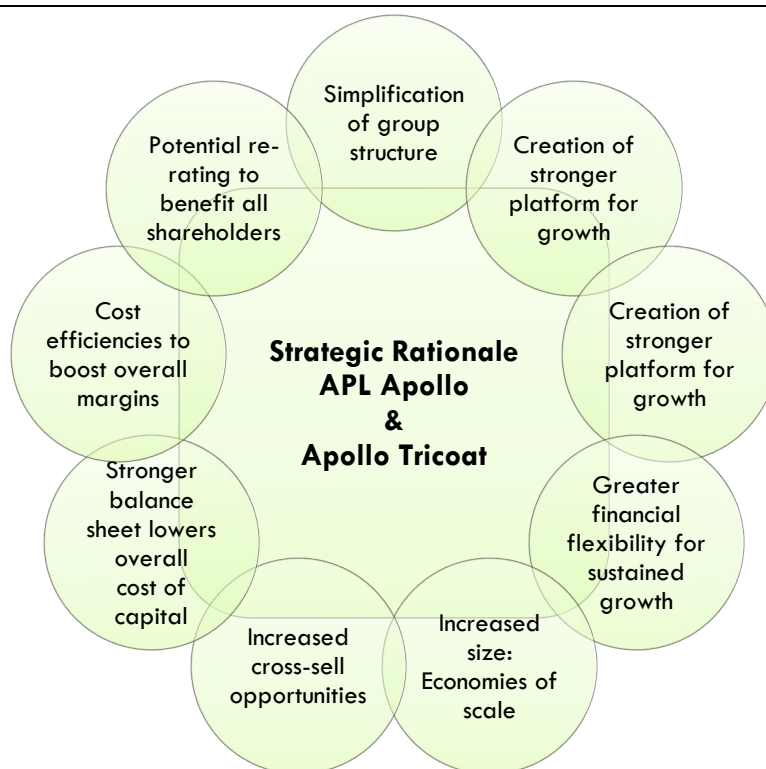


# APL Apollo Tubes Ltd.

## Transaction Highlights

- **The Board approved the merger of Shri Lakshmi Metal Udyog Limited and Apollo Tricoat Tubes Limited (Apollo Tricoat) with APL Apollo Tubes Limited (APL Apollo)**
- **Apollo Tricoat's minority shareholders will receive for each equity share held:**
  - One equity share in APL Apollo
  - Implied premium of 16% on Friday's i.e., 26<sup>th</sup> Feb, 2021 closing price for Apollo Tricoat's shareholders
  - Increase of 10.8% in APL Apollo's share capital
- **Pro-forma ownership in APL Apollo:**
  - Existing APL Apollo shareholders 89.2%
  - Apollo Tricoat shareholders 10.8%

## Strategic Rationale



Source: Company, Way2Wealth Research

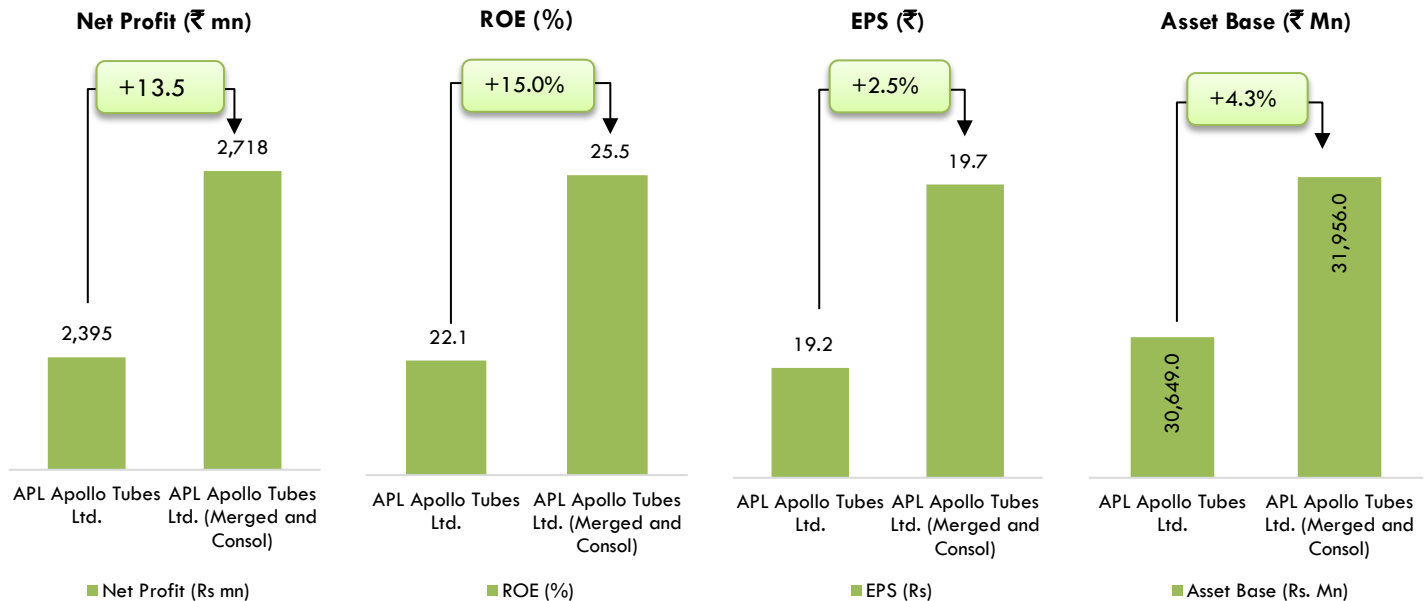
## Key takeaways from Concall

- The company wants to expand the geographical presence for its Tricoat portfolio which is currently addressing North and South Markets.  
The company will do brownfield expansion as it will take a year or less to set up the facility as compared to three years for greenfield expansion.
- The company estimates atleast 5% minimum addition to the EBITDA/Ton from merger.  
The company expects cost savings which will also reflect in addition to EBITDA/Ton
- The company intends to increase the capacity utilisation to 100% from current 60% in two-three years time.  
The company wants to expand aggressively in home décor category in medium term.
- The plant/warehousing consolidation can take around 6 months time while product synergies are immediately available.  
The company is yet to decide on whether to continue with Tricoat brand or not.
- The company expects transactions to close within a year's time after receiving necessary regulatory approvals.

### Benefit for APL Apollo Share holders

- **EPS Accretive** – Net profit increase by 13.5%, Dilution of 9.7%
- **ROE Accretive** – 100% of Apollo's Tricoat profit to boost return profile
- **Margin Accretive** – Apollo Tricoat's high margin products to lift APL Apollo's profitability
- Addition of innovative value added products to APL Apollo's portfolio
- Apollo Tricoat's B2C centric approach will enhance Group's brand equity

### Improved Financials for APL Apollo



Source: Company, Way2Wealth Research

### View

We continue to maintain our stance on the company as a classic buy on dips stock for the long term portfolio rather than sell on rally.

**We recommend investors to Add on Decline.**

**Team**

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## Disclosure of Interest Statement in APL Apollo Tubes Ltd. as on March 02, 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	No
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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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