

# APL Apollo Tubes Ltd.

Sensex	39614
Nifty	11642

## Key Stock Data

CMP	₹3145.85
Market Cap (₹ Crs)	₹7,745.70
52W High/Low	₹3214/1025
Shares o/s (Crs)	~2.49

Bloomberg	APAT:IN
NSE Code	APLAPOLLO
BSE Code	533758

## Shareholding Pattern (%)

Promoters	39.5
DII's	13.5
Public & Others	37.0

## Performance Review for Q2FY21 vs. Q2FY20

1. Quarterly performance was robust with strong guidance on volume growth
2. Sales Volume increased by 32% to ~481k tons
3. EBITDA increased by 135.4% to ₹1,694mn
4. EBITDA per ton was ₹3,514 (increase by 77% YoY)
5. Interest Cost declined by 41% to ₹159mn
6. Net Debt declined to ₹2,970mn from ₹7,881mn in FY20

## Key Highlights

1. APL Apollo Tubes Ltd has hit 52 week high of ₹3,214 and the strong Q2 numbers justifies the run up in the stock- up ~70% in the past three months.
2. Given the strong commentary in Q1 about volume growth, the street was optimistic going into Q2 earnings. This optimism led rally was accentuated with strong volume growth of ~32% in Q2FY21 released by the company in pre-quarterly update.
3. The second quarter delivered robust performance with healthy traction in revenue (34% YoY) led by superior volume growth, sharp improvement in EBITDA per ton and strong commentary about demand and volume growth for its products.

## Key Concall Highlights

1. The company has given strong volume guidance for its value added products in the range of 40-45% which forms 45% of overall product mix whereas for base products which forms balance 55% guidance is high single digit.
2. The company intends to increase EBITDA per ton from ₹3500 to ₹4000 in near term and ultimately reach to ₹5000 per ton. The management stated that it can command premium pricing because of branding as well as rationalize freight cost to achieve higher EBITDA per ton.
3. The company wants to increase its market share by pushing aggressively in rural areas as well as gaining market share from smaller players. The company's market share has increased to 50% at the end of H1FY21 from 40% at the end of FY20.
4. The company intends to make working capital cycle negative in next couple of quarters. Its working capital cycle has reduced from 20 days at the end of FY20 to 7 days at the end of H1FY21.
5. The company strategy of doing cash sales is resulting into twin benefits of generating free cash flows as well as reduction in net debt.
6. Strong OCF of ₹6.5bn in H1FY21 led to reduction in debt/equity to 0.2x from 0.6x in FY20. It expects debt reduction to continue sequentially and is on the verge of becoming debt free.
7. The company has decided to split existing one equity share of face value of Rs.10 into five equity shares of face value of Rs.2 each. This is done with the objective to facilitate larger shareholder base, to increase liquidity and to make the shares more affordable to investors.

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## View

We would not be seller in APL Apollo Tubes Ltd from a longer term perspective given the strong demand for its products and APL strong positioning. **It is a classic Buy On Dip stock for a long term portfolio rather than sell on rally.**

**Financial Performance**

	(₹ mn)		
<b>Profit &amp; Loss</b>	<b>Q2FY21</b>	<b>Q2FY20</b>	<b>% YoY</b>
Sales Volume (000's Ton)	481	364	32%
Revenue	22,021	16,473	34%
EBITDA	1,691	720	135%
EBITDA/Ton	3,514	1,978	78%
Depreciation	251	240	5%
Interest	159	269	-41%
Tax	356	(341)	204%
Profit after Tax	1,026	598	72%
Minority Interest	105	51	106%
<b>Net Profit</b>	<b>921</b>	<b>547</b>	<b>68%</b>

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**Disclosure of Interest Statement APL Apollo Tubes Ltd.as on October 31, 2020**

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	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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