DALALBYTES RESEARCH

Gandhi Special Tubes

The Niche Tube Maker With a Treasury

Precision steel tubes at 44% operating margins, zero debt, and a Rs 213 cr treasury that raises the growth question

NSE: GANDHITUBE · BSE: 513108

October 9, 2026

Reference: Rs 948.65, NSE close of October 9, 2026.
Founding story, products, flywheel, financials, competition, management, valuation vs peers, risks, and FY2029 scenarios.

© DalalBytes
Educational purposes only, not financial advice.

01 BLUNT VERDICT FIRST

70 / 100 : Selective Positive

Gandhi Special Tubes is a 40-year-old precision steel-tube maker with a fortress balance sheet, 44% operating margins, zero debt, and a management that treats shareholders like partners: a Rs 15 dividend plus a Rs 78 cr buyback in FY26 returned more cash than the company earned. The business sits in a defensible niche, cold-drawn seamless and precision ERW tubes plus cold-formed nuts for auto, CV, tractor, and hydraulic OEMs, built on German Benteler process know-how from the 1980s. Q1 FY27 showed the engine running: sales up 18.9%, PAT up 29.3%, OPM at 47%.

The selective part is growth. Revenue compounded at only ~9% from FY22 to FY26, FY26 capex was a token Rs 2.2 cr, and no expansion has been announced: the company is sweating existing Halol and Pune assets while Rs 213 cr sits in mutual funds earning treasury returns. Working capital has stretched badly, with the cash conversion cycle at 341 days in FY26 on 313 inventory days. The stock at Rs 948.65, about 14-15x TTM earnings with 20% ROE, prices in slow growth, which is exactly what the company has delivered. A re-rating needs visible growth capex or sustained 15%+ earnings growth.

Rs 948.65 Reference price NSE close, Oct 9 2026	**Rs 1,070 cr** Market cap	**Rs 191.77 cr** FY26 revenue (+11.2% YoY)	**Rs 68.36 cr** FY26 PAT (+16.5% YoY)
Rs 620 FY2029 bear	**Rs 1,100** FY2029 base	**Rs 1,620** FY2029 bull	**14-15x** TTM P/E 3.4x book

02 SNAPSHOT: WHAT GANDHI SPECIAL TUBES IS

Item	Detail
Founded	1985, Halol (Gujarat); Gandhi Group plus Benteler of Germany
Business	Precision steel tubes (cold-drawn seamless, precision ERW), cold-formed tube nuts, tubular components; wind power (small)

Item	Detail
Ownership	Promoter family 71.70% (Sep 2026), zero pledging; FIIs ~1.3%
Scale	FY26 revenue Rs 191.77 cr; Q1 FY27 Rs 57.2 cr (+18.9%); 1,12,83,900 shares post-buyback, Rs 5 face value
Economics	OPM 44% in FY26 (47% in Q1 FY27); PAT margin ~36%; ROCE ~28%
Balance sheet	Zero debt every year FY22-26; Rs 213 cr investments; Rs 55 cr operating cash flow in FY26
Shareholder returns	Rs 15/share dividend FY26; Rs 78.13 cr buyback completed Sep 2026

03 FOUNDING STORY: GERMAN KNOW-HOW, HALOL PLANT, 1985

Gandhi Special Tubes was incorporated in 1985 by the Gandhi Group in technical collaboration with Benteler of Germany, which supplied the critical machines, commissioned the plant, and trained personnel in India and Germany. The project was small-diameter welded and cold-drawn seamless steel tubes, and the Halol (Gujarat) plant started commercial production in April 1988. It was originally named Gandhi Special 07 Tubes Limited.

Over the decades the product line widened: cold-formed tube nuts for fuel-injection and hydraulic tube assemblies (described by the company as a pioneering effort in India, earlier done only by machining), tubular components such as condenser coils and wire-on-tube condensers at Halol, and a Pune unit for tubular components with CNC and manual bending, head forming, welding and brazing, and pressure testing. Wind power generation on leased Gujarat land is a small non-core activity. The company is run today by the founding family: Chairman and Managing Director Manhar G. Gandhi and Joint Managing Director Bhupatrai G. Gandhi.

04 PRODUCTS, PLANTS, AND END MARKETS

The product set is precision, not commodity. Cold-drawn bright-annealed seamless steel tubes and small-diameter precision ERW tubes sell into automotive (including commercial vehicles), farm equipment (tractors), construction equipment, hydraulic systems, and general engineering. Cold-formed coupling nuts and tube nuts go into fuel-injection and hydraulic tube assemblies. Tubular components, condenser coils and wire-on-tube condensers, serve adjacent engineering applications. Management attributed recent growth to strong demand in the automotive and hydraulic sectors.

