

Performance Review for Q4FY22 vs Q4FY21

Important Statistics

- Healthy traction in revenue led by higher proportion of value added products (60% in Q4FY22 vs 57% in Q4FY21)
- Increase in volume 27% YoY
- Sales increased by 63% to ₹42.2bn
- EBITDA per ton was ₹4,823 (increase by 2% YoY), ₹5,386 for FY22 (30% yoy increase)
- Net Profit increased by 37% YoY to ₹1.6bn
- **NCLT approval for merger with Apollo Tricoat expected in May'22**

M.CAP (₹ bn)	₹229.02
52 Week H/L (₹)	1,114.55 / 611.50
NSE Code	APLAPOLLO
BSE Code	533758

Key Concall Highlights

- **Business Strategy**
 - **Going ahead APL would be adopting following business strategy to achieve the sales volume guidance of 4 million tonnes by FY25:**
 - a) Continous capex for value addition
 - b) Distribution enhancement through investment in Shankara Building Products and secondary sales to penetrate deeper into market
 - c) Focus on innovation by investing resources into new innovative products
 - d) Efforts on the market creation.

○ **Volume & EBITDA**

- a) The company has refrained from giving any volume guidance for FY23 due to continous volatility in steel prices leading to destocking/restocking among dealers.
- b) However as per internal strategy, volume guidance given is almost similar to what has been given in previous quarter.
- c) The company has given robust volume growth guidance of ~25% CAGR over FY21-25E.

	FY23E	FY24E	FY25E
Volume Guidance (Mn tonne)	~2.4-2.5	~3.2	4

- d) With commencement of Raipur plant in H1FY23, it intends to achieve volume of 0.3-0.4 million tonnes mainly from colour coated tubes.
It has been able to successfully create new market by replacing conventional construction products like wood, alluminium,etc
- e) The company saw expansion in EBITDA per ton due to brand premium and better product mix in favour of value added products. Going forward, the company expects to clock EBITDA/ton in the range of ₹4,500-5,000.

➤ **Working Capital & Return Ratios**

- The company has been able to sustain working capital cycle at 7 days as guided in single digit. The management expects to sustain this in coming times with better inventory management and debtor collection.

- Higher OCF generated led by Cash and Carry Model has made balance sheet stronger. This aided to absorb increase in steel prices (45% yoy) without stretching balance sheet and also to fund ongoing capex at Raipur plant.
- Inherent strength of business reflected in better asset turnover, high margin products and low working capital which resulted in high ROCE at ~34%. The company intends to sustain the return ratios and improve further by sweating assets at upcoming Raipur plant.

➤ **Shankara Investment Rationale**

- It intends to sell more of company's products to increase volume through shankara network and channel.

	Southern Market	Shankara Channel
Volumes-FY22	~5.8-5.9 lac	~1 lac
Volumes-FY23E	~7 lac	~2.5 lac

- It will provide ready platform to launch new products and will create the market.
- It will help in better pricing policy in southern markets since volumes are already secured by the largest distributor eventually leading to positive impact on margins.
- It doesn't intend to increase any stake beyond 9.99% and run shankara or any retail kind of business.

➤ **B2C Tech App**

- APL mobile application -Aalishaan was launched in Feb'22 with an endeavour to reach the end consumer. So far company has seen 45k downloads from end consumer and 25k fabricators enrolled from 110 cities.
- The idea is to create a network of fabricators who are actually influencer of APL products so that they become the promoter of APL Apollo brand in front of the customer.
- This will help company to improve brand equity and help to command more premium going forward.

View

The company ended FY22 on a high note with highest ever volumes, EBITDA/ton and robust return ratios despite challenging macro environment. Meanwhile, upcoming Raipur plant is worth noticing which will not only push volumes but will be rolling out highly specialised value added products carrying higher margins.

The management agility is highly appreciable with adoption to newer technologies, processes and newer products which will aid in reduction in cost, increase capacity and improve overall product mix. Resultant helping company not only to edge out domestic players but global competition.

The key risk would be volatility in steel prices which may impact volumes in near term due to dealer de-stocking.

Overall we remain positive on stock and we continue to re-iterate our stance on the company as a classic buy on dip stock for a long term portfolio rather than sell on rally.

Financial Performance

(₹ mn)

Profit & Loss	Q4FY22	Q4FY21	% YoY	Q3FY22	% QOQ	FY22	FY21	% YoY
Revenue	42,147	25,870	63%	32,304	30%	1,30,633	84,998	54%
EBITDA	2,661	2,064	29%	2,023	32%	9,452	6,787	39%
EBITDA/Ton	4,823	4,742	2%	5,023	-4%	5,386	4,138	30%
Depreciation	279	275	1%	272	3%	1,090	1,028	6%
Interest	101	143	-29%	109	-7%	445	661	-33%
Tax	625	428	46%	442	41%	2,133	1,381	54%
Profit after Tax	1,766	1,344	31%	1,279	38%	6,190	4,077	52%
Minority Interest	136	152	-11%	123	11%	617	475	30%
Net Profit	1,630	1,192	37%	1,156	41%	5,573	3,602	55%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement APL Apollo Tubes Ltd. as on May 18, 2022

Name of the Security	APL Apollo Tubes Ltd.
Name of the analyst	Harshil Gandhi
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	Yes
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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