Sambhv Steel Tubes Ltd. I BUY I TP: Rs 155 | Upside: 76%

MONARCH NETWORTH CAPITAL

Pricing led weakness, structure holds

We maintain BUY rating on Sambhv Steel Tubes and increase our TP to Rs 155 (Rs150 earlier). Increase in TP is mainly due to upward revision to FY26e/FY27e estimates. Q3FY26 was a strong volume-led quarter, but profitability came in below expectations due to pricing corrections throughout the quarter and temporary shutdown in GP segment. While topline growth remained robust, margin compression reflected a timing mismatch between falling product prices and raw material costs. With price hikes taking effect only post December'25 and raw material softening expected to flow through from Q4FY26, we expect earnings normalization Q4 onwards. Long-term conviction remains intact, driven by GP scale-up, structural benefits from backward integration and large greenfield capex on new stainless-steel capacity. At CMP, Sambhv trades at 6.3x FY28 EV/EBITDA, materially discounting its strong earnings profile. Reiterate BUY.

- **Revenue driven by strong volume growth despite pricing drag:** Sambhv reported revenue of Rs5.89bn; +59.6% YoY and +1.5% QoQ, marginally below our estimate of Rs5.99bn. Volume growth was broad-based across ERW, GP and stainless steel despite temporary shutdowns in GP line (15days); however, realisation declined ~5% YoY and ~7% QoQ, as steel prices remained weak through most of the quarter. Price hikes were implemented only after December end.
- **Margin compression driven by timing mismatch:** Gross margin declined to 26.8% (-418bps yoy; 107bps QoQ), translating into EBITDA of Rs510mn (+34.4% YoY, -15.3% QoQ) and EBITDA margin of 8.7% (-162bps YoY). The loss in margins was mainly driven by i) MS product prices corrected for the quarter vs raw material costs correcting with a lag of 2months and ii) Pressure on SS prices due to increase in imports (exemption in BIS requirement). EBITDA/t came in at Rs5,235, flat YoY vs Rs 6,099 in Q2. Lower finance costs partially cushioned PAT, which stood at Rs244mn (+131% YoY).
- **Longterm conviction sustained despite near term volatility:** The Q3 margin weakness is pricing and timing-led, not structural. We believe the correction in RM cost at the end of Q3FY26, along with the recent price hikes should boost Q4 margins. Beyond near-term recovery, Sambhv's conviction rests on: (i) rising contribution from GP and stainless products, (ii) structural advantages from backward integration cushioning downcycles, and (iii) visibility on stainless scale-up (Kesda Phase-1) that materially reshapes the earnings mix in FY28. We have revised our FY26/27 earnings upwards by 6/10% to account for the higher offtake and lower finance cost.
- **Valuations, view & risks:** We expect the company to deliver 50%/53%/69% Revenue/EBITDA/PAT CAGR between FY25-28E. We maintain a BUY rating valuing it on SOTP framework assigning 13x MS EBITDA, 7.5x SS EBITDA to arrive at a target price of Rs 155/sh (Rs 150 earlier). Key risks centre on Kesda execution and ramp-up, volatility in SS grade acceptance and spreads, and the risk that capex-driven leverage delays the ROE re-rating proof-point.

Target Price			155	Key Data	
				Bloomberg Code	SAMBHV :IN
CMP			88	Curr Shares O/S (mn)	294.7
				Diluted Shares O/S(mn)	294.7
Upside			76%	Mkt Cap (Rsbn/USDmn)	26.4/0.3
Price Performance (%)				52 Wk H / L (Rs)	149/81
	1M	**6M**	**1Yr**	3M Average Vol.	1041055
SAMBHV	-9.5	-26.4	N/A		
Nifty 50	-4.7	2.1	7.4		

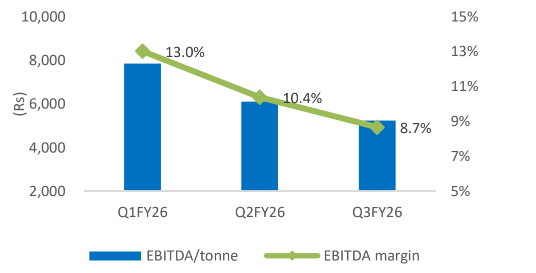
Source: Bloomberg, ACE Equity, MNCL Research

