

Market Cap.

Rs. 22,803

52 Week H/L

Rs. 1,114/743

CMP

Rs. 911

Target Price

Rs. 1,157

METALS

APL Apollo Tubes Ltd. has reported numbers for the quarter ended June'22. Following are the highlights of the result.

Amt in Rs. Crore.

Particulars (Consol)	Q1FY23	Q4FY22	QoQ	Q1FY22	YoY
Net Sales	3,438.6	4,214.7	(18.4%)	2,534.3	35.7%
EBITDA	193.9	266.1	(27.1%)	254.7	(23.8%)
EBITDA Margin (%)	5.6%	6.3%	(67) Bps	10.0%	(441) Bps
PBT	162.9	239.1	(31.9%)	225.6	(27.8%)
PAT	120.7	176.7	(31.7%)	168.4	(28.4%)
PAT Margin (%)	3.5%	4.2%	(68) Bps	6.6%	(314) Bps
EPS (Rs.)	4.27	6.51	(34.4%)	5.88	(27.4%)

Highlights from the Quarter:

- Volume Growth:** The company reported total volumes at 423 Ktons compared to 552 Ktons in Q4FY22 and 373 Ktons in Q1FY22. Volumes saw a de growth of ~24% & growth of ~13% on QoQ and YoY basis respectively. The volumes were adversely impacted by the industry-wide channel destocking prompted by the correction in domestic HRC prices and lower share of value added products (VAP).
- Margin expectation:** The management seem optimistic with respect to volume growth where they have target a volume growth to 2300 Ktons. They expect H1FY23 to report volumes to the tune of 1000 Ktons and balance on H2FY23. However, they expect margin pressure to sustain in H1FY23 and a prompt revival is expected in H2FY23.
- Investment in Shankara Building Products:** The company is one of the largest distributors and the investment was undertaken in Mar-22. The investment has a number of rationales from enabling higher volume handling, launch base of launch of new products, better pricing policy for the Southern markets and can help the company achieve market share expansion.

STOCK DATA

BUY

Reuters Code **APLA.BO**
Bloomberg Code **APAT IN**

BSE Code **533758**
NSE Symbol **APLAPOLLO**

Face Value **Rs.2**

Shares Outstanding **25.1 Crs.**

Avg. Daily Volume (6m) **3,97,859**

Price Performance (%)

1M	3M	6M
6	(11)	11

200 days EMA Rs.882

SHARE HOLDING (%)

Promoters **34.5**

FII **24.6**

FI/Bank **10.2**

Bodies Corporate **1.0**

Public & Others **29.7**

RESEARCH ANALYST

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OUTLOOK AND VALUATION

With a strong demand, the share of structured steel in India's overall steel consumption pie is expected to increase significantly to 10% by CY30 from 4% in CY19. Overall, the structural steel tubes market is expected to increase by 17% CAGR over 2019-30E and reach ~22 MnTPA by CY30E. Demand drivers for structural steel tubes and weak competition given fragmented industry structure would help APL further expand its market share in the next few years. The increased volumes, new product additions and increased market share will additionally result in expansion of margins for the company compared to peers. **Hence in FY24E, we expect the company to report a revenue of Rs. 16,980 cr with EBITDA and PAT margins at 8.7% and 5.8% with an expected EPS is Rs. 38.9. However, we have reduced the assigned PE multiple, owing to the high volatility in the markets and inflationary scenario in the Indian economy, to ~30X which gives us a target price of Rs. 1,157 with an upside of ~27% from the CMP within an investment horizon of 18-24 months.**

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (x)	P/S (x)	EV/EBITDA (x)
FY21	8,499.8	678.7	407.7	4.8%	14.3	56.1	2.7	33.8
FY22	13,063.3	945.3	619.0	4.7%	22.2	37.1	1.8	24.5
FY23E	14,765.8	1,151.7	755.7	5.1%	30.1	30.4	1.6	20.1
FY24E	16,980.6	1,477.3	977.8	5.8%	38.9	23.5	1.4	15.7

