

BSE SENSEX 77,100 S&P CNX 24,056

CMP: INR1,794 TP: INR2,150 (+20%) Buy



Bloomberg	APAT IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	498 / 5.3
52-Week Range (INR)	2301 / 1492
1, 6, 12 Rel. Per (%)	-6/4/5
12M Avg Val (INR M)	1344
Free float (%)	71.7

Financials & Valuations (INR b)

INR b	FY26	FY27E	FY28E
Sales	230.8	261.3	292.9
EBITDA	18.0	21.6	25.0
Adj. PAT	12.0	14.5	16.9
EPS (INR)	43.4	52.4	60.8
Growth (%)	58.9	20.8	16.1
BV/Sh (INR)	191.0	237.3	292.2

Ratios

Net D:E	-0.1	-0.3	-0.4
RoE (%)	25.3	24.5	23.0
RoCE (%)	24.6	24.1	22.9
Payout (%)	19.6	11.5	9.9

Valuations

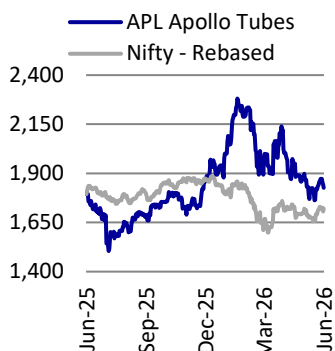
P/E (x)	41.4	34.3	29.5
P/BV (x)	9.4	7.6	6.1
EV/EBITDA (x)	27.4	22.2	18.6
Div. Yield (%)	0.5	0.3	0.3
FCF Yield (%)	2.9	2.7	3.2

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

FII includes depository receipts

Stock Performance (1-year)



Well-positioned for a stronger comeback, driven by structural margin improvements

APL Apollo Tubes (APAT), a pioneer and market leader in India’s structural steel tubes industry with ~55-60% market share and a manufacturing capacity of 5 million metric tons (MMT) per annum across more than 11 plants, is currently facing demand headwinds. These challenges stem from subdued demand in the infrastructure segment, de-stocking at the dealer level in domestic markets, and the West Asia crisis impacting operations at its Dubai plant.

- APAT’s volume growth trajectory is currently facing challenges because of disruptions in its Dubai operations, led by the West Asia crisis. Further, domestic demand was also hit by higher construction costs, muted infra activity, and dealer destocking due to expectations of lower HRC prices.
- To protect profitability in a softer demand environment, management has intensified its focus on EBITDA/MT improvement through cost-rationalization initiatives and enhancing the share of value-added products (VAP). Currently, VAP constitutes 58% of the portfolio. As a result, we believe APAT remains on track to achieve the lower end of its FY27 EBITDA growth guidance of 20–25% YoY (~INR21.6-22.5b).
- APAT’s long-term growth story remains compelling, driven by rising adoption of structural steel tubes across infrastructure and building applications, alongside emerging opportunities in solar structures and data centers. The company continues to strengthen its leadership position and remains on track to expand capacity from 5 MMT to 8 MMT by FY28E.
- We forecast a revenue/EBITDA/PAT CAGR of 13%/18%/18% over FY26–FY28. We reiterate our BUY rating on the stock with a TP of INR2,150.

Demand trends likely to strengthen in the coming quarters

- Despite a challenging operating environment caused by lower infrastructure activities, APAT delivered a healthy 11% YoY volume growth in FY26, outperforming the listed peer average growth of ~10% YoY (refer to Exhibit 13). Market share gains due to the launch of the value-focused “SG Premium” brand and deeper penetration across newer end-user industries fueled this strong growth.
- Demand remained subdued in 1QFY27, hit by dealer-level destocking due to expectations of a correction in HRC prices, which have risen from INR48,710/MT in 3QFY25 to ~INR57,300/MT following the safeguard duty. The demand was also affected by slower purchases from the building and construction segment and muted infrastructure activity. Additionally, the Dubai facility faced operational disruptions due to geopolitical tensions in the Middle East, with utilization declining to ~50% from 80–82% pre-war levels.
- Going ahead, we expect demand conditions to improve progressively, supported by a pickup in domestic infrastructure activity. Additionally, the easing of geopolitical uncertainties in the Middle East should aid a faster ramp-up of the Dubai facility. Stability in HRC prices is also likely to curb dealer-level destocking, resulting in an improvement in primary demand. Accordingly, we forecast FY27E volume growth of 11% YoY.