Shareholding pattern (%)

	Dec-25	Sept-25	Jun-25
Promoter	56.2	56.2	56.1
FIIs	1.7	2.3	3.6
DIIs	2.7	3.0	6.8
Others	39.5	38.5	33.4

Source: BSE

Sequential margin downturn on pricing lag



Source: Company, MNCL Research

Revised estimates

Particulars (Rs bn)	FY26E New	FY26E Old	FY26E Chg (%)	FY27E New	FY27E Old	FY27E Chg (%)
Revenue	23,577	22,814	3%	29,010	28,385	2%
EBITDA	2,559	2,560	0%	3,090	3,043	2%
PAT	1,267	1,197	6%	1,421	1,295	10%

Source: MNCL Research Estimates

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Consolidated (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net sales	**5891**	**3690**	***59.6***	**5802**	***1.5***
Raw materials total	4312	2547	*69.3*	4185	*3.1*
Gross Margins - %	***26.8***	***31.0***	***(418)bps***	***27.9***	***(107)bps***
Employee costs	347	237	*46.5*	348	*(0.4)*
Other expenses	722	527	*37.0*	666	*8.3*
EBITDA	**510**	**380**	***34.4***	**602**	***(15.3)***
EBITDA margin	***8.7***	***10.3***	***(162)bps***	***10.4***	***(172)bps***
Depreciation	122	103	*19.4*	121	*0.8*
Finance cost	75	136	*(44.5)*	83	*(8.9)*
Other income	15	9	*65.3*	11	*38.2*
PBT	**327**	**150**	***117.9***	**409**	***(20.0)***
Tax	84	45	*87.3*	103	*(18.7)*
Tax rate %	*25.6*	*29.7*		*25.2*	
PAT	**244**	**106**	***130.9***	**306**	***(20.4)***

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY23	9,372	*14.4*	1,173	*12.5*	604	*(16.3)*	30.1	*33.6*	*17.0*	NM	NM
FY24	12,858	*37.2*	1,599	*12.4*	824	*36.5*	3.8	*25.4*	*16.2*	NM	NM
FY25	15,114	*17.5*	1,545	*10.2*	573	*(30.5)*	2.4	*12.3*	*9.9*	41.0	18.4
FY26E	23,577	*56.0*	2,559	*10.9*	1,267	*121.2*	4.3	*16.6*	12.7	20.5	11.4
FY27E	29,010	*23.0*	3,090	*10.7*	1,421	*12.2*	4.8	*12.9*	10.2	18.3	10.8
FY28E	51,033	*75.9*	5,487	*10.8*	2,765	*94.6*	9.4	*21.0*	15.2	9.4	6.3

Source: Company, MNCL Research estimates, Consolidated Financials

Concall - Key Takeaways

Industry

- **SS:** China has put an export duty of 9% on the exports on 1st Jan'26 which has led to uplifting of SS prices. Domestic market pricing has increased by Rs2,000–3,000/tonne in Jan'26, depending on the grade.

Operations

- **SS:** Window opened for BIS exemption on imports of SS which led to low margins.
- **MS:** HRC prices declined by 6% on QoQ basis. However, the benefits on RM were delayed and very much back-ended in Q3FY26 which affected the margins. The benefit of change of RM cost will come with a lag in the P&L for Sambhv Steel.
- **GP:** Debottlenecking of capacity led to 15 days of maintenance shutdown affecting overall offtake and margins.
- **MS:** Rs4,000/tonne price hike received in January which should reflect in improved margins in Q4FY26 on low RM costs.
- **Price change from Q3FY26 to Q4FY26:**
    - ERW: Rs46k/tonne → Rs52k/tonne
    - GP: Rs59k/tonne → Rs66k/tonne
    - SS 200 series: Rs126k → Rs128k/tonne
    - SS 300 series: Rs180k/tonne in Q3FY26
- **Q3FY26:** 1,200–1,300 tonnes sold of SS Series 300 (304/316). Management is aiming to achieve 30–50% of Series 300 in Q4FY26.
- **EBITDA/tonne:**
    - SS: Rs13,000/tonne
    - MS: Rs5,400/tonne across products
- **Marketing and branding:**
    - MS: West and Central India is the major market as of now. Meeting fabricators every month.
    - SS: Marketing across India to create brand awareness.
- **Price difference:**
    - SS: 1–2%
    - MS: 2–3%

