

# Scoda Tubes Ltd. | BUY | Target Price: Rs 250 | Upside: 100%

## Slight miss; structural thesis intact

We retain BUY rating on Scoda Tubes but upward revise TP of Rs250 (previously Rs240). Increase in TP is mainly due to valuation rollover. Q3FY26 was a strong performance on offtake, marginally offset by pricing weakness and delay in start of new seamless capacity. Margins were a slight miss due to adverse product mix. We expect revenue to rebound in Q4FY26 due to full quarter of production at new capacity and strong order book. Robust demand from the power sector, expanding global approvals, low threat from new entrants and sustained supply tightness reinforce our conviction for re-rating, alongside improved cash conversion and a fierce 20%/ 39% EBITDA/ PAT CAGR over FY25-28E. With the recent share price correction, Scoda is trading at very attractive valuation of 9x FY28 PE. Re-iterate BUY.

- Strong volume growth; offset by weak pricing:** Scoda reported Rs1.52bn of revenues; +17% yoy; +5% qoq; slight lower than our estimates of Rs1.65bn. Weak pricing and delay in start of commercial production at the new seamless SS pipes capacity was the main reason for the miss.
- Unfavourable product mix affects margins:** Scoda reported margins at 15.1%; -270bps; -27bps qoq in Q3FY26, converting into an EBITDA of Rs230mn; flat yoy; +3% qoq. The decline in margin was mainly due to high contribution of pipes in the product mix. Sales of low margin hollow tubes also led to drag on margins. Further, the increase of depreciation (due to commissioning of new seamless capacity) and low other income (cash utilized in working capital) led to a PAT of Rs115mn; +18% yoy; -18% qoq.
- What drives our conviction in the thesis?** The new seamless SS pipes is now fully operational and is expected to yield higher offtake in Q4FY26, in turn resulting in better margins. The fundamental conviction in Scoda is driven by strong underlying market demand and a deficit on supply. The Power sector is forecasted to be the primary demand driver for the 3-5years, supported by major thermal power capacity additions announced by NTPC and Adani Power. Scoda is well-positioned to scale up utilization from the newly secured approvals at entities like ADNOC, SABIC, Reliance, BARC. This will be further supported by large BHEL tenders that require Indian-made products and increasing presence in the US and Europe. We have cut our earnings estimates by 8%/ 6% resp. in FY26/ FY27E to account for the lower offtake in FY26. Remain positive.
- Valuation, view & key risks:** We value Scoda tubes at a 19x Dec'27 PE (unchanged) to arrive at a TP of Rs250/sh (previously Rs240) and retain BUY rating. The increase in TP is due to valuation rollover offset by cut in earnings. **Key Risks:** Weakness in export demand, commodity price risk, delay in setting up of new welded plant.

Target Price	250	Key Data	
		Bloomberg Code	SCODATUB :IN
CMP*	125	Curr Shares O/S (mn)	59.9
		Diluted Shares O/S(mn)	59.9
Upside	100%	Mkt Cap (Rsbn/USDmn)	9.2/0.1
Price Performance (%)	52 Wk H / L (Rs)		231/136
	1M 6M 1Yr	3M Average Vol.	200036
SCODATUB	-24.2 -33.3 N/A		
Nifty 50	-5.7 0.7 5.7		

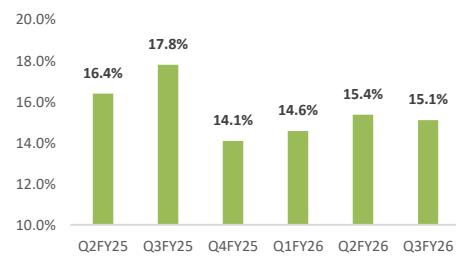
Source: Bloomberg, ACE Equity, MNCL Research

### Shareholding pattern (%)

	Dec-25	Sept-25	Jun-25
Promoter	66.4	66.4	66.4
FII	8.0	7.8	8.1
DII	7.4	6.9	7.9
Others	18.1	18.9	17.6

