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APL Apollo Tubes Ltd

Steel Tubes and Pipes

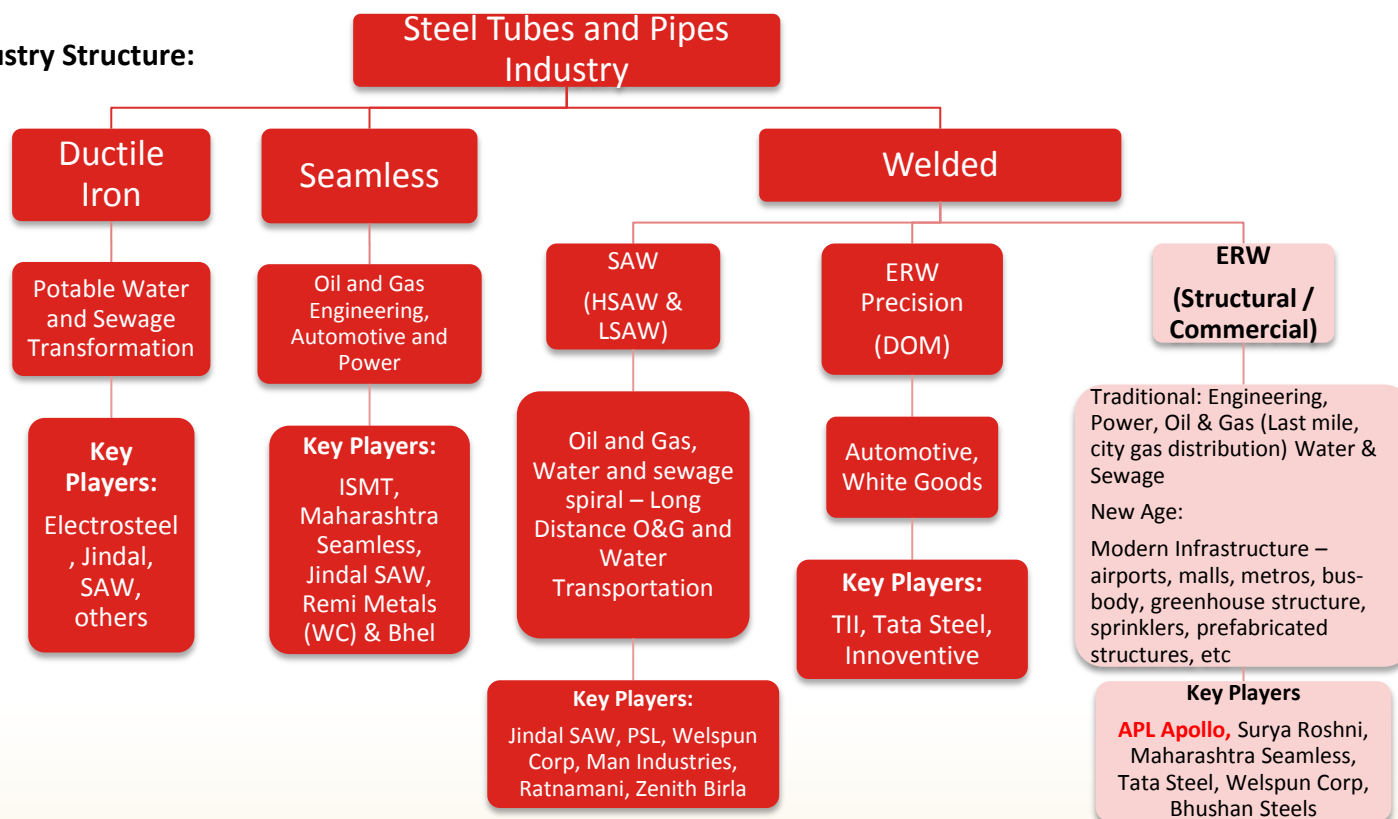
Analyst Meet Note |

CMP Rs. 280 |

APL Apollo Tubes Analyst Meet key takeaways:

About the company : APL, formerly Bihar Tubes, a manufacturer of steel pipes and tubes, was established in 1986 in Sikandarabad (Uttar Pradesh) and promoted by Mr. Sudesh Kumar Gupta. It initially catered to the steel industry, but over a period expanded its product range to cater to various sectors including infrastructure, agriculture, engineering, oil & gas, automobiles and construction. The company currently has five plants in India—two in Uttar Pradesh and one each in Karnataka, Tamil Nadu and Maharashtra—with aggregate capacity of over 8,00,000 tpa. It manufactures more than 300 variants of tubes (0.5” to 14” outer diameter) through these plants.

Industry Structure:



Conclusion: Focus to improve margins, the Management has indicated that the focus of the company for next two years is to improve the EBITA margin to the earlier level of 8% from the current level of 6% by additional contribution from high value added products, cost rationalisation, and improve in capacity utilisation. The company is introducing many new and innovative products some of them for the first time in India to improve its margins.

Not Rated

PBL IN | CMP Rs 280.

