

# APL Apollo Tubes Ltd.

**BUY**

Sector: Iron &amp; Steel Products

30<sup>th</sup> January, 2025

|            |                |        |           |          |            |               |                  |
|------------|----------------|--------|-----------|----------|------------|---------------|------------------|
|            |                |        |           |          |            | <b>Target</b> | <b>Rs. 1,768</b> |
| Stock Type | Bloomberg Code | Sensex | NSE Code  | BSE Code | Time Frame | <b>CMP</b>    | <b>Rs. 1,523</b> |
| Mid cap    | APLAPOLLO:IN   | 76,533 | APLAPOLLO | 533758   | 12 Months  | <b>Return</b> | <b>+16%</b>      |

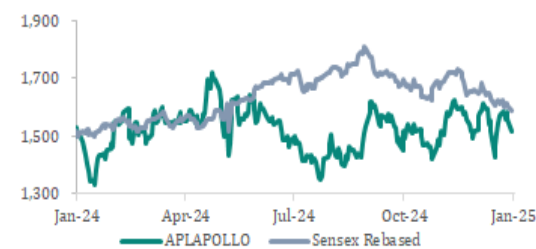
Data as of : 29-01-2025

| Company Data              |               |
|---------------------------|---------------|
| Market Cap (Rs.cr)        | 42,277        |
| 52 Week High — Low (Rs.)  | 1,729 - 1,253 |
| Enterprise Value (Rs. cr) | 42,304        |
| Outstanding Shares (cr)   | 27.8          |
| Free Float (%)            | 65            |
| Dividend Yield (%)        | 0.4           |
| 6m average volume (lacs)  | 5.9           |
| Beta                      | 0.7           |
| Face value (Rs. )         | 2.0           |

| Shareholding (%) | Q1FY25 | Q2FY25 | Q3FY25 |
|------------------|--------|--------|--------|
| Promoters        | 28.3   | 28.3   | 28.3   |
| FII's            | 31.6   | 31.9   | 31.7   |
| MFs/Institutions | 14.9   | 15.9   | 16.5   |
| Public           | 15.3   | 15.1   | 14.3   |
| Others           | 10.0   | 8.8    | 9.2    |
| Total            | 100.0  | 100.0  | 100.0  |
| Promoter Pledge  | Nil    | Nil    | Nil    |

| Price Performance | 3 Month | 6 Month | 1 Year |
|-------------------|---------|---------|--------|
| Absolute Return   | 0.5%    | 1.6%    | -0.5%  |
| Absolute Sensex   | -4.8%   | -5.9%   | 6.4%   |
| Relative Return   | 5.3%    | 7.5%    | -6.9%  |

\*over or under performance to benchmark index



| Y.E March (cr)    | FY25E  | FY26E  | FY27E  |
|-------------------|--------|--------|--------|
| Sales             | 21,069 | 26,133 | 31,031 |
| Growth (%)        | 16.3   | 24.0   | 18.7   |
| EBITDA            | 1,190  | 1,790  | 2,296  |
| EBITDA Margin (%) | 5.7    | 6.9    | 7.4    |
| PAT Adjusted      | 731    | 1,207  | 1,583  |
| Growth (%)        | -0.2   | 65.1   | 31.1   |
| Adjusted EPS      | 26.3   | 43.5   | 57.0   |
| Growth (%)        | -0.2   | 65.1   | 31.1   |
| P/E               | 57.8   | 35.0   | 26.7   |
| P/B               | 10.1   | 8.3    | 6.7    |
| EV/EBITDA         | 35.5   | 23.6   | 18.4   |
| ROE (%)           | 17.5   | 23.6   | 24.9   |
| D/E               | 0.2    | 0.1    | 0.1    |

## Expansion plans to boost outlook

APL Apollo Tubes (APAT) is a leading manufacturer of structural steel tubes with an annual production capacity of 4.3mn ton. It has a distribution network spanning 29 cities in India and 20 countries globally. In Q3FY25, its sales mix comprises Apollo structural tubes (~71%), Apollo Z (~26%), and Apollo Galv (~4%), catering to a diverse range of customers and applications.

- In Q3FY25, APAT reported a revenue of Rs. 5,433cr, a significant 30.0% YoY growth, driven by increased sales volume.
- In Q3FY25, sales volume rose 37.1% YoY to 828,000 ton, mainly driven by strong growth in general (+44.6% YoY, 43.4% of sales) and light steel (+50.5% YoY, 17.2% of sales) segments, despite a challenging macro environment and weak retail demand.
- EBITDA grew 23.6% YoY to Rs. 346cr in Q3FY25 supported by higher revenue and operating leverage from a ramp up in capacity, while margins contracted 30bps YoY to 6.4% due to decline in realization.
- Reported profit after tax increased 31.1% YoY to Rs. 217cr, driven by improved operating performance and a 44.1% YoY rise in other income.