Source: BSE

**EBITDA margin dipped sequentially on adverse product mix and high employee expenses**



Source: Company, MNCL Research Estimates

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Consolidated (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net sales	1524	1300	17.3	1453	4.9
Raw materials total	1054	862	22.2	964	9.3
<b>Gross Margins - %</b>	<b>30.9</b>	<b>33.7</b>	<b>(280)bps</b>	<b>0.3</b>	<b>3052 bps</b>
Employee costs	31	20	51.3	23	34.7
Other expenses	209	186	12.6	242	(13.6)
<b>EBITDA</b>	<b>230</b>	<b>231</b>	<b>(0.5)</b>	<b>223</b>	<b>3.1</b>
<b>EBITDA margin</b>	<b>15.1</b>	<b>17.8</b>	<b>(270)bps</b>	<b>15.4</b>	<b>(27)bps</b>
Depreciation	23	46	(49.4)	17	34.5
Finance cost	61	62	(1.9)	55	10.9
Other income	7	8	(4.6)	37	(79.7)
<b>PBT</b>	<b>153</b>	<b>131</b>	<b>16.9</b>	<b>188</b>	<b>(18.3)</b>
Tax	39	34	14.3	48	(19.6)
<b>Tax rate %</b>	<b>25.2</b>	<b>25.7</b>		<b>25.6</b>	
<b>PAT</b>	<b>115</b>	<b>97</b>	<b>17.8</b>	<b>140</b>	<b>(17.8)</b>
<b>EPS (Rs)</b>	<b>1.9</b>	<b>2.2</b>	<b>(13.1)</b>	<b>2.3</b>	<b>(17.8)</b>

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY23	3,051	57.3	348	11.4	103	531.3	80.5	21.1	9.1	NM	NM
FY24	3,999	31.0	588	14.7	183	77.1	142.6	11.7	11.2	NM	NM
FY25	4,849	21.3	781	16.1	317	73.5	7.2	13.2	12.6	NM	NM
FY26E	5,593	15.4	852	15.2	464	46.3	7.7	16.4	9.8	16.1	9.5
FY27E	6,949	24.2	1,057	15.2	593	27.8	9.9	17.1	10.8	12.6	7.6
FY28E	8,642	24.4	1,346	15.6	855	44.1	14.3	17.0	14.7	8.8	5.8

Source: Company, MNCL Research estimates, Consolidated Financials

MNCL Research is also available on Bloomberg. In the interest of timeliness, this document is not edited

## Valuation – BUY with a TP of Rs250

Scoda tubes has evolved as a company through the ideal route of earning approvals, accreditations and in-roads in value added applications. With new capacities, the growth story for 3years has already been unlocked and we expect strong growth ahead as the company executes on the planned ramp up. The financial metrics are also expected to improve substantially once the asset is optimally utilized and debt is paid back. We expect Scoda to deliver best earnings growth among its peers with very competent returns RoE/ROCE. Despite this, the company trades at a discounted but attractive valuations of 12.6x/ 8.8x FY27E/ FY28E EPS.

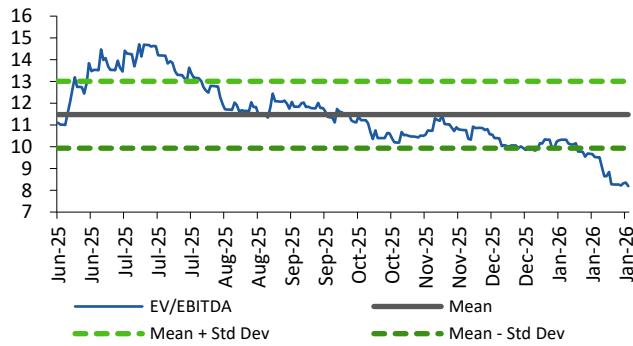
**We value Scoda tubes at a 19x Dec'27 PE (which is 20% discount to the PE attributed to value Ratnamani metals) to arrive at a TP of Rs250/sh (previously Rs240). The discount is largely due to the higher scale and the larger product portfolio present with the peer.**

