

Apollo Tricoat (APOLTRI) reported good Q4 results despite ten days lockdown which is critical for inventory push. Net Revenues/EBITDA/PAT fell by 2.1%/14.2%/38.2% QoQ to Rs2,289m/Rs244m/Rs111m respectively. EBITDAM fell 180bps QoQ to 10.6% due to 210 bps contraction in GRM (higher RM cost). PAT was impacted due to increase in depreciation/interest by 50%/44%. Realisations increased by 23.8% to Rs 60,103 due to better product mix which also lead to higher EBITDA/ton of Rs 6,394 (Rs 6,021 in Q3FY20) despite a 19.2% drop in volumes. Full year revenues/EBITDA/PAT stood at Rs 6,633m/Rs 742m/Rs 423m (no YoY comparisons as business is not comparable). EBITDAM/PATM was 11.2%/6.4% respectively. Volumes stood at 123,080 tons. Per ton realisation/EBITDA was Rs 53,888/Rs 6,032 respectively.

Partial operations started at the plant on April 28 but all further capex plans have been deferred for now. Going ahead, we have cut our volumes/earnings estimates by 53%/83% in FY21E (weak H1 due to lockdown and monsoons) and 39%/55% in FY22E. However this still translates into volume/earnings growth of 67.5%/70.2% in FY22E driven by quicker demand recovery in tier II & III cities (key target market), niche product category and low level of competition. This coupled with a lean fixed cost structure (Rs 25m/month) will help APOLTRI to enjoy steady realisations and EBITDA/ton (Rs 5460/Rs 6664 in FY21E/FY22E) despite sharp volume drop.

However we downgrade our rating to REDUCE given the muted demand in residential & commercial construction, likely volatility in steel prices and expensive valuations (23.3x FY21E and 11.5x FY22E EV/EBITDA). Since initiation at Rs 387, our initial TP of Rs 499 has already been achieved once.

Key financials (Y/e March)	2019	2020	2021E	2022E
Revenues (Rs m)	72	6,633	4,066	6,920
Growth (%)	NA	NA	(38.7)	70.2
EBITDA (Rs m)	(0)	742	445	910
PAT (Rs m)	26	423	111	446
EPS (Rs)	1.0	13.9	3.7	14.7
Growth (%)	-	-	(73.7)	301.8
CEPS (Rs)	1.1	17.2	8.9	20.6
Net DPS (Rs)	-	-	-	-
Profitability & Valuation	2019	2020	2021E	2022E
EBITDA margin (%)	(0.3)	11.2	10.9	13.1
RoE (%)	2.2	25.4	5.4	19.2
RoCE (%)	(0.4)	25.9	8.7	20.0
EV / sales (x)	128.1	1.6	2.6	1.5
EV / EBITDA (x)	NA	14.1	23.3	11.5
PE (x)	326.1	22.4	85.3	21.2
P / BV (x)	6.5	4.8	4.5	3.7
Net dividend yield (%)	-	-	-	-

Source: Company Data, PL Research

Q4FY20 Result Update

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Rating	REDUCE
Price	Rs 312
Target Price	Rs 268
Implied Upside	(14.1%)
Sensex	31,715
Nifty	9,294
Bloomberg Code	APOLTRI:IN
Reuters Code	APOT.BO
<i>(Prices as on May 4, 2020)</i>	

Tracking Data

Market Cap (Rs bn)	9.5
Shares O/s (m)	30.4
3M Avg. Daily Value (Rs m)	37.9

Major Shareholders

Promoters	62.5%
Institutional	5.7%
Public & Others	37.5%

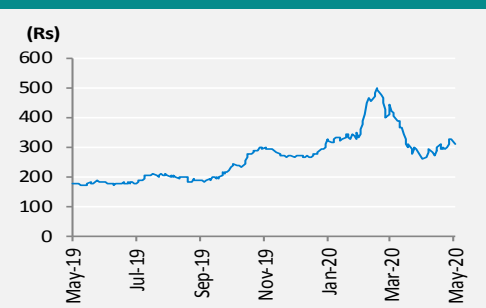
Stock Performance

(%)	1M	6M	12M
Absolute	26.5	10.3	85.7
Relative	7.0	27.4	101.8

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2021E	3.7	NA	NA
2022E	14.7	NA	NA

Price Chart



Q4FY20 Result Overview (Rs m)			
Y/e March	Q4 '20	Q3 '20	QoQgr. (%)
Net Revenue	2,289	2,290	0.0
Expenditure			
Raw Material Cost	1,851	1,297	42.7
<i>% of revenue</i>	<i>80.9</i>	<i>84.4</i>	
Employee Cost	44	20	(2.8)
<i>% of revenue</i>	<i>1.9</i>	<i>1.3</i>	
Other Expense	150	65	(4.1)
<i>% of revenue</i>	<i>6.5</i>	<i>4.2</i>	
Total Expenditure	2,045	1,382	2.0
EBITDA	244	154	(14.2)
<i>Margin (%)</i>	<i>10.6</i>	<i>10.0</i>	
Depr. & Amortization	41	22	50.4
EBIT	203	133	(21.0)
Net Interest	32	5	43.5
Other Income	6	3	805.2
Profit before Tax	177	130	(25.0)
Total Tax	65	36	18.4
<i>Effective tax rate (%)</i>	<i>36.9</i>	<i>27.5</i>	
Profit after Tax	111	94	(38.2)
<i>PAT Margin (%)</i>	<i>4.9</i>	<i>6.1</i>	
Adjusted PAT	111	94	(38.2)
EPS	3.1	3.1	(38.2)

