

APL Apollo Tubes Ltd

BSE SENSEX
28335.16

S&P CNX
8768.30

CMP: INR1105

TP: INR1400(+27%)

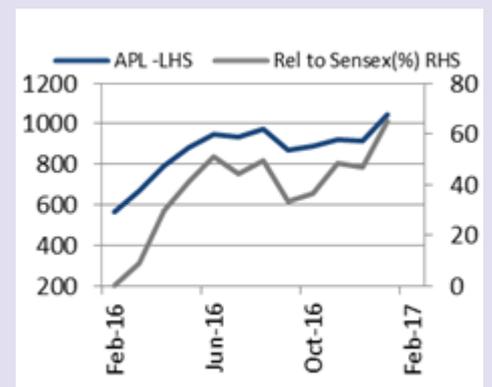
Buy

		YEAR	SALES	A.PAT	A.EPS	A.EPS	PE	P/BV	EV/	DIV. YLD	ROCE
		March	(INRCr)	(INRCr)	(INR)	Gr.(%)	(X)	(X)	EBITDA(X)	(%)	(%)
Shares O/s (cr)	2.3	FY16	4,103	126	42.9	97%	26	4.6	11.3	0.9%	22%
52-W H/L Range (INR)	1300/531	FY17E	4,398	140	59.7	11%	19	3.8	9.7	1.0%	21%
1/6/12 Month Performance	17/19/62	FY18E	5,086	181	77.2	29%	14	3.2	7.9	1.4%	24%
Market Cap. (INR cr)	2,590										
Market Cap. (US\$ m)	385										

Results Overview- Muted quarter on volume front, long term story intact

- For Q3 FY17, APL Apollo Tube's revenue was INR 1,146.1cr,+21.1% YoY and +19.9% QoQ; EBITDA was INR 77.7cr, +10.1% YoY and -5.4% QoQ; and PAT was INR 29.6 cr, -5.1% YoY and -12.2% QoQ.
- The company clocked volumes of 2.22 Lac Tonnes for Q3 FY17 (8% YoY). The realisation across product categories witnessed improvement owing to higher steel prices.
- Demonitization drive had an adverse impact on the commoditized products like Black Pipes (-19% YoY). However, higher focus towards value added products, exports, OEM and new markets helped safeguard over volume growth to a certain extent. The export and OEM markets reported 34% YoY & 196% YoY growth in volumes respectively inline with the management's guidance. Export + OEM sales now constitute 19% of total sales volume vs 6% in Q3FY16. EBITDA per ton during the quarter was steady due to ramp up of sales in a subdued market environment.
- Depreciation came in at INR 11.0 cr up 34.6%YoY owing to fresh capitalisation on account of addition of new capacities
- The new DFT technology lines will be commissioned Q4FY17, products from these new lines will be going to OEM & export market. The new greenfield facility at Raipur will be commissioned in FY18. This will take the total capacity of the company from 1.3mm TPA to 2.0mm TPA, making the company a PAN India player.

INRCr	3QFY16	2QFY17	3QFY17	yoy	qoq	FY16	FY17E	yoy
Total Income	946.2	955.5	1146.1	21.1%	19.9%	4,214	4,464	6%
Expenditure	876	873	1068	22%	22.3%	3,932	4,143	5%
EBITDA	70.6	82.2	77.7	10.1%	-5.4%	282	321	14%
Other Income	3	2	-2			10	11	
Interest	18	16	18	-4%	10.2%	70	67	-3%
Depreciation	8	17	11	34.6%	-34.8%	34	53	55%
E/O Gain	0	0	0			25	0	
PBT	46.6	51.4	47.5	2%	-7.5%	163	212	30%
Tax	15	18	18			62	72	15%
Adj. PAT	31.1	33.7	29.6	-5.1%	-12.2%	101	140	39%
EBITDA (%)	7.7%	8.9%	7.0%			6.9%	7.3%	
Tax rate (%)	33%	35%	38%			38%	34%	



Valuation and view

- APL being the leading player in ERW pipe segment is well placed to gain from expected recovery in demand owing to infrastructure push by the government. Timely capacity expansion along with plans of doubling the dealer network will drive the growth of company. Increasing capacity utilisations, foray into value added products along with brand building and cost optimization exercise would improve margins.
- We revise downwards our FY17/FY18E earnings by 4%/9% to factor in affect of demonetization. The affect may be visible in Q4FY17 too as traders' inventory has increased without corresponding increase in demand which may keep sales volume under check.
- APL Apollo trades at 11.8x FY19E EPS. We now roll over the target multiple to FY19E and value the company at 15x. Our revised target price is INR 1400. Maintain BUY.

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Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 6, Sayani Road, Prabhadevi, Mumbai 400 025
 Phone: (91-22) 30894200 Fax: (91-22) 22885038. E-mail: info@motilaloswal.com