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EBITDA growth guidance broadly intact

- We estimate APAT's FY27E EBITDA/MT will be INR5,580 vs. INR5,161 in FY26 (+8% YoY). This growth will be driven by multiple cost-restructuring measures, including rolling back discounts and increasing the share of VAP, which currently accounts for 58% of the portfolio and is targeted to reach 65-70% over the coming years.
- These initiatives are anticipated to drive EBITDA/MT expansion, enabling APAT to achieve ~20% EBITDA growth, resulting in an EBITDA of INR21.6b for FY27E. A better-than-expected demand recovery would provide an additional boost through operating leverage.
- While APAT may fall short of its volume growth guidance of 15–20% (we estimate ~11% YoY), the company is still likely to achieve the lower end of its EBITDA growth guidance of 20–25% (INR21.6-22.5b).

Expanding product application reinforces long-term growth visibility

- APAT's long-term growth drivers remain firmly intact despite near-term volume disruptions, supported by rising penetration of structural steel tubes, continuous product innovation (Exhibit 7), and expansion into high-growth segments such as solar structures and data centers, which further strengthen its growth runway.
- The company is well positioned to capitalize on emerging opportunities in solar infrastructure and data centers. The solar structures market alone is estimated at ~830,000MT by 2030, while the rapid build-out of data center capacity in India is expected to drive demand for structural steel products used in building structures, cable and utility support systems, and prefabricated modular facilities.
- Reflecting confidence in the long-term demand outlook, APAT remains on track to expand its capacity from 5MMT to 8MMT by FY28E. The incremental 3MMT capacity will be driven by greenfield projects at Gorakhpur, Siliguri, Malur, and the proposed west coast plant, along with debottlenecking and modernization initiatives.

Valuation & View

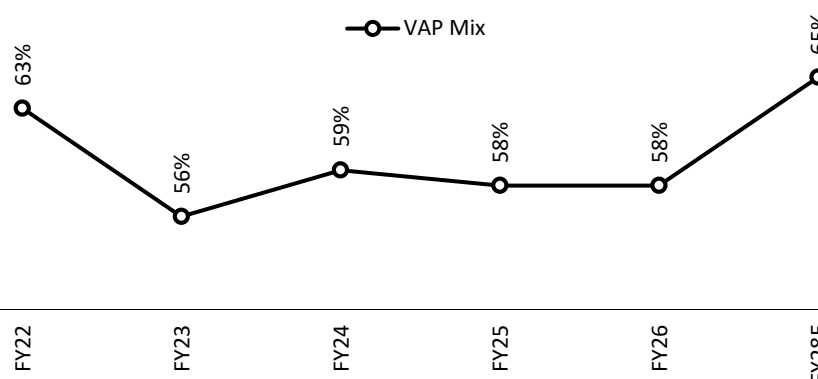
- We believe APAT has successfully navigated a challenging phase and is now well-positioned for a meaningful improvement in its performance. Though the headwinds in 1QFY27 may impact volume growth, the company's focus on enhancing EBITDA/MT should limit the impact on profitability and support earnings growth.
- APAT's long-term growth outlook remains robust, underpinned by rising adoption of structural tubes across housing and infrastructure segments, supporting our 11% volume CAGR estimate over FY26–FY28E. Expansion into high-growth sectors such as solar infrastructure and data centers further strengthens its growth runway and addressable market.
- We forecast a revenue/EBITDA/PAT CAGR of 13%/18%/18% over FY26-28. At CMP, the stock trades at 29.5x FY28E EPS of INR61. We value APAT at 35x FY28E EPS to arrive at our TP of INR2,150. **We reiterate our BUY rating on the stock.**