- **Raipur Plant Expansion:** This is the 11th manufacturing facility of the company and its total capacity is 1.5 MnTPA. The total capex for the facility was Rs. 800 cr out of which 75% has already been invested. EBITDA per Ton in this unit would be Rs. 6,000 to Rs. 8,000. Further capex plans in the Raipur unit will be considered by the management once it reaches a capacity of 3000 KTPA. This facility is going to contribute significantly to the 4,000 KTPA volume guidance given by the management.
- **Other Capex Initiatives:** Value addition or backward integration in Hyderabad/Hosur plants – Rs.50 cr; Investment into value addition lines at other plants – Rs.50 cr; Innovative galvanized lines to improve efficiency to the tune of Rs.100 cr that can help reduce Zinc consumption by upto 4kg per steel tube ton; 2 new plants in Kolkata/Dubai - Rs 150 cr which include investment in land/building/infrastructure and Plant & machines to be shifted from existing facilities. Total Capex of Rs.650 cr (Including Raipur) to be funded from internal cash flows in FY23-24.
- **Alishan App:** The Company recorded around 60,000+ downloads of Aalishaan app from end- consumers of which 25,000+ downloads are from fabricators with 300+ designs and 16 patents registered.
- **Hospital projects/Structural Tube Project:** In Heavy structural tubes segment APAT recently got order for 15 storey commercial tower in the NCR region. APAT is also in talks for ~50 projects which will require ~200 KTPA of tubes.
- **Structural steel tube market outlook:** Current market size is 7000 KTPA of which 3 KTPA is primary steel and 4 KTPA from secondary steel. The company is bullish on demand going forward as the price gap between primary and secondary steel market has narrowed down led by decrease in prices of primary steel. In last one year the prices in the primary and secondary steel were Rs. 15,000 to Rs. 20,000 per tonne respectively. Currently, the gap has narrowed down to Rs. 4,000 per tonne. By FY25 the primary steel market is expected to reach 6,000 KTPA of which ~2,750 to 3,000 KTPA will be APL's contribution. The company is targeting ~65-70% share of primary steel market more than ~4000 KTPA in volumes by FY25.

Particulars	Q1FY23	Q4FY22	QoQ	Q1FY22	YoY
Volumes (KT)	423	552	(23%)	373	13%
Realisation per Tonne	81,290	76,354	6%	67,943	20%
EBITDA per Tonne	4,585	4,821	(5%)	6,827	(33%)

Source: Company, Sushil Finance Research



Product Category	Application	Q1FY22			Q4FY22			Q1FY23		
		Sales Mix	Kton	EBITDA /Ton	Sales Mix	Kton	EBITDA /Ton	Sales Mix	Kton	EBITDA /Ton
Apollo Structural	Heavy Structures <i>Change YoY</i>	8.8%	38.0	5,012.0	7.2%	40.0	7,835.0	7.8%	33.0	7,028.0
					5.3%		56.3%		73.7%	(12.2%)
	Light Structures <i>Change YoY</i>	13.4%	58.0	5,106.0	10.9%	60.0	5,074.0	11.8%	50.0	4,375.0
					3.4%		(0.6%)		25.0%	(30.6%)
	General Products <i>Change YoY</i>	39.9%	173.0	1,996.0	40.4%	223.0	1,955.0	39.1%	165.0	1,614.0
					28.9%		(2.1%)		33.1%	(48.4%)
Apollo Z	Rust Proof Structures <i>Change YoY</i>	16.1%	70.0	7,708.0	18.6%	103.0	7,942.0	19.0%	80.0	7,015.0
					47.1%		3.0%		(5.9%)	(22.0%)
	Rust Proof Sheets <i>Change YoY</i>	2.3%	10.0	4,804.0	6.3%	35.0	4,746.0	4.7%	20.0	4,105.0
					250.0%		(1.2%)		(33.3%)	(31.6%)
Apollo Tricoat	Home Improvement <i>Change YoY</i>	15.2%	66.0	7,672.0	11.8%	65.0	7,149.0	11.6%	49.0	9,194.0
					(1.5%)		(6.8%)		(16.9%)	(21.5%)
Apollo Galv	Agri/Industrials <i>Change YoY</i>	4.4%	19.0	6,981.0	4.7%	26.0	6,230.0	4.3%	18.0	5,005.0
					36.8%		(10.8%)		5.9%	(31.0%)
Apollo Build (Raipur plant)	Coated products <i>Change YoY</i>	0.0%	0.0	0.0	0.1%	0.4	5,040.0	1.7%	7.0	5,001.0
					NA		NA		NA	NA
Total		100%	434.0		100%	552.4		100%	422.0	

