

22nd August 2024

₹1,358/-

View – **Accumulate**

Key Highlights – Q1FY25

- Sales Volume saw YoY growth of 9% and QoQ increase of 6%, reaching 721,000 tons.
- Revenue rose by 9% YoY and by 4% QoQ, totaling ₹4974crs.
- EBITDA grew 8% on a sequential basis to ₹302crs, although it marked a 2% decrease from the same period last year.
- EBITDA margin declined to 6.06% in Q1FY25 from 6.76% in Q1FY24 and 5.88% in Q4FY24, primarily due to nonrecurring expenses related to Employee Stock Ownership Plan (ESOP) and increased spending on brand campaigns.
- Net earnings were reported at ₹193crs, reflecting a 13% increase from the previous quarter but flat on YoY basis.
- EBITDA/ton for the quarter at ₹4183, remained flat sequentially and dropped 10% YoY.

Important Statistics

Nifty	24,770
Sensex	80,905
M.CAP (₹ bn)	~375.00
52 Week H/L (₹)	1800/1305
NSE Code	APLAPOLLO
BSE Code	533758
Bloomberg Code	APAT:IN

Shareholding Pattern (%)	Sep'23	Dec'23	Mar'24	Jun'24
Promoter	29.67	29.56	29.44	28.33
FII	28.66	29.25	30.69	31.55
DII	12.69	13.75	14.06	14.9
Public	28.99	27.41	25.81	25.23

Sales volume

In Q1FY25, APL Apollo Tubes set a new record in sales volume, achieved its highest ever sales volume of 721,064 tons in Q1FY25, surpassing the 661,501 tons in Q1FY24 and 678,556 tons in Q4FY24. This impressive performance was maintained despite the disruptions caused by the general elections in the country. Nevertheless, the company's strategic expansion, particularly in the Raipur and Dubai facilities, has laid a foundation for future growth. The management remains optimistic about the company's direction and its ability to meet the demands of the construction-led market on the back of improved government budget allocation for infrastructure and good monsoons.

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Volume ('000 Tons)	662	675	604	679	721
Heavy	45	51	62	64	58
Super Heavy	4	5	7	8	11
Light	111	113	95	102	110
General	282	301	249	272	288
Rust-proof	170	144	124	156	168
Coated	19	29	36	40	52
Agri/Industrial	30	32	30	37	34

Source: Company, Way2Wealth Research

Financials

Particulars	₹ Cr				
	FY22	FY23	FY24	FY25E	FY26E
Revenue	13,063	16,166	18,119	21,841	270,04
EBITDA	945	1,022	1,192	1,440	1,936
% Margin	7%	6%	7%	7%	7%
PAT	619	642	732	913	1,303
EPS	22	23	26	33	47
RoE (%)	27%	21%	20%	20%	22%
RoCE (%)	32%	27%	25%	27%	28%
P/E (x)	65x	55x	48x	34x	24x
P/BV (x)	19x	14x	12x	3x	2x
EV/ EBITDA (x)	46x	43x	37x	27x	20x

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
APLAPOLLO	-11	72	978
Nifty 50	28	51	131
SENSEX	24	45	115

Source: Company, Way2Wealth

Capacity Ramp Up

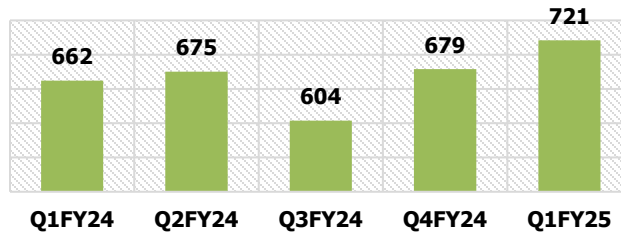
The Raipur plant has a sellable capacity of 1.1 mn tons and is currently operating at 61% utilisation. The Dubai plant, with a capacity of 300,000 tons, had a Q1 utilisation rate of 30%, which is expected to improve as new production lines come online. The company is focused on maintaining sales volume momentum despite short-term margin pressures and is targeting a sales volume of 3.2 mn tons for FY25, in line with their guidance. They are on track to reach a capacity of 5 mn tons within the next 12-15 months with the addition of new plants in Siliguri, Gorakhpur, and Ahmedabad. The estimated capital expenditure for these expansions is ₹500-600 crs, with existing mills being relocated to the new plants to optimize capacity.

The recently started 300x300 mill in Dubai has begun receiving orders which encourages promoting their 500x500 products from India. This combination is expected to enhance their overseas market presence. Once the 300x300 mill performs well, they may install a 500 square mill in Dubai. With around 40 mn tons of steel pipes traded globally outside India and China, APL Apollo aims to capture a major share of this market. They initially set up a 300,000-ton capacity, representing about 3-4% market share, and plan to continue adding high value-added products based on the performance of the existing mill.

