APL Apollo Q2 net up, sees revenues at Rs 1000cr in FY11

Apollo Tubes has reported its second quarter results ended September 2010. It reported total income of Rs 222.42 crore versus Rs 144.2 crore that it declared in the same quarter last year. Net profit came in at at 12.01 crore for September quarter.

In an interview with CNBC-TV18, Pankaj Gupta, Director - Finance, APL Apollo Tubes Ltd gave his perspective on the quarter gone by and the road ahead.

Excerpts from **Midcap Radar on CNBC-TV18 Watch the full show »**

Below is a verbatim transcript of the interview. Also watch the accompanying video.

Q: 54% growth in topline, 50% growth in profitability, is that sustainable, what is the expectation of FY11?
A: Q2 has been a very good quarter for us as far as sales and margins are concerned. We registered a record sale of Rs 223 crore comprising sale quantity of 59,000 mtpa and the highest ever PAT for a quarter i.e. Rs 12.01 crore. Considering the fact that the Hosur facility has been fully operational and substantial quantity will be added in the coming quarters, we are targeting to close this year somewhere around 2.50 lakh metric tonne and about Rs 1,000 crore turnover.

Q: Therefore what will you be able to report in terms of margins and bottomline for the full year?
A: As we are aggressively pushing the sale in the marketing, there will be a little bit pressure on the margins. So the value addition both from the value added products and multilocational manufacturing facilities will be compensated and we are hoping that our margins will remain as we are reporting yet, but the improvement in margins will be seen in Q1 of FY12 after stabilizing of entire facilities and the sale volume.

Q: You have been doing about 9.4-9.3% by way of operating margins, will you be able to maintain 9% when you say that the additional capacity will pressure the sales?
A: We will maintain 9.5%. We have established our manufacturing facility and retail chain that we will gain atleast 50-60 bps in EBITDA margins. But that margin will be lowered due to aggressive sale in the market. We have to offer certain discounts, we have to offer certain schemes. So the margins will remain same for this fiscal but for the coming fiscal onwards, the EBITDA margin will improve.

Q: You have done some issuance of equity shares, one of them has to be done to Lloyds Line Pipes, the other one to Shankara Pipes. So there has been a dilution, what is the expectation on the EPS front?
A: Basically we are purchasing this unit part in cash and part in equity. This capacity will provide us ready market to the tune of almost 3,000-3,500 metric tonne in that region. Besides we are targeting a huge jump in the export market from that unit. The acquisition will be completed by November 2010 considering the freight advantage, lesser transit time and ample availability of indigenous as well as imported raw material.

Q: What was the sales you were doing at Lloyds before you bought that Lloyds Line pipes and how much you expect that sales will go up?
A: At that time, that unit was operating at a level of 1,200-1,500 metric tonne per month and we are hoping that we will achieve 4,000 metric tonne mark by the close of this fiscal. So considering all these benefits, the dilution is very minimum.