

New heights

When we wrote on Bihar Tubes, we said the company's name was a total misnomer. It is not a state-run PSU, nor it is a company based in Bihar. "It is just that we (the promoters) hail from Bihar," said the 38-year-old Sanjay Gupta, CMD of the company, who then admitted he was considering a name change.

Rightly so, in July 2010, he has changed the name of the company to APL Apollo Tubes.

It took 25 years for APL Apollo Tubes to cross the ₹600 crore. Last year (March 2010), on a net sales of ₹614 crore, it made an operating and net profit of ₹60 crore and ₹37 crore respectively, reporting an EPS of ₹18. With 38 per cent stake in the hands of the Gupta family (market cap: ₹220 crore), it was easy for Sanjay to go shopping.

Follow-up

Last fortnight, Sanjay has acquired the 90,000 tpa facility of Lloyds group. "This facility in Murbad in Maharashtra will offer strategic locational advantage to cater to lucrative west India market and proximity to ports," says Sanjay, who manufactures ERW steel pipes, tubes and hollow sections in his four units located in three states and exports to over 35 countries. The acquisition is valued at ₹40 crore, and will be paid in a combination of cash and equity shares. The shareholders of Lloyds Line Pipes are Lloyds Metals and Engineers Limited (50 per cent), Ankit Miglani (25 per cent) and Anuj Miglani (25 per cent) who will be allotted equity shares of APL Apollo Tubes at ₹176 each. The balance amount of ₹20 crore will be paid in cash. Apparently, the Miglanis are of the famous Uttam Galva group that sold out to L.N. Mittal. "The part cash and part equity deal is a big plus for the company in terms of financial structuring," observes a merchant banker.

APL Apollo Tubes' products cater to the infrastructure, agriculture, auto and power sectors. Interestingly, in August 2010, the company also commissioned a new plant in Hosur, Tamil Nadu to become the largest player in south India and thus doubling its capacity to 4 lakh tpa. The current acquisition is expected to upgrade its capacity further on to 4.90 lakh tpa.

Sanjay believes his acquisition is well-timed and will take the company to new heights. "Lloyds Line Pipes is an excellent fit for us with its ready to use capacity situated in Maharashtra. The association would establish our presence in the west zone with an added advantage of the capacity's proximity to the port thus minimising our freight costs substantially. It has leveraged our efforts for a pan India presence and has provided further impetus to our current export play in the international market," he sums up.

For the year ended March 2011, analysts tracking the company expect revenue upwards of ₹1,500 crore and PAT of ₹60 crore. If that is true, then on an enhanced equity of ₹21.85 crore, the EPS will be ₹27. Currently, the stock is trading at around ₹170, (up from ₹115 in May 2010, when we first covered the company), at a price to earnings ratio of 6.29 times.

In May 2010, we wrote on how in its silver jubilee year Bihar Tubes would become a ₹1,000 crore company. However, with the recent move to acquire another unit, it is likely to touch the ₹1,500 crore