

APL APOLLO

COMPANY UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,762
12 month price target (INR)	2,023
52 Week High/Low	1,936/1,253
Market cap (INR bn/USD bn)	489/5.7
Free float (%)	6,500.0
Avg. daily value traded (INR mn)	1,135.2

SHAREHOLDING PATTERN

	Mar-24	Dec-24	Sep-24
Promoter	28.31%	28.31%	28.32%
FII	31.76%	31.7%	31.92%
DII	16.76%	16.52%	15.92%
Pledge	0%	0%	0%

FINANCIALS

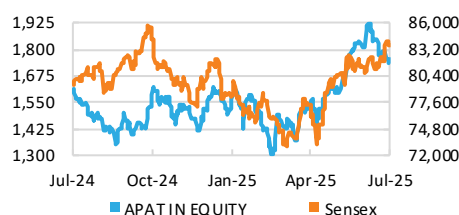
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	2,06,895	2,29,171	2,68,112	3,10,639
EBITDA	11,990	17,377	20,860	24,717
Adjusted profit	7,570	11,909	14,767	17,992
Diluted EPS (INR)	27.3	43.0	53.3	64.9
EPS growth (%)	3.3	57.3	24.0	21.8
RoAE (%)	19.4	24.8	24.1	23.1
P/E (x)	64.5	41.0	33.0	27.1
EV/EBITDA (x)	40.5	27.5	22.2	18.0
Dividend yield (%)	0.2	0.4	0.5	0.6

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY24E	FY25E
Revenue	229,171	268,112	-10	-10
EBITDA	17,377	20,860	-2	-7
Adjusted profit	7,424	11,911	-3	-8
Diluted EPS (INR)	26.8	42.9	-3	-8

PRICE PERFORMANCE



Demand dries up; volumes lose steam

APL Apollo reported soft Q1FY26 sales volumes at 794k tons, up 10% YoY/down 6% QoQ, owing to weak demand (highlighted in our recent report [Liquidity squeeze; demand freezes](#)). The moderation in volume growth is attributable to dealer destocking, liquidity issues in the channel, early onset of monsoon and widening HRC-patra spread.

While APL's EBITDA/ton is likely to stay healthy at INR4,900-plus in the wake of withdrawal of discounts, not to mention premium pricing, weak volumes and demand outlook force us to cut FY26E/27E/28E EPS by 3%/8%/8%. Maintain 'BUY' with a revised TP of INR2,023 (earlier INR2,076) as we roll forward the target 36x EPS to Q1FY27E. We stay cautious given high primary/secondary spreads amid weak demand.

Key highlights

- Volume growth in Q1FY26 remained subdued at 10% YoY (versus management's annual guidance of 20% YoY) affected by destocking from dealers due to liquidity challenges, lower spending on infrastructure by government and an early onset of monsoon. Volumes from Dubai were affected due to the Israel-Iran war.
- On a YoY basis, most segments reported double-digit volume growth, except general structures (+7% YoY/-13% QoQ) and Apollo Galv (-9% YoY/-6% QoQ); light structures and rust-proof sheets led the pack clocking 40% and 38% growth, respectively. While heavy structures also shot up 23% YoY, it slid 12% QoQ.
- While APL kept slashing prices to gain market share until Jan-25, it started pulling off the discounts thereafter to preserve profitability.
- The share of value-added segment stood at 61% in Q1FY26, higher than 60% in Q1FY25 and 58% in Q4FY25.
- The spreads, which remained at a narrow INR2-3/kg for a few months until Jan-25, have now widened to INR9.4/kg.
- While domestic HRC prices had been on a rise on the back of a 12% provisional safeguard duty, prices have again started to cool off amid weak demand. Given more HRC capacity expansion is coming up, we believe price increases shall be limited even going ahead.
- APL was very aggressive until Jan-25. Since the demand pickup has not been along expected lines, the company reversed its strategy and started focusing on profitability by raising premiums.
- Although APL might be able to achieve an EBITDA/ton of INR4,900-plus in Q1FY26, a key variable to watch out for would be its future strategy to balance volumes and profits in a scenario of widening HRC-patra spreads and demand staying weak.

