

29th January 2025

₹1,490/-

View – **Hold**

Key Highlights – Q3FY25

- APL Apollo Tubes Ltd (APAT) reported its best quarter ever in Q3FY25, achieving its highest-ever quarterly sales volume, EBITDA, and PAT.
- Achieved a notable 37% YoY growth and a 9% QoQ increase in sales volume, totaling 828,200 tons. A 20% sales volume growth in the first nine months, outperforming competitors.
- Revenue reported at ₹5433crs, reflecting a robust 30% YoY increase and a 14% QoQ rise. This impressive growth underscores the company's strong performance and strategic initiatives in the market.
- EBITDA for APAT significantly improved, reaching an all-time high of ₹346crs in Q3FY25, representing a 150% QoQ increase and a 24% YoY rise.
- EBITDA margin compressed slightly by 33bps to 6.4% in Q3FY25 from 6.7% in Q3FY24.
- Net earnings were reported at ₹217crs, reflecting a substantial increase of 30% YoY and an impressive 303% sequential rise, highlighting the significant improvement in the company's profitability and financial performance.
- EBITDA/ton for the quarter at ₹4174, from ₹4628 in Q3FY24 and ₹1821 in sequential quarter.

Important Statistics

Nifty	22,957
Sensex	75,901
M.CAP (₹ bn)	413.51
52 Week H/L (₹)	1729/1305
NSE Code	APLAPOLLO
BSE Code	533758
Bloomberg Code	APAT:IN

Shareholding Pattern (%)	Dec'23 Mar'24 Jun'24 Sep'24 Dec'24				
	Promoter	29.56	29.44	28.33	28.32
FII	29.25	30.69	31.55	31.94	31.72
DII	13.75	14.06	14.9	15.89	16.51
Public	27.41	25.81	25.23	23.84	23.45

Sales volume

APAT reported record-breaking performance in Q3FY25 with unprecedented highs in sales volume of 828,200 tons in Q3FY25, exceeding the previous quarter's 758,267 tons and 603,659 tons reported in Q3FY24. Sales volume surged 20% over the first nine months, outpacing competitors in the steel pipe market. This significant milestone was accomplished despite challenging demand conditions in the construction materials sector, influenced by macro economic factors like slowdown in government infrastructure spending and weak retail demand. This turnaround from a challenging previous quarter highlights their resilience and strategic efficiency. Key factors include a market shift from lower-grade sponge iron pipes to higher-quality HR coil steel pipes due to decreased raw material prices. Their Dubai plant, operating at 58% utilization, boosts international sales, leveraging competitive steel prices from Asian markets.

Particulars	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Volume ('000 Tons)	604	679	721	758	828
Heavy	62	64	58	52	80
Light	95	102	110	127	143
General	249	272	288	338	360
Rust-proof	124	156	168	150	166
Coated	36	40	52	51	46
Agri/Industrial	30	37	34	29	34

Source: Company, Way2Wealth Research

Financials

Particulars	₹ Cr				
	FY23	FY24	FY25E	FY26E	FY27E
Revenue	16,166	18,119	20,966	25,944	30,558
EBITDA	1,022	1,192	1,174	1,827	2,230
% Margin	6%	7%	6%	7%	7%
PAT	642	732	711	1,207	1,541
EPS	23	26	26	43	56
RoE (%)	24	22	19	25	25
RoCE (%)	24	25	22	20	31
P/E (x)	65	57	59	35	28
P/BV (x)	11	12	11	8.4	6.7
EV/EBITDA (x)	42	44	37	24	19.7

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
APLAPOLLO	4	67	672
Nifty 50	8	35	89
SENSEX	7	33	84

Source: Company, Way2Wealth

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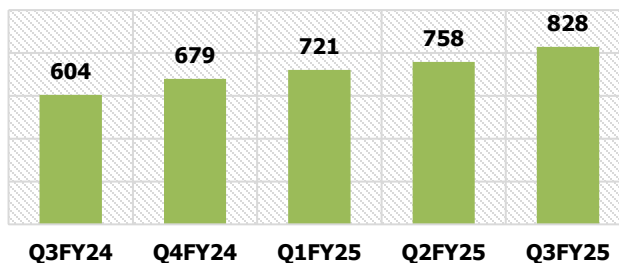
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Capacity Ramp Up

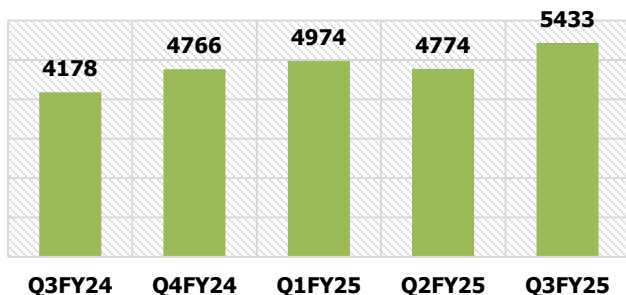
APAT is actively ramping up its production capacity to meet growing demand and enhance its market presence. As of January 2025, the company has an operational capacity of approximately 4.3 to 4.5 million tons, with plans to reach 5.5 million tons within the next year. Moreover, the company is focusing on producing adjacent round pipes for construction materials, leveraging its existing distribution network. The Raipur plant, with a capacity of 1.2 million tons, is expected to improve its utilization rate as raw material availability stabilizes.