Product Category	Application	FY20			FY21			FY22		
		Sales Mix	Kton	EBITDA /Ton	Sales Mix	Kton	EBITDA /Ton	Sales Mix	Kton	EBITDA /Ton
Apollo Structural	Heavy Structures <i>Change</i>	6.0%	101.0	4,000.0	6.0%	95.0	4,721.0	7.0%	121.0	7,422.0
			26.3%	6.0%		(5.9%)	18.0%		27.4%	57.2%
	Light Structures <i>Change</i>	5.0%	87.0	3,800.0	13.0%	213.0	4,717.0	11.0%	198.0	5,253.0
			(19.4%)	2.5%		144.8%	24.1%		(7.0%)	11.4%
	General Products <i>Change</i>	55.0%	898.0	1,361.0	43.0%	713.0	1,658.0	37.0%	647.0	2,145.0
			15.6%	(15.7%)		(20.6%)	21.8%		(9.3%)	29.4%
Apollo Z	Rust Proof Structures <i>Change</i>	20.0%	333.0	5,021.0	18.0%	294.0	6,728.0	21.0%	369.0	8,161.0
			19.4%	(9.8%)		(11.7%)	34.0%		25.5%	21.3%
	Rust Proof Sheets <i>Change</i>	0.0%	2.0	5,000.0	1.0%	23.0	4,720.0	6.0%	105.0	5,146.0
			(33.3%)	6.3%		1050.0%	(5.6%)		356.5%	9.0%
Apollo Tricoat	Home Improvement <i>Change</i>	7.0%	113.0	6,589.0	14.0%	231.0	7,072.0	14.0%	239.0	8,737.0
			NA	NA		104.4%	7.3%		3.5%	23.5%
Apollo Galv	Agri/Industrials <i>Change</i>	6.0%	99.0	3,952.0	4.0%	71.0	6,040.0	4.0%	76.0	6,442.0
			7.6%	(9.4%)		(28.3%)	52.8%		7.0%	6.7%
Apollo Build (Raipur plant)	Coated products <i>Change</i>	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%	0.4	5,040.0
			NA	NA		NA	NA		NA	NA
Total			1,633.0			1,640.0			1,755.4	

Profit & Loss Statement
(Rs. Cr)

Particulars	FY21	FY22	FY23E	FY24E
Revenue	8,499.8	13,063.3	14,765.8	16,980.6
Cost of Goods Sold	7,165.0	11,223.1	12,550.9	14,263.7
Employee Cost	129.6	153.0	177.2	220.7
Other Expenses	526.5	741.9	885.9	1,018.8
EBITDA	678.7	945.3	1,151.7	1,477.3
EBITDA (%)	8.0%	7.2%	7.8%	8.7%
Depreciation	102.8	109.0	144.2	173.6
Finance Cost	66.1	44.5	59.1	67.9
Other Income	35.9	40.5	59.1	67.9
PBT (as reported)	545.8	832.3	1,007.5	1,303.7
Tax	138.1	213.3	251.9	325.9
PAT	407.7	619.0	755.7	977.8
PAT (%)	4.8%	4.7%	5.1%	5.8%
EPS	14.3	22.2	30.1	38.9

Balance Sheet Statement
(Rs. Cr)