## Outlook & Valuation

Robust volume growth helped APAT improve its performance in Q3FY25. The company is set to keep growing because of its dominant market share, higher volumes driven by a shift toward HR coil steel pipes, and rising international sales. Additionally, its focus on expanding into round pipes and improving EBITDA per ton has strengthened its position. APAT has entered the eastern markets (UP, Bihar, Odisha) and plans to set up plants here. This is expected to drive its revenue growth, while a greater focus on value-added products should continue to support margins. Therefore, we are optimistic about the company's growth prospects and **assign BUY rating on the stock, based on 31x P/E on FY27E adjusted earnings per share (EPS), with a target price of Rs. 1,768.**

## Quarterly Financials Consol.

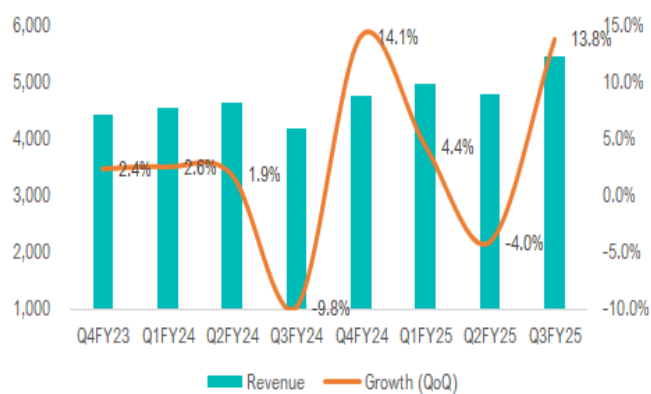
| Rs.cr         | Q3FY25 | Q3FY24 | YoY (%) | Q2FY25 | QoQ (%) | 9MFY25 | 9MFY24 | YoY (%) |
|---------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Sales         | 5,433  | 4,178  | 30.0    | 4,774  | 13.8    | 15,181 | 13,353 | 13.7    |
| EBITDA        | 346    | 280    | 23.6    | 138    | 150.3   | 785    | 912    | -13.9   |
| Margin (%)    | 6.4    | 6.7    | -30bps  | 2.9    | 350bps  | 5.2    | 6.8    | -160bps |
| EBIT          | 295    | 232    | 27.0    | 91     | 223.8   | 642    | 782    | -18.0   |
| PBT           | 280    | 219    | 27.9    | 70     | 302.5   | 602    | 757    | -20.5   |
| Rep. PAT      | 217    | 166    | 31.1    | 54     | 303.2   | 464    | 562    | -17.4   |
| Adj PAT       | 217    | 166    | 31.1    | 54     | 303.2   | 464    | 562    | -17.4   |
| Adj. EPS (Rs) | 7.8    | 6.0    | 31.1    | 1.9    | 303.3   | 16.7   | 20.3   | -17.4   |



