

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR2,147
Target Price	: INR2,626
Potential Return	: 22%

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MANAGEMENT MEET UPDATE

APL Apollo Tubes Limited

Volume growth on track, profitability to improve steadily

We recently met the senior management of APL Apollo Tubes Limited (APL), India's leading branded steel tubes manufacturer in the electric resistance welded (ERW) pipes segment to get an update on the demand and profitability environment. APL is on track to achieve the volume growth of 20-25% per annum driven by growth in demand and market share gains from the smaller unorganized players. The company currently operates seven manufacturing facilities with a total capacity of 2MTPA. Profitability levels are also expected to improve steadily with higher value added products, ramp up of direct forming technology products (DFT) coupled with backward and forward integration initiatives. We reiterate our positive stance on the company and maintain our BUY rating with a higher target price of INR 2,626 per share (2,495 earlier) at a target P/E multiple of 20x FY20E EPS (19x earlier) due to improved earnings visibility.

Largest player in the ERW structural pipes space with primary focus on pipes business

The company is India's largest player with a capacity of 2MTPA solely focused on the pipes and tubes business unlike some of the major competitors. Pipes capacity is more than double that of the nearest competitor. APL enjoys economies of scale in raw material procurement and also has an advantage of lower freight costs with facilities and depots located close to demand hubs.

Pan India footprint with wide product basket and distribution network

APL Apollo is the only ERW tube player with a pan India footprint. With three plants located in North India in Sikandrabad (UP), two plants in South India, one each in Hosur (Tamil Nadu) and Bengaluru (Karnataka), one plant in West India in Murbad, Maharashtra and with one plant in Central/East India in Raipur (Chhattisgarh), their manufacturing footprint stretches across India. The company has a strong three-tier distribution network of over 600 direct distributors and 40,000 retailers spread across India, with warehouses cum- branch offices in over 20 cities. Product portfolio of APL is 3~4x of its closest competitor, expanding addressable market.

Focus on innovative products, brand building and awareness push

APL, a pioneer in launching color coated and pre-galvanized pipes domestically, was awarded patents for six product design types and its recent focus has been on increasing OEM (Original equipment manufacturer) and export market sales. Introduction of new technology (Direct forming technology, high speed mills) is expected to aid in tapping potential in these markets while reducing costs by 3-7%. Company has launched Apollo Coastguard, Fabritech, Agritech and Bheem branded products to increase brand visibility with products catering to different segments of the market.

Return ratios to improve consistently with declining leverage levels

RoE's are expected to improve steadily from 22.7 per cent in FY17 to 27.1 per cent in FY20 with declining leverage levels. Net debt to equity would decline from 0.8x in FY17 to 0.3x in FY20 with interest coverage ratios improving from 4.0x to 9.8x over the same period.

Valuations and outlook

We expect the company's profits to grow at a CAGR of 39 per cent over FY18 to FY20 driven by higher volumes, improved profitability and lower interest costs. APL is expected to continue gaining market share driven by capacity expansion capitalizing on the company's brand strength with the shift from unorganized to organized players expected to accelerate post the GST e-way bill implementation. We reiterate our positive stance on the company and maintain our BUY rating with a higher target price of INR 2,626 per share (2,495 earlier) at a target P/E multiple of 20x FY20E EPS (19x earlier) due to improved earnings visibility.

Market data	
Sensex	: 33,940
Sector	: Engineering
Market Cap (INRbn)	: 50.6
Market Cap (USDbn)	: 0.775
O/S Shares (m)	: 23.7
52-wk HI/LO (INR)	: 2587/1186
Avg Daily Vol ('000)	: 206
Bloomberg	: APAT IN

Source: Bloomberg

	FY18e	FY19e	FY20e
EPS (INR)	68.3	103.1	131.3
P/E (x)	31.5	20.8	16.4
P/BV (x)	6.0	4.9	4.0
EV/EBITDA (x)	14.7	11.1	9.2
Dividend Yield (%)	0.7	0.9	1.2

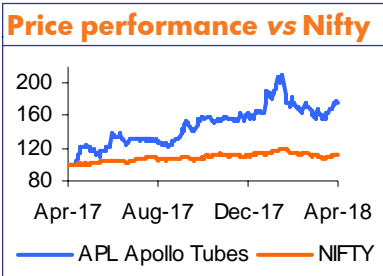
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	11	(2)	13	75
Relative	9	(1)	6	54

Source: Bloomberg

Shareholding pattern		
Promoters	:	37%
Public	:	63%
Others	:	0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

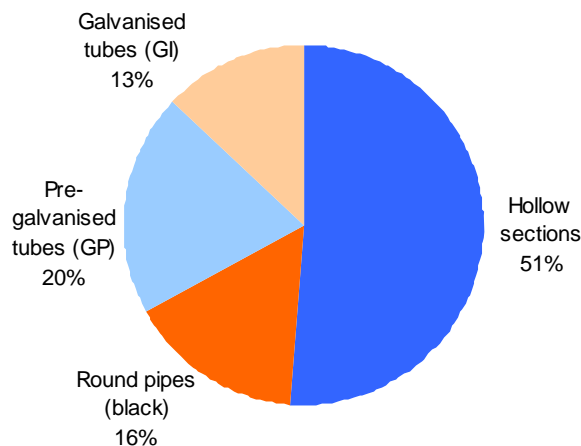
APL Apollo: Niche player in ERW steel pipes, an engineering play

APL Apollo Tubes Limited (APL) was established in 1986 and is India's leading branded steel tubes manufacturer in the electric resistance welded (ERW) pipes segment. The company currently operates seven manufacturing facilities with a total capacity of 1.3MTPA and has recently commenced operations at its new seventh facility at Raipur, Chhattisgarh. Pipes capacity has expanded from 1.3MTPA to 2MTPA in FY18, upgrading facilities with value added products. Company now has a pan-India presence with units strategically located in the North (Sikandarabad -3 units), South (Bangalore, Hosur), West (Murbad) and East (Raipur). The Company has a strong three-tier distribution network of over 600 dealers spread across India, with warehouses cum-branch offices in over 20 cities. APL Apollo serves as a 'one-stop shop' for a wide spectrum of steel products, catering across a spectrum of industry applications including urban infrastructure, automobile, construction, housing, energy, irrigation, solar plants, greenhouses and engineering. The company's diverse product mix has recently increased to over 1000 varieties of Hollow Sections, Pre-galvanized Tubes (GP), Round Pipes (Black), Galvanized Tubes (GI) and Special Value-Added Products.

Post the recent capacity expansion to 2.0MTPA, the company's capacity is more than double the capacity of the closest competitor Surya Roshni. Other competitors in the domestic market include Tata Steel, Bhushan Steel, Jindal India, Jindal Pipes, Hi-Tech, Rama Steel Tubes, Goodluck and Swastik Pipes. However for a few of the companies like Tata Steel steel pipes is not the primary focus and Surya Roshni is also engaged in other businesses like LED lamps, fans and home appliances. Company has been gaining market share from the smaller unorganized players and this trend has accelerated post the implementation of GST.