Source: Company Data, Idea Research

*We have not given Q4FY19 data, as it is not comparable

Key Operating Metrics					
Q/e March	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20
Volumes (tons)					
Apollo Signature	7,370	13,692	24,740	20,241	66,043
Apollo Chaukhat	-	6,612	12,850	12,850	28,066
Apollo Elegant	631	4,962	7,995	7,995	21,869
Apollo Tricoat	2,319	1,943	230	-	4,492
Apollo Plank	-	320	1,333	957	2,610
TOTAL	10,320	27,529	47,148	38,083	1,23,080
Realisation (Rs.)	6,135	5,707	48,567	60,103	53,888
EBITDA per ton (Rs.)	5,892	5,603	6,021	6,394	6,032

Source: Company Data, Idea Research

Income Statement (Rs m)

Y/e March	2019	2020	2021E	2022E
Net Revenue	72	6,633	4,066	6,920
Raw Material Expenses	63	5,373	3,232	5,417
Gross Profit	8	1,259	834	1,503
Employee Cost	2	121	150	158
Other Expenses	6	396	239	436
EBITDA	(0)	742	445	910
Depr. & Amortization	5	101	160	179
Net Interest	0	60	150	150
Other Income	42	11	13	14
Profit before Tax	37	592	148	595
Total Tax	11	170	37	149
Profit after Tax	26	423	111	446
Ex-Od items / Min. Int.	-	-	-	-
Adj. PAT	26	423	111	446
Avg. Shares O/S (m)	27.7	30.4	30.4	30.4
EPS (Rs.)	1.0	13.9	3.7	14.7

Cash Flow Abstract (Rs m)

Y/e March	2019	2020	2021E	2022E
C/F from Operations	389	961	259	282
C/F from Investing	(1,190)	(1,579)	(36)	(186)
C/F from Financing	725	665	(130)	(36)
Inc. / Dec. in Cash	(76)	47	93	61
Opening Cash	76	0	48	141
Closing Cash	0	47	141	201
FCFF	(801)	(711)	495	751

Key Financial Metrics

Y/e March	2019	2020	2021E	2022E
Growth				
Revenue (%)	NA	NA	-38.7	70.2
EBITDA (%)	NA	NA	-40.1%	104.4%
PAT (%)	NA	NA	-73.7%	301.8%
EPS (%)	NA	NA	-73.7%	301.8%
Profitability				
EBITDA Margin (%)	-0.3%	11.2%	10.9%	13.1%
PAT Margin (%)	37.0%	6.4%	2.7%	6.5%
RoCE (%)	-0.4%	25.9%	8.7%	20.0%
RoE (%)	2.2%	25.4%	5.4%	19.2%
Balance Sheet				
Net Debt : Equity	0.4	0.5	0.4	0.4
Net Working Cap. (days)	451.5	(5.1)	25.0	25.0
Valuation				
PER (x)	326.1	22.4	85.3	21.2
P / B (x)	6.5	4.8	4.5	3.7
EV / EBITDA (x)	(38,417.4)	14.1	23.3	11.5
EV / Sales (x)	128.1	1.6	2.6	1.5
Earnings Quality				
Eff. Tax Rate	28.4	28.7	25.0	25.0
Other Inc / PBT	1.1	0.0	0.1	0.0
Eff. Depr. Rate (%)	0.5	3.4	4.5	5.5

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2019	2020	2021E	2022E
Non-Current Assets	1,958	3,157	3,052	3,085
Net fixed assets	945	2,881	2,785	2,806
Capital Work In Progress	598	14	-	-
Right of use Assets	-	136	136	136
Other intangible assets	3	3	3	3
Deferred Tax Asset (net)	-	-	-	-
Other Non-Current Assets	405	105	116	127
Current Assets	257	1,402	913	1,411
Inventories	79	768	282	481
Trade receivables	15	379	282	481
Cash & Bank Balance	0	48	141	201
Other financial assets	59	10	11	12
Other Current Assets	103	197	197	237
Total Assets	2,215	4,560	3,965	4,495

Equity

Equity Share Capital	55	61	61	61
Other Equity	1,275	1,935	2,046	2,492
Total Networth	1,330	1,995	2,107	2,553
Non-Current Liabilities	386	1,230	1,254	1,381
Long Term borrowings	291	982	982	1,082
Provisions	1	3	2	2
Deferred tax liabilities	5	77	84	93
Other non-current liabilities	90	169	186	204
Current Liabilities	500	1,334	604	561
ST Debt / Current of LT Debt	255	46	66	79
Trade payables	4	1,005	224	376
Other financial liabilities	62	245	270	52
Short term provisions	0	1	0	0
Other current liabilities	177	22	26	32
Current Tax liabilities	2	15	18	22
Total Equity & Liabilities	2,215	4,560	3,965	4,495

Quarterly Financials (Rs m)

Y/e March	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	517	1,537	2,290	2,289
EBITDA	61	154	284	244
% of revenue	11.8%	10.0%	12.4%	10.6%
Depr. & Amortization	12	22	27	41
Net Interest	1	5	22	32
Other Income	2	3	1	6
Profit before Tax	51	130	235	177
Total Tax	14	36	55	65
Profit after Tax	37	94	180	111

Source: Company Data, PL Research.

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