

## Retail Equity Research

# APL Apollo Tubes Ltd.

**BUY**

Sector: Iron &amp; Steel Products

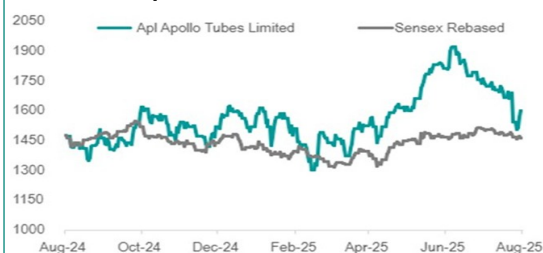
1<sup>st</sup> August, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 1,854
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid cap	APLAPOLLO:IN	80,600	APLAPOLLO	533758	12 Months
				<b>CMP</b>	<b>Rs. 1,591</b>
				<b>Return</b>	<b>+17%</b>

Data as of: 01-08-2025 16:00 hrs

Company Data			
Market Cap (Rs.cr)	44,161		
52 Week High — Low (Rs.)	1,935 - 1,253		
Enterprise Value (Rs. cr)	44,221		
Outstanding Shares (cr)	27.8		
Free Float (%)	65.1		
Dividend Yield (%)	0.4		
6m average volume (cr)	0.1		
Beta	0.9		
Face value (Rs. )	2.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	28.3	28.3	28.3
FII's	31.7	31.8	33.1
MFs/Institutions	16.5	16.7	16.8
Public	14.3	14.3	13.3
Others	9.2	8.9	8.5
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1%	8%	8%
Absolute Sensex	1%	6%	-1%
Relative Return	-2%	3%	9%

\*over or under performance to benchmark index



Y.E March (Rs.cr)	FY25A	FY26E	FY27E
Sales	20,690	23,703	28,316
Growth (%)	14.2	14.6	19.5
EBITDA	1,199	1,695	2,124
EBITDA Margin (%)	5.8	7.2	7.5
PAT Adjusted	757	1,099	1,428
Growth (%)	3.4	45.1	30.0
Adjusted EPS	27.3	39.6	51.5
Growth (%)	3.4	45.1	30.0
P/E	55.9	38.0	29.2
P/B	10.1	8.2	6.7
EV/EBITDA	35.3	24.6	19.4
ROE (%)	18.0	21.6	23.0
D/E	0.1	0.1	0.1

## Muted quarter; pickup expected in H2

APL Apollo Tubes Ltd (APAT) is a leading manufacturer of structural steel tubes, with an annual production capacity of 4.5mn ton. It has a distribution network spanning 29 cities in India and 20 countries globally. In Q1FY26, its sales mix comprised Apollo structural tubes (~64%), Apollo Z (~32%) and Apollo Galv (~4%), catering to a diverse range of customers and applications.

- During Q1FY26, APAT's revenue from operations reached Rs. 5,170cr, marking a 3.9% YoY increase, driven by strong volumes.
- Sales volume for Q1FY26 totaled 794,000 tons, representing a 10.1% YoY increase. However, this growth was sequentially muted due to the lingering effects of a challenging macroeconomic landscape, geopolitical uncertainties and an early monsoon season.
- EBITDA saw a 23.3% YoY increase, reaching Rs. 372cr. Margins expanded to 7.2%, a 110bps YoY improvement, driven by a more favourable product mix and the successful execution of de-commoditisation of the product portfolio.
- Reported profit after tax surged 22.8% YoY to Rs. 237cr, fuelled by enhanced operational efficiency and a modest 3.5% increase in non-operating income, partially tempered by a rise in interest expenses.

