

APL Apollo Tubes

Healthy margin focus to offset volume loss

We maintain ADD on APL Apollo Tubes Ltd (APAT) with an unchanged target price of INR 2,070 (35x FY28E adj EPS). APAT has delivered very strong performance over the past 10/5 years: Volume grew at 15/16% CAGRs and EBITDA at robust 20/22% CAGRs during the same period. The recent spike in commodity/building material prices has impacted volume offtake for APAT which we expect to be flattish YoY in Q1FY27. However, the management has offset the impact through focus on VAP sales, which should keep its margin buoyant and stable QoQ at ~INR 5500/MT, as per its recent guidance. We estimate that, with the West Asia turmoil getting resolved, APAT's volume growth will accelerate in subsequent quarters. We estimate the company will deliver 14/14% volume/EBITDA CAGRs during FY26-28E, riding on continued capacity expansion, strong distribution, and focus on VAP sales.

- Trends in Q1FY27:** Overall, demand trajectory has been muted in the quarter owing to rising prices of steel and other building materials, as per our channel check and as per management guidance in the Q4FY26 con call. The dealer network has gone light on their channel inventory. Hence, both primary and secondary demand has suffered. For APAT's UAE operations, there has been a recovery in production and sales run rate vs disruption seen during the month of Mar'26. In India, APAT's Q4 sales were hit by gas supply, which was normalized by the end of Mar'26. Hence, in Q1FY27, APAT plants are not facing any issue with gas supplies. The management had earlier noted that amid subdued demand, its focus has been mostly on premium product sales and it remains confident of delivering unitary margin of ~INR 5.5k/MT (flattish QoQ, >15% YoY). While we expect APAT to deliver flattish volume growth YoY in Q1FY27, better margin should drive up profitability.
- Outlook:** APAT has delivered 15/16% volume CAGR in the past 10/5 years. It also delivered 20/22% EBITDA CAGR in the same period, driven by its robust volume offtake, rising SKUs offerings, and VAP share. In the Q4FY26 con call, the management guided to deliver 15-20% volume growth in FY27, along with achieving EBITDA/APAT growth of 20-25%/25-30% respectively. With the West Asia turmoil easing off, we expect cool-off in commodity prices in H2FY27. This in turn should accelerate volume growth Q2FY27 onward as against muted offtake in Q1FY27. Focus on VAP sales and cost efficiencies should help the company derive ~14/14% volume/EBITDA CAGRs during FY26-28E period, in our view.
- Capex on track:** APAT's capacity grew at 14/14% CAGR in the past 10/5 years to 5mn MT in FY26. It is further expanding its capacity to 8mn MT by FY28. The upcoming ~3mn MT expansion during FY27-28E comprises a mix of greenfield capacity (east, west, and south), brownfield expansion in the east, and debottlenecking across plants. Eastern expansions should improve regional penetration, where APAT currently has a lower sales share. The western capacity addition at Bhuj, along with ramp-up of the UAE facility, supports the company's push to increase overseas sales. Collectively, these initiatives should sustain strong volume momentum while protecting APAT's dominant market share. APAT is well placed to fund the requisite capex outgo (~INR 11bn during FY27-28E) toward these projects through internal accruals and net cash on the book will further increase. APAT has plans to further scale its capacity toward ~10mn MT by FY30E.

ADD

CMP (as on 23 Jun 2026)	INR 1,837
Target Price	INR 2,070
NIFTY	23,824

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,070	INR 2,070
EBITDA revision %	FY27E 0.0	FY28E 0.0

KEY STOCK DATA

Bloomberg code	APAT IN
No. of Shares (mn)	278
MCap (INR bn) / (\$ mn)	510/5,384
6m avg traded value (INR mn)	1,520
52 Week high / low	INR 2,301/1,492

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(18.2)	4.1	6.5
Relative (%)	(10.4)	13.8	12.6

SHAREHOLDING PATTERN (%)

	Dec-25	Mar-26
Promoters	28.27	28.25
FIs & Local MFs	19.91	16.05
FPIs	33.12	37.52
Public & Others	18.70	18.18
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Key operating metrics- consolidated