Capacity Expansion

- **Kesda:** MOEF EC for this project has been achieved.
- **GP:** Brownfield capacity expansion to debottleneck capacity from 58 kt to 116 kt has been completed in Q3FY26.
- Signed MoU to sell 800–1,000 tonnes/month with a pipe manufacturer for SS CRC. The cost here will be some marketing expense for the brand.
- Seamless SS pipes and tubes is another product where Sambhv Steel plans to enter next. This is to forward integrate and increase the value-added product share in overall revenue.
- SS debottlenecking for CRC capacity will be completed in Q4FY26. Threat from imports: EU manufacturers mostly produce 400 series which will not hurt volumes for Sambhv Steel. The sales team is already working on creating a market for the new capacity.
- Sambhv Steel has also been qualified for the PLI Steel 2.0 scheme. Details will be released once the company receives the detailed documents.
- **MS:** Next phase of expansion will be 200 kt of capacity of DFT technology with sizes of more than 7 inches. This will have higher margins than existing MS pipes made from purchased coils. With this next capacity, HRC procurement will also lead to better sourcing prices.

Financials

- Finance cost has reduced due to repayment of long-term borrowings.
- **Guidance:**
    - EBITDA/tonne: Rs7,500/tonne in Q4FY26
    - EBITDA/tonne: Rs7,000/tonne in FY26
- Working capital days can increase by 10–15 days with the new capacity of SS flats in Kesda.
- Debt as of 31st Dec: Rs2.1 bn (Rs1.7 bn in working capital loans).
- Capex for Phase 1 is Rs9.35 bn, out of which Rs2.5 bn is already incurred. Rs7 bn will be incurred over the next 12 months. Rs6 bn will be increase in debt for the remaining capex.

Valuation – BUY with a TP of Rs155

Sambhv sits at an unusual intersection; an established MS pipes franchise and a scaling stainless platform that reshapes the earnings mix from FY27 onward.

At the CMP, Sambhv trades at a 6.3x FY28 EV/EBITDA, materially below both APL and JSL, even after adjusting for its smaller size and higher variability in stainless realisations.

Three elements can compress the valuation gap:

- **Earnings trajectory:** FY25–28 Revenue/EBITDA/PAT CAGRs of 50%/53%/69%; unmatched in the comparable listed steel universe.
- **Mix shift:** Stainless share rising from 8% to ~60% of revenue by FY28, lifting blended EBITDA/tonne and RoCE (FY28E ROE/RoCE ~21/15% vs ~12/10% in FY25).
- **Balance sheet discipline:** Net-debt-to-equity peaking <0.7x through the capex cycle, with peak project debt already visibly capped.

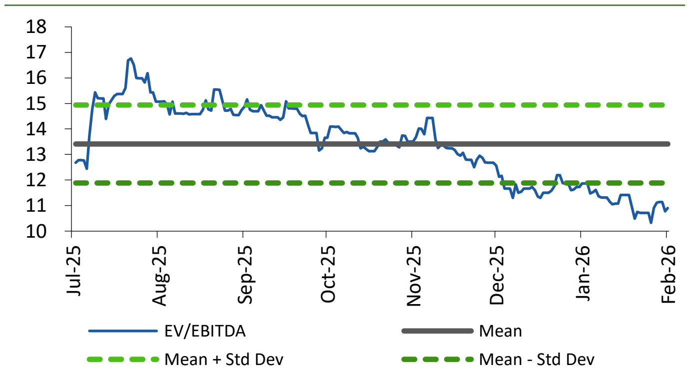
We maintain a BUY rating on Sambhv valuing it on SOTP framework assigning 13x MS EBITDA, 7.5x SS EBITDA to arrive at a target price of Rs 155/sh (Rs 150 earlier), corresponding to a blended 10x EV/EBITDA multiple and 17x P/E, or a PEG of 0.3; a level that systematically undervalues a ~50% CAGR compounding engine transitioning into its first year of stainless scale.