## Outlook & Valuation

The industry outlook is promising, driven by government infrastructure initiatives and growing demand for structural steel. Volume growth is expected to rise, driven by capacity expansions, demand recovery from railways, aviation & real estate infrastructure projects, new product launches and exports. Margins are also anticipated to improve through cost optimisation and a rising share of value-added products. Despite a slow start to FY26, a rebound is expected in H2FY26, fuelled by post-monsoon demand and government spending. With an improving product mix and operating leverage benefits, APAT is well-positioned for sustainable growth momentum. Therefore, **we reiterate our BUY rating on the stock, based on 36x P/E on FY27E adjusted earnings per share (EPS), with a target price of Rs. 1,854.**

## Quarterly Financials Consolidated

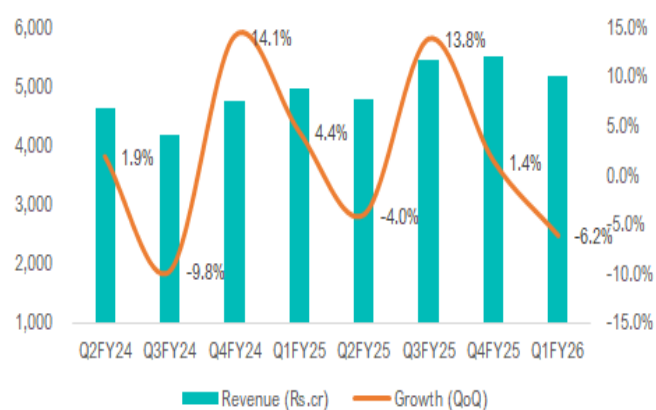
Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	5,170	4,974	3.9	5,509	-6.2
EBITDA	372	302	23.3	414	-10.1
Margin (%)	7.2	6.1	110bps	7.5	-30bps
EBIT	318	255	24.5	356	-10.8
PBT	310	252	23.0	359	-13.6
Rep. PAT	237	193	22.8	293	-19.1
Adj PAT	237	193	22.8	293	-19.1
Adj. EPS (Rs)	8.5	7.0	22.8	10.6	-19.1



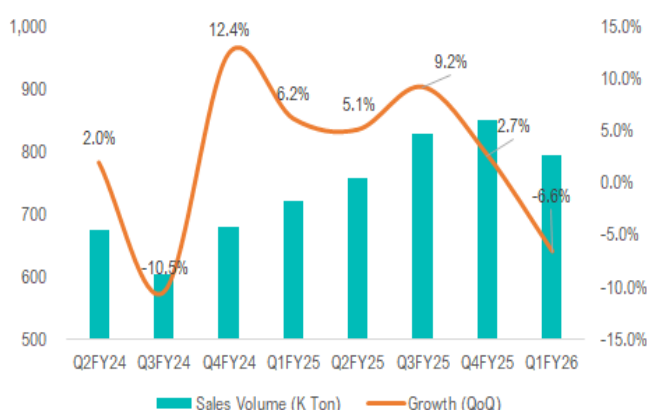
## Key concall highlights

- As part of its strategic growth plans, the company is pursuing an ambitious capacity expansion program to increase its production capacity from 4.5mn tons to 6.8mn tons over the next two to three years.
- Out of this 2.3mn tons capacity expansion, 0.8mn tons will be brownfield expansion, which includes augmenting production in Dubai by 0.2mn tons and Raipur by 0.5mn tons for roofing sheets, an additional 0.1mn tons for heavy pipes, a greenfield expansion of 1.0mn tons across new facilities in Gorakhpur (0.2mn tons), Kolkata (0.3mn tons) and Bhuj (0.3mn tons) and a new site in Malur (0.36mn tons), which include shifting of an existing 0.16mn tons production line. In addition, the company is developing a 0.5mn tons specialty tube manufacturing capacity.
- Following a slower-than-expected volume growth in Q1FY26, APAT has revised its FY26 guidance, now anticipating volume growth of 10-15%, down from its initial projection of 15-20%, and it expects its EBITDA margin guidance to be in the range of Rs. 4,600 to Rs. 5,000 per ton for FY26.
- After successfully quadrupling its sales through Shankara over the past 3-3.5 years, APAT has decided to completely divest its stake, as it does not see any strategic benefits in continued ownership.