### Exhibit 1: Valuation

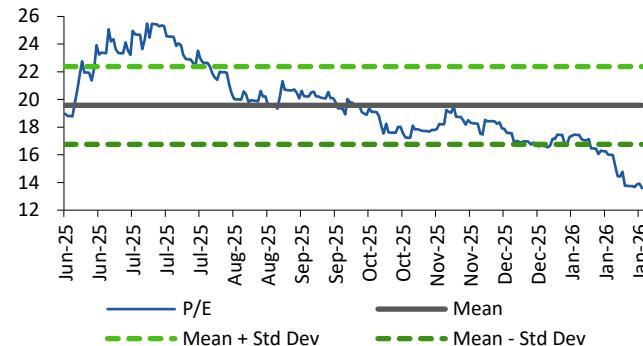
Valuation	Dec'27
<b>PER Valuation</b>	
EPS - Rs/sh	13.2
Attributed PE Ratio - x	19
TP - Rs/sh	250
<b>CMP</b>	<b>125</b>
<b>Upside</b>	<b>100%</b>

Source: Company, MNCL Research estimates

### Exhibit 2: EV/EBITDA 1-year forward



### Exhibit 3: PER 1-year forward



## Quarterly Financials

### Exhibit 4: Quarterly Financials

Consolidated (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
<b>Revenue</b>	<b>919</b>	<b>1,393</b>	<b>1,300</b>	<b>1,237</b>	<b>974</b>	<b>1,453</b>	<b>1,524</b>
Cost of materials consumed	655	1,062	908	1,115	743	1,206	1,188
Purchase of stock in trade	-	-	-	-	-	-	-
Changes in inventories	(42)	(86)	(46)	(203)	(53)	(242)	(134)
Total RM Costs	613	976	862	912	690	964	1,054
Employee benefits expense	20	21	20	19	24	23	31
Other expenses	139	168	186	131	118	242	209
<b>EBITDA</b>	<b>146</b>	<b>229</b>	<b>231</b>	<b>174</b>	<b>142</b>	<b>223</b>	<b>230</b>
<b>EBITDA margin</b>	<b>16%</b>	<b>16%</b>	<b>18%</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>
D&A	0	0	0	0	0	0	0
<b>EBIT</b>	<b>44</b>	<b>44</b>	<b>46</b>	<b>48</b>	<b>16</b>	<b>17</b>	<b>23</b>
Finance cost	102	185	186	127	126	206	207
Other income	40	60	62	58	51	55	61
Exceptional income/(expense)	2	13	8	17	18	37	7
Profit Before Tax	64	138	131	85	93	188	153
Total tax expense/(credit)	16	34	34	17	22	48	39
<b>Adj. PAT</b>	<b>48</b>	<b>104</b>	<b>97</b>	<b>68</b>	<b>71</b>	<b>140</b>	<b>115</b>
<hr/>							
<b>Growth (yoY %)</b>							
Revenue					-1%	6%	4%
EBITDA					6%	-3%	-2%
PAT					132%	48%	34%
<hr/>							
<b>Margins (%)</b>							
EBITDA	15.9%	16.4%	17.8%	14.1%	14.6%	15.4%	15.1%
EBIT	4.8%	3.2%	3.5%	3.8%	1.6%	1.2%	1.5%
PAT	5.2%	7.4%	7.5%	5.5%	7.3%	9.6%	7.5%

