

APL Apollo Tubes

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,873 **TP: INR2,250 (+20%)** **Buy**

Better brand strategy drives margin expansion

Operating performance in line

- APL Apollo Tubes (APAT) reported a healthy operating performance in 4QFY26 despite geopolitical headwinds (strong performance in Jan and Feb partially offset by a subdued performance in Mar). Its EBITDA grew 24% YoY (up 8% QoQ), fueled by a 9% YoY volume growth and a 14% YoY jump in EBITDA/MT to INR5,525. This growth was led by the company's strategy of leveraging its brand portfolio across both the premium (APL Apollo) and value (SG) price segments.
- Amid the volatile geopolitical environment, the management has downgraded its FY27 volume growth guidance to 15-20% (vs earlier guidance of 20%) with EBITDA/PAT growth guidance of 20-25%/25-30%. Further, management has raised its EBITDA per MT guidance from INR5,000 to INR5,500.
- We largely retain our FY27/FY28 earnings estimates and value the stock at 35x FY28E EPS to arrive at our TP of INR2,250. **Reiterate BUY.**

Healthy volume and better gross margin boost profitability

- Consol. revenue grew 14%/5% YoY/QoQ to INR62.7b (est. in line), led by sales volume growth of 9% YoY/1% QoQ to ~924KMT. VAP mix stood at 55% in 4QFY26 vs. 58%/57% in 4QFY25/3QFY26.
- Gross profit/MT was up 13% YoY/9% QoQ at INR10,825. EBITDA/MT rose 14% YoY/7% QoQ at INR5,525 (est. INR5,471). EBITDA grew 24%/8% YoY/QoQ to INR5.1b (est. in line).
- For FY26, Revenue/EBITDA/Adj PAT grew 12%/50%/59% YoY to INR231b/INR18b/INR12b. EBITDA/MT grew 36% YoY to INR5.2b. Further, total sales volume grew 11% YoY to 34,91,244 MT.
- CFO stood at INR21b vs. INR12b as of Mar'25. Gross debt stood at INR4.5b vs INR6.1b as of Mar'25.

Key highlights from the management commentary

- **Market share:** Market share has increased to ~60%-65% from 55% last year, supported by capacity expansion funded through internal cash flows, particularly in the East (2 plants), along with higher branding spend focused on SKU optimization and brand visibility.
- **Capacity utilization:** The Dubai plant is currently operating at roughly 40% capacity amid the ongoing crisis. Additionally, the color-coated and galvanized tubes segment is running at 80–85% utilization due to gas-supply constraints. Once the situation normalizes, production could increase ~15–20% from the current levels.

Bloomberg	APAT IN
Equity Shares (m)	278
M.Cap.(INRb)/(USD\$)	520.1 / 5.5
52-Week Range (INR)	2301 / 1492
1, 6, 12 Rel. Per (%)	-8/11/18
12M Avg Val (INR M)	1288

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	230.8	268.0	301.5
EBITDA	18.0	22.2	26.0
PAT	12.0	15.0	17.6
EBITDA (%)	7.8	8.3	8.6
EPS (INR)	43.4	54.0	63.5
EPS Gr. (%)	58.9	24.5	17.5
BV/Sh. (INR)	191.0	239.0	296.4

Ratios

Net D/E	-0.1	-0.2	-0.3
RoE (%)	25.3	25.1	23.7
RoCE (%)	24.6	24.7	23.6
Payout (%)	13.8	11.1	9.5

Valuations

P/E (x)	43.6	35.0	29.8
EV/EBITDA (x)	28.9	23.1	19.2
Div Yield (%)	0.3	0.3	0.3
FCF Yield (%)	2.8	1.4	3.0

Shareholding Pattern (%)

As on	Mar-26	Dec-25	Mar-25
Promoter	28.3	28.3	28.3
DII	16.0	19.9	16.8
FII	37.5	33.1	31.8
Others	18.2	18.7	23.2

Note: FII includes depository receipts

- Inventory management:** The company has consolidated production of certain SKUs into a single plant instead of spreading them across multiple facilities, which had earlier led to raw material and inventory build-up at different locations. This strategy proved effective, reducing inventory levels by 30–40k tonnes and leading to a decline of about INR2.5b of inventory QoQ, despite an increase in steel prices.