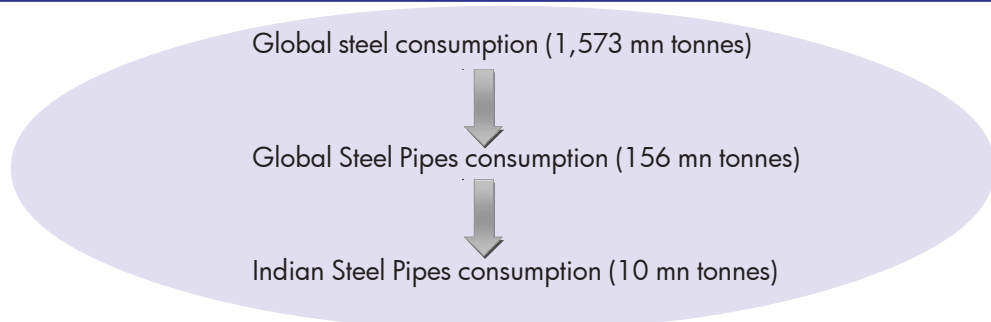
APL is targeting a mix of 90% from value added products by FY20. Lower value added products like round pipes (black) and hollow sections (black) would be gradually reduced/eliminated with higher proportion of DFT products and special value added products.

Product mix FY17



Source: Company, Antique

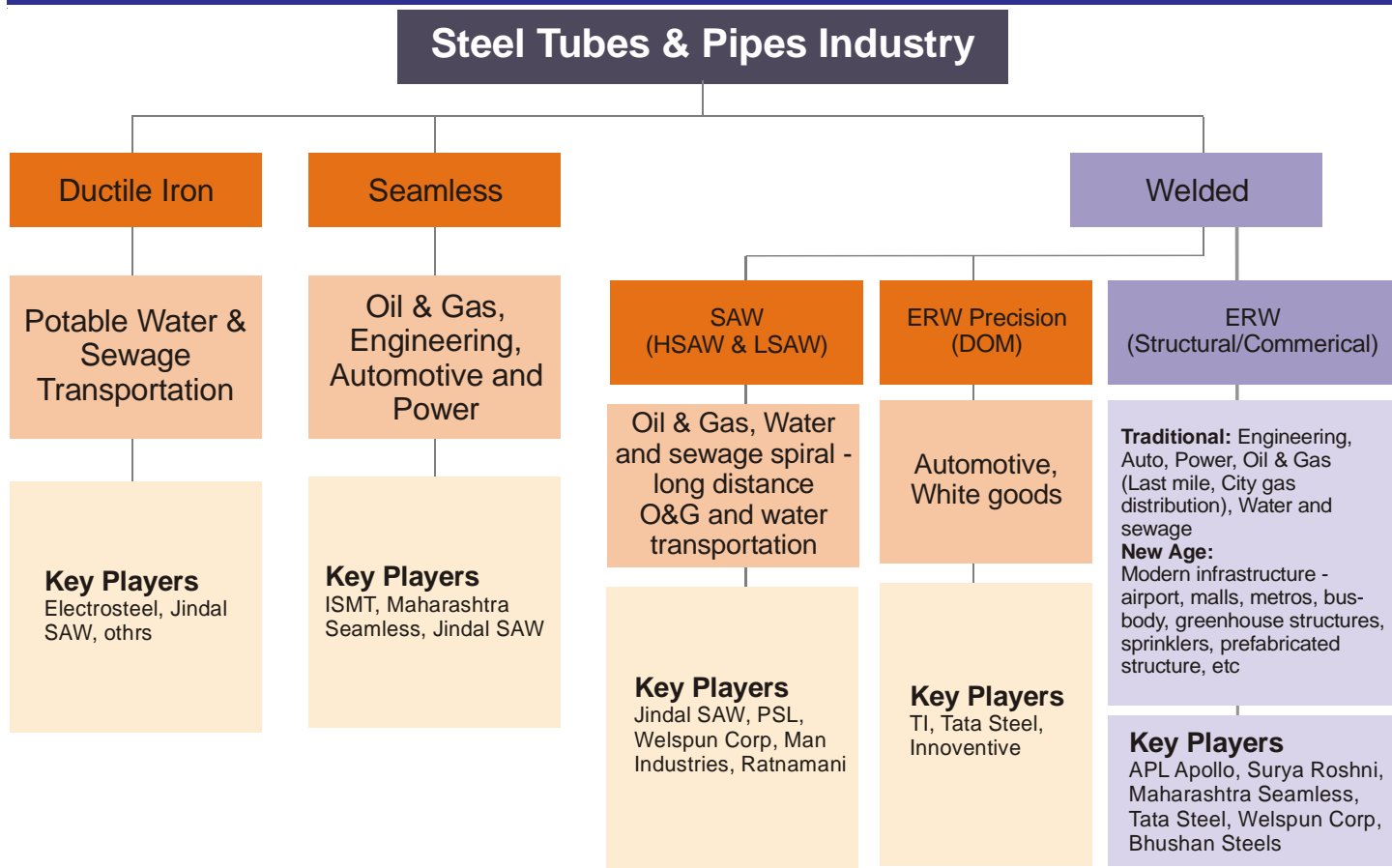
Steel pipes market opportunity



Source: Company, Antique

Steel pipes and tube manufacturing are among the fastest growing industries across the globe. India is among the leading ERW steel tubes manufacturing hubs in the world with domestic demand levels of ~10MTPA. Other countries manufacturing steel pipes and tubes include China, Turkey, Italy and US. Demand is led by increased infrastructure construction, automobile and energy sectors. Domestic ERW pipe industry to grow at ~10-12% CAGR through FY19 and the current market size is estimated at USD5bn.

Domestic steel pipe industry structure



Source: Company, Antique

Ductile iron

Ductile iron pipe is a pipe made of ductile iron commonly used for potable water transmission, distribution and sewage transportation. This type of pipe is a direct development of earlier cast iron pipe, which it has superseded.

Seamless

Tubular product made without a welded seam, manufactured in a hot-forming process using an extrusion or drawing process that can be followed by cold sizing or cold finishing to produce the desired shape, dimensions and properties. It has the highest pressure-handling capacity, able to withstand higher temperatures and have stress resistance. They are primarily used in oil & gas exploration and production.