Additionally, the commencement of new plants in Gorakhpur and Siliguri will enhance APL Apollo's presence in eastern markets, tapping into government-led construction initiatives. APL Apollo Tubes has outlined an ambitious capital expenditure (capex) plan aimed at significantly enhancing its production capacity by investing approximately ₹600crs to scale up its total capacity to 5.5 million tonnes by FY26. This investment is higher than previous guidance, which estimated a capex of ₹300-350 crore. The funding for this capex will be sourced entirely from internal accruals, reflecting APL Apollo's commitment to maintaining a strong balance sheet while pursuing growth opportunities. The increase includes new plant in Ahmedabad and Dubai plant expansion from 300kt to 500kt, raising capacity to 5.5mt (vs earlier guidance of 5mt) from 4.3mt by FY26. The expanded capacity will predominantly focus on Value Added Products.

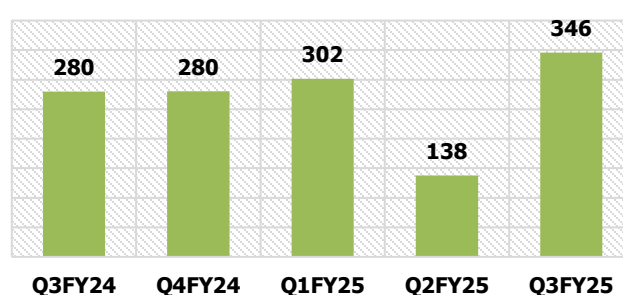
Sales Volume (k Ton)



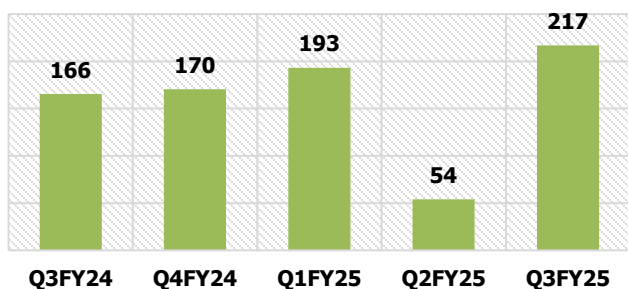
Revenue



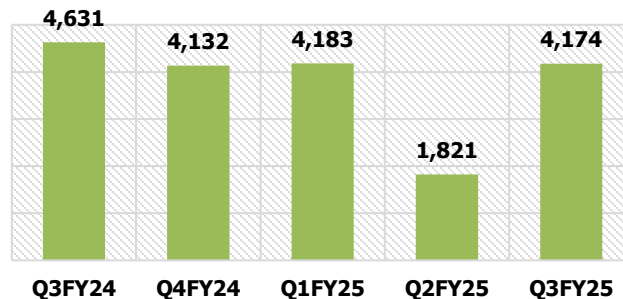
EBITDA



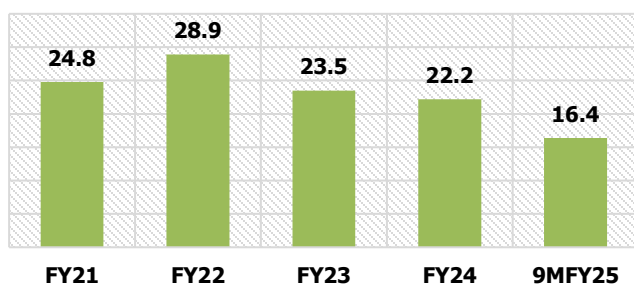
Net Profit



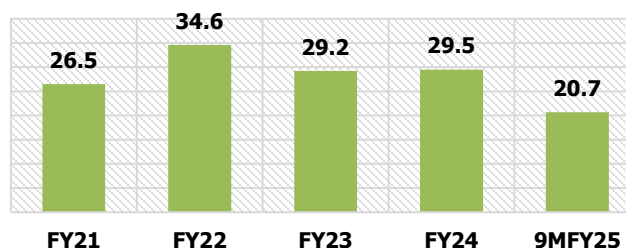
EBITDA/ton (₹)



