

Expansion, Innovations Do it for APL Apollo

FIGHT Back

Improving margins amid economic rebound likely to draw investors

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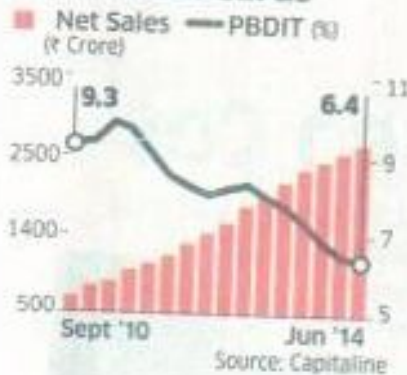
Mumbai: India's leading electric resistance welded (ERW) steel pipes and tubes maker APL Apollo Tubes had a tough time last year as global economic slowdown weighed down its margins. Still, the company's multi-pronged approach at capacity expansion, innovation and distribution not only saved the day, but helped it emerge as industry leader with over 10% of domestic capacity. With the economy on the mend, the company has quickly returned to growth path.

After posting a strong 40% profit growth in FY13, its net profit for FY14 dropped 14% in spite of a 28% jump in net sales. As a result, the company's market capitalisation dropped 33% to ₹330 crore in February 2014 from ₹490 crore in January 2013.

However, the company put the difficult phase to good use by expanding capacities and gaining market share. With the first indications of an economic recovery, its margins are back on the uptrend and that too on an expanded base, which has cheered investors.

"Focus on sales growth and market share was a conscious decision last year. Our growth surpassed that of the industry's as we captured market share from smaller and inefficient players," said Pankaj K Gupta, chief financial officer of the company. "In the April-June 2014 quarter, we have already seen margins improving," he added. This has revived investors' interest in the company as its market capitali-

APL Apollo: Revival on Cards



sation spurred over 140% in the last six months.

The company is a market leader in various types of steel pipes used in construction, engineering, irrigation as well as power transmission industries. The demand for steel tubes and pipes is growing due to a number of new uses such as in prefabricated structures, wind-mills or gas distribution.

The company has steadily expanded its tube manufacturing

capacity from 125,000 tonne in 2007 to 800,000 tonne by the end FY14 with presence across North, West and South of India. "Our vision is to achieve a 1 million tonne capacity by 2015 and a turnover of ₹5,00 crore," said Gupta. "We are working towards improvement in margins through branding, value addition as well as by introducing new products. We expect operating profit margins to reach 8% in a couple of quarters," he added.

APL Apollo's revenues grew at a healthy pace of 41.6% on an annualised basis in the last three years, as it aggressively captured rivals' market share. "We are the most cost-efficient player in the industry today. This was made possible due to the use of latest technology and consistent innovations in manufacturing and distribution of the products," said Gupta.

The company's ability to expand revenues while improving margins will be critical to its future success.