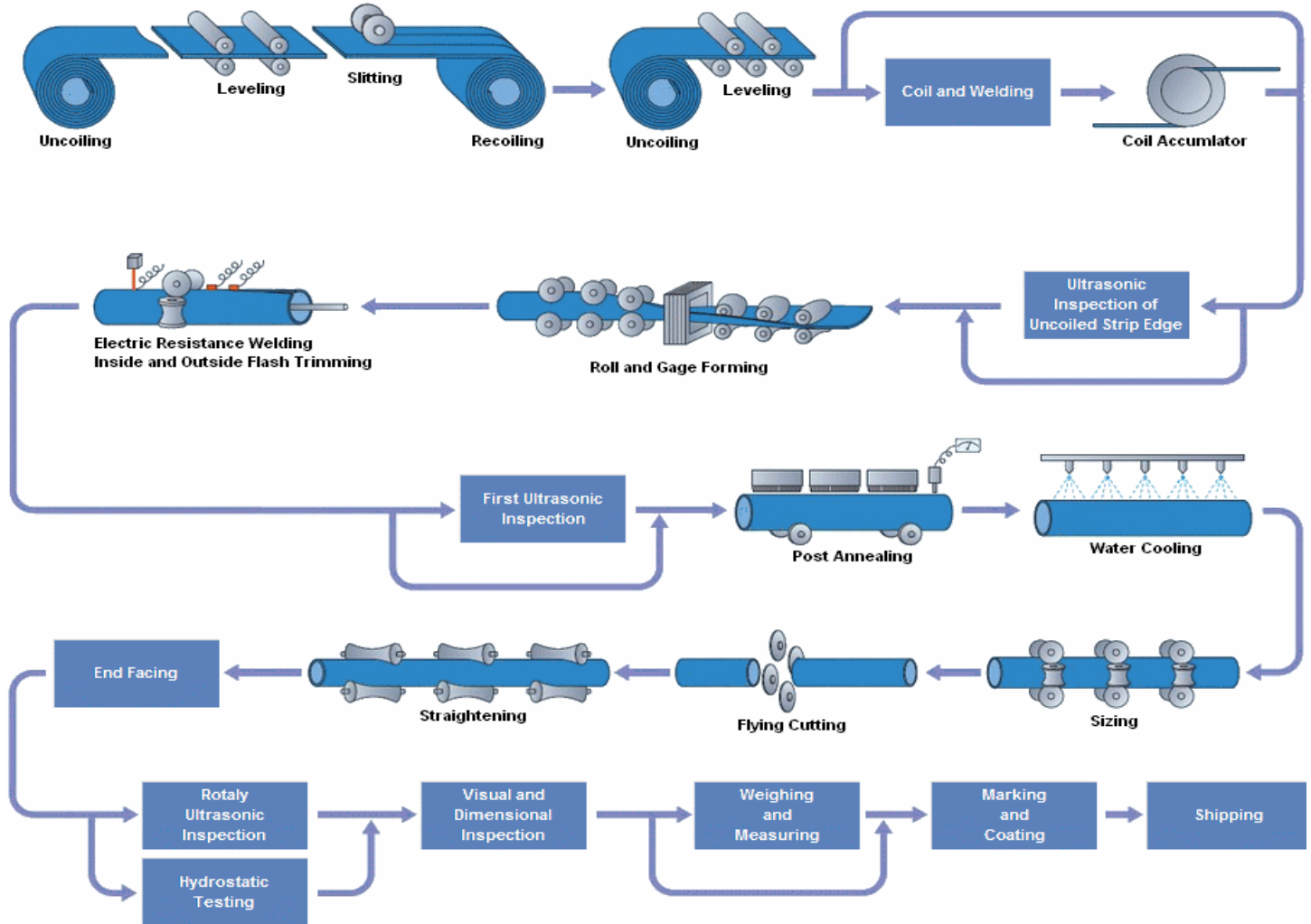
Submerged Arc Welded (HSAW & LSAW)

LSAW and HSAW are variants of SAW (submerged arc welded) pipes. The difference between them is the way they are welded. In LSAW pipes, the welding is longitudinal, which means that steel (hot rolled coil plate) is rolled into a pipe and the seam is welded longitudinally. Given strength and toughness, LSAW pipes are largely used in long-distance transport of oil & gas and HSAW are generally used to transport water & sewage and in the construction segment.

Electric Resistance Welded (ERW)

Welded and Electric Fusion Welded ("EFW") pipe is formed by rolling plate and welding the seam. They have the lowest pressure-holding capacity. Recently, they have found applications in the form of structurals in the construction and Modern infrastructure - airport, malls, metros, bus body, greenhouse structures, sprinklers, prefabricated structures, etc.

ERW Pipe Manufacturing Process



Source: Company, Antique

Strong growth prospects for ERW pipes, domestic growth forecast of ~10-12% CAGR

Domestic ERW pipe industry is to grow at ~10-12% CAGR through FY19 and the current market size is estimated at USD5bn. APL has been gaining market share from the smaller unorganized players and this trend is expected to accelerate post the implementation of GST and e-way bill. Share of the smaller players has shrunk dramatically as they were unable to compete with the larger players operating with efficiencies of scale, modern plants, wider geographical reach and diverse and innovative product mix.

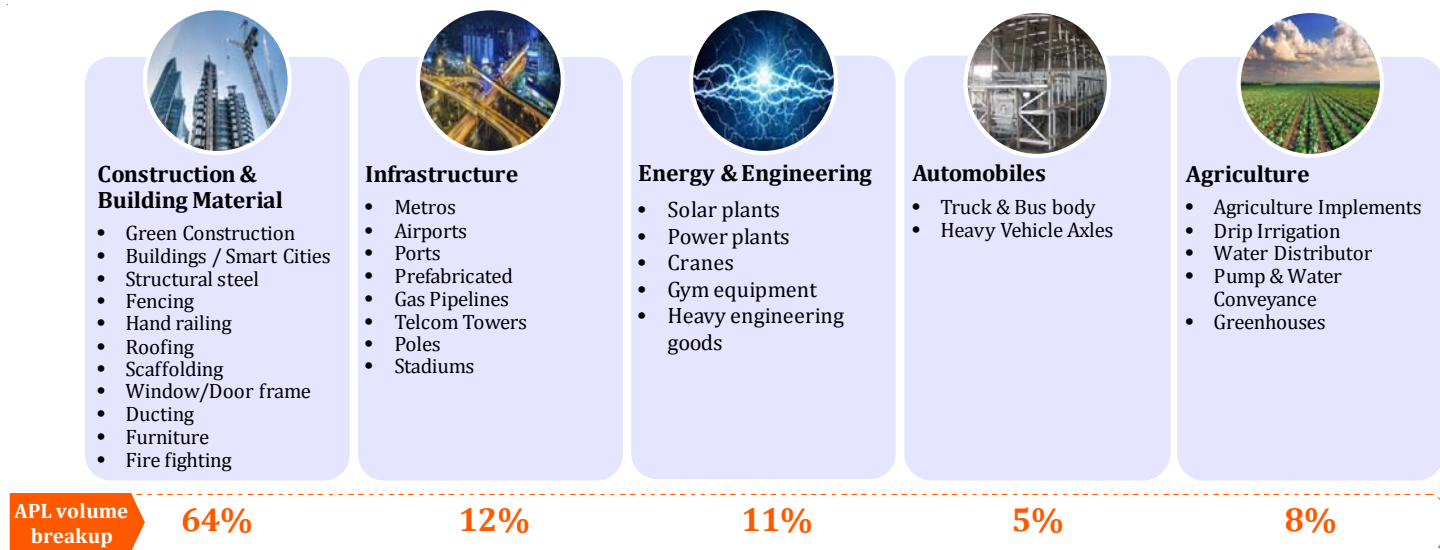
Traditionally, ERW pipes were used in water/sewage transportation, especially in domestic plumbing, last mile gas distribution and automobiles. With an improvement in load bearing strength of ERW pipes, it has found new applications in industries like infrastructure, commercial real estate, pre-fabricated structures and furniture.

Segments that are growing in the ERW pipes' space are the pre-galvanized pipes (GP) which are consumed in the coastal and hilly areas (Kerala, Goa, Andhra, Himachal, Uttarakhand) which are used as a replacement for wood in the applications of roofing structures providing shelter from rains and sunlight. Additional applications for the product are fencing, gates and grills.

Hollow sections are also witnessing strong growth in the application areas of infrastructure (metros /airports), construction (pre- fab buildings) and newer applications like agricultural implements, construction equipment, gym/sports equipment, solar tracking systems and automobile applications like truck & bus body/ heavy vehicle axles. Segments that are witnessing a decline are GI pipes that are primarily used in traditional applications like irrigation, agriculture, firefighting and plumbing which have been replaced by PVC pipes. Black Round Pipes which are a low margin product are also gradually being replaced by structurals.