The main plant is at Halol, Gujarat (GIDC Halol, Baroda-Halol State Highway); a tubular-components unit operates in Pune; the registered office is in Mumbai. Products are exported to Germany, the UK, and South-East Asia. No formal capacity figure is disclosed in accessible sources, and revenue split by product is not disclosed in public summaries, which limits how precisely an outsider can model the mix.

05 THE FLYWHEEL: PRECISION NICHES, APPROVED-SUPPLIER ECONOMICS

The strategy is a quiet one: stay in high-margin precision niches where OEM approvals and process know-how keep commodity pipe makers out, and convert the resulting cash into shareholder returns rather than empire-building capex:

- **Precision products:** 44% OPM in FY26 (47% in Q1 FY27) is the signature of precision tubes and cold-formed nuts, not commodity ERW pipe, where listed peers earn 3-8% margins. The German-heritage process knowledge is the moat's foundation.
- **Approved-supplier relationships:** auto, CV, tractor, and hydraulic OEMs qualify vendors over long cycles; once approved, switching costs are real because tube failure in a fuel-injection or hydraulic assembly is a warranty event.
- **Capital discipline:** FY26 capex of Rs 2.2 cr against Rs 53 cr of free cash flow, and growth sweated from existing assets rather than financed with debt.
- **Cash compounding for shareholders:** dividends at 27-32% of PAT for five years, plus the Rs 78.13 cr buyback at up to Rs 900 per share, completed September 2026 at 1.81x oversubscription.

What is NOT in the strategy: no announced capacity expansion, no disclosed capex program for FY27-28, and no diversification beyond the tube and component cluster. The flywheel runs on existing assets.

06 THE QUARTERLY ARC

The last two quarters show both the engine and its noise.

Quarter	Sales (cr)	PAT (cr)	EPS (Rs)
Q2 FY26	~47	~16	-
Q3 FY26	~50	~21	-
Q4 FY26	47.2	9.36	-
Q1 FY27	57.2	27.94	22.99

Q1 FY27 (approved August 12, 2026): net sales Rs 57.2 cr (+18.9% YoY); operating profit Rs 26.6 cr at 47% OPM (vs 43% a year earlier); other income Rs 10.37 cr; PAT Rs 27.94 cr (+29.3% YoY, EPS Rs 22.99). The quarter-over-quarter jump from Q4's Rs 9.36 cr is flattered by Q4 FY26's Rs 5.47 cr mark-to-market loss on mutual-fund holdings: treasury gains and losses swing reported PAT meaningfully, which is the price of holding a Rs 213 cr investment corpus. Q2 FY27 had not been declared as of October 9, 2026; the trading window has been closed since October 1, 2026.

07 FINANCIALS: SLOW TOP LINE, EXPANDING MARGINS

Year	Sales (cr)	OPM %	PAT (cr)	EPS (Rs)	CFO (cr)
FY22	137	36	39	31.74	42
FY23	167	36	47	38.96	45
FY24	171	38	56	45.74	26
FY25	173	40	59	48.28	47
FY26	192	44	68	56.25	55

The five-year arc: revenue CAGR ~8.8%, PAT CAGR ~15.4%, with the PAT growth driven by margin expansion rather than volume. OPM rose roughly 8 points from ~36% to ~44% on operating leverage and efficiency; the PAT margin widened from ~28% to ~36%. FY26's headline numbers were Rs 191.77 cr of sales (+11.15%) and Rs 68.36 cr of PAT (+16.52%).

Two honest caveats. First, FY24's operating cash flow dipped to Rs 26 cr against PAT of Rs 56 cr on a working-capital build, a preview of the CCC problem discussed below. Second, reported PAT is flattered by the treasury book: other income ran Rs 11-12 cr a year in FY24-FY26, and mark-to-market swings on the mutual-fund corpus (minus Rs 5.47 cr in Q4 FY26, plus Rs 10.37 cr in Q1 FY27) make reported earnings noisier than operating earnings. TTM to June 2026: sales Rs 201 cr, PAT about Rs 75 cr, TTM EPS Rs 61.46.

08 BALANCE SHEET, CASH FLOW, CAPITAL ALLOCATION

Fortress balance sheet

Zero interest-bearing borrowings every year FY22-FY26, debt/equity 0.00x, interest cover ~850x. At March 2026 the balance sheet held Rs 213 cr of investments, mostly mutual funds, against a net worth of about Rs 316 cr. The investment corpus is larger than a full year of sales. Operating cash flow has been positive every year and FCF positive every year (Rs 38, 44, 25, 43, 53 cr across FY22-FY26).