Valuation and view

- We expect APAT to continue its volume growth momentum, led by brand positioning in the premium and value segments, supported by capacity expansion in key markets, higher exports, and increasing industry demand from housing, solar, and infrastructure. Margin is also expected to improve further, driven by cost optimization measures, increased automation, and a rising mix of value-added products (with a better geographical mix).
- We expect a CAGR of 14%/20%/21% in revenue/EBITDA/PAT over FY26-28E. We broadly retain our FY27E/FY28E earnings and value the stock at 35x FY28E EPS to arrive at our TP of INR2,250. **Reiterate BUY.**

Consolidated - Quarterly Earnings Model

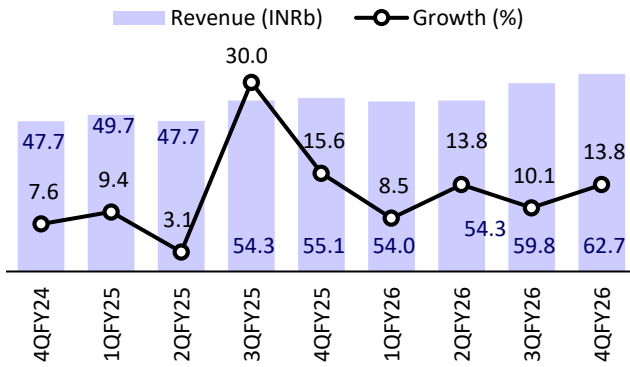
Y/E March	(INRm)											
	FY25				FY26				FY25	FY26	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4E	%	
Gross Sales	49,743	47,739	54,327	55,086	53,955	54,320	59,824	62,692	2,06,895	2,30,790	62,304	1
YoY Change (%)	9.4	3.1	30.0	15.6	8.5	13.8	10.1	13.8	14.2	11.5	13.1	
Total Expenditure	46,727	46,359	50,872	50,949	50,235	49,850	55,106	57,581	1,94,906	2,12,772	57,243	
EBITDA	3,016	1,381	3,456	4,137	3,720	4,470	4,718	5,110	11,990	18,018	5,060	1
Margins (%)	6.1	2.9	6.4	7.5	6.9	8.2	7.9	8.2	5.8	7.8	8.1	
Depreciation	465	469	503	576	544	581	592	593	2,013	2,309	595	
Interest	278	364	368	323	333	276	329	317	1,333	1,254	250	
Other Income	247	148	217	349	256	251	247	365	961	1,119	302	
PBT before EO expense	2,520	696	2,801	3,587	3,099	3,864	4,045	4,566	9,604	15,574	4,517	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	2,520	696	2,801	3,587	3,099	3,864	4,045	4,566	9,604	15,574	4,517	
Tax	589	158	631	656	728	848	944	1,023	2,034	3,543	1,260	
Rate (%)	23.4	22.7	22.5	18.3	23.5	22.0	23.3	22.4	21.2	22.7	27.9	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	1,932	538	2,170	2,931	2,372	3,015	3,100	3,544	7,571	12,031	3,257	
Adj PAT	1,932	538	2,170	2,931	2,372	3,015	3,100	3,544	7,571	12,031	3,257	9
YoY Change (%)	-0.2	-73.5	31.1	72.0	22.8	460.4	42.9	20.9	3.4	58.9	18.9	
Margins (%)	3.9	1.1	4.0	5.3	4.4	5.6	5.2	5.7	3.7	5.2	5.2	

Key performance indicators

Y/E March	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	YoY	QoQ
Segment Volumes ('000 MT)							
Apollo Structural							
Big Section	70	60	59	62	63	-9%	2%
Super Heavy Section	12	12	19	19	21	75%	10%
Light Structures	143	129	129	145	141	-1%	-3%
General Structures	353	308	368	392	414	17%	5%
Apollo Z - Rust-proof structures	185	191	193	199	195	6%	-2%
Apollo Z- Coated Products	55	63	62	63	52	-6%	-18%
Apollo Galv - Agri/Industrial	33	31	26	36	39	19%	8%
TOTAL	850	794	855	917	925	9%	1%
Value-added Products	497	486	487	525	511	3%	-3%
VAP mix %	58%	61%	57%	57%	55%	-5%	-3%
Segment EBITDA/MT (INR/MT)							
Apollo Structural							
Big Section	8,482	8,131	8,121	8,162	8,446	-3%	3%
Super Heavy Section	9,958	9,614	10,604	10,699	10,700	0%	0%
Light Structures	5,752	5,415	5,870	6,023	6,208	-3%	3%
General Structures	2,897	2,741	3,434	3,149	3,405	-8%	8%
Apollo Z - Rust-proof structures	5,715	5,437	6,236	6,324	7,261	-13%	15%
Apollo Z- Coated Products	6,312	5,971	6,980	7,011	8,047	-13%	15%
Apollo Galv - Agri/Industrial	5,423	5,078	5,421	5,398	5,981	-10%	11%
Cost Break-up							
RM Cost (% of sales)	85%	85%	84%	85%	84%	-123bps	-69bps
Employee Cost (% of sales)	1%	2%	2%	2%	2%	17bps	-2bps
Other Cost (% of sales)	6%	6%	6%	6%	6%	42bps	44bps
Gross Margins (%)	15%	15%	16%	15%	16%	123bps	69bps
EBITDA Margins (%)	7.5%	6.9%	8.2%	7.9%	8.2%	64bps	27bps