	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales Volume (mn MT)	1.64	1.76	2.28	2.62	3.16	3.49	3.91	4.54
YoY change (%)	0.4	7.0	29.9	14.9	20.6	10.5	12.0	16.0
NSR (INR/MT)	51,828	74,435	70,934	69,209	65,508	66,110	69,944	68,825
Raw materials (INR/MT)	43,688	63,949	61,549	59,653	56,582	55,884	59,628	58,614
Energy cost (INR/MT)	626	888	954	982	1,014	918	918	899
Logistics cost (INR/MT)	1,638	2,257	2,081	1,944	2,056	1,860	1,879	1,879
Employee cost (INR/MT)	790	872	905	984	1,053	1,061	1,042	988
Other cost (INR/MT)	947	1,082	964	1,093	1,007	1,226	1,313	1,302
Total op cost (INR/MT)	47,689	69,049	66,452	64,655	61,712	60,949	64,780	63,683
Unit EBITDA (INR/MT)	4,138	5,386	4,482	4,554	3,796	5,161	5,164	5,142

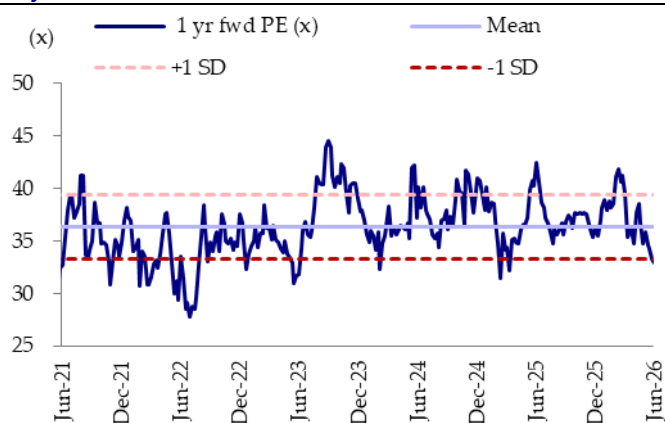
Source: Company, HSIE Research

Estimates revision: No change

INR Bn	FY27E New	FY28E New	FY27E Old	FY28E Old
Net sales	273.5	312.2	273.5	312.2
EBITDA	20.2	23.3	20.2	23.3
Adj PAT	13.8	16.4	13.8	16.4
AEPS (INR/sh)	50	59	50	59

