APL Apollo Tubes | ADD

Acquisition of Tata Steel's downstream business

APL Apollo Tubes (APL Apollo) has entered into definitive agreements to acquire Tata Steel's Tubes business for a consideration of up to INR 117bn and Tata Steel Colours Limited (TSCL) for INR 163bn, aggregating to a cash outgo of INR 280bn. Both transactions are subject to regulatory approvals and is expected to be completed by Mar28. While the acquisitions will expand APL Apollo's presence across steel tubes, colour-coated products and building solutions, the sizeable consideration raises concerns around funding requirements and potential balance sheet implications. We expect the announcement to weigh on near-term investor sentiment.

The details of the transactions are as follows:

- **Tubes business:** APL Apollo will acquire Tata Steel's Tubes business through a slump sale for a lump-sum cash consideration of up to INR 117bn. The business has aggregate installed capacity of ~1.8mt across four manufacturing locations – Jamshedpur, Hosur, Khopoli and Sahibabad – along with a network of tube manufacturing plants (TMPs). Its product portfolio includes structural tubes (Tata Structura), conveyance tubes (Tata Pipes), precision tubes and API pipes. The business reported FY26 sales volume of ~1.15mt, turnover of ~INR 114bn and net worth of ~INR 33bn. Tata Steel has outlined plans to increase the business's capacity to ~4mt by FY30.
- **Tata Steel Colours:** APL Apollo will acquire 100% equity stake in TSCL (formerly Tata BlueScope Steel Private Limited) for a cash consideration of INR 163bn. Tata Steel currently holds a 50% stake directly, with the remaining 50% held through its wholly owned subsidiary, Tata Steel Downstream Products Limited (TSDPL). Accordingly, the consideration will be split equally, with INR 81.5bn payable to each entity. TSCL operates in colour-coated steel products and building solutions and reported FY26 turnover of ~INR 47bn, net worth of ~INR 10.2bn and PAT of ~INR 850mn, implying a PAT margin of ~1.8%. Following completion, TSCL will become a wholly owned subsidiary of APL Apollo.
- Both transactions are cash consideration and subject to customary conditions and regulatory approvals, including CCI approval. These acquisitions are expected to be completed by 31 Mar'28.
- **Strategic Rationale:** The acquisitions will bring complementary businesses under one roof, enabling greater operating scale and wider distribution reach. The addition of colour-coated steel products and building solutions will broaden APL Apollo's portfolio beyond its existing structural steel tubes business, while the acquisition of Tata Steel's Tubes business will further consolidate its position in the tubes segment.
- **Our View:** While the transactions offer opportunities for operating scale, portfolio diversification and wider distribution reach, the sizeable acquisition warrants monitoring of funding requirements, balance sheet impact and potential synergies. Execution and integration will be key to watch out for. The total cash outgo of INR 280bn by APL Apollo appears too big to chew, in our view, as it is: i) ~50% of its market capitalisation; ii) ~12x its FY28E EBITDA; and iii) 7.5x–8x its combined EBITDA of INR 35–36bn (including estimated EBITDA of the acquired assets). At end-Sep'26, APL Apollo's net cash stood at ~INR 16.3bn. Factoring in the ongoing capex plan, we estimate FCF generation of ~INR 25bn over the next couple of years. Accordingly, we do not rule out the possibility of further transactions to meet funding requirements. Any equity funding could result in meaningful dilution (~28% promoter stake), while high leverage could lead to a gradual de-rating of the stock.

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	INR2,300
Upside/(Downside)	8.4%
Previous Price Target	INR2,300
Change	0.0%

Key Data – APAT IN	
Current Market Price	INR2,122
Market cap (bn)	INR589.1/USD6.4
Free Float (%)	64.4
Shares in issue (mn)	277.7
Diluted share (mn)	277.5
3-mon avg daily val (mn)	INR1,626.9/USD17.6
52-week range	INR2,312/1,690
Sensex/Nifty	83,920/25,801
INR/USD	92.7

Price Performance			
%	1M	6M	12M
Absolute	3.4	12.8	22.8
Relative*	-9.9	1.4	24.7

*To the NSE Nifty 50

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Exhibit 1: Key details of the business entities

INR mn	Tata Steel Tubes business	Tata Steel Colours Pvt. Ltd.	Combined	APL Apollo	
	FY26	FY26	FY26	FY26	1HFY27
Revenues	1,13,750	46,800	1,60,550	2,30,790	1,26,084
EBITDA - assumed	**7,963**	**3,276**	**11,239**	**18,018**	**9,891**
EBITDA margin (%) - assumed	**7.0%**	**7.0%**	**7.0%**	**7.8%**	**7.8%**
PAT		850		12,031	6,455
PAT margin (%)		1.8%		5.2%	5.1%
Net cash				15,300	16,300
NetWorth	32,740	10,160		5,29,650	5,74,030
Cash consideration	1,17,000	1,63,000	2,80,000		
Implied EV/E multiple (x)	14.7	49.8	24.9		

Source: Company, JM Financial

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

APAT – Recommendation history table

Date	Recommendation	Target Price	% Change
27-Oct-26	ADD	2,300	6.0
6-Oct-26	ADD	2,170	0.0
1-Oct-26	ADD	2,170	0.0
22-Sep-26	ADD	2,170	0.0
3-Aug-26	ADD	2,170	1.4
6-Jul-26	ADD	2,140	0.0
1-Jul-26	ADD	2,140	0.0
4-Jun-26	ADD	2,140	0.0
4-May-26	ADD	2,140	-2.7
10-Apr-26	ADD	2,200	-11.1
1-Apr-26	ADD	2,475	0.0
20-Feb-26	ADD	2,475	

APAT – Recommendation history chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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