Exhibit 1: Capex plan for the next two years



Source: MOFSL, Company

Exhibit 2: Expanding mix of VAP



Source: MOFSL, Company

Exhibit 3: Per unit analysis of the key operating matrix

INR/MT	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales	74,453	70,911	69,172	65,515	66,105	67,427	68,102
COGS	63,965	61,488	59,622	56,588	55,880	57,448	58,023
Gross Profit	10,488	9,423	9,550	8,928	10,226	9,979	10,079
Employee cost	872	904	983	1,053	1,061	944	953
Other cost	4,228	4,037	4,016	4,078	4,003	3,455	3,306
EBITDA	5,387	4,481	4,551	3,797	5,161	5,580	5,820

Exhibit 4: Key demand drivers

Infrastructure & Housing	Airports and Railway stations	Agriculture & Auto/OEM	Real estate	Metro Rail and Ports
<p>EYEING BIG Investment (₹ crores) FY17-23 vs FY24-30*</p> <p>• Infrastructure spend: in next 5 years plans to spend Rs143 Trillion twice the of what is had spent in 2017</p>	<ul style="list-style-type: none"> • Airports: 230-240 airports, including heliports and water aerodromes, by 2030, up from 148 now; Will also develop six 'Twin City' airports by 2030 • Hospitals: at least one major hospital in each of India's 761 districts. Private hospital to add over 30,000 beds at an investment of Rs 32,500 crore in next 5 years • Railway stations: transforming 1300 railway stations in the country after redeveloping 553 railway stations. 	<p>Number of vehicle sold (Cr) 4% CAGR (FY20-25)</p> <ul style="list-style-type: none"> • Agriculture: "Nal se Jal" scheme with investment of Rs 3.5 trillion • Poly house: future for farming- high subsidy • Micro irrigation: target to reach 100 lakh hectares in next 5 years • Auto/ OEM: Auto sales is growing at a CAGR of 4% in last 5 yrs 	<ul style="list-style-type: none"> • Housing: 7 crore CREDAI projects that there will be a 7-crore additional housing demand by 2030. • Workplaces: 1 bn sq. ft. supply of India's prime workplaces by 2030. • Data centres: 11 mn sq. ft. Additional real estate space for DATA CENTER creation • Warehousing: 700 mn sq ft Warehousing and logistics stock by 2030 • Healthcare spaces: 2,000 mn sq ft Deficit in healthcare space 	<ul style="list-style-type: none"> • Metros: India's metro network has increased from 229km across five cities in 2014 to 860km across 20 cities in April 2023 and construction is underway on metro rail projects covering 986 km in various cities by 2030 • Ports: 22 new non-major ports, involving an investment of Rs1.5 trillion, have been planned.