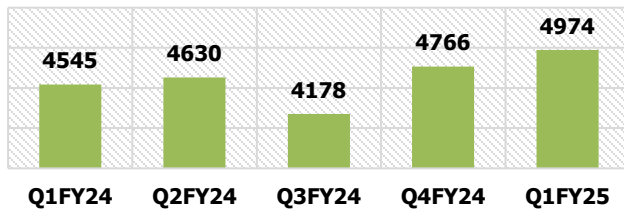
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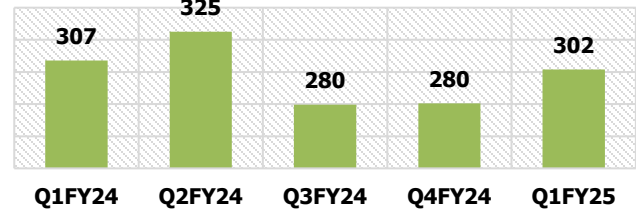
Sales Volume (k Ton)



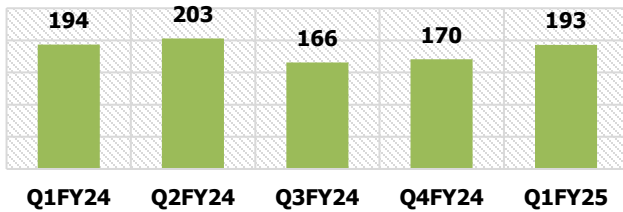
Revenue



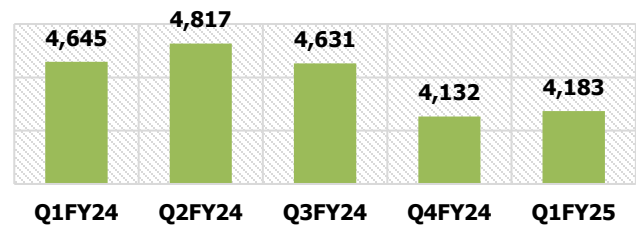
EBITDA



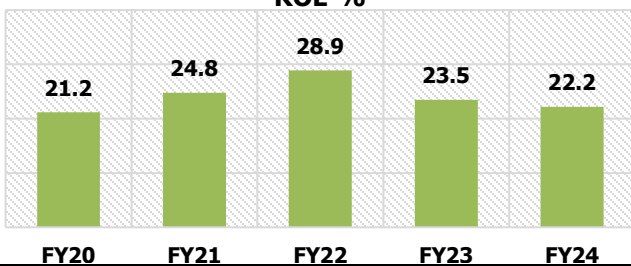
Net Profit



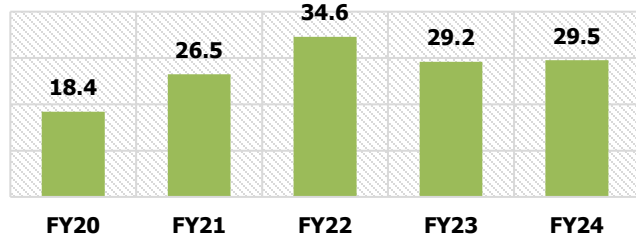
EBITDA/ton (₹)



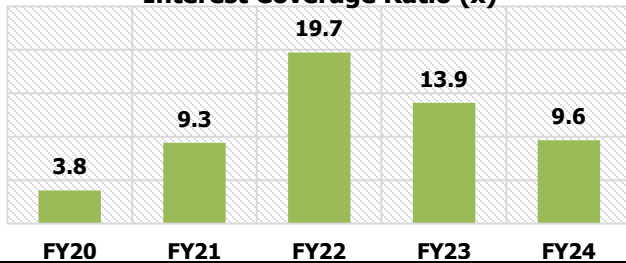
ROE %



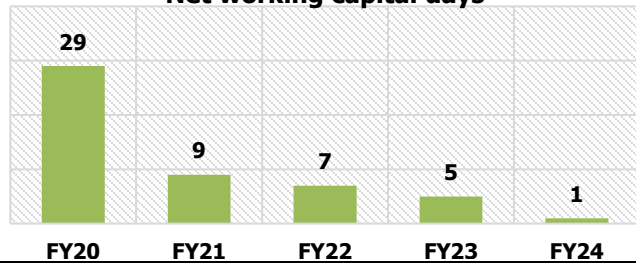
ROCE %



Interest Coverage Ratio (x)



Net working capital days



Source : Company, Way2Wealth research

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View – **Accumulate**

Innovative leadership

APL Apollo has achieved several industry firsts, including the world's first thicker color coated products and color coated structural steel tubes, India's first 500x500mm diameter structural steel tubes, and the first CRCA black annealed tube. Additionally, they have introduced India's first Aluzinc tubes and the world's second 1,000x1,000mm structural steel tubes, marking significant advancements in steel tube manufacturing. Moreover, being India's largest steel buyer, benefiting from improved negotiation power due to increased steel supply. All these initiatives augur well for maintaining the company's competitive edge in the industry.

