

## Scoda Tubes Limited

December 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	57.91	CARE BBB+; Stable	Assigned
Long-term / Short-term bank facilities	133.40	CARE BBB+; Stable / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Scoda Tubes Limited (STL) factor in its experienced promoters, established operational track record and improvement in scale and profitability over the last five years driven by higher production capacity and backward integration. Ratings are also supported by STL's comfortable capital structure, moderate debt coverage indicators, and adequate liquidity.

However, ratings remain constrained by risks associated with timely completion and stabilisation of its ongoing capacity expansion project and the working capital intensive nature of operations. Ratings further take cognisance of its presence in competitive and cyclical nature of steel industry where profit margins are susceptible to volatility of raw material prices.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in total operating income (TOI) over ₹750 crore while sustaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins at current levels.
- Strengthening debt coverage metrics marked by total debt to gross cash accruals (TD/GCA) below 1.5x.

#### Negative factors

- Decline in TOI below ₹450 crore or PBILDT margin below 10% on a sustained basis.
- Increase in overall gearing above 0.60x or TD/GCA above 4x on a sustained basis.
- Increase in working capital cycle above 150 days, leading to a weakening of the company's liquidity position.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook on the long-term rating reflects the company's ability to maintain its financial risk profile with an increasing scale of operations and healthy profit margins, while sustaining its capital structure and adequate liquidity position.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoters with established track record of operations

Incorporated in 2008 by Dhanraj Khatri and Mahesh Patel, STL is presently led by Jagrut Patel (since 2016), alongside core promoters Samarth Patel, Ravi Patel and Saurabh Patel who bring over a decade of steel industry experience. Samarth Patel oversees exports, Jagrut Patel looks after domestic sales, Saurabh Patel is involved in project development, and Ravi Patel handles finance and banking. Supported by experienced team across divisions, STL has built almost two-decade track record in manufacturing stainless-steel seamless and welded tubes.

##### Growing scale of operations and profitability

STL's TOI grew from ₹105.90 crore in FY21 to ₹486.30 crore in FY25, exhibiting a compound annual growth rate (CAGR) of ~47%, considering increasing production capacity over the years. In H1FY26, STL reported ₹242.68 crore of TOI. Profitability remained healthy, with PBILDT margin at 16.34% in FY25 and 14.92% in FY24. Improvement in margins are considering STL's backward integrated mother hollow plant, which commenced operations from FY23 onwards. Going further, with commencement of capacity expansion capex, TOI is expected to improve while PBILDT margins are likely to be maintained in the medium term.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### Comfortable capital structure and moderate debt protection metrics

The company's financial risk profile is comfortable marked by overall gearing of 0.55x as on September 30, 2025, improved from 1.40x as on March 31, 2025, on the back of healthy net worth base of ₹373.84 crore mainly considering proceeds from IPO of ₹220 crore received in H1FY26. Interest coverage ratio and TD/GCA remained moderate at 3.44x and 4.10x as on September 30, 2025, and 3.63x and 4.36x as on March 31, 2025, respectively. CARE Ratings Limited (CareEdge Ratings) expects improvement in capital structure and debt coverage indicators in the medium term aided by improved accruals and absence of debt-funded capex.

### Key weaknesses

#### Working capital intensive operations

STL has a working capital intensive business model with higher inventory period of 119 days in FY25 led by an extended work-in-process cycle and stringent quality checks. Collection period remains at 60-70 days and creditors period at 50-55 days, leading to a working capital cycle of 136 days in FY25 (FY24: 127 days). Gross current asset days stood at 223 days in FY25, compared to 210 days in FY24. With expected increase in scale of operations going forward, working capital cycle is expected to remain elongated.

#### Project completion and stabilisation risk

STL is expanding its production capacity of seamless product from 10,068 MTPA to 20,068 MTPA and welded products from 1020 MTPA to 13,150 MTPA at a total projected cost of ~₹105 crore, which will be funded entirely through IPO proceeds. Trial runs for seamless product are in progress, and it is expected to commence operations from December 25. For welded product, it is expected that operations will commence from Q1FY27 onwards. Although seamless product plant is at near to completion stage and with pending welded product plant, there exists project completion and stabilisation risk.

#### Profitability vulnerable to raw material price volatility

Profitability remains exposed to price volatility of its key raw material, round bars, which forms major portion of cost of sales. While the company shifted from importing hollow pipes to sourcing round bars domestically through backward integration of hollow pipes in FY23, inherent price fluctuations in steel prices continue to remain with high inventory holding of ~120 days. However, STL's inventory are order-backed which insulates STL to a certain extent from raw-material price fluctuations.

#### Highly competitive and cyclical industry scenario

Steel is a cyclical industry, strongly correlated to economic cycles since its key users, construction, infrastructure, automobiles and capital goods heavily depend on the economy. The steel pipes industry is highly competitive due to presence of organised and unorganised players and expanding applications of types of steel pipes.

#### Liquidity: Adequate

STL's liquidity remains adequate as marked by expected cash accruals of ~₹60 crore in FY26 against its repayment obligation of ~₹15 crore in FY26 and moderate utilisation of its working capital limits at 80-85% for 12 months ended October 2025. Cash and liquid investments (including fixed deposits [FDs]) remained healthy at ₹135.72 crore as on September 30, 2025 (including unutilised IPO proceeds of ~₹115 crore invested as FD), which are expected to be utilised towards capex and working capital objectives over short-to-medium term. Current ratio remains at 1.37x and 1.23x as on March 31, 2025, and March 31, 2024, respectively.

#### Environment, social, and governance (ESG) risks: Not applicable

#### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

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## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Iron and steel products

Incorporated in 2008, Scoda Tubes Limited (STL) is an integrated manufacturer of stainless steel seamless and welded tubes and pipes, operating from its sole facility in Mehsana, Gujarat. The company serves a wide range of industries, including oil and gas, power, chemicals, pharmaceuticals, automotive, railways, defence, and water treatment. The business is managed by Samarth Patel, Jagrut Patel, Saurabh Patel, and Ravi Patel. STL has an installed capacity of 10,068 metric tonne per annum (MTPA) for seamless products and 1,020 MTPA for welded products, supported by a backward-integrated hot piercing mill with a mother hollow capacity of 20,000 MTPA as on March 31, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	HIFY26 (UA)
Total operating income	400.89	486.30	242.68
PBILDT	59.82	79.46	36.53
PAT	18.30	31.74	21.05
Overall gearing (times)	3.20	1.40	0.55
Interest coverage (times)	3.13	3.62	3.44

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/03/2031	57.91	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	133.40	CARE BBB+; Stable / CARE A2

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	-	1)Withdrawn (19-May-22)
2	Term Loan-Long Term	LT	-	-	-	1)CARE BB+; Stable (05-Dec-24) 2)Withdrawn (05-Dec-24)	1)CARE BB+; Stable (23-Oct-23)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)Withdrawn (05-Dec-24) 2)CARE BB+; Stable / CARE A4+ (05-Dec-24)	1)CARE BB+; Stable / CARE A4+ (23-Oct-23)	-
4	Fund-based - ST-EPC/PSC	ST	-	-	-	1)CARE A4+ (05-Dec-24) 2)Withdrawn (05-Dec-24)	1)CARE A4+ (23-Oct-23)	-
5	Fund-based - LT-Term Loan	LT	57.91	CARE BBB+; Stable				
6	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	133.40	CARE BBB+; Stable / CARE A2				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarification

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