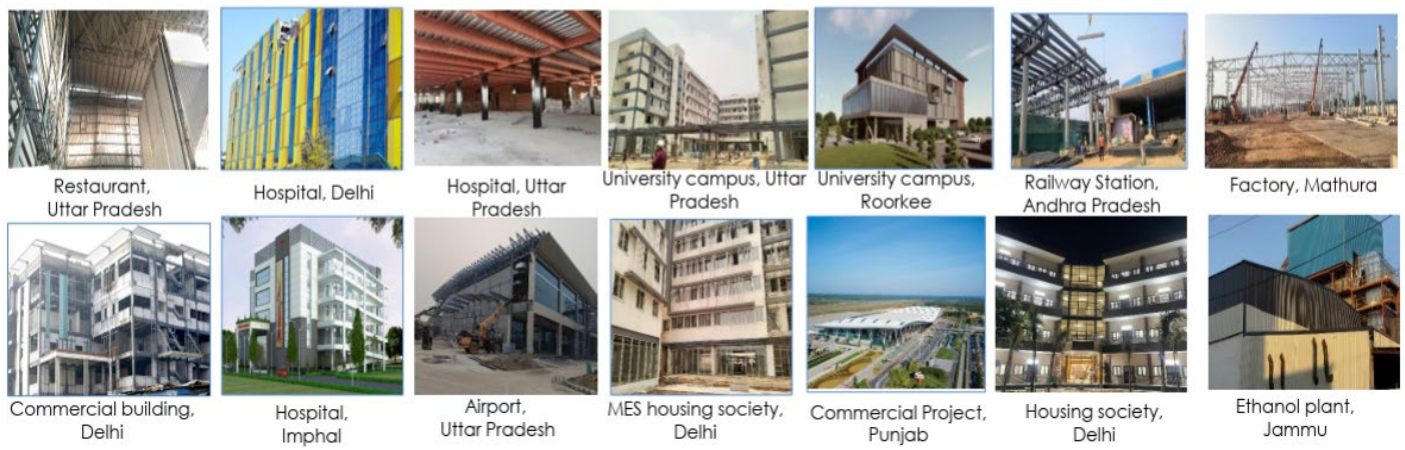
Source: MOFSL, Company

Exhibit 5: Product innovation

World's 1st thicker color coated products		Superior corrosion resistant, high load bearing with aesthetics
World's 1st Color coated structural steel tubes		Superior corrosion resistant with aesthetics
India's 1st 500x500mm diastructural steel tubes		Replacing RCC structures/columns in heavy construction
India's 1st and World's 2nd 1,000x1,000mm		
India's 1st CRCA Black annealed tube		High tensile light structural application; bendable; superior rust proof properties
India's 1st AluZinc tubes		Superior rust proof properties and better life

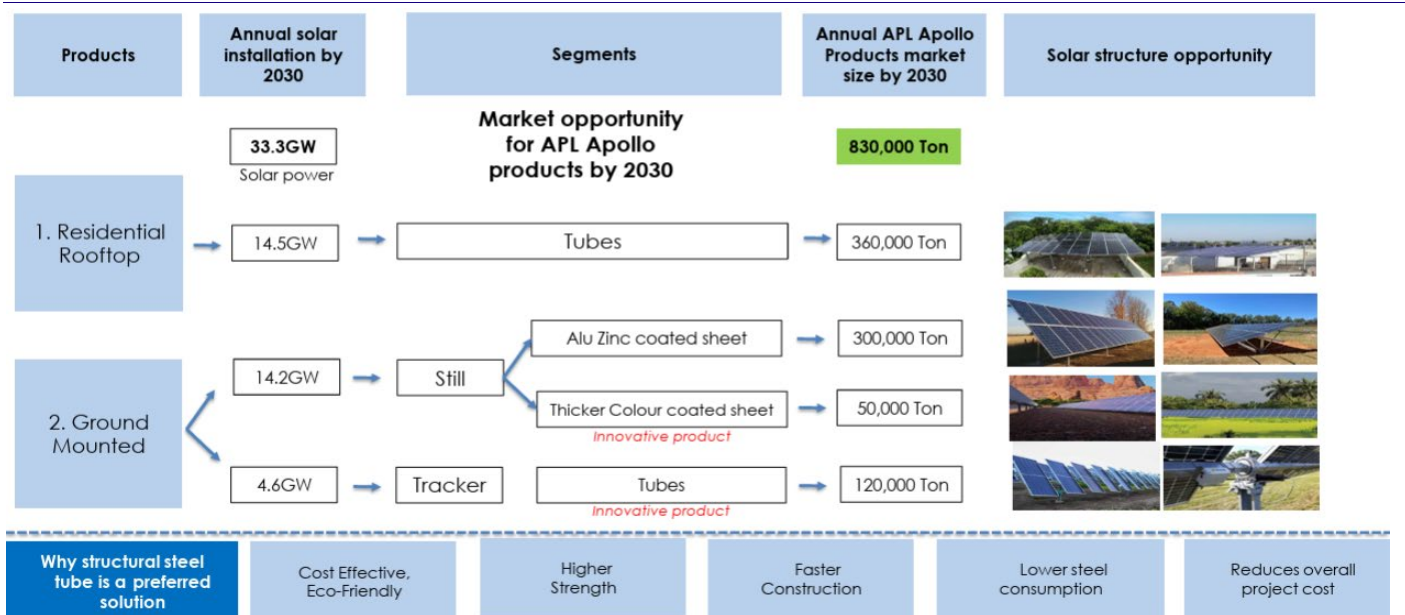
Source: MOFSL, Company

Exhibit 6: APAT's projects where structural steel tubes are replacing conventional materials