Application of ERW Pipes

Steel structural products: catering to key sectors of the Indian economy



Continuous focus on New Age Industry Applications across high-potential business segments

Growth potential Strong Government impetus, increasing purchasing power, improving lifestyle dynamics, etc provide a boost to all key sectors of the Indian economy
 With enormous untapped potential across all major sectors and new age applications, APL Apollo's business model is well-positioned to capitalize on all emerging sectoral trends

Source: Company, Antique

APL Apollo well positioned to capitalize on the steel pipe demand

APL Apollo is uniquely positioned to capitalize on the growing steel pipe demand due to the following strengths:

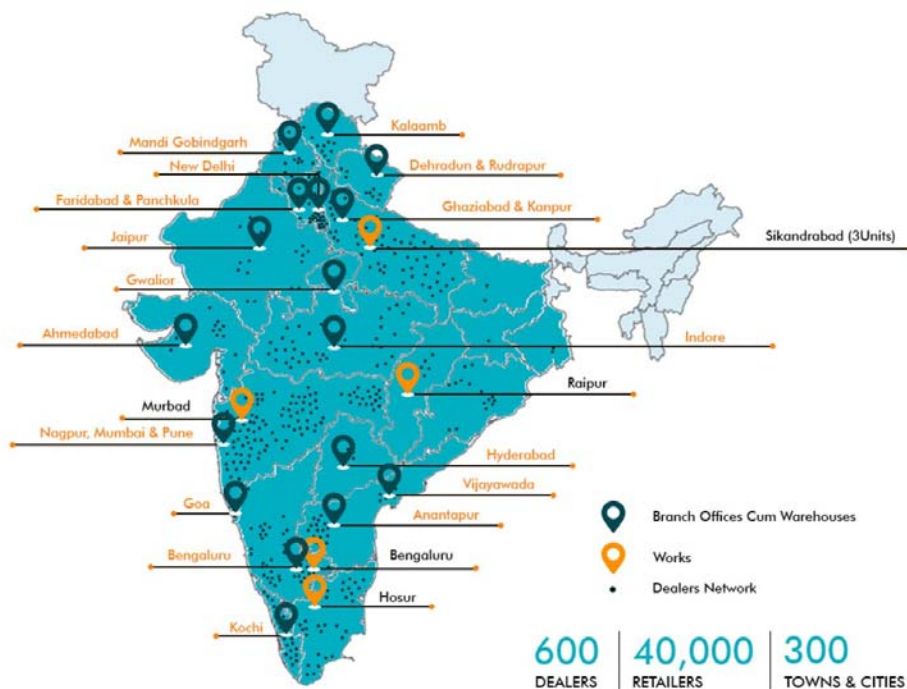
- a) Pan India presence with extensive distribution network and wide reach.
- b) Aggressive capacity expansion from 1.3MTPA to 2MTPA completed and vision to become the world's largest steel tube manufacturer globally by 2020.
- c) Pioneer in introducing innovative technologies such as DFT .
- d) Wide product portfolio with over 1,000 varieties of pipes/tubes.

APL Apollo pan India presence with expansive manufacturing & distribution footprint

Post establishment of the Raipur facility, it has a pan-India presence with units strategically located in the North (Sikandarabad -3 units), South (Bangalore, Hosur), West (Murbad) and East (Raipur). The Company has a strong three-tier distribution network of over 600 dealers spread across India, with 29 warehouses across India. 92 % company distribution takes place through its 625 distributors and 27 warehouses.

Local market presence aided by 3tier distribution and solid supply chain

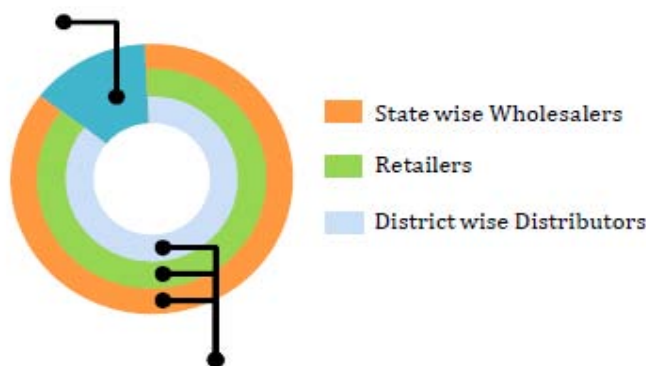
Local Market Presence aided by 3-tier Distribution and Solid Supply Chain Mechanism



Source: Company, Antique

B to C – Supply Chain

Direct / OEMs / Exports: 20%



Distributor / Dealer / Retailer: 80%

Source: Company, Antique

Distribution

	FY13	FY14	FY15	FY16	FY17
No. of distributors	275	300	375	600	625
No. of warehouses	19	26	26	26	29
No. of plants	5	5	6	6	7

Source: Company, Antique

Client base stretching across segments

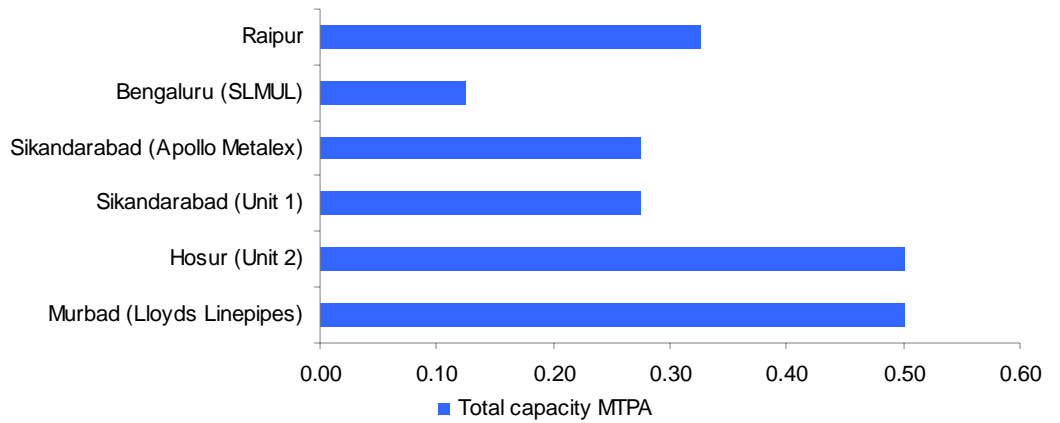
Infrastructure	: Metro (Delhi, Mumbai, Bengaluru, Hyderabad, Kolkata, Kochi & Jaipur), L&T, Gammon, Afcons, B L Kashyap, CPWD, GMR, Engineers India, MHADA, ACE
Pre-Engineering Building Services	: Zamil, Kirby, Tigar, Pennar
Power & Gas	: BHEL, HP, IGL, Gujarat Gas, BP, Suzlon, MRPL, NTPC, Cairn Energy, Mahindra Susten
Corporates	: Adani, Reliance, Ashok Leyland, Tata, DLF, SAIL

Source: Company, Antique

Completed capacity expansion from 1.3MTPA to 2MTPA and vision to become the world's largest steel tube manufacturer globally by 2020.