Particulars	FY21	FY22	FY23E	FY24E
PP&E (Incl. CWIP)	1,609.1	2,107.8	2,554.3	3,059.9
Other Non Current Assets	390.8	517.6	557.1	598.5
Inventories	759.9	847.2	1,132.7	1,294.5
Trade Receivables	130.6	341.7	404.5	566.4
Cash & Cash Equivalents	357.9	376.4	412.3	424.4
Other Current Assets	150.7	261.7	295.3	320.9
Total Assets	3,399.0	4,452.4	5,356.2	6,264.6
Share Capital	25.0	50.1	50.1	50.1
Reserves & Surplus	1,669.7	2,213.9	2,910.5	3,803.4
Minority Interest	138.3	200.0	200.0	200.0
Long Term Debt	183.5	347.2	442.5	527.0
Short Term Debt	258.0	233.4	158.0	162.1
Other Non Current Liabilities	204.1	211.9	238.3	235.9
Trade Payables	785.9	1,059.5	1,213.6	1,132.7
Other Current Liabilities	134.5	136.5	143.2	153.4
Total Equity & Liabilities	3,399.0	4,452.4	5,356.2	6,264.6

Source: Company, Sushil Finance Research

Financial Ratio Statement

Y/E Mar.	FY21	FY22	FY23E	FY24E
Growth (%)				
Revenue	10.6%	53.7%	13.0%	15.0%
EBITDA	42.2%	39.3%	21.8%	28.3%
PAT	59.3%	51.8%	22.1%	29.4%
Profitability (%)				
EBITDA Margin	8.0%	7.2%	7.8%	8.7%
PAT Margin	4.8%	4.7%	5.1%	5.8%
ROCE	26.9%	28.8%	28.4%	28.9%
ROE	22.2%	25.1%	23.9%	24.1%
Per Share Data				
EPS	34.1	22.3	30.1	38.9
BVPS	73.0	98.1	125.9	161.5
Sales per share	680.5	520.3	588.1	676.4
Gearing Ratio				
Debt/Equity	0.24	0.24	0.19	0.17
Debt/EBITDA	0.65	0.61	0.52	0.47
Valuations (x)				
P/E	56.1	37.1	30.4	23.5
P/BV	12.5	9.3	7.3	5.7
P/Sales	2.7	1.8	1.6	1.4
EV / EBITDA	33.8	24.5	20.1	15.7
Turnover Days				
Debtors Days	5.6	9.5	10.0	14.0
Inventory Days	32.6	23.7	28.0	32.0
Creditors Days	33.7	29.6	30.0	28.0
FCFF	795.8	77.1	191.5	171.1
FCFE	746.5	69.1	147.2	120.2

Cash Flow Statement

(Rs. Cr)

Particulars	FY21	FY22	FY23E	FY24E
Profit before tax	545.8	832.3	1,007.5	1,303.7
Depreciation & Amortization	102.8	109.0	144.2	173.6
Finance Cost	66.1	44.5	59.1	67.9
Income Tax paid	(138.1)	(213.3)	(251.9)	(325.9)
Changes in Inventory	24.3	(87.3)	(285.5)	(161.8)
Changes in Debtors	345.8	(211.1)	(62.8)	(161.8)
Changes in other Current Assets	(6.8)	(111.0)	(33.7)	(25.6)
Changes in Trade Payables	21.4	273.6	154.2	(80.9)
Changes in other Current Liabilities	15.8	15.1	6.7	10.3
Cash Flow from Operations	977.1	651.7	737.8	799.4
Capex/(Sales)	(230.7)	(607.7)	(590.6)	(679.2)
Changes in non Current assets	(416.2)	77.6	(39.6)	(41.3)
Cash flow from Investing	(646.8)	(530.1)	(630.2)	(720.6)
Changes in Share Capital	0.1	25.1	0.0	0.0
Changes in Debt	(285.7)	139.1	19.9	88.6
Dividend Paid	0.0	0.0	(59.1)	(84.9)
Changes in Non Current Liabilities	(73.0)	(138.1)	(32.7)	(70.4)
Cash Flow from Financing	(358.6)	26.0	(71.8)	(66.7)
Increase/ Decrease in Cash	(28.3)	147.6	35.8	12.2
Opening Cash	44.4	16.1	163.7	199.6
Closing Cash	16.1	163.7	199.6	211.7
Bank Balance	341.8	212.7	212.7	212.7
Total Cash & Cash Equivalent	357.9	376.4	412.3	424.4

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
1-Feb-22	Re-Instating Coverage	Buy	863	1,153
17-May-22	Q4FY22 Update	Buy	908	1,157

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%
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Disclosures	
Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No