Source: MOFSL, Company

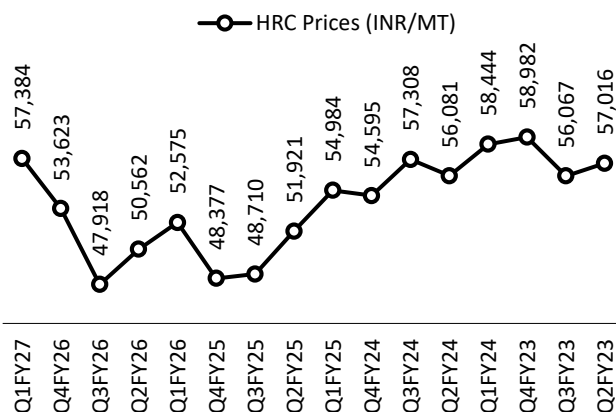
Exhibit 7: Application for solar structures



Source: MOFSL, Company

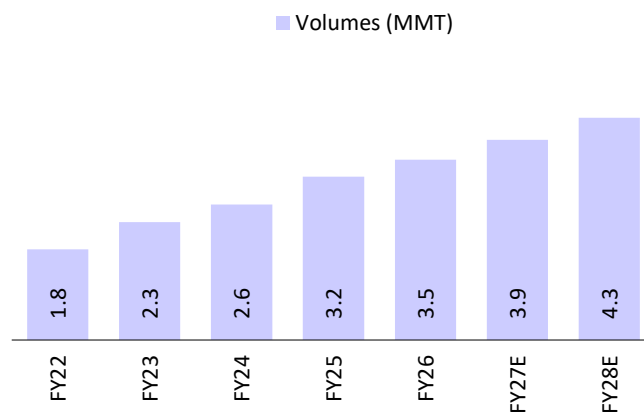
Story in charts

Exhibit 8: HRC price movement



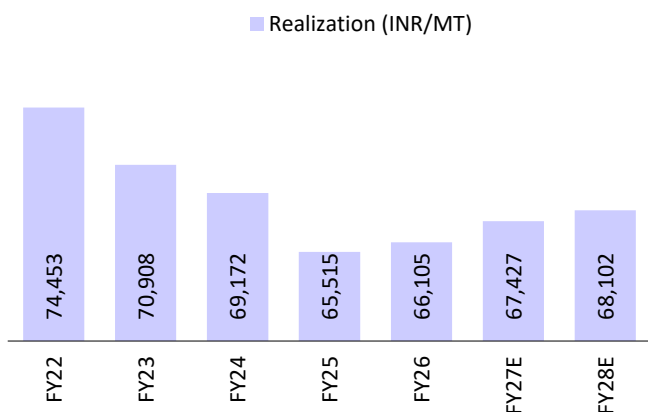
Source: Company, MOFSL

Exhibit 9: Volumes to clock 11% CAGR



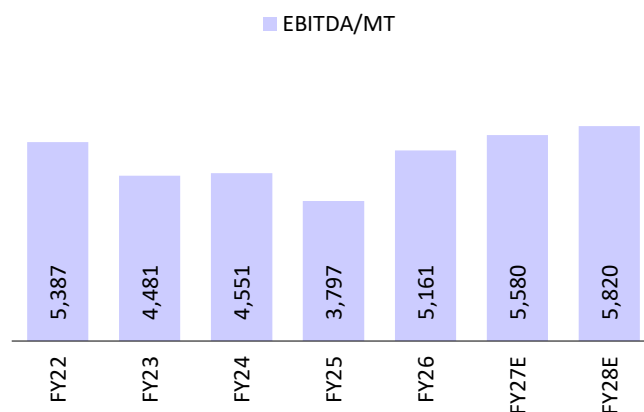
Source: Company, MOFSL

Exhibit 10: ASP expected to remain fairly steady



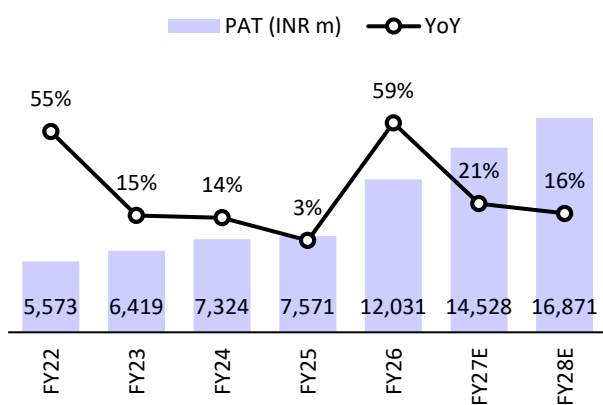
Source: Company, MOFSL

Exhibit 11: EBITDA/MT set to improve



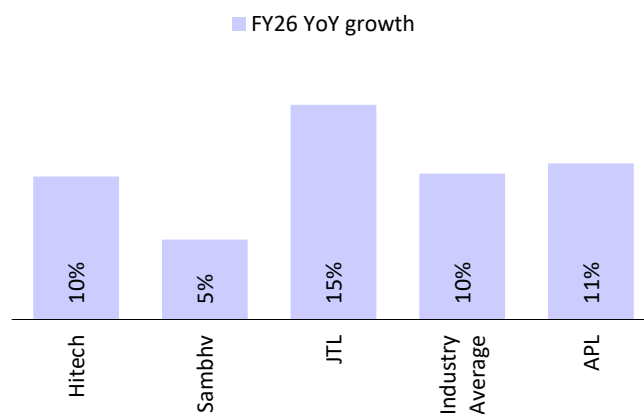
Source: Company, MOFSL

Exhibit 12: PAT to record a CAGR of 18%



Source: Company, MOFSL

Exhibit 13: Outperformance vs. the industry



Source: Company, MOFSL

Financials and Valuation

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	2,61,300	2,92,944
Change (%)	10.1	53.7	23.8	12.1	14.2	11.5	13.2	12.1
RM Cost	71,648	1,12,231	1,40,178	1,56,172	1,78,702	1,95,090	2,22,628	2,49,588
Employees Cost	1,296	1,530	2,062	2,576	3,325	3,705	3,658	4,101
Other Expenses	5,266	7,419	9,204	10,518	12,878	13,977	13,390	14,219
Total Expenditure	78,210	1,21,181	1,51,444	1,69,266	1,94,906	2,12,772	2,39,676	2,67,909
% of Sales	92.0	92.8	93.7	93.4	94.2	92.2	91.7	91.5
EBITDA	6,787	9,453	10,216	11,922	11,990	18,018	21,624	25,035
Margin (%)	8.0	7.2	6.3	6.6	5.8	7.8	8.3	8.5
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	18,647	21,781