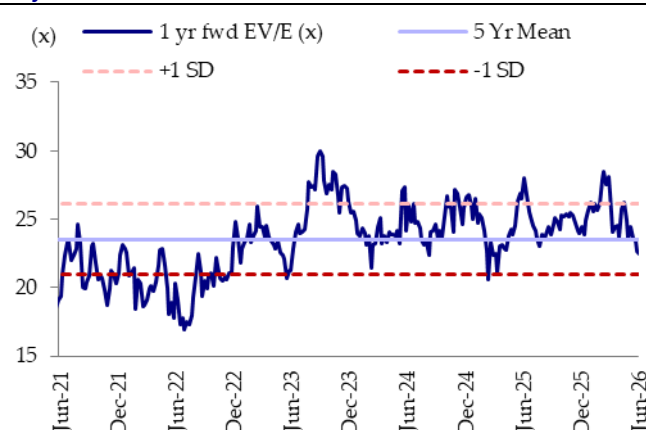
Source: Company, HSIE Research

1 year forward P/E trend



Source: Company, HSIE Research

1 year forward EV/EBITDA trend



Source: Company, HSIE Research, Bloomberg

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenues	161,660	181,188	206,895	230,790	273,477	312,157
<i>Growth %</i>	<i>23.8</i>	<i>12.1</i>	<i>14.2</i>	<i>11.5</i>	<i>18.5</i>	<i>14.1</i>
Raw Material	140,270	156,172	178,702	195,090	233,140	265,845
Power & Fuel	2,174	2,570	3,203	3,203	3,588	4,079
Freight Expense	4,742	5,088	6,494	6,494	7,346	8,522
Employee cost	2,062	2,576	3,325	3,705	4,076	4,483
Other Expenses	2,197	2,860	3,181	4,279	5,135	5,905
EBITDA	10,216	11,922	11,990	18,018	20,192	23,324
<i>EBITDA Margin (%)</i>	<i>6.3</i>	<i>6.6</i>	<i>5.8</i>	<i>7.8</i>	<i>7.4</i>	<i>7.5</i>
<i>EBITDA Growth %</i>	<i>8.1</i>	<i>16.7</i>	<i>0.6</i>	<i>50.3</i>	<i>12.1</i>	<i>15.5</i>
Depreciation	1,383	1,759	2,013	2,309	2,474	2,823
EBIT	8,832	10,162	9,977	15,709	17,718	20,500
Other Income	472	749	961	1,119	1,425	1,363
Interest	671	1,134	1,333	1,254	1,061	363
PBT	8,633	9,777	9,604	15,574	18,082	21,500
Tax	2,215	2,453	2,034	3,543	4,249	5,053
Minority Int	-	-	-	-	-	-
RPAT	6,419	7,324	7,571	12,031	13,833	16,448
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
Adj PAT	6,419	7,324	7,571	12,031	13,833	16,448
<i>Adj PAT Growth (%)</i>	<i>15.2</i>	<i>14.1</i>	<i>3.4</i>	<i>58.9</i>	<i>15.0</i>	<i>18.9</i>
AEPS	23.1	26.4	27.3	43.3	49.8	59.3
<i>AEPS Growth %</i>	<i>3.9</i>	<i>14.0</i>	<i>3.4</i>	<i>58.9</i>	<i>15.0</i>	<i>18.9</i>

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital	555	555	555	555	555	555
Reserves And Surplus	29,501	35,491	41,532	52,410	61,401	72,092
Total Equity	30,056	36,046	42,087	52,965	61,956	72,647
Minority Int	-	-	-	-	-	-
Long-term Debt	4,081	8,056	4,281	3,015	409	409
Short-term Debt	4,649	3,386	2,063	1,962	1,042	1,042
Total Debt	8,730	11,443	6,344	4,977	1,452	1,452
Deferred Tax Liability	1,171	1,258	1,530	1,798	1,798	1,798
Long-term Liab+ Provisions	1,405	1,554	1,763	1,865	1,865	1,865
TOTAL SOURCES OF FUNDS	41,363	50,300	51,724	61,605	67,072	77,763
APPLICATION OF FUNDS						
Net Block	25,805	32,810	36,679	40,604	41,130	50,307
Capital WIP	3,740	2,030	3,355	3,282	5,282	(718)
Other Non-current Assets	2,434	2,588	2,087	2,920	2,920	2,922
Total Non-current Investments	960	1,027	1,178	485	485	485
Total Non-current Assets	32,939	38,454	43,300	47,292	49,818	52,996
Inventories	14,799	16,379	16,232	14,453	24,613	28,094
Debtors	1,374	1,391	2,673	3,507	3,282	3,746
Cash and Cash Equivalents	6,295	11,406	9,262	20,362	17,033	24,468
Other Current Assets (& Loans/adv)	3,110	4,237	4,497	2,719	2,719	2,719
Total Current Assets	25,578	33,414	32,663	41,041	47,647	59,027
Creditors	15,970	19,816	22,312	23,683	27,348	31,216
Other Current Liabilities & Provns	1,184	1,752	1,926	3,045	3,045	3,045
Total Current Liabilities	17,154	21,568	24,238	26,728	30,392	34,260
TOTAL APPLICATION OF FUNDS	41,363	50,300	51,724	61,605	67,072	77,763