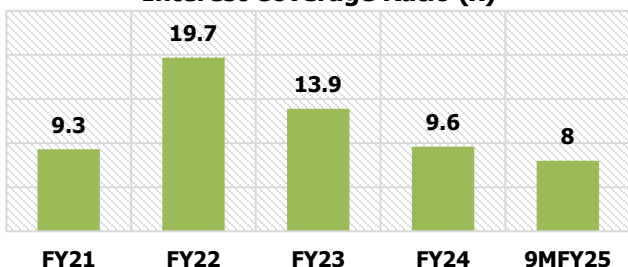
ROE %



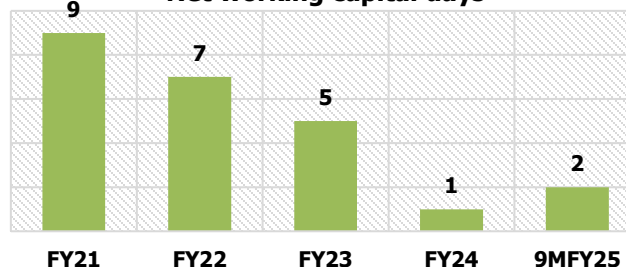
ROCE %



Interest Coverage Ratio (x)



Net working capital days



Source : Company, Way2Wealth research

Growth strategy

The company maintains a strong balance sheet with near-zero debt, supported by efficient working capital management. This financial stability allows APL Apollo to fund its expansion plans through internal cash flows, ensuring sustainable growth without compromising financial health.

Management is committed to de-commoditizing its product portfolio by emphasizing value-added products that yield higher EBITDA margins. APL Apollo is innovating in areas such as solar structures and specialized tubes, which align with industry trends towards sustainability and efficiency. For instance, the introduction of solar tracker tubes positions the company to capitalize on the expanding renewable energy sector, projecting significant market opportunities by 2030.

Overall, the growth strategy is comprehensive, focusing on market share expansion, international operations, product diversification, capacity enhancement, geographic penetration, and sound financial management. These initiatives position the company well for future growth and profitability in an evolving market landscape.

View

APAT management has proactively addressed the recent weakness in retail demand observed over the past few quarters. Recognizing the challenges posed by subdued consumer sentiment and inflationary pressures, the company has focused on strategic capacity expansion to enhance its operational capabilities. This includes plans to increase production capacity from 4.3 million tons to 5.5 million tons by establishing new plants in key locations such as Gorakhpur and Siliguri. By doing so, APL Apollo aims to better position itself to meet rising demand in underserved markets, particularly as economic conditions improve. Additionally, the company is diversifying its product offerings with an emphasis on value-added products, which are expected to yield higher margins and attract more customers. This shift is crucial as it allows APL Apollo to capture market share from competitors who may be struggling with inventory management and demand forecasting. Furthermore, a near debt-free balance sheet enables them to allocate resources efficiently towards growth initiatives without the burden of high-interest expenses. Management anticipates that as retail demand stabilizes and government spending increases in the coming quarters, projected sales volumes could reach 4 million tons by FY26. Through these strategic measures, APL Apollo Tubes is well-positioned to navigate the current challenges in retail demand while laying a foundation for future growth, hence it is recommended to **Hold the stock at its current level, trading at 20x FY27E EV/EBITDA.**

Financials

Particulars	(₹ Cr)							
	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ	9MFY25	9MFY24	YoY
Revenue	5,433	4,178	30	4,774	14	15,181	13,353	14
Material Cost	4,662	3,533	32	4,242	10	13,174	11,485	15
Employees exp	89.91	64.39	40	87.15	3	257.14	187.56	37
Op-Exp	5,087	3,898	30	4,636	10	14,396	12,441	16
EBITDA	346	280	24	138	150	785	912	(14)
% Margin	6.4	6.7	(33)	2.9	347	5.2	6.8	(166)
Depreciation	50	47	7	47	7	144	129	11
EBIT	295	232	27	91	224	642	782	(18)
% Margin	5.4	5.6	(13)	1.9	185	4.2	5.9	(28)
EBT	280	219	28	70	303	602	757	(20)
PAT	217	166	31	54	303	464	562	(17)
% Margin	4.0	4.0	3	1.1	287	3.1	4.2	(115)
EPS - Adjusted	7.82	5.96	31	1.94	303	16.72	20.25	(17)

Source: Company, Way2wealth Research

29th January 2025

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 View – **Hold**
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Disclosure of Interest Statement: APL Apollo Tubes Ltd. as on January 29, 2025

Name of the Security	APL Apollo Tubes Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	Yes (24 shares bought on 30 Aug 2021)
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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