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	2,06,895	2,29,171	2,68,112	3,10,639
Gross profit	28,193	33,765	39,467	45,748
Employee costs	3,325	3,325	3,325	3,325
Other expenses	4,772	2,750	3,217	3,728
EBITDA	11,990	17,377	20,860	24,717
Depreciation	2,013	2,240	2,457	2,678
Less: Interest expense	1,333	810	622	510
Add: Other income	961	1,345	1,654	2,150
Profit before tax	9,604	15,672	19,435	23,679
Prov for tax	2,035	3,763	4,667	5,687
Less: Other adj	0	0	0	0
Reported profit	7,570	11,909	14,767	17,992
Less: Excp.item (net)	0	0	0	0
Adjusted profit	7,570	11,909	14,767	17,992
Diluted shares o/s	277	277	277	277
Adjusted diluted EPS	27.3	43.0	53.3	64.9
DPS (INR)	4.0	6.4	8.0	9.7
Tax rate (%)	21.2	24.0	24.0	24.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Volume Growth (%)	20.6	11.8	16.8	15.8
Realisation Growth	(5.3)	(1.0)	0.1	0.1
Capex (INR mn)	7,225.0	4,000.0	4,000.0	4,000.0
EBITDA margin (%)	5.8	7.6	7.8	8.0
Net profit margin (%)	3.7	5.2	5.5	5.8
Revenue growth (% YoY)	14.2	10.8	17.0	15.9
EBITDA growth (% YoY)	0.6	44.9	20.0	18.5
Adj. profit growth (%)	3.3	57.3	24.0	21.8

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.5	6.5	6.5
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	81.0	81.0	81.0
Gross margins	13.6	14.7	14.7	14.7
EBITDA/MT	3,797.0	4,918.1	5,053.8	5,173.4
Depre % of gross block	5.0	4.8	4.9	4.9
Interest % of debt	30.7	30.0	30.0	30.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	64.5	41.0	33.0	27.1
Price/BV (x)	11.6	9.0	7.1	5.6
EV/EBITDA (x)	40.5	27.5	22.2	18.0
Dividend yield (%)	0.2	0.4	0.5	0.6

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	555	555	555	555
Reserves	41,532	53,444	68,214	86,211
Shareholders funds	42,087	53,999	68,770	86,768
Minority interest	0	0	0	0
Borrowings	6,148	4,648	3,648	3,148
Trade payables	22,312	24,091	28,189	32,658
Other liabs & prov	3,460	3,460	3,460	3,460
Total liabilities	75,961	87,657	1,05,526	1,27,492
Net block	33,701	35,462	37,004	38,326
Intangible assets	1,399	1,375	1,375	1,375
Capital WIP	3,355	1,678	419	105
Total fixed assets	38,455	38,514	38,799	39,806
Non current inv	1,262	1,262	1,262	1,262
Cash/cash equivalent	5,749	12,971	26,380	42,785
Sundry debtors	2,673	3,139	3,673	4,255
Loans & advances	44	44	44	44
Other assets	23,363	28,529	32,172	36,143
Total assets	75,961	87,657	1,05,526	1,27,492

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	9,604	17,459	21,650	26,379
Add: Depreciation	2,013	2,240	2,457	2,678
Interest (net of tax)	741	810	622	510
Others	(79)	0	0	0
Less: Changes in WC	1,728	(3,870)	(78)	(86)
Operating cash flow	12,133	12,877	19,987	23,798
Less: Capex	(7,225)	(4,000)	(4,000)	(4,000)
Free cash flow	4,908	8,877	15,987	19,798

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	19.4	24.8	24.1	23.1
RoCE (%)	22.9	30.8	30.6	29.8
Inventory days	33	35	37	37
Receivable days	4	5	5	5
Payable days	43	43	42	42
Working cap (% sales)	0.9	2.5	2.2	1.9
Gross debt/equity (x)	0.1	0.1	0.1	0
Net debt/equity (x)	0	(0.2)	(0.3)	(0.5)
Interest coverage (x)	7.5	18.7	29.6	43.2