Working capital is the blemish: the cash conversion cycle stretched from 213 days in FY22 to 341 days in FY26, driven by inventory days rising to 313. That is a full year's worth of inventory on the books, tying up cash that the otherwise clean cash machine cannot free. It is the single biggest operational watch item.

Capital allocation is shareholder-first. Dividends: Rs 10 (FY22), Rs 12 (FY23), Rs 13 (FY24), Rs 15 (FY25 and FY26), payouts of 27-32% of PAT. The May 2026 buyback, up to 8,68,100 shares (7.14% of capital) at a maximum of Rs 900 per share and up to Rs 78.13 cr, was completed in September 2026 (1.81x oversubscribed) with the shares extinguished, reducing the count to 1,12,83,900. Combined FY26 shareholder return of about Rs 96 cr (Rs ~18 cr dividend plus up to Rs 78.13 cr buyback) exceeded FY26 PAT of Rs 68.36 cr, funded by the investment corpus, not debt. No acquisitions or fundraising in the last five

years; no SEBI action; no credit rating exists.

09 COMPETITION: A NICHE PLAYER AMONG COMMODITY GIANTS

The listed steel-tube peers are mostly commodity structural-pipe makers with 3-8% operating margins; Gandhi's ~44% margin marks it as a different business. On return ratios and quality, the relevant comparisons are the premium names.

Company	P/E	ROE	OPM	Note
Gandhi Special Tubes	14-15x	20%	44%	Precision niche, 8.8% sales CAGR
APL Apollo Tubes	48x	25%	8%	Commodity scale, premium multiple
Ratnamani Metals	32-42x	17-18%	17%	Closest quality comp
Maharashtra Seamless	13.1x	10%	-	Commodity seamless, cheap
Surya Roshni	15.4x	11%	5%	Commodity, low margin
JTL Industries	29x	7%	6.4%	Commodity, derating
Goodluck India	24-25x	12%	-	-
Hi-Tech Pipes	19-23x	6%	3.2%	-

Gandhi trades at the multiple of a commodity tube maker while earning the margins and returns of a precision specialist. The discount reflects the microcap reality: ~12,300 shareholders, thin daily volumes, no analyst coverage, slow reported growth, and no visible expansion program. The honest read: the market prices the business on its growth record, not its margin record, and on growth the record is 9%.

10 STRENGTHS

- **Precision niche with German-heritage process know-how:** cold-drawn seamless tubes, precision ERW, and cold-formed nuts, with OEM approvals that keep commodity makers out.
- **Fortress balance sheet:** zero debt every year FY22-FY26; Rs 213 cr of investments against Rs 316 cr of net worth; net cash company.
- **Elite margins:** OPM 44% in FY26 (47% in Q1 FY27), PAT margin ~36%, versus 3-8% for commodity tube peers.

- **Shareholder-first capital allocation:** dividends 27-32% of PAT for five years plus a Rs 78.13 cr buyback; FY26 combined return of ~Rs 96 cr exceeded PAT.
- **Promoter stability:** 73.5% holding frozen for five years, zero pledging, no open-market selling; the September 2026 dip to 71.7% was buyback mechanics.
- **Clean cash generation:** operating cash flow and FCF positive every year FY22-FY26.

11 WEAKNESSES AND RISKS

- **Slow growth:** 8.8% revenue CAGR FY22-FY26, FY26 capex of only Rs 2.2 cr, and no announced expansion. The growth story is margin expansion on existing assets, which has limits.
- **Working capital bloat:** cash conversion cycle at 341 days in FY26 on 313 inventory days, a full year's inventory on the books.
- **Auto and engineering cyclicality:** heavy exposure to auto, CV, tractor, and hydraulic cycles; an OEM slowdown hits volumes directly.
- **Steel-cost pass-through:** spreads compress when steel prices spike faster than lagged OEM contract resets.
- **Treasury noise:** a Rs 213 cr mutual-fund corpus means mark-to-market swings distort reported PAT.
- **Microcap microstructure:** ~12,300 shareholders, thin volumes, price gaps on small flows (minus 11.6% on May 26, 2026; an NSE volume-spike clarification in September 2026 answered as market-driven).
- **Governance watch items:** long-tenure auditor, family-run board, and small related-party transactions with promoter-linked entities (verified small through FY20; recent years not re-verified).