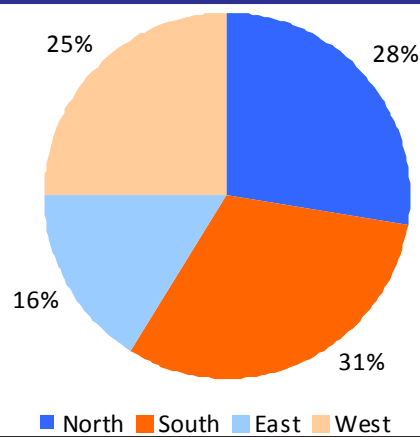
Company's FY17 pipe capacity of 1.3MTPA has been expanded to 2.0MTPA, including 0.5MTPA capacity of the DFT technology. Pipes capacity is more than double that of the nearest competitor. APL enjoys economies of scale in raw material procurement and also has an advantage of lower freight costs with facilities and depots located close to demand hubs. Company is planning to tap new opportunities across OEM's, export markets and expanding its geographical footprint in the underpenetrated East and Central markets through green field plant in Raipur.

Plant production capacity



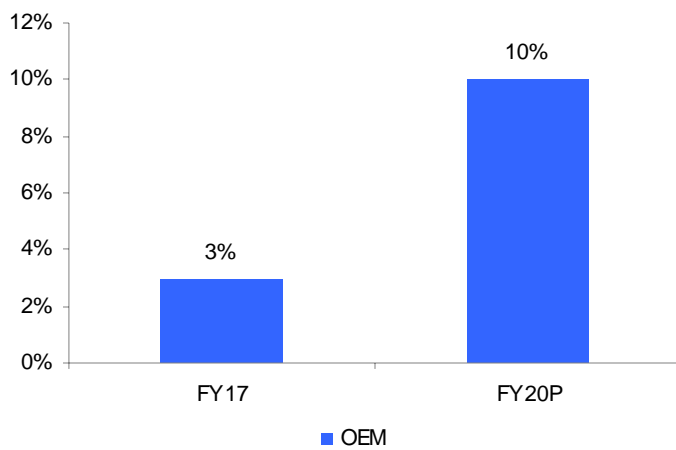
Source: Company, Antique

Zone-wise production capacity



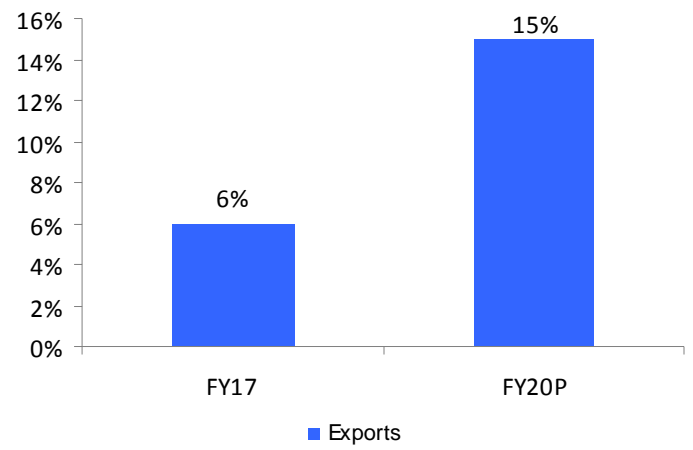
Source: Company, Antique

OEM potential increase



Source: Company, Antique

Exports potential increase



Source: Company, Antique

Pioneer in adopting latest technologies, recently introduced 'Direct Forming Mill Technology' and 'In-Line galvanizing of tubes'

APL was the pioneer in launching color coated and pre-galvanized pipes in the domestic markets. It is also the first company to introduce latest global technologies including Direct Forming Technology (DFT) to achieve sizes of 300x300 and In-line galvanizing in India. DFT is the latest global technology for making hollow sections of superior quality which reduces rollover time significantly. DFT is expected to lead to savings in raw material costs of ~3-7% and increased design flexibility leading to higher product customization. The company has also been awarded patents for new designs for six products. APL is targeting a contribution from value-added products of over 90% by 2020.



Source: Company, Antique

Post DFT implementation, the company is ready to introduce a wider variety of products across India at minimal turnaround time. APL can store smaller quantities of large variety of products and can demand higher pricing over others due to immediate availability and unconventional varieties. As hollow sections made from DFT are lower in weight compared to the conventional technology by at least 3-7%, the company would be saving on material cost/ton basis. As the company would be selling customized products, it is expected to be margin-accretive over the next three-year period. DFT could open up a window of opportunity to launch new products for agricultural implements, gym/sports equipment, solar power plants, truck & bus bodies, metros/airports infrastructure, construction equipments, prefabricated structures, warehouse.

Wide product basket aids competitiveness

APL Apollo serves as a 'one-stop shop' for a wide spectrum of steel products, catering across a spectrum of industry applications including urban infrastructure, automobile, construction, housing, energy, irrigation, solar plants, greenhouses and engineering. APL Apollo has one of the widest product portfolios in the industry. Product basket, which is 3~4x of nearest competitor, consists of numerous shapes varying from round tubes to hollow section to special frames. The range spans various shapes/ sizes from 1/2" to 14" in the outer diameter for round tubes, 12x12mm to 255x255mm in square section and 26.5x13.5mm to 300x200mm in rectangular section, 0.6 mm to 10.0 mm in wall thickness, 3 meters to 12 meters in length and surface protection options of oil/varnished, hot dip galvanized, pre-galvanized and color coating.

Company has also introduced new products like door frame, window frame, handrail, T section, narrow and small sections catering to the low cost housing segment providing cost savings. APL constantly pursues innovations to meet new requirements of customers and creating new value propositions with the help of latest technologies. Its diverse product basket consists of over 1,000 different products.

Black Round



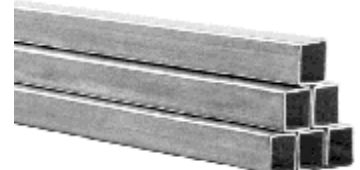
Black Hollow Section



Galvanized



Pre-Galvanized



Source: Company, Antique

New Products:

Double Door Frame Section



Single Door Frame Section



Window Frames

T Section



52 x 25 mm
Thickness: 1.4- 3mm

L Section



62 x 33mm, 52 x 24mm, 46X18mm
Thickness: 1.4- 3mm

Narrow Sections



Thickness: 1.2- 3mm



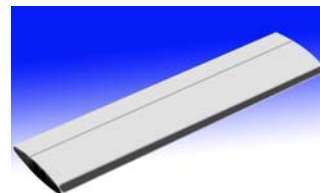
Thickness: 1.2- 3mm

Handrail



2 & 2.5 inches
Thickness: 1.4- 3mm

Elliptical tube



75x15 mm
Thickness: 1- 3mm

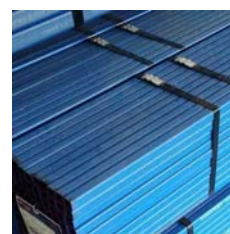
Colour Coated Pipes

Paint & Finish



Paint: water based
Finish: Semi-matt, matt
Colours: Aqua Blue, Brick Red

Pipe Dimensions



Round: Min- 21mm, Max 168mm
Square: Min: 20x20, Max: 125x125mm
Rectangle: 30x20, Max: 150x100mm
Wall Thickness: Min 1mm, Max 6mm
Length: Min 3m, Max 6mm