Valuation Drivers

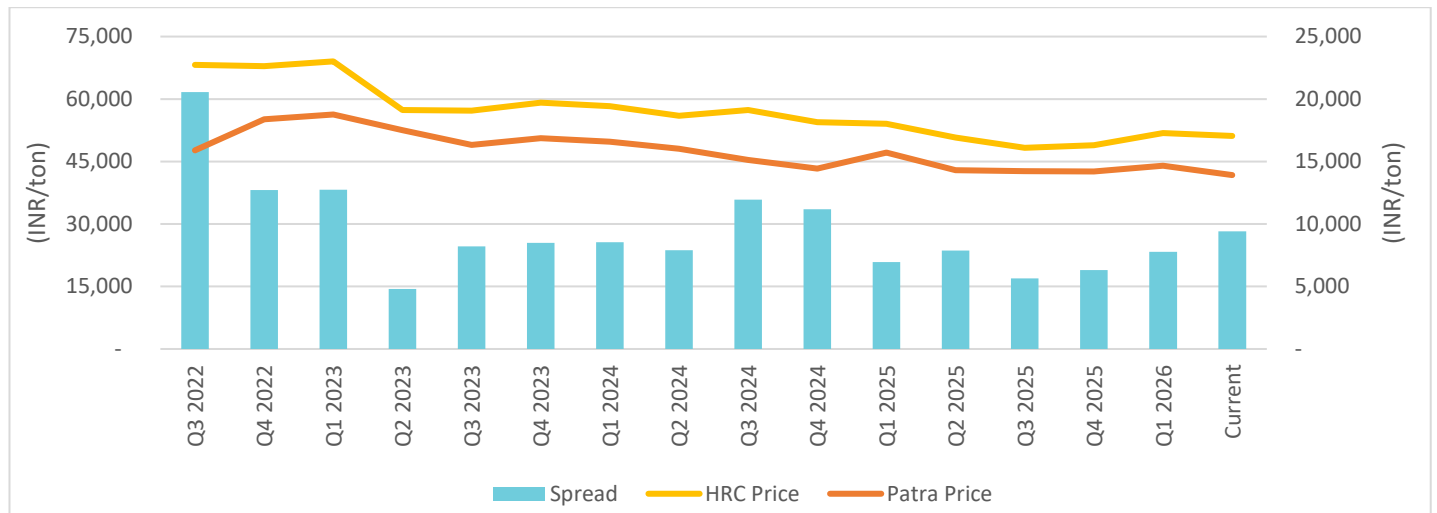
Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	3.3	57.3	24.0	21.8
RoE (%)	19.4	24.8	24.1	23.1
EBITDA growth (%)	0.6	44.9	20.0	18.5
Payout ratio (%)	14.7	15.0	15.0	15.0

Exhibit 1: Volumes – A drilldown

	Q1FY26	Q1FY25	% change	Q4FY25	% change
Super-heavy Structures	0.0	10.9	NA	0.0	N.A
Heavy Structures	71.9	58.3	23%	81.6	-12%
Light Structures	129.1	109.6	18%	142.8	-10%
General Structures	308.0	288.1	7%	353.3	-13%
Apollo Z					
Rust-proof Structures	190.8	168.2	13%	184.6	3%
Rust-proof Sheet	63.4	51.6	23%	55.2	15%
Apollo Galv- Agri/Industrial	31.1	34.3	-9%	33.0	-6%
Total Volume	794.4	721.1	10%	850.4	-7%

Source: Company, Nuvama Research

Exhibit 2: HRC–patra price gap widens



Source: Company, Nuvama Research

Company Description

APL Apollo Tubes (APAT) is the leader in fast-growing steel tubes industry (10–12% CAGR) with a market share of 55%. Underpinned by an innovative comprehensive product range, its presence across segments (housing, commercial and infrastructure) and pan-India brand and distribution, APAT has clocked revenue/EBITDA/PAT CAGR of 23%/20%/25% over FY13–23—highest in the industry. APAT management has carefully transformed the company from an ERW player to a structural tubes player. The company has structured its working capital and improved OCF. Better OCF has helped in reducing its debt profile and, hence, improved return ratios.

Investment Theme

APAT has aggressively expanded its production capacity by a CAGR 20%-plus over the last ten years. It recently commissioned a state-of-the-art greenfield plant at Raipur, increasing its capacity to 3.6mtpa. The new Raipur plant with capacity of 1MTPA makes up 28% of its total capacity. Not only is it the biggest in terms of capacity and revenue potential, but the whole facility is dedicated towards futuristic products driving EBITDA by 33% CAGR over FY23-26E. Along with the new incremental capacity in Raipur, APAT also aims to boost capacity in east India. Also, in its capacity expansion endeavours, the company wishes to step foot in Dubai in its first international foray. APAT will also engage in some de-bottlenecking that will take its total capacity to ~5mtpa by FY25E. Furthermore, beyond FY25E, APAT plans to again double its capacity by FY30E to 10mtpa. The briskly increasing capacity is likely to drive company's volumes by 22% CAGR over FY24-27E. Furthermore, APL continues to increase the share of value-added products such as Apollo Tricoat, Apollo Z, Apollo Galv and now heavy and super-heavy structures, Color Coated products and tubes.