## Financials

### Exhibit 5: Income Statement

Y/E March - Rs mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenues</b>	<b>1059</b>	<b>1940</b>	<b>3051</b>	<b>3999</b>	<b>4849</b>	<b>5593</b>	<b>6949</b>	<b>8642</b>
Materials cost	877	1611	2126	2620	3364	3915	4857	6049
% of revenues	<b>82.8</b>	<b>83.0</b>	<b>69.7</b>	<b>65.5</b>	<b>69.4</b>	<b>70.0</b>	<b>69.9</b>	<b>70.0</b>
Employee cost	14	29	55	74	81	105	131	157
% of revenues	<b>1.3</b>	<b>1.5</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>
Others	103	201	523	717	624	722	903	1089
% of revenues	<b>9.7</b>	<b>10.4</b>	<b>17.1</b>	<b>17.9</b>	<b>12.9</b>	<b>12.9</b>	<b>13.0</b>	<b>12.6</b>
<b>EBITDA</b>	<b>65</b>	<b>100</b>	<b>348</b>	<b>588</b>	<b>781</b>	<b>852</b>	<b>1057</b>	<b>1346</b>
<b>EBITDA margin (%)</b>	<b>6.1</b>	<b>5.1</b>	<b>11.4</b>	<b>14.7</b>	<b>16.1</b>	<b>15.2</b>	<b>15.2</b>	<b>15.6</b>
Depreciation & Amortisation	13	15	115	164	181	82	137	145
<b>EBIT</b>	<b>52</b>	<b>85</b>	<b>233</b>	<b>424</b>	<b>599</b>	<b>769</b>	<b>920</b>	<b>1201</b>
Interest expenses	39	72	116	191	220	221	181	84
Other income	1	10	27	26	40	70	52	23
Exceptional items								
<b>PBT</b>	<b>14</b>	<b>23</b>	<b>144</b>	<b>259</b>	<b>419</b>	<b>619</b>	<b>791</b>	<b>1140</b>
Taxes	5	7	40	76	102	155	198	285
Effective tax rate (%)	<b>33.5</b>	<b>29.2</b>	<b>28.1</b>	<b>29.5</b>	<b>24.2</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>
<b>PAT</b>	<b>10</b>	<b>16</b>	<b>103</b>	<b>183</b>	<b>317</b>	<b>464</b>	<b>593</b>	<b>855</b>

### Exhibit 6: Key Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth Ratio (%)</b>								
Revenue	-2.8	83.2	57.3	31.0	21.3	15.4	24.2	24.4
EBITDA	42.1	54.0	248.2	69.0	32.8	9.1	24.1	27.4
Adjusted PAT	-7.1	71.4	531.3	77.1	73.5	46.3	27.8	44.1
<b>Margin Ratios (%)</b>								
Gross	17.2	17.0	30.3	34.5	30.6	30.0	30.1	30.0
EBITDA	6.1	5.1	11.4	14.7	16.1	15.2	15.2	15.6
Adjusted PAT	0.9	0.8	3.4	4.6	6.5	8.3	8.5	9.9
<b>Return Ratios (%)</b>								
ROE	11.9	4.7	22.7	28.8	21.1	11.7	13.2	16.4
ROCE	6.6	4.1	9.1	11.2	12.6	9.8	10.8	14.7
ROIC	7.0	4.2	9.6	12.3	14.3	12.5	13.5	16.3
<b>Turnover Ratios (days)</b>								
Gross block turnover ratio (x)	10.2	18.4	4.9	3.4	3.6	3.2	2.5	3.0
Debtors	68	66	62	82	76	90	78	70
Inventory	179	142	171	156	163	175	155	150
Creditors	98	20	81	75	74	75	73	68
Cash conversion cycle	149	189	151	162	164	190	160	152
<b>Solvency Ratio (x)</b>								
Net Debt/equity	5.1	3.1	2.8	2.8	1.1	0.2	0.1	0.1
Interest coverage ratio	1.3	1.2	2.0	2.2	2.7	3.5	5.1	14.3
Net debt/EBITDA	6.3	10.9	3.7	3.1	2.1	0.7	0.6	0.2
Current Ratio	1.4	1.2	1.1	1.1	1.3	2.0	2.0	2.2
<b>Per share Ratios (Rs)</b>								
Adjusted EPS	26.5	12.8	80.5	142.6	7.2	7.7	9.9	14.3
BVPS	221.7	273.5	354.0	495.5	34.0	66.2	75.1	87.3
CEPS	63.4	24.7	169.9	270.2	11.3	9.1	12.2	16.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.1
Dividend payout %	0%	0%	0%	0%	0%	0%	10%	15%
<b>Valuation (x)*</b>								
P/E (adjusted)						16.1	12.6	8.8
P/BV						1.9	1.7	1.4
EV/EBITDA						9.5	7.6	5.8
Dividend yield %						0.0%	0.8%	1.7%

