421	76.9	82.1	86.7	34.9	29.1	27.6	22.5	18.8	16.2
Venus Pipes & Tubes	22,760	1,114	45.5	50.3	67.7	40.7	21.1	15.7	23.6	12.3	9.9
Scoda Tubes	8,267	138	7.2	7.7	10.4	-	16.9	12.6	-	10.0	7.7
Kirloskar Ferrous Industries	65,354	397	17.9	22.1	34.5	35.6	17.3	11.1	15.4	8.8	6.4
Godawari Power & Ispat	1,68,447	266	13.2	12.8	20.0	14.6	20.8	13.3	9.6	13.2	8.4
Sambhv Steel Tubes Ltd	28,562	101	2.4	4.3	4.8	NM	22.6	20.1	NM	12.4	11.7

Source: Company, MNCL Research Estimates

Company	Revenue (Rs mn)			EBITDA (Rs mn)			PAT (Rs mn)			ROE (%)		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Ratnamani Metals & Tubes	51,865	49,094	54,956	8,235	8,594	9,820	5,392	5,751	6,077	15.9%	14.8%	13.9%
Venus Pipes & Tubes	9,585	11,817	14,418	1,676	1,941	2,408	929	1,027	1,382	17.5%	16.3%	18.1%
Scoda Tubes	4,849	5,593	6,949	781	852	1,094	317	464	622	21.1%	11.7%	13.7%
Kirloskar Ferrous Industries	65,642	69,197	81,993	7,562	8,571	11,648	2,940	3,643	5,676	8.6%	9.8%	13.6%
Godawari Power & Ispat	53,757	57,069	71,730	11,937	12,592	19,863	8,110	8,083	12,695	16.4%	13.9%	17.2%
Sambhv Steel Tubes Ltd	1,511	2,358	2,901	154	256	309	57	127	142	12.3%	16.6%	12.9%

Source: Company, MNCL Research estimates

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**KFIL share price chart**



**GPII share price chart**



**Ratnamani Metals share price chart**



**Venus pipes share price chart**



**Scoda tubes share price**



**Sambhv Steel Tubes share price chart**



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Broking and Research Analyst Compliance Officer Details: Mr Nikhil Parikh

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Monarch Network Capital Limited (CIN: L64990GJ1993PLC120014)

Registered Office:

Unit No. 803-804A, 8<sup>th</sup> Floor, X-Change Plaza, Block No. 53,

Zone 5, Road- 5E, Giff City, Gandhinagar -382355, Gujarat