Target NR

Company Data

O/S Shares (mn) :	23.43
Market Cap (Rsbn) :	6.60
52 - Wk High/Low (Rs) :	289/ 128
Liquidity 3m (Rs mn) :	6.58
Face Value (Rs) :	10

Share Holding Pattern (%)

Promoters :	46.68
FII / NRI :	26.02
FI / MF :	2.46
Non Promoter Corp. Holdings :	10.49
Public & Others :	14.35
	3

Price Performance (%)

	1mth	3mth	1yr
ABS	39	53	95
REL TO BSE	28	37	75

Key Financial Summary

	FY12A	FY13A	FY14A
Net Sales	13,929	20,082	25,688
Ebidta	1,146	1,595	1,645
Net Profit	490	686	589
EPS, Rs	23	31	25
PER, X	12	9	11
EV/EBIDTA, x	8	6	7
EV/Net Sales, x	0.6	0.5	0.4
ROCE, %	14	14	13

APL Apollo Tubes Analyst Meet key take away:

Product Information:

Products	MS Black	Galvanized Tubes	Pre-Galvanized Tubes	Hollow Sections
Size Range	21.3-335 mm	21-273mm	19-127mm	15X15 – 250 X 250 mm 15X10 – 300 X 200 mm
Uses	Construction, Water & Sewage treatment, Conveyors, Automobiles	Over and underground piping, Agriculture, General Engineering	Fencing, Cabling and Ducting, Green House Structures, Electric Conduit, Pipes	Construction, Transportation systems, Mining Process Engineering

Significant expansion in capacity drives growth: APL has aggressively expanded its production capacity from 4,80,000 MT in FY11 to 10,00,000 MT (8,00,000 MT Current) through organic and inorganic routes. The management has indicated no further major capital outlay. The company has produced 5,40,000 MT in FY14 and they planning to achieve a volume of 7,00,000 MT in FY15E.

Strong distribution: APL's products enjoy high brand equity in the market. The company has direct marketing presence in over 15 countries with a vast distributor network comprising ~ 300 dealers and more than 10,000 retail networks across India. Its exports to 35 countries are supported by distribution networks in US, UK, Australia, Germany, UAE and Sri Lanka as well as African countries.

Multiple locations Plant: APL is in a sweet spot to capture the opportunities arising in nearby regions and expand its footprint. Its pan-India presence, well established distribution network and close proximity to suppliers and customers will help save freight costs and reduce working capital requirement.

Unit 1 Sikandarabad Uttar Pradesh	Unit 2 Hosur Tamil Nadu	Apollo Metalex Sikandarabad Uttar Pradesh	SLMUL Bangalore Karnataka	Lloyds Linepipes Murbad Maharashtra
180,000 MTPA	300,000 MTPA	70,000 MTPA	80,000 MTPA	170,000 MTPA
ERW Black, Hot Dipped Galvanized, Pre Galvanized Tubes and Hollow Sections	ERW Black, Hot Dipped Galvanized, Pre Galvanized Tubes and Hollow Sections	Coil Galvanizing Facility, Pre Galvanized Tubes and Pre Galvanized Hollow Sections	Coil Galvanizing facility , ERW Black, Hot Dipped Galvanized, Pre Galvanized Tubes and Hollow Sections	ERW Black, Hot Dipped Galvanized API certified Line Pipes

Financials

Income Statement	FY10	FY11	FY12	FY13	FY14	Balance Sheet	FY10	FY11	FY12	FY13	FY14
Net Income	6,180	9,051	13,929	20,082	25,688	Equity capital	203	203	213	223	234
Raw Material	5,050	7,353	11,511	17,052	22,204	Reserves	1,708	2,163	2,781	3,455	4,018
Personnel cost	56	115	179	279	335	Net worth	1,911	2,366	2,994	3,678	4,252
Other cost	500	690	1,093	1,156	1,502	Total debt	1,573	2,392	2,961	4,246	4,774
Op profit	572	891	1,145	1,595	1,645	Deferred tax	109	180	283	400	521
OPM(%)	9.3	9.9	8.2	7.9	6.4	Minority Interest	-	-	-	-	-
Other income	5	2	-	17	20	Total liabilities	3,592	4,937	6,238	8,323	9,547
Depreciation	36	57	82	125	164	Fixed assets	1,209	2,003	2,686	3,380	4,479
Interest	108	209	335	429	609	Investments	-	23	1	12	176
PBT	433	627	727	1057	892	Current Assets (excl cash)	2,462	3,288	4,297	6,383	6,747
Tax	156	195	237	363	299	Cash & Equivalents	272	218	51	142	101
PAT	276	432	490	694	592	Current Liability	351	595	796	1,594	1,955
Adj PAT	297	430	490	686	589	Net current assets	2,383	2,911	3,552	4,931	4,893
NPM(%)	4.8	4.8	3.5	3.4	2.3	Total assets	3,592	4,937	6,238	8,323	9,547

Financials

Cash flow	FY10	FY11	FY12	FY13	FY14	Ratios	FY10	FY11	FY12	FY13	FY14
PAT & extra ord. Items	298	431	490	686	590	Growth (%)					
Add: depn. & oth. Exp.	82	124	173	209	342	Income Growth	18	46	54	44	28
Cash flow from op.	379	555	663	895	932	EBIDTA Growth	105	56	28	39	3
Net chg in w/c, tax, int.	(267)	(579)	(795)	(1,255)	(59)	PAT Growth	-	45	14	40	(14)
Net cash flow from op.	112	(23)	(132)	(360)	872	Per share data (Rs.)					
Capital expenditure	535	851	765	819	1,263	Adj EPS Stand	15	21	23	31	25
Sale/purchase of inventory	20	(23)	23	(12)	(164)	Book value	94	117	141	165	181
Net cash from inv.	(515)	(875)	(742)	(831)	(1,427)	Cash EPS	16	24	27	36	32
Issue of equity/loan/warrants						Valuation(x)					
Dividend paid						P/E	19	13	12	9	11
Net cash from financing	(264)	844	706	1,282	513	P/BV	3	2	2	2	2
Net change in cash	(667)	(54)	(168)	91	(41)	EV/EBIDTA	12	9	8	6	7
Op. cash bal	939	272	218	51	142	Performance(%)					
Cl. Cash bal	272	218	51	142	101	ROCE	12	13	14	14	13

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