Exhibit 1: Valuation Table

Valuation	FY28
MS EBITDA	2,393
Multiple	13.0
MS EV	31,115
SS EBITDA	3,094
Multiple	7.5
SS EV	23,205
Total EV	**54,320**
EBITDA	5,487
Implied Multiple	*10*
-Debt	8,860
+Cash	441
Mkt Cap	45,901
No of Sh	295
TP	**155**
CMP	88
Upside	76%

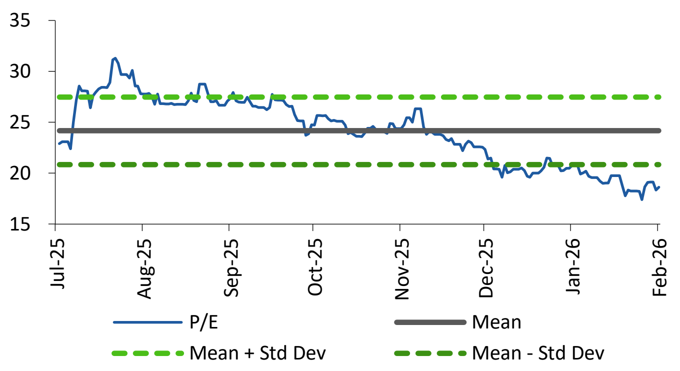
Source: Company, MNCL Research estimates

Exhibit 2: EV/EBITDA 1-year forward



Source: Company, Bloomberg, MNCL Research estimates

Exhibit 3: PER 1-year forward



Source: Company, Bloomberg, MNCL Research estimates

Quarterly Financials

Exhibit 4: Quarterly Financials

Consolidated (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Revenue	**3,308**	**3,163**	**3,690**	**4,953**	**5,586**	**5,802**	**5,891**
Cost of materials consumed	2,163	2,355	2,845	3,497	3,682	4,408	4,168
Purchase of stock in trade	24	18	34	6	62	6	13
Changes in inventories	76	(116)	(332)	76	171	(230)	132
Total RM Costs	2,262	2,257	2,547	3,578	3,915	4,185	4,312
Employee benefits expense	160	212	237	276	290	348	347
Other expenses	427	469	527	617	655	666	722
EBITDA	**460**	**225**	**380**	**481**	**727**	**602**	**510**
EBITDA margin	**14%**	**7%**	**10%**	**10%**	**13%**	**10%**	**9%**
D&A	60	64	103	118	120	121	122
EBIT	400	161	277	363	607	481	388
Finance cost	79	94	136	165	158	83	75
Other income	6	13	9	26	8	11	15
Exceptional income/(expense)	-	-	-	-	-	-	-
Profit Before Tax	327	80	150	225	457	409	327
Total tax expense/(credit)	80	26	45	59	118	103	84
Adj. PAT	**248**	**54**	**106**	**166**	**339**	**306**	**244**
Revenue				38%	69%	83%	60%
EBITDA				30%	58%	168%	34%
PAT				-3%	37%	468%	131%
Margins (%)							
EBITDA	13.9%	7.1%	10.3%	9.7%	13.0%	10.4%	8.7%
EBIT	12.1%	5.1%	7.5%	7.3%	10.9%	8.3%	6.6%
PAT	7.5%	1.7%	2.9%	3.3%	6.1%	5.3%	4.1%