Outlook

APL Apollo is on track to achieve a 5mn ton capacity from existing 4.5mn in the next 12-15 months with new plants in Siliguri, Gorakhpur, and Ahmedabad. The Dubai plant's utilisation levels were around 30% in Q1FY25, but with the commissioning of two new mills, utilisation levels are expected to improve significantly. This increase in utilisation will be a key lever for boosting sales volume in upcoming quarters. Capex for these expansions is estimated at ₹500-600 crore, with existing mills being relocated to new plants to optimize capacity. The company is focused on reducing costs across various operational elements (e.g., power, steel wastage) and aims to maintain or improve EBITDA per ton levels compared to the previous year, with the potential to reach ₹5,000 per ton in FY26, contingent on market stability and operational efficiencies.

View

The company has reported its highest ever quarterly sales volume of 721,000 tons in Q1FY25, with EBITDA increasing by 8% QoQ and net profit rising by 13% QoQ. Amid challenging demand conditions due to the general elections and a slowdown in retail spending, the company has performed exceptionally well. Looking ahead, demand is expected to improve with better government budget allocations for infrastructure and favorable monsoon conditions. Commitment to quality and customer satisfaction continues to drive its industry leadership. Given the company's historical performance and focus on capacity expansion, the stock has strong potential to trade at higher multiples. **It is recommended to Accumulate the stock at its current level, trading at 20x for FY26E EV/EBITDA.**

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 View – **Accumulate**
Financials

(₹ Cr)

Particulars	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY23	YoY
Revenue	4,974	4,545	9%	4,766	4%	18,119	16,166	12%
Material Cost	4,270	3,921	9%	4,133	3%	15,617	14,027	11%
Employees exp	80.08	60.44	32%	70.05	14%	257.61	206.19	25%
Op-Exp	4,673	4,238	10%	4,485	4%	16,927	15,144	12%
EBITDA	302	307	-2%	280	8%	1,192	1,022	17%
% Margin	6.06%	6.76%	-10%	5.88%	3%	6.58%	6.32%	4%
Depreciation	47	41	14%	47	-0.2%	176	138	27%
EBIT	255	266	-4%	234	9%	1,016	883	15%
% Margin	5%	6%	-12%	5%	5%	6%	5%	3%
EBT	252	261	-3%	221	14%	978	863	13%
PAT	193	194	-0.2%	170	13%	732	642	14%
% Margin	4%	4%	-9%	4%	9%	4%	4%	2%
EPS - Adjusted	6.96	6.98	0%	6.1	13%	26	23	14%

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	8,500	13,063	16,166	18,119	21,841	27,004
Material Cost	7,165	11,223	14,018	15,617	20,156	22,491
Employees exp	130	153	206	258	300	330
Op. Expenses	7,821	12,118	15,144	16,927	20,401	25,068
EBITDA	679	945	1,022	1,192	1,440	1,936
% Margin	8%	7%	6%	7%	7%	7%
Depreciation	103	109	138	176	213	245
EBIT	576	836	884	1,016	1,227	1,691
Other Income	36	41	47	74.87	53	94
Finance Cost	66	44	67	113.39	67.09	51
EBT	546	832	863	978	1,213	1,734
Tax Expense / (Credit)	138	213	221	245.28	302	431
PAT	408	619	642	732.44	911	1,303
% Margin	5%	5%	4%	4%	4%	5%
EPS - Adjusted	15	22	23	26	33	47
Net Worth	1,695	2,264	3,006	3,605	4,490	5,869
Total Borrowings	520	581	873	1125	625	225
Total Capital Employed	2,464	3,163	3,995	4,855	5,241	6,219
RoE (%)	24%	27%	21%	20%	20%	22%
RoCE (%)	26%	32%	27%	25%	27%	28%
P/E	93x	65x	55x	48x	34x	24x
P/B	25x	19x	14x	12x	2x	2x
EV/EBITDA	64x	46x	43x	37x	27x	20x

Source: Company, Way2wealth Research

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Disclosure of Interest Statement: APL Apollo Tubes Ltd. as on August 22, 2024

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 :	No
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
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