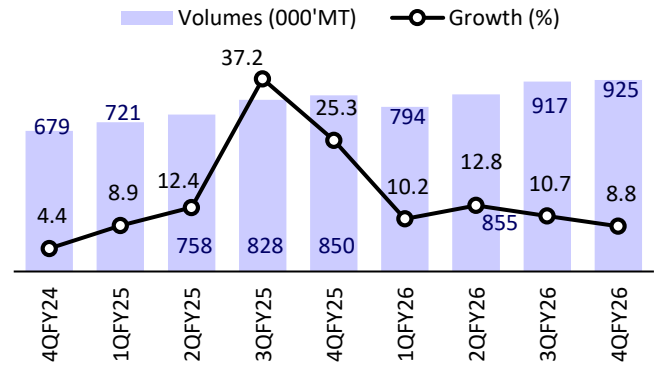
Key Exhibits

Exhibit 1: Consolidated revenue trend



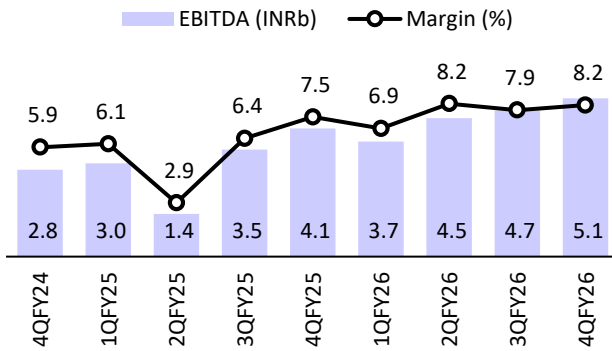
Source: Company, MOFSL

Exhibit 2: Volume trend



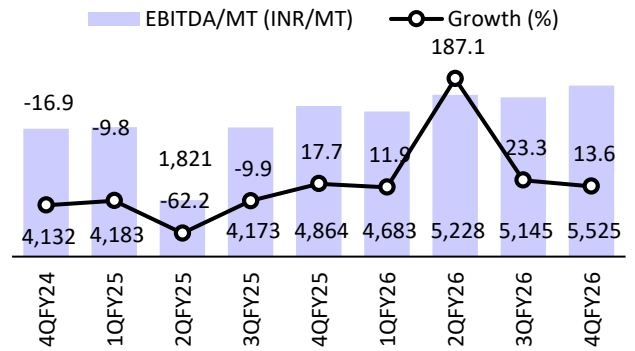
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