Source: Company, MNCL Research Estimates

**Exhibit 7: Balance Sheet**

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Sources of Funds</b>								
Equity Share Capital	4	13	13	13	442	599	599	599
Reserves & surplus	76	338	442	623	1,062	3,369	3,903	4,630
Shareholders' fund	80	351	454	636	1504	3968	4502	5229
<b>Total Debt</b>	<b>439</b>	<b>1099</b>	<b>1393</b>	<b>2027</b>	<b>2102</b>	<b>1902</b>	<b>1902</b>	<b>883</b>
Def tax liab. (net)	2	3	4	3	0	0	0	0
Lease liabilities	0	3.76	3.77	3.79	3.79	3.79	3.79	3.79
Minority interest	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>517</b>	<b>1451</b>	<b>1847</b>	<b>2670</b>	<b>3610</b>	<b>5874</b>	<b>6408</b>	<b>6116</b>
Gross Block	103	106	621	1176	1349	1749	2749	2899
Less: Acc. Depreciation	0	0	0	360	540	622	760	905
<b>Net Block</b>	<b>103</b>	<b>106</b>	<b>621</b>	<b>816</b>	<b>809</b>	<b>1127</b>	<b>1989</b>	<b>1994</b>
Capital WIP	10	346	0	0	225	725	225	225
Intangible assets	0	0	0	1	1	1	1	1
Net Fixed Assets	114	452	621	816	1035	1853	2216	2221
Non-Current Investments	0	5	9	9	9	9	9	9
Inventories	431	626	995	1119	1498	1877	2063	2486
Sundry debtors	197	353	516	893	1011	1379	1485	1657
Cash & Bank balance	31	8	107	224	439	1258	1305	568
Loans & Advances	42	2	0	0	0	0	0	0
Other assets	10	114	133	242	471	471	471	471
<b>Total Current Asset</b>	<b>712</b>	<b>1107</b>	<b>1759</b>	<b>2488</b>	<b>3428</b>	<b>4995</b>	<b>5333</b>	<b>5191</b>
Trade payables	235	87	475	539	685	805	971	1127
Other current Liab.	65	16	28	87	161	161	161	161
Provisions	8	5	30	9	8	8	8	8
<b>Net Current Assets</b>	<b>404</b>	<b>999</b>	<b>1227</b>	<b>1853</b>	<b>2575</b>	<b>4021</b>	<b>4193</b>	<b>3895</b>
<b>Total Assets</b>	<b>517</b>	<b>1450</b>	<b>1848</b>	<b>2670</b>	<b>3610</b>	<b>5874</b>	<b>6408</b>	<b>6116</b>

Source: Company, MNCL Research Estimates

**Exhibit 8: Cash Flow**

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Operating profit bef working capital changes	66	110	374	602	795	852	1057	1346
Trade and other receivables	-219	-413	-549	-379	-117	-369	-106	-172
Trade payables	110	-201	423	65	145	120	167	156
Net change - WC	-44	-505	249	57	249	224	933	906
<b>Cash flow from operations</b>	<b>-48</b>	<b>-511</b>	<b>208</b>	<b>23</b>	<b>184</b>	<b>69</b>	<b>735</b>	<b>621</b>
Net Capex	-82	-17	-629	-358	-399	-900	-500	-150
Others	45	-341	342	-108	-41	70	52	23
<b>Cash flow from investing activities</b>	<b>-37</b>	<b>-358</b>	<b>-288</b>	<b>-466</b>	<b>-439</b>	<b>-830</b>	<b>-448</b>	<b>-127</b>
Proceeds from borrowings	128	660	294	634	76	-200	0	-1019
Interest paid	-39	-72	-116	-191	-220	-221	-181	-84
Others	0	258	0	0	550	2000	-59	-128
<b>Cash flow from financing</b>	<b>89</b>	<b>846</b>	<b>178</b>	<b>443</b>	<b>406</b>	<b>1579</b>	<b>-240</b>	<b>-1231</b>
<b>Net change in cash</b>	<b>4</b>	<b>-23</b>	<b>99</b>	<b>0</b>	<b>151</b>	<b>819</b>	<b>47</b>	<b>-737</b>

Source: Company, MNCL Research Estimates

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