

27th January 2021

CMP – ₹942/-

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Performance Review for Q3FY21 vs Q3FY20

- Quarterly performance was robust with strong guidance on volume growth
- Sales increased by 23% to ₹26bn
- EBITDA increased by 45% to ₹2.3bn
- EBITDA per ton was ₹4,780 (increase by 43% YoY)
- Net Profit increased by 78% YoY to ₹1.3 Bn
- Interest Cost declined by 48% to ₹147 Mn
- Net Debt declined to ₹2bn from ₹7.9bn in FY20

Important Statistics

M.CAP (₹ Cr)	₹11,551.27
52 Week H/L (₹)	989.95/205.00
NSE Code	APLAPOLLO
BSE Code	533758

Key Highlights

- APL Apollo Tubes Ltd has posted an all-round performance in the third quarter of the current fiscal:
 - With sharp improvement in EBITDA per ton,
 - Healthy traction in revenue led by higher proportion of value added products and
 - Decline in net debt led by strong generation of free cash flows (FCF).
- The company has hit 52 week high of ₹987.9 and the strong Q3 justifies the run up in the stock- up ~50% in the past three months.
- This optimism led rally is well accentuated by strong volume growth guidance of 20% for FY22.

Key Concall Highlights

- **EBITDA**
 - The company saw expansion in EBITDA per ton due to:
 - a) It was successfully able to pass on the cost to the consumer- This is reflected in increase in selling price by ₹7,800 per ton vis-à-vis ₹6,600 increase in raw material cost per ton.
 - b) Cost control measures-It is working on three areas- reducing its logistics, power and freight cost.
 - c) Brand equity premium
 - The company continues to focus on value addition/de-commoditizing of product portfolio. The same is reflected in product mix of 60:40 in favor of value added products as compared to 40% earlier.
 - Higher proportion of value added products and improving its capacity utilisation along with cost reduction of ₹100-200/ton should help the company to maintain EBITDA/ton of ₹4000-4500 going ahead.
- **Volume & Capacity Addition**
 - The company has given volume growth guidance of 20% for FY22.

The company has been able to sustain market share due to supply chain disruption and raw material shortages with smaller peers. Moreover the

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company is seeing pull demand for its products due to new construction and renovation across markets.

The strong buoyancy in rural economy is captured by further expansion in rural areas.

- Given the strong rebound in previous two quarters, the company is accelerating capex at Raipur plant to reach 3 mn capacity by the end of FY22. Color coated tubes and heavy structural tubes would be the new addition to product portfolio.

The capex will be funded from internal cash flows with ₹200-300Cr of capex on yearly basis- guided by the management.

The company currently intends to add only value added product lines; it may go for outsourcing model if there is robust demand for the existing commoditized products.

➤ Working Capital & Net Debt

- The company has the best net working capital cycle in building material industry which has come down to 8 days as compared to 25 days at the start of the fiscal. The management expects to sustain this in coming times and is targeting more squeeze on this number going forward.
- Higher FCF generated led by Cash and Carry Model has resulted in reduction in net debt to ₹2bn from ₹7.9bn at the start of the fiscal. Correspondingly interest cost also declined 48% YoY to ₹147mn.

The management aims to reduce debt further going ahead.

View

The management is increasingly getting confident about demand for its products and continues to invest in value added products.

The company has seen sharp re-rating in PE multiples in last three quarters, however, investors should acknowledge that the investment thesis of APL has transformed significantly during the same period in terms of product mix, market share gains and reduction in debt.

We re-iterate our stance on the company as a classic buy on dip stock for a long term portfolio rather than sell on rally. **We recommend investors to Add on Decline.**

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Quarterly Performance

(₹ mn)

Profit & Loss	Q3FY21	Q3FY20	% YoY	Q2FY21	% QOQ
Revenue	26,009	21,159	23%	22,021	18%
EBITDA	2,321	1,605	45%	1,691	37%
EBITDA/Ton	4,780	3,343	43%	3,514	36%
Depreciation	262	262	0%	251	4%
Interest	147	280	-48%	159	-8%
Tax	507	277	83%	356	42%
Profit after Tax	1,488	833	79%	1,026	45%
Minority Interest	167	90	86%	105	59%
Net Profit	1,320	743	78%	921	43%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement APL Apollo Tubes Ltd. as on January 27, 2021

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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