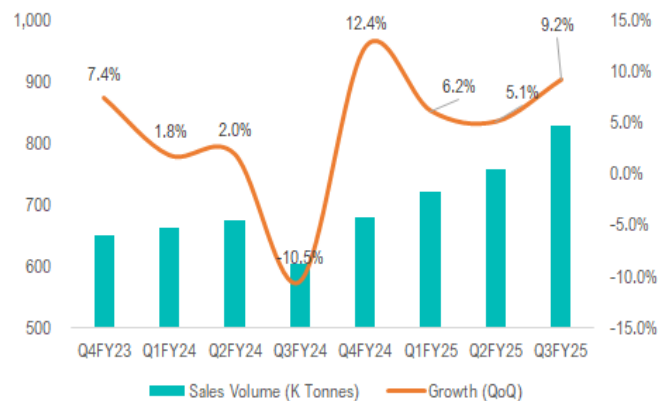
## Key concall highlights

- APAT's international sales volumes remained strong, supported by its Dubai plant, which operates at 58% utilisation. The Middle East market has monthly sales of 16,000-17,000 ton, and expansion into Saudi Arabia is progressing steadily.
- The residual capex of Rs. 600cr, aimed at increasing capacity to 5.5mn ton, will be incurred over 12 months. This expenditure will be funded through internal cash flows over the next 3 to 4 quarters.
- The company plans to set up 3 greenfield plants: one in Gorakhpur (0.1mn ton), one in Siliguri (0.2mn ton) and one in Bengaluru (0.3mn ton). Additionally, brownfield expansion are expected to add 0.1 mn ton.
- APAT, which is currently operating at annual capacity of 4.3mn ton, has maintained its sales volume guidance of 4mn ton by FY26 and 5mn ton by FY27.
- EBITDA per ton for Q3FY25 stood at Rs. 4,173 (-9.9% YoY). The company expects EBITDA per ton to improve to ~Rs. 4,500 in Q4FY25. It also expects margins in the general segment to be Rs 2,500-2,800 per ton over the next few quarters from the current level of Rs 2,000 per ton.

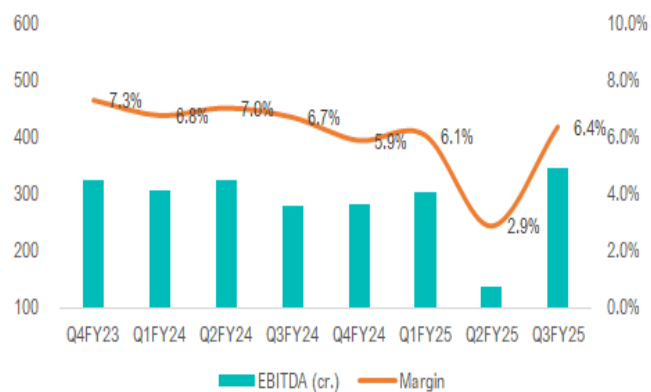
### Revenue



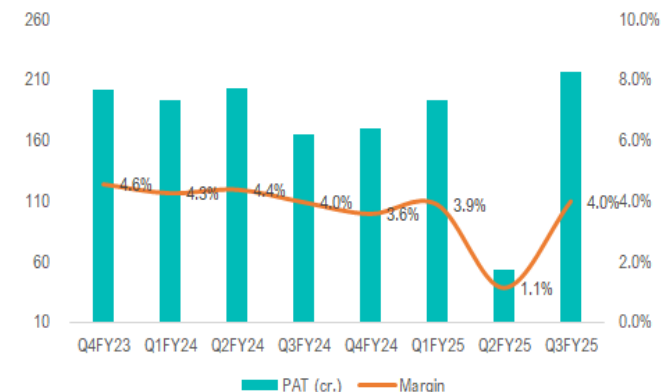
### Sales Volume (K ton)



### EBITDA



### PAT



## Change in Estimates

| Year / Rs cr | Old estimates |       | New estimates |        |        | Change (%) |       |
|--------------|---------------|-------|---------------|--------|--------|------------|-------|
|              | FY25E         | FY26E | FY25E         | FY26E  | FY27E  | FY25E      | FY26E |
| Revenue      | -             | -     | 21,069        | 26,133 | 31,031 | -          | -     |
| EBITDA       | -             | -     | 1,190         | 1,790  | 2,296  | -          | -     |
| Margins (%)  | -             | -     | 5.7           | 6.9    | 7.4    | -          | -     |
| Adj. PAT     | -             | -     | 731           | 1,207  | 1,583  | -          | -     |
| EPS          | -             | -     | 26.3          | 43.5   | 57.0   | -          | -     |