Int. and Finance Charges	661	445	671	1,134	1,333	1,254	800	700
Other Income	359	405	472	749	961	1,119	1,568	1,465
PBT bef. EO Exp.	5,458	8,323	8,633	9,777	9,604	15,574	19,415	22,546
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	19,415	22,546
Total Tax	1,381	2,133	2,215	2,453	2,034	3,543	4,887	5,675
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	14,528	16,871
Adjusted PAT	3,602	5,573	6,419	7,324	7,571	12,031	14,528	16,871
Change (%)	51.3	54.7	15.2	14.1	3.4	58.9	20.8	16.1
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	65,274	80,481
Net Worth	16,947	22,640	30,056	36,046	42,087	52,965	65,829	81,036
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	70,052	85,259
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	51,905	67,744
Inventory	7,599	8,472	14,799	16,379	16,232	14,553	16,393	18,324
Account Receivables	1,306	3,417	1,374	1,391	2,673	3,507	3,971	4,451
Cash and Bank Balance	3,579	3,764	3,525	3,476	5,749	8,862	15,863	27,391
Loans and Advances	4,006	5,494	9,239	15,859	11,592	17,038	15,678	17,577
Curr. Liability & Prov.	9,345	12,891	18,560	23,318	26,197	29,045	32,748	36,626
Account Payables	7,859	10,595	15,970	19,816	22,312	23,683	26,678	29,820
Other Current Liabilities	1,310	2,113	2,357	3,229	3,564	5,033	5,699	6,389
Provisions	177	184	233	273	321	328	372	417
Net Current Assets	7,145	8,256	10,377	13,787	10,048	14,916	19,157	31,118
Appl. of Funds	24,644	31,633	39,957	48,550	49,765	59,288	70,052	85,259