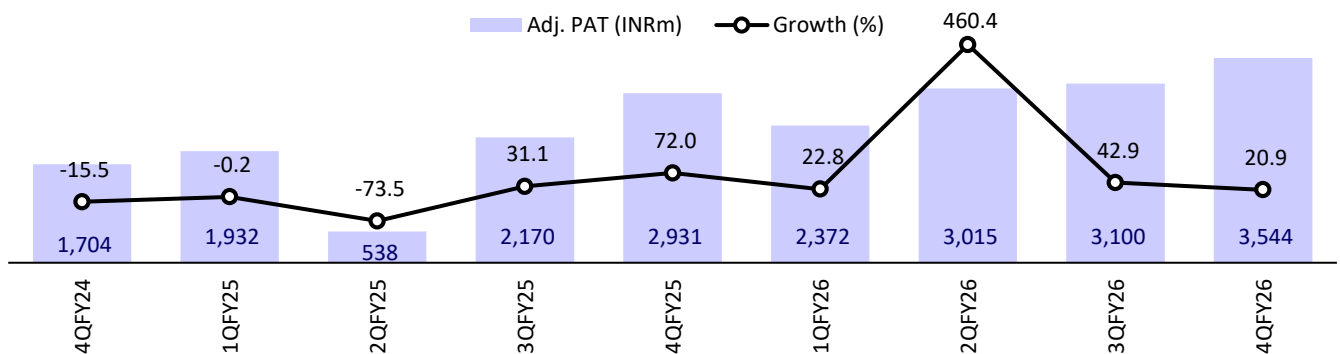
Source: Company, MOFSL

Exhibit 4: EBITDA/MT trend



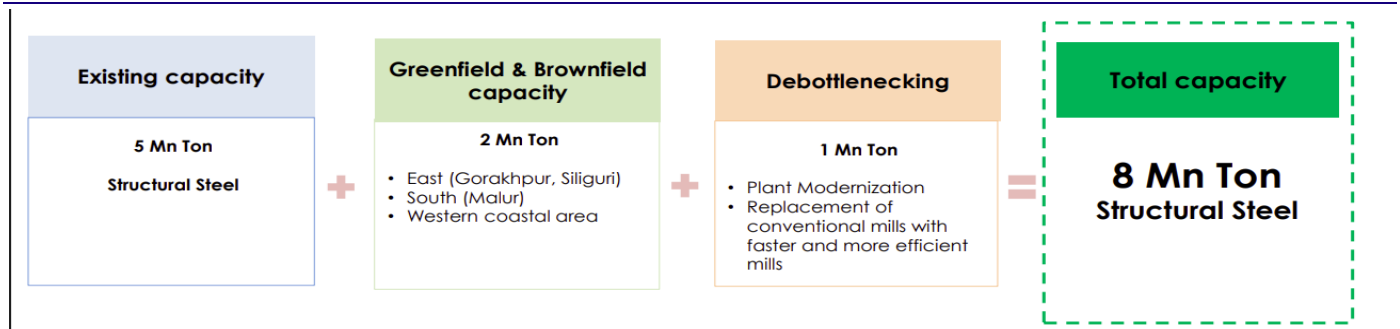
Source: Company, MOFSL

Exhibit 5: Consolidated Adj. PAT trend



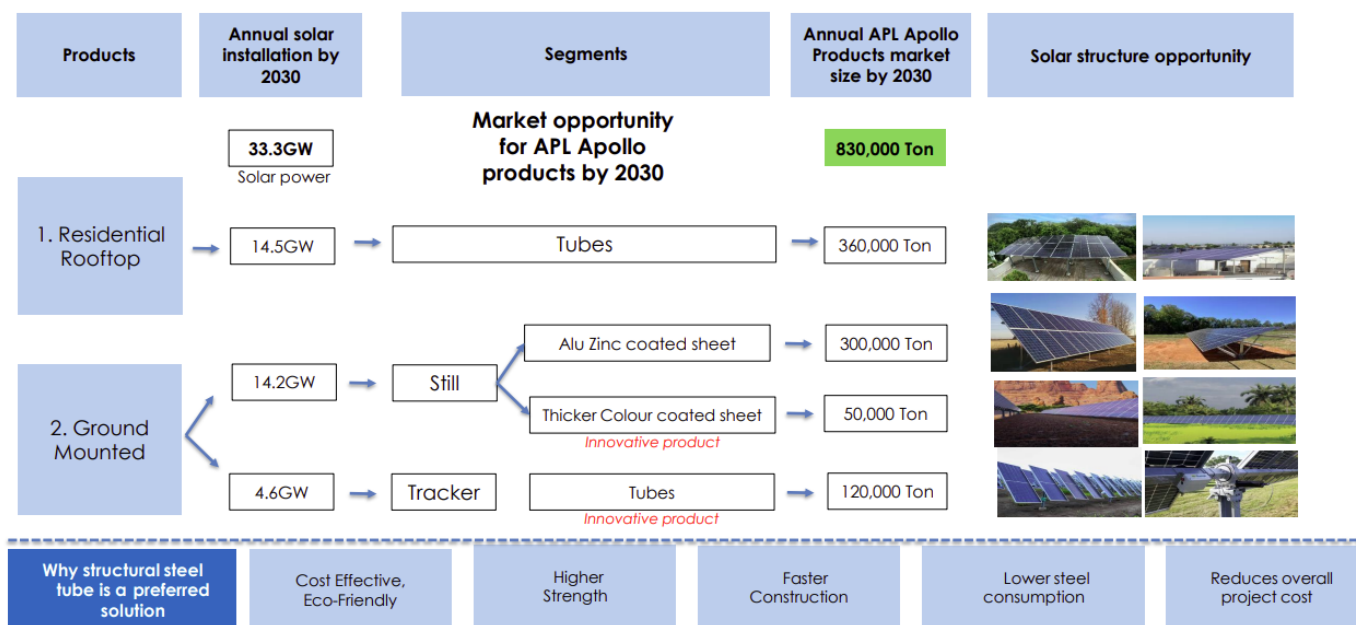
Source: Company, MOFSL

Exhibit 6: New proposed plants for higher market penetration



Source: Company, MOFSL

Exhibit 7: Solar structure opportunity for structural tubes



Source: Company, MOFSL



Highlights from the management commentary

Operating performance

- The Middle East crisis impacted performance by the end of FY26, but despite that, the performance has been strong.
- The company attained 37% ROCE for the full year with FCF of INR13b and Net cash of INR15b
- Volumes in the Patra segment were less than 30% of the total. This is expected to reduce even further. Margins are expected to be better going forward.
- SG premium formed 8-9% of total volumes.
- EBITDA per ton grew due to APL Apollo brand premium (better pricing in the general category – had increased prices by 1500 per ton in Jan’25). Further, due to cost rationalization steps which company keeps on taking 24/7.
- HRC prices are up by INR3000 per ton from April to May, i.e., the price increase taken by the company. MTM gain is not significant as the inventory days are less than 30 days.

Ongoing scenario

- Customer destocking is currently being driven by concerns around potential corrections in raw material prices, leading buyers to defer purchases and reduce inventory levels.
- Operations have also been temporarily impacted by labor shortages, primarily due to workforce displacement during the election period.

Guidance and outlook

- Company targets a 15-20% volume growth, 20-25% EBITDA, and 25-30% PAT growth.
- EBITDA per ton guidance to be in the range of INR5000-5500 per ton, while INR6000 per ton remains doubtful.
- April has seen modest volumes, with the conditions being similar in May.

Capacity and capex

- The company plans to expand its capacity from 5m MT currently to 8MT by FY28, with 2m MT of Greenfield and Brownfield capacity and 1m MT of Debottlenecking capacity.