12 MANAGEMENT AND GOVERNANCE

Chairman and Managing Director Manhar G. Gandhi and Joint Managing Director Bhupatrai G. Gandhi run a tight, conservative operation: no debt in five years, no dilution, steady dividends, and the buyback executed at a fair maximum price of Rs 900 (1.81x oversubscribed, completed September 2026). The related-party record through FY20 shows small transactions with promoter-linked entities (Jaishri Engineering Co., Randeep Exports and Randeep Automobiles), on the order of Rs 2-3 cr of annual sales and ~Rs 20 lakh of job-work charges, stated as arm's length; nothing abusive is visible, but the RPT notes for FY21-FY26 were not re-verified in this pass. Auditor S.V. Doshi and Co. is long-standing, with no qualification found in sources reviewed. No SEBI action surfaced.

Assessment: honest, conservative, shareholder-aligned stewardship. The honest flip side is ambition: the Rs 213 cr investment corpus earns treasury returns while core growth is single-digit, and the company has not committed growth capex to show where the next leg of earnings comes from.

13 VALUATION VS PEERS

At Rs 948.65 (October 9, 2026): TTM P/E ~14-15x (screener 14.1, tickertape 14.33, finnhub 15.95), P/B ~3.4x on a post-FY26 book value of roughly Rs 280 per share, dividend yield ~1.6% on the Rs 15 FY26 dividend, market cap ~Rs 1,070 cr.

The multiple is roughly in line with commodity seamless peers (Maharashtra Seamless ~13x) and at less than half the multiple of the closest quality comp (Ratnamani ~32-42x). Against its own history, the 14-15x multiple prices in the observed 9% revenue growth: fair, not cheap, for a company growing earnings at ~15% through margin expansion rather than volume. The re-rating question is binary: sustained 15%+ earnings growth with visible volume growth earns a Ratnamani-style multiple; another five years of 9% growth and margin plateaus keeps it a 14x stock.

14 FY2029 SCENARIOS (INR)

Built off FY26 sales of Rs 191.77 cr and PAT of Rs 68.36 cr (EPS Rs 56.25); 1,12,83,900 shares post-buyback; assumptions explicit.

	Bear: Rs 620	Base: Rs 1,100	Bull: Rs 1,620
Revenue CAGR FY26-29	3%	9.5%	15%
FY29 revenue	Rs 210 cr	Rs 252 cr	Rs 292 cr
PAT margin	30%	35%	37%
Exit P/E	11x	14x	17x

Bear: auto and engineering demand softens, steel-cost squeeze on spreads, mark-to-market drag on the corpus; margin gives back part of the FY22-FY26 expansion; de-rating toward commodity tube peers. **Base:** auto, CV, tractor, and hydraulic demand grow steadily; margins hold near 42-44% OPM on the precision mix; treasury income continues; no re-rating, earnings compound on the existing multiple. **Bull:** capacity addition or debottlenecking at Halol or Pune materializes, export ramp to Germany, the UK, and South-East Asia, hydraulic-tube share gains; operating leverage on new volume; partial re-rating toward precision peers on proven volume growth. The bull case has a stated condition: management has not announced expansion capex. The watch items that would validate it are FY27 capex disclosures, any new-product OEM approvals, and working-capital normalization (CCC back toward 250 days).

15 WHY IT MATTERS

Gandhi Special Tubes is the purest listed play on precision auto and hydraulic tubes: a 40-year-old, debt-free company earning 44% operating margins in a niche where commodity pipe makers cannot follow, run by a family that returns more cash than it earns. At 14-15x earnings with 20% ROE and zero debt, the stock is priced for the growth it has shown, not the growth it could show. The Rs 213 cr investment corpus is both the

safety net and the question: a company this cash-rich, this profitable, and this well-run owes its shareholders an answer on where growth capex goes. Until expansion is announced, the base case is a steady compounder at a fair price, with the balance sheet backstopping the downside. At 70/100 Selective Positive, the verdict is: excellent business, honest management, fair price. The setup rewards investors who trust the margins more than they need the growth, and who watch the capex line for the re-rating trigger.

16 SOURCES

screener.in (GANDHITUBE company page, shareholding pattern, annual and quarterly P&L, cash conversion cycle; fetched October 9, 2026); tickertape.in (price, market cap, dividend history, pledge check); finnhub.io (NSE quote data); moneyworks4me.com (pledge data, company profile); stockssena.com (FY22-FY26 report); scanx.trade (FY26 results filing, buyback completion); tradebrains.in (May 2026 results and buyback analysis); ticker.finology.in (quarterly results); capitalmarket.com (company info); kalkine.co.in (September 2026 volume-spike clarification); stockanalysis.com (BOM:513108 profile); indiacatalog (Benteler collaboration history); equitymaster.com, univest.in, marketsmojo.com, bajajfinservmarkets.in (peer multiples and ratios); tijorifinance and stockdiscovery annual-report PDFs (FY14-FY20 related-party notes). Full citations with URLs and dates in the research memos filed with this report.