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Reported PBT	8,633	9,777	9,604	15,574	18,082	21,500
Non-operating & EO Items	(139)	(617)	(613)	(568)	(1,425)	(1,363)
Interest Expenses	671	1,134	1,333	1,254	1,061	363
Depreciation	1,383	1,759	2,013	2,309	2,474	2,823
Working Capital Change	(1,475)	1,242	1,728	5,447	(6,271)	(79)
Tax Paid	(2,161)	(2,180)	(1,875)	(2,983)	(4,249)	(5,053)
OPERATING CASH FLOW (a)	6,913	11,116	12,190	21,032	9,672	18,192
Capex	(8,424)	(6,618)	(6,571)	(6,520)	(5,000)	(6,000)
Free Cash Flow (FCF)	(1,511)	4,497	5,620	14,512	4,672	12,192
Investments	(393)	(2,931)	2,108	(7,925)	-	-
Non-operating Income	59	393	658	508	1,425	1,363
INVESTING CASH FLOW (b)	(8,757)	(9,156)	(3,805)	(13,938)	(3,575)	(4,637)
Debt Issuance/(Repaid)	2,896	2,565	(5,151)	(1,624)	(3,525)	-
Interest Expenses	(614)	(941)	(1,472)	(1,164)	(1,061)	(363)
FCFE	771	6,122	(1,003)	11,724	87	11,829
Share Capital Issuance	27	28	-	0	-	-
Dividend	(875)	(1,387)	(1,526)	(1,596)	(4,842)	(5,757)
FINANCING CASH FLOW (c)	1,434	266	(8,149)	(4,384)	(9,427)	(6,120)
NET CASH FLOW (a+b+c)	(410)	2,225	236	2,710	(3,330)	7,435
Closing Cash & Equivalents	3,404	8,519	11,642	11,972	17,033	24,468

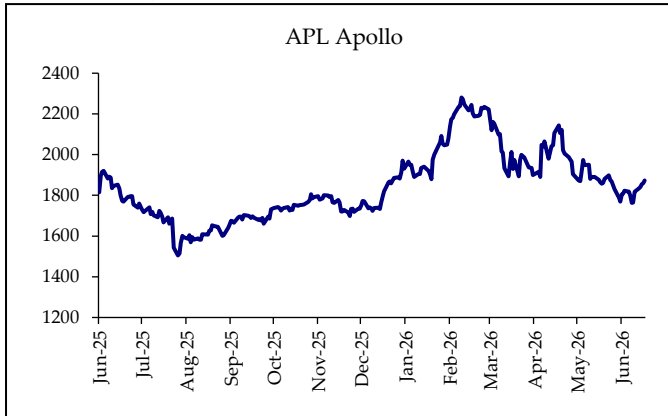
Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY %						
EBITDA Margin	6.3	6.6	5.8	7.8	7.4	7.5
EBIT Margin	5.5	5.6	4.8	6.8	6.5	6.6
APAT Margin	4.0	4.0	3.7	5.2	5.1	5.3
RoE	23.5	22.2	19.4	25.3	24.1	24.4
RoIC (pre-tax)	32.1	29.8	26.3	40.8	42.8	41.5
RoCE (pre-tax)	25.2	23.8	21.4	29.7	29.8	30.2
EFFICIENCY						
Tax Rate %	25.7	25.1	21.2	22.7	23.5	23.5
Fixed Asset Turnover (x)	6.0	5.1	4.9	4.7	5.1	5.1
Inventory (days)	33	33	29	23	33	33
Debtors (days)	3	3	5	6	4	4
Other Current Assets (days)	13	14	12	9	8	7
Payables (days)	36	40	39	37	37	37
Other Current Liab & Provns (days)	6	7	7	8	7	6
Cash Conversion Cycle (days)	7	3	(1)	(8)	2	2
Net Debt/EBITDA (x)	0.2	0.0	(0.2)	(0.9)	(0.8)	(1.0)
Net D/E	0.1	0.0	(0.1)	(0.3)	(0.3)	(0.3)
Interest Coverage	13.2	9.0	7.5	12.5	16.7	56.5
PER SHARE DATA (Rs)						
EPS	23.1	26.4	27.3	43.3	49.8	59.3
CEPS	28.1	32.7	34.5	51.7	58.8	69.4
Dividend	5.0	5.5	5.8	8.5	17.4	20.7
Book Value	108	130	151.6	190.8	223.2	261.7
VALUATION						
P/E (x)	65.6	57.5	55.6	41.5	37.0	31.1
P/Cash EPS (x)	53.9	46.3	43.9	34.8	31.4	26.6
P/BV (x)	14.0	11.7	10.0	9.4	8.3	7.0
EV/EBITDA (x)	41.2	35.2	34.7	26.8	24.4	21.0
EV/Sales (x)	2.6	2.3	2.0	2.1	1.8	1.6
Dividend Yield (%)	0.3	0.30	0.3	0.5	0.9	1.1

Source: Company, HSIE Research

Price History



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

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