APL Apollo consistently gaining market share

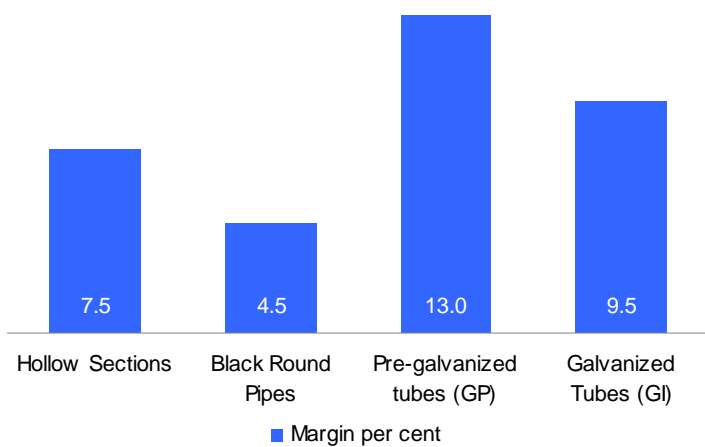
APL Apollo has been gaining market share from the smaller unorganized players aided by the following factors that work to the company's advantage:

- a) Economies of scale and lower raw material costs (which form 85% of total costs) as the company is one of the largest HRC buyers in the domestic market.
- b) Branding and premium realizations due to the benefits from brand building and brand awareness initiatives. Company has appointed marketing consultant in FY2017 to drive the overall branding strategy and is targeting about 30,000 signage boards across the country for higher visibility.
- c) High-end R&D capabilities launching new product lines and targeting to double the sales & marketing team in near future.
- d) Procuring the latest technology, scaling up capacities and optimum utilization of resources.
- e) Strong balance sheet with comfortable leverage levels leading to low interest costs.
- f) High levels of capacity utilization leading to operating leverage benefits and higher recovery of overhead costs.

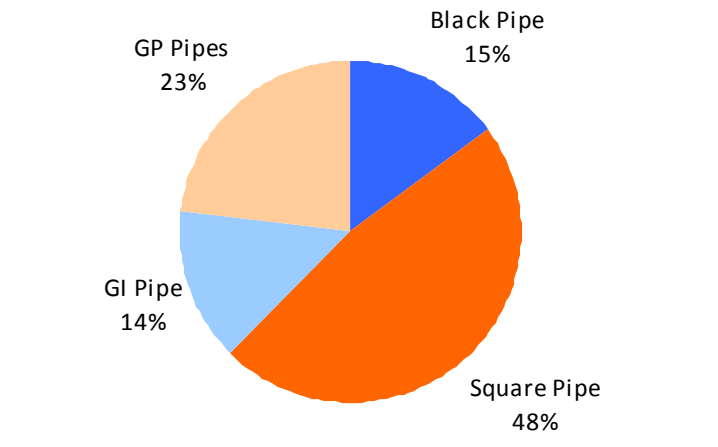
EBITDA margin expansion targeted through value added products, branding and scale efficiencies

The company is targeting to increase EBITDA per tonne by forward and backward integration. RoE expansion is targeted by asset sweating and growing the sales volumes by over twenty per cent. Profitability would be improved by constantly increasing higher margin products in the product mix. The focus is to get higher sales from higher margin products like pre-galvanized tubes, door & window frames. DFT products are expected to have better margins as they offer significant saving in costs for the same strength and quality. Branding initiatives have also helped establish APL as a brand in the mind of the customers translating into premium realizations. EBITDA margins are targeted to improve to 10% over the longer term, on the back of the improved product mix, better technology and branding.

Product margin profile FY17



Revenue breakup product-wise (FY17)



Source: Company, Antique

Brands launched recently by the company

APL Apollo has launched the following brands Apollo Coastguard, Apollo Fabritech, Apollo Agritech and Apollo Bheem . Company plans on spending INR 150-200 mn on brand building and awareness activities like dealer meets, architect meets, exhibitions as well as through print and electronic media formats.

Apollo Coastguard range of branded products launched to tap growing consumption of galvanized steel tubes in the Coastal Regions. Apollo Fabritech products includes hollow sections made with latest DFT technology resulting in customized sizes, increased cost savings, faster deliveries and more precise finishes. Apollo Agritech products are hollow section products to tap the buoyant agriculture segment. Apollo Bheem pipes are made of special galvanized steel to provide corrosion resistance. The pipes are long lasting, even in rocky terrains.

Strong focus towards building brand visibility through new product launches

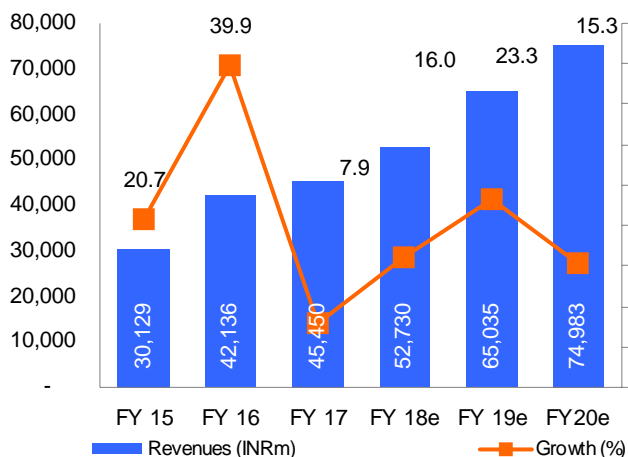
<p>Apollo Coastguard</p>	<p>Apollo Fabritech</p>	<p>Apollo Agritech</p>	<p>Apollo Bheem</p>
<p>'Apollo Coastguard' branded products to tap growing consumption of galvanized steel tubes in the Coastal Regions</p>	<p>'Apollo Fabritech', hollow sections made with latest DFT technology results in customized sizes, great cost savings, faster deliveries and more precise finishes</p>	<p>'Apollo Agritech', hollow section products to tap the buoyant agriculture segment</p>	<p>'Apollo Bheem' pipes are made of special galvanized steel to provide corrosion resistance, the pipes are long-lasting, even in rocky terrains</p>



Source: Company, Antique

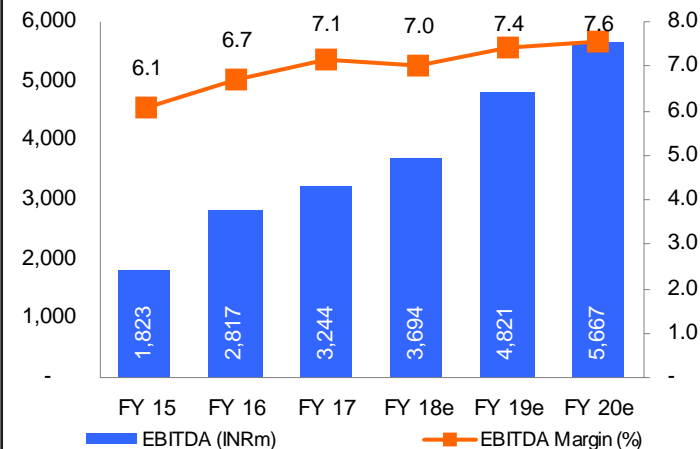
Comfortable leverage with steady improvement in return ratios, lower interest rates to reduce borrowing costs