## Consolidated Financials

### Profit & Loss

| Y.E March (Rs. Cr)                     | FY23A         | FY24A         | FY25E         | FY26E         | FY27E         |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Sales</b>                           | <b>16,166</b> | <b>18,119</b> | <b>21,069</b> | <b>26,133</b> | <b>31,031</b> |
| % change                               | 23.8          | 12.1          | 16.3          | 24.0          | 18.7          |
| <b>EBITDA</b>                          | <b>1,022</b>  | <b>1,192</b>  | <b>1,190</b>  | <b>1,790</b>  | <b>2,296</b>  |
| % change                               | 8.1           | 16.7          | -0.2          | 50.4          | 28.3          |
| Depreciation                           | 138           | 176           | 194           | 227           | 267           |
| <b>EBIT</b>                            | <b>883</b>    | <b>1,016</b>  | <b>996</b>    | <b>1,563</b>  | <b>2,030</b>  |
| Interest                               | 67            | 113           | 126           | 101           | 96            |
| Other Income                           | 47            | 75            | 105           | 147           | 176           |
| <b>PBT</b>                             | <b>863</b>    | <b>978</b>    | <b>975</b>    | <b>1,609</b>  | <b>2,110</b>  |
| % change                               | 3.7           | 13.3          | -0.3          | 65.0          | 31.1          |
| Tax                                    | 221           | 245           | 244           | 402           | 528           |
| Tax Rate (%)                           | 25.7          | 25.1          | 25.0          | 25.0          | 25.0          |
| <b>Reported PAT</b>                    | <b>642</b>    | <b>732</b>    | <b>731</b>    | <b>1,207</b>  | <b>1,583</b>  |
| <b>PAT att. to common shareholders</b> | <b>642</b>    | <b>732</b>    | <b>731</b>    | <b>1,207</b>  | <b>1,583</b>  |
| Adj.*                                  | -             | -             | -             | -             | -             |
| <b>Adj. PAT</b>                        | <b>642</b>    | <b>732</b>    | <b>731</b>    | <b>1,207</b>  | <b>1,583</b>  |
| % change                               | 3.7           | 14.1          | -0.2          | 65.1          | 31.1          |
| No. of shares (cr)                     | 27.7          | 27.8          | 27.8          | 27.8          | 27.8          |
| <b>Adj EPS (Rs.)</b>                   | <b>23.1</b>   | <b>26.4</b>   | <b>26.3</b>   | <b>43.5</b>   | <b>57.0</b>   |
| % change                               | -6.4          | 14.0          | -0.2          | 65.1          | 31.1          |
| DPS (Rs.)                              | 5.0           | 5.5           | 5.8           | 9.6           | 12.5          |

### Cashflow

| Y.E March                | FY23A       | FY24A        | FY25E        | FY26E        | FY27E        |
|--------------------------|-------------|--------------|--------------|--------------|--------------|
| <b>Net inc. + Deprn.</b> | <b>780</b>  | <b>908</b>   | <b>925</b>   | <b>1,434</b> | <b>1,849</b> |
| Non-cash adj.            | 59          | 83           | 81           | 56           | 50           |
| Other adjustments        |             |              |              |              |              |
| Changes in W.C           | -147        | 120          | 794          | -116         | -533         |
| <b>C.F. Operation</b>    | <b>691</b>  | <b>1,112</b> | <b>1,800</b> | <b>1,373</b> | <b>1,366</b> |
| Capital exp.             | -842        | -662         | -758         | -915         | -931         |
| Change in inv.           | -39         | -293         | -50          | -55          | -65          |
| Other invest.CF          | 6           | 39           | 45           | 45           | 46           |
| <b>C.F - Investment</b>  | <b>-876</b> | <b>-916</b>  | <b>-764</b>  | <b>-924</b>  | <b>-950</b>  |
| Issue of equity          | 3           | 3            | -            | -            | -            |
| Issue/repay debt         | 290         | 259          | -475         | 50           | 50           |
| Dividends paid           | -88         | -139         | -161         | -266         | -348         |
| Other finance.CF         | -62         | -96          | -126         | -101         | -96          |
| <b>C.F - Finance</b>     | <b>143</b>  | <b>27</b>    | <b>-761</b>  | <b>-316</b>  | <b>-394</b>  |
| Chg. in cash             | -41         | 222          | 275          | 133          | 22           |
| <b>Closing Cash</b>      | <b>352</b>  | <b>348</b>   | <b>623</b>   | <b>755</b>   | <b>778</b>   |