Key Risks

Slowdown in economy or steel sector: Any slowdown in GDP growth may affect user industries (construction, auto, real estate), which in turn would impact demand for steel pipes. This may hamper the pace of APAT's growth.

Fluctuations in steel prices: HR coil is the key raw material for manufacturing pipes. Any surge in its prices may hurt APAT's margins as it may not be able to pass on the increase completely. Similarly, a sharp dip in steel prices could lead to inventory

Additional Data

Management

Chairman & MD	Mr Sanjay Gupta
Joint MD	Mr Vinay Gupta
Joint MD & CEO	Mr Rahul Gupta
CFO	Mr Deepak Goyal
Auditor	Deloitte and Haskin Sells

Holdings – Top 10*

% Holding		% Holding	
Capital group	9.98	Kotak AMC	2.11
Kitara Pinn	6.59	DSP	1.99
New world fund	3.79	Goldman Sachs	1.03
Vanuguard	2.82	Canara Robeco A	0.84
Blackrock	2.26	FIL Ltd	0.80

*Latest public data

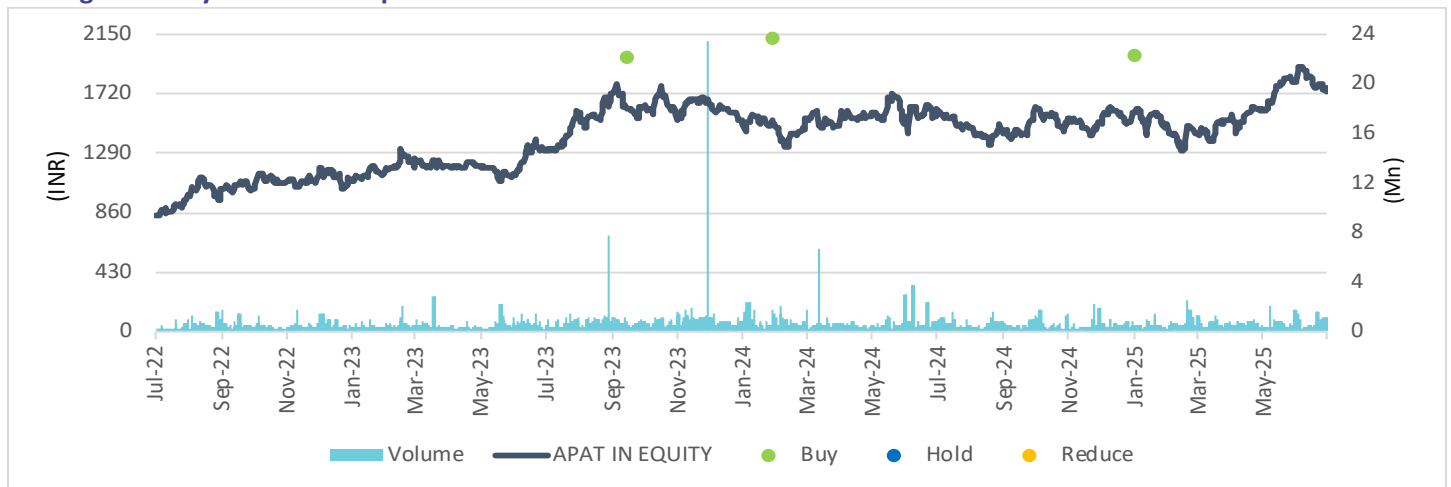
Recent Company Research

Date	Title	Price	Reco
07-May-25	Strong showing in weak environment; <i>Result Update</i>	1,663	Buy
01-Apr-25	Profitability boost; market share gain; <i>Company Update</i>	1,525	Buy
20-Jan-25	EBITDA/ton healthy; discount cooling off; <i>Result Update</i>	1,513	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
26-Jun-25	Home Decor	Liquidity squeeze; demand freezes; <i>Sector Update</i>
20-Jun-25	Home Decor	Demand muted; BIS, ADD key for growth; <i>Sector Update</i>
04-Jun-25	Home Decor	Pain continues; overcapacity hits margin; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	63
Reduce	<-5%	36

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