Revenues improving steadily



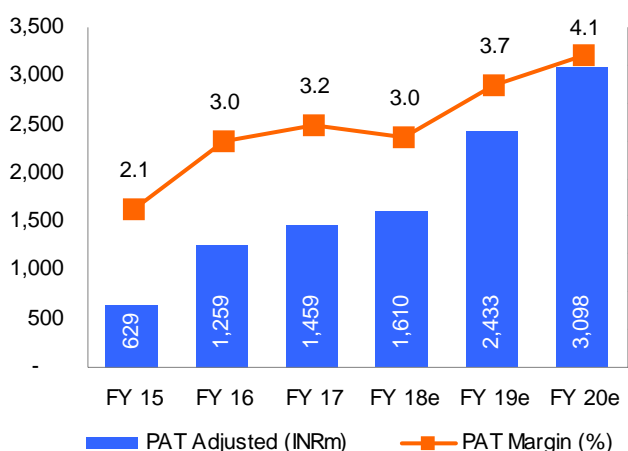
Source: Company, Antique

EBITDA and EBITDA margins also strong



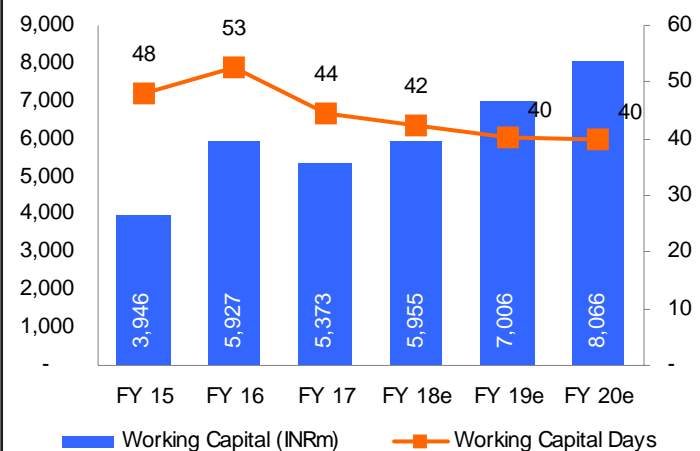
Source: Company, Antique

PAT and margin trend



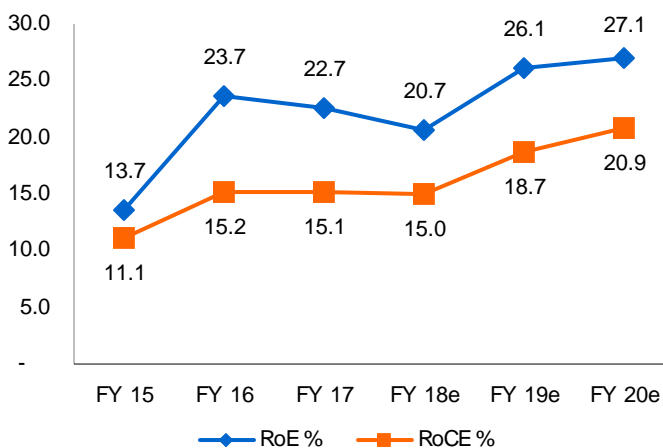
Source: Company, Antique

Working capital days maintained



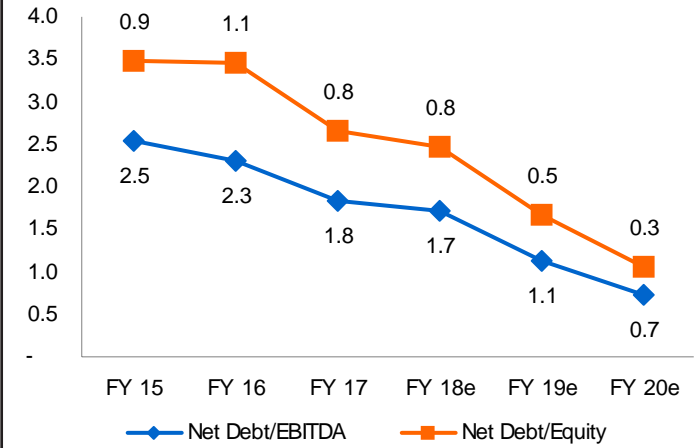
Source: Company, Antique

A steady growth in RoE and RoCE



Source: Company, Antique

Comfortably leveraged



Source: Company, Antique

Relative Valuation

Company Name	EV/EBITDA (x)		P/E (x)		RoE (%)		P/B (x)	
	1year fwd	2year fwd	1year fwd	2year fwd	1year fwd	2year fwd	1year fwd	2year fwd
APL Apollo	11.1	9.2	20.8	16.4	26.1	27.1	4.9	4.0
Surya Roshni	10.6	8.9	23.3	19.3	8.6	9.7	2.2	2.0
Maharashtra Seamless	6.9	6.2	12.4	10.7	8.1	8.9	0.9	1.0
Jindal Saw	7.3	6.1	8.3	5.9	8.4	10.7	0.7	0.6
Welspun Corp Ltd.	5.9	5.5	13.0	11.0	9.7	10.4	-	-
Ratnamani Metals & Tubes Ltd	12.6	10.4	22.8	18.5	13.6	15.1	2.9	2.6

Source: Bloomberg, Antique

Key Assumptions

	FY16	FY17	FY18e	FY19e	FY20e
ERW pipe volumes (MT)	1.0	1.0	1.2	1.4	1.6
Pipe blended realization (INR per tonne)	35,641	40,729	44,640	44,905	44,885
EBITDA (INR per tonne)	2,941	3,322	3,205	3,398	3,456

Source: Company, Antique

Annexure

Profile of Board of Directors & key management personnel

Sanjay Gupta - Executive Chairman

Sanjay Gupta is an entrepreneur with an experience of over two decades in various steel industry segments and has led the steady growth of the company.

Ashok K. Gupta - Managing Director

Ashok K. Gupta is a steel industry veteran with over three decades of experience and has worked at senior management positions in SAIL, Bhushan Steel, LN Mittal Group (African Continent), Jindal etc. He is MSc (Physics), PGDBA from AIMA and has won various medals and awards.

Vinay Gupta - Director

Vinay Gupta has over 17 years of experience in exports and international markets with in-depth knowledge of manufacturing and trading pipes, tubes, sheets and other steel products.

Romi Sehgal - Director

Romi Sehgal is an executive director on the Board of the Company since 13 August, 2016. He has contributed to Steel and Tubes Industry for more than three and half decades right from designing and manufacturing of Tube Mills to putting up Green Field Projects, successful commissioning of Projects and ensuring uninterrupted optimum production from factories. He is a Science graduate and has worked at Managerial and Leadership positions in reputed companies such as Atlas Steel Tubes Limited, Atma Steel Tubes Limited, Bharat Steel Tubes Limited and for 13 Years in Gallium Industries Limited which is a manufacturer of Steel Tube equipment in collaboration with Kusahabe Elect. and Mech. Co Japan.

Anil Kumar Bansal - Director

Anil Kumar Bansal is an ex-Executive Director of Indian Overseas Bank and has almost four decades of experience in the banking industry. Bansal is M. Sc. (Agri.) and is a certified associate of CAIIB. Currently, he is also serving as the Director of CARE Limited, Canara, HSBC, Oriental Bank of Commerce, Life Insurance Company Limited, IFCI Infrastructure Development Limited and Cent Bank Home Finance Limited.