Financials and Valuation

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	52.4	60.8
Cash EPS	16.7	24.0	28.1	32.8	34.6	51.7	63.1	72.6
BV/Share	61.1	81.6	108.4	130.0	151.7	191.0	237.3	292.2
DPS	0.0	3.5	3.5	5.0	5.8	8.5	6.0	6.0
Payout (%)	0.0	17.4	15.1	18.9	21.1	19.6	11.5	9.9
Valuation (x)								
P/E	138.2	89.3	77.5	68.0	65.7	41.4	34.3	29.5
Cash P/E	107.5	74.7	63.8	54.8	51.9	34.7	28.4	24.7
P/BV	29.4	22.0	16.6	13.8	11.8	9.4	7.6	6.1
EV/Sales	5.9	3.8	3.1	2.8	2.4	2.1	1.8	1.6
EV/EBITDA	73.8	53.1	49.2	42.4	41.5	27.4	22.2	18.6
Dividend Yield (%)	0.0	0.2	0.2	0.3	0.3	0.5	0.3	0.3
FCF per share	24.1	1.6	-2.3	15.3	19.5	52.3	48.7	57.4
Return Ratios (%)								
RoE	23.6	28.2	24.4	22.2	19.4	25.3	24.5	23.0
RoCE	20.8	25.8	20.6	19.0	18.0	24.6	24.1	22.9
RoIC	19.9	29.7	24.5	20.6	19.3	28.2	29.9	34.4
Working Capital Ratios								
Fixed Asset Turnover (x)	4.6	6.3	5.5	4.8	4.8	4.5	4.6	4.8
Asset Turnover (x)	3.4	4.1	4.0	3.7	4.2	3.9	3.7	3.4
Inventory (Days)	33	24	33	33	29	23	23	23
Debtor (Days)	6	10	3	3	5	6	6	6
Creditor (Days)	34	30	36	40	39	37	37	37
Leverage Ratio (x)								
Current Ratio	1.8	1.6	1.6	1.6	1.4	1.5	1.6	1.8
Interest Cover Ratio	8.7	18.8	13.2	9.0	7.5	12.5	23.3	31.1
Net Debt/Equity	0.1	0.1	0.2	2.0	0.0	-0.1	-0.3	-0.4

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	19,415	22,546
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	-768	-765
Direct Taxes Paid	-1,381	-1,993	-2,161	-2,453	-2,034	-2,983	-4,887	-5,675
(Inc)/Dec in WC	3,577	-1,154	-1,475	1,646	2,177	5,447	2,760	-433
CF from Operations	8,983	6,306	6,580	11,115	12,133	21,600	19,497	18,927
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	19,497	18,927
(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	13,497	15,927
(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	1,568	1,465
CF from Investments	-6,468	-5,301	-8,757	-9,157	-3,747	-13,938	-7,932	-5,035
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	7,001	11,528
Opening Balance	456	3,579	3,765	3,525	3,476	3,688	8,862	15,863
Closing Balance	3,579	3,765	3,525	3,476	5,749	8,862	15,863	27,391

Investment in securities market is subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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