### Balance Sheet

| Y.E March (Rs. Cr)        | FY23A        | FY24A        | FY25E        | FY26E        | FY27E         |
|---------------------------|--------------|--------------|--------------|--------------|---------------|
| Cash                      | 352          | 348          | 623          | 755          | 778           |
| Accts. Receivable         | 137          | 139          | 158          | 183          | 211           |
| Inventories               | 1,480        | 1,638        | 1,513        | 1,829        | 2,131         |
| Other Cur. Assets         | 588          | 1,217        | 1,256        | 1,507        | 2,406         |
| Investments               | 96           | 103          | 153          | 208          | 273           |
| <b>Gross Fixed Assets</b> | <b>3,001</b> | <b>3,838</b> | <b>4,596</b> | <b>5,511</b> | <b>6,442</b>  |
| Net Fixed Assets          | 2,442        | 3,141        | 3,701        | 4,348        | 4,962         |
| CWIP                      | 374          | 203          | 207          | 248          | 298           |
| Intangible Assets         | 139          | 140          | 140          | 141          | 141           |
| Def. Tax -Net             | 7            | 10           | 10           | 16           | 21            |
| Other Assets              | 237          | 249          | 270          | 294          | 320           |
| <b>Total Assets</b>       | <b>5,852</b> | <b>7,187</b> | <b>8,032</b> | <b>9,529</b> | <b>11,542</b> |
| Current Liabilities       | 1,715        | 2,157        | 2,872        | 3,259        | 3,880         |
| Provisions                | 22           | 26           | 26           | 26           | 26            |
| Debt Funds                | 873          | 1,125        | 650          | 701          | 752           |
| Other Liabilities         | 236          | 274          | 309          | 427          | 533           |
| Equity Capital            | 55           | 56           | 56           | 56           | 56            |
| Res. & Surplus            | 2,950        | 3,549        | 4,119        | 5,061        | 6,295         |
| <b>Shareholder Funds</b>  | <b>3,006</b> | <b>3,605</b> | <b>4,175</b> | <b>5,116</b> | <b>6,351</b>  |
| Minority Interest         | -            | -            | -            | -            | -             |
| <b>Total Liabilities</b>  | <b>5,852</b> | <b>7,187</b> | <b>8,032</b> | <b>9,529</b> | <b>11,542</b> |
| BVPS                      | 108          | 130          | 150          | 184          | 229           |

### Ratio

| Y.E March                      | FY23A | FY24A | FY25E | FY26E | FY27E |
|--------------------------------|-------|-------|-------|-------|-------|
| <b>Profitab. &amp; Return</b>  |       |       |       |       |       |
| EBITDA margin (%)              | 6.3   | 6.6   | 5.7   | 6.9   | 7.4   |
| EBIT margin (%)                | 5.5   | 5.6   | 4.7   | 6.0   | 6.5   |
| Net profit mgn.(%)             | 4.0   | 4.0   | 3.5   | 4.6   | 5.1   |
| ROE (%)                        | 21.4  | 20.3  | 17.5  | 23.6  | 24.9  |
| ROCE (%)                       | 22.8  | 21.5  | 20.6  | 26.9  | 28.6  |
| <b>W.C &amp; Liquidity</b>     |       |       |       |       |       |
| Receivables (days)             | 3.1   | 2.8   | 2.7   | 2.6   | 2.5   |
| Inventory (days)               | 38.5  | 38.3  | 30.3  | 29.9  | 29.6  |
| Payables (days)                | 41.6  | 46.3  | 46.7  | 46.9  | 47.5  |
| Current ratio (x)              | 1.2   | 1.3   | 1.1   | 1.2   | 1.3   |
| Quick ratio (x)                | 0.2   | 0.2   | 0.2   | 0.3   | 0.2   |
| <b>Turnover &amp; Leverage</b> |       |       |       |       |       |
| Gross asset T.O (x)            | 6.3   | 5.3   | 5.0   | 5.2   | 5.2   |
| Total asset T.O (x)            | 3.1   | 2.8   | 2.8   | 3.0   | 2.9   |
| Int. covge. ratio (x)          | 13.2  | 9.0   | 7.9   | 15.5  | 21.2  |
| Adj. debt/equity (x)           | 0.3   | 0.3   | 0.2   | 0.1   | 0.1   |
| <b>Valuation</b>               |       |       |       |       |       |
| EV/Sales (x)                   | 2.1   | 2.3   | 2.0   | 1.6   | 1.4   |
| EV/EBITDA (x)                  | 33.2  | 35.5  | 35.5  | 23.6  | 18.4  |
| P/E (x)                        | 52.0  | 56.7  | 57.8  | 35.0  | 26.7  |
| P/BV (x)                       | 11.1  | 11.5  | 10.1  | 8.3   | 6.7   |



## Recommendation Summary - last 3 years



| Dates     | Rating | Target |
|-----------|--------|--------|
| 30-Jan-25 | BUY    | 1,768  |
|           |        |        |
|           |        |        |
|           |        |        |
|           |        |        |

## Rating Criteria

| Ratings     | Large caps                 | Midcaps                   | Small Caps                |
|-------------|----------------------------|---------------------------|---------------------------|
| Buy         | Upside is above 10%        | Upside is above 15%       | Upside is above 20%       |
| Accumulate  | -                          | Upside is between 10%-15% | Upside is between 10%-20% |
| Hold        | Upside is between 0% - 10% | Upside is between 0%-10%  | Upside is between 0%-10%  |
| Reduce/sell | Downside is more than 0%   | Downside is more than 0%  | Downside is more than 0%  |


### Not rated/Neutral


#### Definition:

**Buy:** Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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