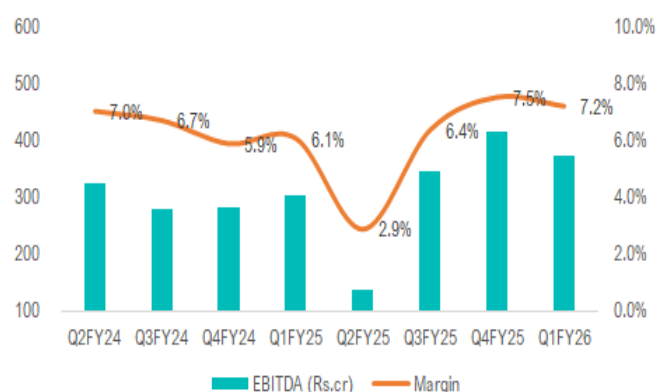
## Revenue



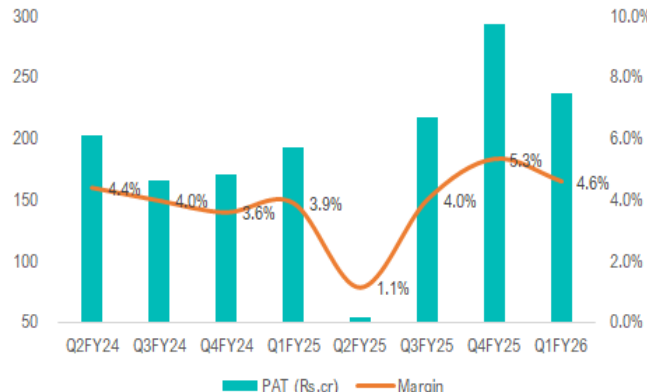
## Sales Volume (K ton)



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	26,133	31,031	23,703	28,316	-9.3	-8.8
EBITDA	1,790	2,296	1,695	2,124	-5.3	-7.5
Margins (%)	6.9	7.4	7.2	7.5	30bps	10bps
Adj. PAT	1,207	1,583	1,099	1,428	-9.0	-9.7
EPS	43.5	57.0	39.6	51.5	-9.0	-9.7



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Sales</b>	<b>16,166</b>	<b>18,119</b>	<b>20,690</b>	<b>23,703</b>	<b>28,316</b>
% change	23.8	12.1	14.2	14.6	19.5
<b>EBITDA</b>	<b>1,022</b>	<b>1,192</b>	<b>1,199</b>	<b>1,695</b>	<b>2,124</b>
% change	8.1	16.7	0.6	41.3	25.3
Depreciation	138	176	201	224	255
<b>EBIT</b>	<b>883</b>	<b>1,016</b>	<b>998</b>	<b>1,471</b>	<b>1,869</b>
Interest	67	113	133	121	103
Other Income	47	75	96	115	138
<b>PBT</b>	<b>863</b>	<b>978</b>	<b>960</b>	<b>1,465</b>	<b>1,904</b>
% change	3.7	13.3	-1.8	52.5	30.0
Tax	221	245	203	366	476
Tax Rate (%)	25.7	25.1	21.2	25.0	25.0
<b>Reported PAT</b>	<b>642</b>	<b>732</b>	<b>757</b>	<b>1,099</b>	<b>1,428</b>
<b>PAT att. to common shareholders</b>	<b>642</b>	<b>732</b>	<b>757</b>	<b>1,099</b>	<b>1,428</b>
Adj.*	-	-	-	-	-
<b>Adj. PAT</b>	<b>642</b>	<b>732</b>	<b>757</b>	<b>1,099</b>	<b>1,428</b>
% change	3.7	14.1	3.4	45.1	30.0
No. of shares (cr)	27.7	27.8	27.8	27.8	27.8
<b>Adj EPS (Rs.)</b>	<b>23.1</b>	<b>26.4</b>	<b>27.3</b>	<b>39.6</b>	<b>51.5</b>
% change	-6.4	14.0	3.4	45.1	30.0
DPS (Rs.)	5.0	5.5	5.8	8.3	10.8

### Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>780</b>	<b>908</b>	<b>958</b>	<b>1,323</b>	<b>1,683</b>
Non-cash adj.	59	83	82	67	49
Other adjustments					
Changes in W.C	-147	124	173	-60	-138
<b>C.F. Operation</b>	<b>691</b>	<b>1,116</b>	<b>1,213</b>	<b>1,330</b>	<b>1,594</b>
Capital exp.	-842	-662	-651	-830	-849
Change in inv.	-39	-293	211	-55	-65
Other invest.CF	6	39	66	54	55
<b>C.F - Investment</b>	<b>-876</b>	<b>-916</b>	<b>-375</b>	<b>-831</b>	<b>-860</b>
Issue of equity	3	3	-	-	-
Issue/repay debt	290	259	-514	-55	-55
Dividends paid	-88	-139	-153	-232	-301
Other finance.CF	-62	-96	-149	-121	-103
<b>C.F - Finance</b>	<b>143</b>	<b>27</b>	<b>-815</b>	<b>-408</b>	<b>-459</b>
Chg. in cash	-41	226	24	92	274
<b>Closing Cash</b>	<b>352</b>	<b>348</b>	<b>575</b>	<b>667</b>	<b>941</b>

### Balance Sheet

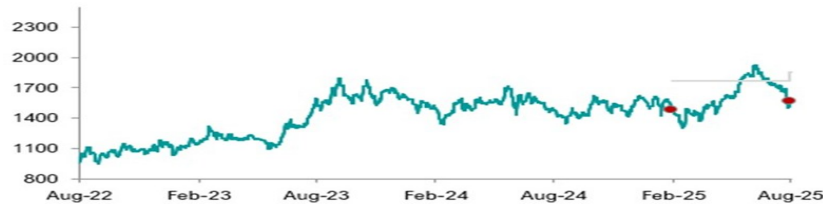
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	352	348	575	667	941
Accts. Receivable	137	139	267	292	317
Inventories	1,480	1,638	1,623	1,827	2,113
Other Cur. Assets	588	1,217	718	857	1,271
Investments	96	103	126	181	246
Gross Fixed As-sets	3,001	3,838	4,489	5,318	6,168
Net Fixed Assets	2,442	3,141	3,528	4,066	4,580
CWIP	374	203	336	403	483
Intangible Assets	139	140	140	140	140
Def. Tax -Net	7	10	14	16	19
Other Assets	237	249	269	286	303
<b>Total Assets</b>	<b>5,852</b>	<b>7,187</b>	<b>7,596</b>	<b>8,734</b>	<b>10,415</b>
Current Liabilities	1,715	2,157	2,424	2,782	3,327
Provisions	22	26	30	31	32
Debt Funds	873	1,125	615	560	505
Other Liabilities	236	274	318	286	348
Equity Capital	55	56	56	56	56
Res. & Surplus	2,950	3,549	4,153	5,020	6,148
Shareholder Funds	3,006	3,605	4,209	5,076	6,203
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,852</b>	<b>7,187</b>	<b>7,596</b>	<b>8,734</b>	<b>10,415</b>
<b>BVPS</b>	<b>108</b>	<b>130</b>	<b>152</b>	<b>183</b>	<b>224</b>

### Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	6.3	6.6	5.8	7.2	7.5
EBIT margin (%)	5.5	5.6	4.8	6.2	6.6
Net profit mgn.(%)	4.0	4.0	3.7	4.6	5.0
ROE (%)	21.4	20.3	18.0	21.6	23.0
ROCE (%)	22.8	21.5	20.7	26.1	27.9
<b>W.C &amp; Liquidity</b>					
Receivables (days)	3.1	2.8	4.7	4.5	4.1
Inventory (days)	38.5	38.3	33.2	32.9	32.1
Payables (days)	41.6	46.3	45.6	46.1	46.7
Current ratio (x)	1.2	1.3	1.2	1.2	1.3
Quick ratio (x)	0.2	0.2	0.3	0.3	0.4
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	6.3	5.3	5.0	4.8	4.9
Total asset T.O (x)	3.1	2.8	2.8	2.9	3.0
Int. covge. ratio (x)	13.2	9.0	7.5	12.1	18.1
Adj. debt/equity (x)	0.3	0.3	0.1	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	2.1	2.3	2.0	1.8	1.5
EV/EBITDA (x)	33.2	35.5	35.3	24.6	19.4
P/E (x)	52.0	56.7	55.9	38.0	29.2
P/BV (x)	11.1	11.5	10.1	8.2	6.7



## Recommendation Summary - (last 3 years)



Dates	Rating	Target
30-Jan-25	BUY	1,768
01-Aug-25	BUY	1,854

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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