- The Dubai plant is currently operating at 40% utilization due to the ongoing crisis. Domestic operations were hit in Mar, with things improving significantly.
- The company has maintained a capex guidance of INR5-6b. Further, APAT plans to spend INR14-15b for the 8m ton project over the next 2-2.5 years

Others

- If the war goes beyond four months, weaker players won't be able to run these plants due to gas shortages.
- The mission is to bring the inventory further down; the current levels are highly sustainable.
- EBITDA per ton grew due to APAT brand premium (better pricing in the general category – had increased prices by 1500 per ton in Jan'25). Further, due to cost rationalization steps which company keeps on taking 24/7.
- Investing in ESG compliance has ended up yielding better results for the company.
- Market share has improved to 60% from 50-55% last year. To gain market share, the company is building capex (from cash flows). Building capacities in the East. To spend extra on branding this year, to help in gaining market share. To mainly work on SKU management and branding

Valuation and view

- We expect APAT to continue its volume growth momentum, led by brand positioning in the premium and value segments, supported by capacity expansion in key markets, higher exports, and increasing industry demand from housing, solar, and infrastructure. Margin is also expected to improve further, driven by cost optimization measures, increased automation, and a rising mix of value-added products (with a better geographical mix).
- We expect a CAGR of 14%/20%/21% in revenue/EBITDA/PAT over FY26-28E. We broadly retain our FY27E/FY28E earnings and value the stock at 35x FY28E EPS to arrive at our TP of INR2,250. **Reiterate BUY.**

Exhibit 8: Revisions to our estimates

Earnings change (INRm)	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	2,60,376	2,92,953	2,68,011	3,01,543	3%	3%
EBITDA	22,125	25,904	22,186	25,968	0%	0%
Adj. PAT	14,980	17,595	14,979	17,601	0%	0%