Financials

Exhibit 5: Income Statement

Y/E March - Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	**8,193**	**9,372**	**12,858**	**15,114**	**23,577**	**29,010**	**51,033**
Materials cost	6,198	6,967	9,202	10,645	16,692	20,597	36,488
% of revenues	**75.6**	**74.3**	**71.6**	**70.4**	**70.8**	**71.0**	**71.5**
Employee cost	235	415	571	884	1,379	1,842	3,088
% of revenues	**2.9**	**4.4**	**4.4**	**5.9**	**5.9**	**6.4**	**6.1**
Others	516	818	1,486	2,040	2,946	3,480	5,969
% of revenues	**6.3**	**8.7**	**11.6**	**13.5**	**12.5**	**12.0**	**11.7**
EBITDA	**1,245**	**1,173**	**1,599**	**1,545**	**2,559**	**3,090**	**5,487**
EBITDA margin (%)	***15.2***	***12.5***	***12.4***	***10.2***	***10.9***	***10.7***	***10.8***
Depreciation & Amortisation	101	162	209	344	492	773	1,053
EBIT	1,144	1,011	1,390	1,201	2,067	2,318	4,434
Interest expenses	191	218	318	473	393	513	746
Other income	14	18	36	53	42	127	63
Exceptional items	-	-	-	-	-	-	-
PBT	967	811	1,108	782	1,715	1,932	3,752
Taxes	246	207	283	209	449	511	987
Effective tax rate (%)	**25.4**	**25.6**	**25.6**	**26.8**	**26.2**	**26.5**	**26.3**
PAT	**721**	**604**	**824**	**573**	**1,267**	**1,421**	**2,765**

Source: Company, MNCL Research Estimates

Exhibit 6: Key Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratio (%)							
Revenue	NA	14.4	37.2	17.5	56.0	23.0	75.9
EBITDA	NA	(5.8)	36.3	(3.4)	65.6	20.8	77.6
Adjusted PAT	NA	(16.3)	36.5	(30.5)	121.2	12.2	94.6
Margin Ratios (%)							
Gross	24.4	25.7	28.4	29.6	29.2	29.0	28.5
EBITDA	15.2	12.5	12.4	10.2	10.9	10.7	10.8
Adjusted PAT	8.8	6.4	6.4	3.8	5.4	4.9	5.4
Return Ratios (%)							
ROE	48.3	33.6	25.4	12.3	16.6	12.9	21.0
ROCE	21.8	17.0	16.2	9.9	12.7	10.2	15.2
ROIC	22.3	17.4	16.8	10.2	13.1	10.4	15.5
Turnover Ratios (days)							
Gross block turnover ratio (x)	3.3	2.9	3.4	1.8	2.9	1.7	2.9
Debtors	7	13	27	36	30	30	35
Inventory	72	74	59	87	60	60	65
Creditors	18	15	39	111	65	65	65
Cash conversion cycle	60	73	47	11	25	25	35
Solvency Ratio (x)							
Net Debt/equity	1.6	1.3	0.7	1.0	0.3	0.6	0.6
Interest coverage ratio	6.0	4.6	4.4	2.5	5.3	4.5	5.9
Net debt/EBITDA	1.9	2.3	1.9	3.2	1.2	2.4	1.5
Current Ratio	1.2	1.3	1.1	1.0	1.1	0.9	1.2
Per share Ratios (Rs)							
Adjusted EPS	35.9	30.1	3.8	2.4	4.3	4.8	9.4
BVPS	74.3	104.7	20.1	20.6	35.1	39.9	49.3
CEPS	40.9	38.1	4.8	3.8	6.0	7.4	13.0
DPS	-	-	-	-	-	-	-
Dividend payout %	-	-	-	-	-	-	-
Valuation (x)							
P/E (adjusted)	NA	NA	NA	41.0	20.5	18.3	9.4
P/BV	NA	NA	NA	4.7	2.5	2.2	1.8
EV/EBITDA	NA	NA	NA	18.4	11.4	10.8	6.3
Dividend yield %	-	-	-	-	0.0%	0.0%	0.0%