Abhilash Lal - Director

A mechanical engineer, Lal completed his post graduation in management from the Indian Institute of Management (IIM), Bangalore in 1988. He has spent more than 27 years in senior roles in financial services, including banking, consulting, insurance, investments and real estate.

S. T. Gerela - Director

S. T. Gerela, Master in Arts, a graduate in law and C.A.I.I.B, has been associated with various regulatory authorities like SEBI, RBI & BSE among others. He has been a member of various committees, study groups & delegations constituted by government/semi-government authorities.

Ms. Neeru Abrol - Director

Ms. Neeru Abrol is the former Chairperson and Managing Director of M/S National Fertilizers Ltd. She also worked with M/s Steel Authority of India for 26 years, handling various management positions. She is a Chartered Accountant professional with over three decades of rich experience in manufacturing industry and financial management.

V.S. Jain - Director

V.S. Jain is an Independent Director on the Board of the Company since 28 January, 2017. He completed his assignment as a Member, Public Enterprises Selection Board (PESB) which has been set up by the Government with the objectives of evolving a sound managerial policy for central public sector enterprises and to advise Government on appointments to top management posts at the Board level. He has served as Chairman of Steel Authority of India (SAIL) and as Executive Director of Indian Oil Corporation (IOC). He has also served as an independent director on the Boards of Rashtriya Ispat Nigam Ltd., Essar Oil Ltd., National Multi-commodity Exchange of India and is presently on the Board of Dalmia Bharat Ltd. He is a fellow member of the Institute of Chartered Accountants of India as well as the Institute of Cost Accountant of India.

Management team

Mr. Sanjay Gupta <u>Executive Chairman</u>	Mr. Ashok K. Gupta <u>Managing Director</u>	Romi Sehgal <u>Director</u>	Deepak Goyal <u>CFO</u>
Arun Agrawal <u>VP Operations</u>	Ajay Garg <u>VP Operations</u>	Shiv Kumar Bansal <u>VP Sales</u>	J P Singh <u>HRD Head</u>
	Dinesh Talniya <u>IT Head</u>	Amit Kapoor <u>RM South</u>	

Source: Company, Antique

Tapping the Building Material space



1	Structural steel
2	Fencing
3	Hand railing
4	Roofing
5	Scaffolding
6	Door frame
7	Window frame
8	Ducting
9	Furniture
10	Fire fighting

Array of products catering to multiple segments of the High Potential industry

Source: Company, Antiqua

Infrastructural applications



Source: Company, Antique

Engineering applications



Source: Company, Antique

Automotive applications



Source: Company, Antique

Agricultural applications



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Revenues	42,136	45,450	52,730	65,035	74,983
Expenses	39,319	42,206	49,036	60,215	69,316
EBITDA	2,817	3,244	3,694	4,821	5,667
Depreciation & amortisation	341	512	529	571	601
EBIT	2,476	2,732	3,165	4,249	5,066
Other income	103	38	68	70	81
Interest expense	695	683	794	683	516
Profit before tax	1,883	2,086	2,440	3,637	4,631
Extraordinaries	(253.3)	-	-	-	-
Tax	624	627	830	1,204	1,533
Profit after tax	1,006	1,459	1,610	2,433	3,098
Adjusted PAT	1,259	1,459	1,610	2,433	3,098
EPS (INR)	53.7	61.8	68.3	103.1	131.3

Balance sheet (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Share Capital	234	236	236	236	236
Reserves & Surplus	3,567	5,026	6,212	8,079	10,469
Premium A/c	1,874	1,941	1,941	1,941	1,941
Networth	5,676	7,203	8,389	10,255	12,646
Debt	6,506	5,962	6,349	5,462	4,131
Deferred tax/ other liabilities	859	905	905	905	905
Capital Employed	13,040	14,070	15,643	16,622	17,681
Gross Fixed Assets	7,291	8,078	9,978	10,578	11,778
Accumulated Depreciation	1,058	1,402	1,931	2,502	3,102
Net Assets	6,233	6,676	8,047	8,076	8,675
Capital work in progress	320	1,224	843	743	143
Goodwill on Consolidation	429	670	670	670	670
Current Assets Loans & Advances					
Investments	131	127	127	127	127
Inventory	5,944	4,696	5,441	6,505	7,455
Debtors	2,199	2,952	3,101	3,665	4,235
Cash & Bank	14	17	20	20	33
Loans & advances and others	1,333	2,138	1,692	2,095	2,420
Current Liabilities & Provisions					
Creditors	3,071	4,275	4,148	5,094	5,863
Provisions	490	156	151	186	214
Net Current Assets	5,927	5,373	5,955	7,006	8,066
Application of Funds	13,040	14,070	15,643	16,622	17,681

Per share data

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
No. of shares (Mn)	23	24	24	24	24
BVPS (INR)	242.1	305.3	355.6	434.7	536.1
CEPS (INR)	68.3	83.5	90.7	127.3	156.8
DPS (INR)	10.0	12.0	15.0	20.0	25.0

Margins (%)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
EBITDA	6.7	7.1	7.0	7.4	7.6
EBIT	5.9	6.0	6.0	6.5	6.8
PAT	3.0	3.2	3.0	3.7	4.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
PBT	1,883	2,086	2,440	3,637	4,631
Depreciation	341	512	529	571	601
Interest	695	683	794	683	516
Other adjustments					
(Inc)/ Dec in working capital	(2,155)	558	(579)	(1,050)	(1,047)
Tax paid	(624)	(627)	(830)	(1,204)	(1,533)
CF from operating activities	140	3,212	2,353	2,636	3,168
Capex	(897)	(1,691)	(1,519)	(500)	(600)
(Inc)/ Dec in Investments	59	4	-	-	-
Income from investments	(253)	-	-	-	-
Others	-	-	-	-	-
CF from investing activities	(1,091)	(1,687)	(1,519)	(500)	(600)
Inc/ (Dec) in share capital and premium	0	69	-	-	-
Inc/ (Dec) in debt	1,684	(544)	387	(888)	(1,331)
Dividends & Interest paid	(976)	(1,023)	(1,218)	(1,249)	(1,224)
Others	69	(23)	(0)	0	0
CF from financing activities	776	(1,521)	(831)	(2,136)	(2,555)
Net cash flow	(175)	3	3	0	13
Add: Opening balance	188	14	17	20	20
Closing balance	14	17	20	20	33

Growth indicators (%)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Revenue	39.9	7.9	16.0	23.3	15.3
EBITDA	54.5	15.2	13.9	30.5	17.5
PAT	100.1	15.9	10.4	51.1	27.3
EPS	100.1	15.1	10.4	51.1	27.3

Valuation (x)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
P/E (x)	40.0	34.7	31.5	20.8	16.4
P/BV (x)	8.9	7.0	6.0	4.9	4.0
EV/EBITDA (x)	19.3	16.6	14.7	11.1	9.2
EV/Sales (x)	1.3	1.2	1.0	0.8	0.7
Dividend Yield (%)	0.5	0.6	0.7	0.9	1.2

Financial ratios

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
RoE	23.7	22.7	20.7	26.1	27.1
RoCE	15.2	15.1	15.0	18.7	20.9
Debt/Equity (x)	1.1	0.8	0.8	0.5	0.3
EBIT/Interest (x)	3.6	4.0	4.0	6.2	9.8

Source: Company Antique