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	84,998	1,30,633	1,61,660	1,81,188	2,06,895	2,30,790	2,68,011	3,01,543
Change (%)	10.1	53.7	23.8	12.1	14.2	11.5	16.1	12.5
RM Cost	71,648	1,12,231	1,40,178	1,56,172	1,78,702	1,95,090	2,28,345	2,56,915
Employees Cost	1,296	1,530	2,062	2,576	3,325	3,705	3,752	4,222
Other Expenses	5,266	7,419	9,204	10,518	12,878	13,977	13,727	14,439
Total Expenditure	78,210	1,21,181	1,51,444	1,69,266	1,94,906	2,12,772	2,45,825	2,75,576
% of Sales	92.0	92.8	93.7	93.4	94.2	92.2	91.7	91.4
EBITDA	6,787	9,453	10,216	11,922	11,990	18,018	22,186	25,968
Margin (%)	8.0	7.2	6.3	6.6	5.8	7.8	8.3	8.6
Depreciation	1,028	1,090	1,383	1,759	2,013	2,309	2,977	3,254
EBIT	5,759	8,363	8,832	10,162	9,977	15,709	19,209	22,714
Int. and Finance Charges	661	445	671	1,134	1,333	1,254	800	700
Other Income	359	405	472	749	961	1,119	1,608	1,508
PBT bef. EO Exp.	5,458	8,323	8,633	9,777	9,604	15,574	20,017	23,522
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	5,458	8,323	8,633	9,777	9,604	15,574	20,017	23,522
Total Tax	1,381	2,133	2,215	2,453	2,034	3,543	5,038	5,920
Tax Rate (%)	25.3	25.6	25.7	25.1	21.2	22.7	25.2	25.2
Minority Interest	475	617	0	0	0	0	0	0
Reported PAT	3,602	5,573	6,419	7,324	7,571	12,031	14,979	17,601
Adjusted PAT	3,602	5,573	6,419	7,324	7,571	12,031	14,979	17,601
Change (%)	51.3	54.7	15.2	14.1	3.4	58.9	24.5	17.5
Margin (%)	4.2	4.3	4.0	4.0	3.7	5.2	5.6	5.8

Consolidated - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	250	501	555	555	555	555	555	555
Total Reserves	16,697	22,139	29,501	35,491	41,532	52,410	65,724	81,661
Net Worth	16,947	22,640	30,056	36,046	42,087	52,965	66,279	82,217
Minority Interest	1,383	2,000	0	0	0	0	0	0
Total Loans	5,203	5,806	8,729	11,246	6,148	4,525	2,425	2,425
Deferred Tax Liabilities	1,112	1,187	1,171	1,258	1,530	1,798	1,798	1,798
Capital Employed	24,644	31,633	39,957	48,550	49,765	59,288	70,503	86,440
Gross Block	18,568	20,677	29,513	38,099	43,506	51,319	56,945	61,370
Less: Accum. Deprn.	3,535	4,625	6,008	7,767	9,781	12,090	15,067	18,321
Net Fixed Assets	15,033	16,053	23,505	30,331	33,725	39,229	41,878	43,049
Goodwill on Consolidation	1,375	1,375	1,375	1,375	1,375	1,375	1,375	1,375
Capital WIP	1,077	5,037	3,740	2,030	3,355	3,282	3,656	2,231
Total Investments	15	913	960	1,027	1,262	485	3,985	7,485
Current Investments	0	50	0	0	0	0	3,500	7,000
Curr. Assets, Loans&Adv.	16,491	21,147	28,936	37,105	36,246	43,961	50,080	66,484
Inventory	7,599	8,472	14,799	16,379	16,232	14,553	22,225	24,915
Account Receivables	1,306	3,417	1,374	1,391	2,673	3,507	2,203	2,478
Cash and Bank Balance	3,579	3,764	3,525	3,476	5,749	8,862	9,571	20,998
Loans and Advances	4,006	5,494	9,239	15,859	11,592	17,038	16,081	18,093
Curr. Liability & Prov.	9,345	12,891	18,560	23,318	26,197	29,045	30,472	34,185
Account Payables	7,859	10,595	15,970	19,816	22,312	23,683	24,246	27,180
Other Current Liabilities	1,310	2,113	2,357	3,229	3,564	5,033	5,845	6,576
Provisions	177	184	233	273	321	328	381	429
Net Current Assets	7,145	8,256	10,377	13,787	10,048	14,916	19,608	32,299
Appl. of Funds	24,644	31,633	39,957	48,550	49,765	59,288	70,503	86,440