Source: Company, MNCL Research Estimates

Exhibit 7: Balance Sheet

Y/E March (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	201	201	2,410	2,410	2,947	2,947	2,947
Reserves & surplus	1,292	1,903	1,973	2,543	7,398	8,818	11,583
Shareholders' fund	**1,493**	**2,104**	**4,383**	**4,953**	**10,345**	**11,765**	**14,530**
Total Debt	2,413	2,828	3,469	5,044	3,700	7,710	8,860
Def tax liab. (net)	97	142	188	302	302	302	302
Lease liabilties	2	22	35	20	20	20	20
Provisions	9	8	14	22	22	22	22
Total Liabilities	**4,014**	**5,105**	**8,088**	**10,342**	**14,389**	**19,819**	**23,734**
Gross Block	2,453	3,199	3,735	8,201	8,201	17,551	17,551
Less: Acc. Depreciation	101	259	367	710	1,202	1,975	3,028
Net Block	2,353	2,940	3,367	7,491	6,999	15,576	14,523
Capital WIP	167	215	2,156	858	4,131	858	2,858
Intangible assets	2	1	1	6	6	6	6
Net Fixed Assets	**2,522**	**3,157**	**5,524**	**8,355**	**11,135**	**16,440**	**17,387**
Non-Current Investments	58	87	153	309	309	309	309
Inventories	1,215	1,414	1,491	2,539	2,744	3,386	6,498
Sundry debtors	156	346	941	1,472	1,938	2,384	4,894
Cash & Bank balance	84	77	430	163	531	264	441
Loans & Advances	2	2	6	12	12	12	12
Other assets	548	438	858	1,197	1,197	1,197	1,197
Total Current Asset	2,063	2,365	3,877	5,691	6,731	7,552	13,350
Trade payables	310	283	978	3,247	3,020	3,716	6,546
Other current Liab.	261	132	333	446	446	446	446
Provisions	0	1	2	11	11	11	11
Net Current Assets	1,492	1,948	2,564	1,987	3,253	3,379	6,347
Total Assets	**4,014**	**5,105**	**8,088**	**10,342**	**14,389**	**19,819**	**23,734**

Source: Company, MNCL Research Estimates

Exhibit 8: Cash Flow

Y/E March (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Operating Profit bef Working Capital changes	1,243	1,180	1,599	1,564	2,559	3,090	5,487
Net changes in Working Capital	(773)	(416)	23	689	(898)	(393)	(2,791)
Others	(125)	(108)	(198)	(991)	(449)	(511)	(987)
Cash flow from operations	**345**	**656**	**1,424**	**1,262**	**1,212**	**2,186**	**1,709**
Net Capex	(987)	(852)	(2,847)	(2,265)	(3,273)	(6,078)	(2,000)
Others	(16)	3	(269)	(66)	42	127	63
Cash flow from investing activities	**(1,002)**	**(849)**	**(3,116)**	**(2,332)**	**(3,230)**	**(5,950)**	**(1,937)**
Net Proceeds from Borrowings	833	415	641	1,576	(1,344)	4,010	1,150
Interest paid	(176)	(217)	(326)	(525)	(393)	(513)	(746)
Others	(0)	(3)	1,451	(5)	4,125	-	-
Cash flow from financing	**657**	**195**	**1,766**	**1,045**	**2,387**	**3,497**	**404**
Net change in cash	**(1)**	**1**	**74**	**(24)**	**369**	**(267)**	**177**

Source: Company, MNCL Research Estimates

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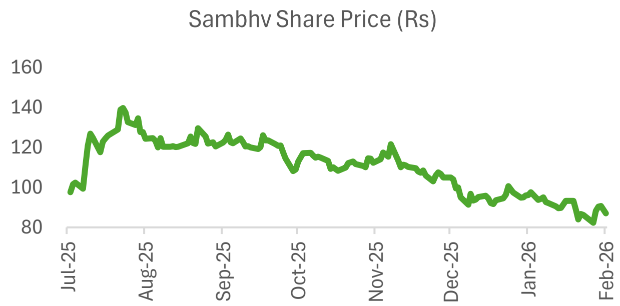

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