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	13.0	20.1	23.1	26.4	27.3	43.4	54.0	63.5
Cash EPS	16.7	24.0	28.1	32.8	34.6	51.7	64.7	75.2
BV/Share	61.1	81.6	108.4	130.0	151.7	191.0	239.0	296.4
DPS	0.0	3.5	3.5	5.0	5.8	6.0	6.0	6.0
Payout (%)	0.0	17.4	15.1	18.9	21.1	13.8	11.1	9.5
Valuation (x)								
P/E	145.5	94.1	81.7	71.6	69.2	43.6	35.0	29.8
Cash P/E	113.2	78.7	67.2	57.7	54.7	36.6	29.2	25.1
P/BV	30.9	23.2	17.4	14.5	12.5	9.9	7.9	6.4
EV/Sales	6.2	4.0	3.3	2.9	2.5	2.3	1.9	1.7
EV/EBITDA	77.7	55.9	51.8	44.6	43.8	28.9	23.1	19.2
Dividend Yield (%)	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
FCF per share	24.1	1.6	-2.3	15.3	19.5	52.3	25.8	56.9
Return Ratios (%)								
RoE	23.6	28.2	24.4	22.2	19.4	25.3	25.1	23.7
RoCE	20.8	25.8	20.6	19.0	18.0	24.6	24.7	23.6
RoIC	19.9	29.7	24.5	20.6	19.3	28.2	28.8	31.2
Working Capital Ratios								
Fixed Asset Turnover (x)	4.6	6.3	5.5	4.8	4.8	4.5	4.7	4.9
Asset Turnover (x)	3.4	4.1	4.0	3.7	4.2	3.9	3.8	3.5
Inventory (Days)	33	24	33	33	29	23	30	30
Debtor (Days)	6	10	3	3	5	6	3	3
Creditor (Days)	34	30	36	40	39	37	33	33
Leverage Ratio (x)								
Current Ratio	1.8	1.6	1.6	1.6	1.4	1.5	1.6	1.9
Interest Cover Ratio	8.7	18.8	13.2	9.0	7.5	12.5	24.0	32.4
Net Debt/Equity	0.1	0.1	0.2	2.0	0.0	-0.1	-0.2	-0.3

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	5,458	8,323	8,633	9,777	9,604	15,574	20,017	23,522
Depreciation	1,028	1,090	1,383	1,759	2,013	2,309	2,977	3,254
Interest & Finance Charges	302	40	199	385	372	1,254	-808	-808
Direct Taxes Paid	-1,381	-1,993	-2,161	-2,453	-2,034	-2,983	-5,038	-5,920
(Inc)/Dec in WC	3,577	-1,154	-1,475	1,646	2,177	5,447	-3,983	-1,264
CF from Operations	8,983	6,306	6,580	11,115	12,133	21,600	13,165	18,783
Others	0	211	321	0	0	-568	0	0
CF from Operating incl EO	8,983	6,517	6,901	11,115	12,133	21,032	13,165	18,783
(Inc)/Dec in FA	-2,298	-6,070	-7,539	-6,876	-6,732	-6,520	-6,000	-3,000
Free Cash Flow	6,685	447	-638	4,239	5,400	14,512	7,165	15,783
(Pur)/Sale of Investments	0	-898	-48	-67	-235	1,099	-3,500	-3,500
Others	-4,171	1,666	-1,171	-2,214	3,220	-8,517	1,608	1,508
CF from Investments	-6,468	-5,301	-8,757	-9,157	-3,747	-13,938	-7,892	-4,992
Issue of Shares	1	251	1,284	0	0	0	0	0
Inc/(Dec) in Debt	-3,135	603	2,924	2,516	-5,097	-1,624	-2,100	0
Interest Paid	-661	-445	-671	-1,134	-1,333	-1,164	-800	-700
Dividend Paid	0	-971	-971	-1,387	-1,595	-1,596	-1,664	-1,664
Others	4,403	-469	-949	-2,004	1,912	2,464	0	0
CF from Fin. Activity	609	-1,031	1,617	-2,008	-6,112	-1,920	-4,564	-2,364
Inc/Dec of Cash	3,123	185	-240	-49	2,273	5,174	709	11,427
Opening Balance	456	3,579	3,765	3,525	3,476	3,688	8,862	9,571
Closing Balance	3,579	3,765	3,525	3,476	5,749	8,862	9,571	20,998

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