APL Apollo Tubes Accumulate

Metal and Mining | Initiating and Q3FY25 Earnings

CMP: Rs.1,590 | TP: Rs 1,830 | Upside 15%

DOLAT CAPITAL
IN-DEPTH-PRECISE-ACTIONABLE

On the top of its game in Structural Steel Tubes market

We are initiating coverage on APL Apollo Tubes (APAT) with 'Accumulate' rating and TP of Rs 1,830 valuing at 32x FY27E earnings. APAT has become India's largest producer of structural steel tubes, boasting an installed capacity of 4.3 mtpa as of end-3QFY25. The company aims to increase its total installed capacity to 5 mtpa by FY26E. Management targets sales volume growth of ~22% in FY25 to 3.2 MT, followed by 4 MT/5MT for FY26/27E respectively.

We believe that the ramp-up of new facilities will enhance the topline, while improvements in the product portfolio through a greater proportion of value-added products will support margins. 3QFY25 witnessed best-ever quarterly Sales volume, EBITDA and PAT. The company's volume expansion plan, aggressive market share augmentation and product mix improvement initiatives are key positives. We expect Revenue/EBITDA/PAT CAGR of 24/38/50% over FY25-27E. The stock is currently trading at P/E of 39/28 on FY26/FY7E EPS. Initiate 'Accumulate' rating.

Shift from conventional building materials to steel pipes/tubes

Faster pace of execution (due to life cycle cost, end-of-life scrap recovery) make structural steel a better alternative to conventional building products. For instance, steel tube structures take 8 days per slab as against 24 days per slab in RCC structures. APAT's demonstrated capability wherein the super structure gets ready 65% faster, combined with its long-time market presence & brand positioning make it a go-to solution for structural steel tubes (currently the company enjoys more than 55% market share).

Steady impetus from housing & infrastructure to drive demand

Government's infrastructure impetus, robust demand for housing, ongoing metro railway projects, airports, railway station redevelopments, warehousing applications continue to remain robust demand drivers for structural steel pipes/tubes. APAT's pan-India presence (implying stronger market penetration across geographies) and wide portfolio (more than 2,500 SKUs) give a significant competitive edge over peers.

Installed capacity to reach 5 mtpa over FY25-26E

APAT has raised its capacity ~3.3x from 1.3 mtpa level in FY16 to currently 4.3 mtpa. The addition of 3 greenfield plants totalling 610 KTPA along with 90 KTPA brownfield expansion would translate to 5 mtpa installed capacity by FY26. 3QFY25 witnessed best-ever quarterly sales volume of 828 KT, reflecting an increase of 9.2% QoQ and 35.8% YoY, resulting in total sales volume of 2.3 MT for 9MFY25 (18.5% higher YoY). This momentum implies guidance of 3.2mtpa for FY25 (~22% higher YoY) is achievable.

Higher share of value-added products to improve EBITDA/ton

9MFY25 witnessed EBITDA/ton of Rs 4,173, while management expects it to reach sustainable level of Rs 5,000 in the medium term, supported by VAP proportion of ~70% by FY26-27E.

Key Data

Nifty	23,345
Equity / FV	Rs 555mn / Rs 2
Market Cap	Rs 441bn
	USD 5.1bn
52-Week High/Low	Rs 1,729/ 1,305
Avg. Volume (no)	564,296
Bloom Code	APAT IN

Stock Performance (%)

Particulars	1M	3M	12M
Absolute (%)	2	1	3
Rel to NIFTY (%)	3	7	(5)

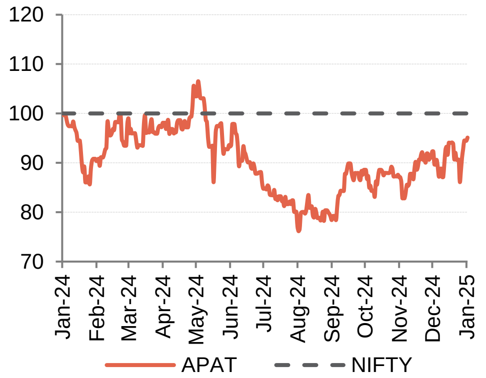
Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	28.3	28.3	28.3
MF/Banks/FIs	14.9	15.9	16.5
FIIs	31.6	31.9	31.7
Public / Others	25.2	23.8	23.5

Financials (Rs bn)

Particulars	FY24A	FY25E	FY26E	FY27E
Revenue	181	215	271	332
Growth (%)	12.1	18.6	26.3	22.2
EBITDA	12	12	17	23
OPM (%)	6.6	5.6	6.4	6.9
PAT	7	7	11	16
Growth (%)	14.1	(3.7)	60.5	40.2
EPS (Rs.)	26.4	25.4	40.8	57.2
Growth (%)	14.1	(3.7)	60.5	40.2
PER (x)	60.3	62.6	39.0	27.8
ROANW(%)	22.2	18.2	24.4	27.3
ROACE (%)	19.1	16.1	20.9	24.4

Company relative to NIFTY



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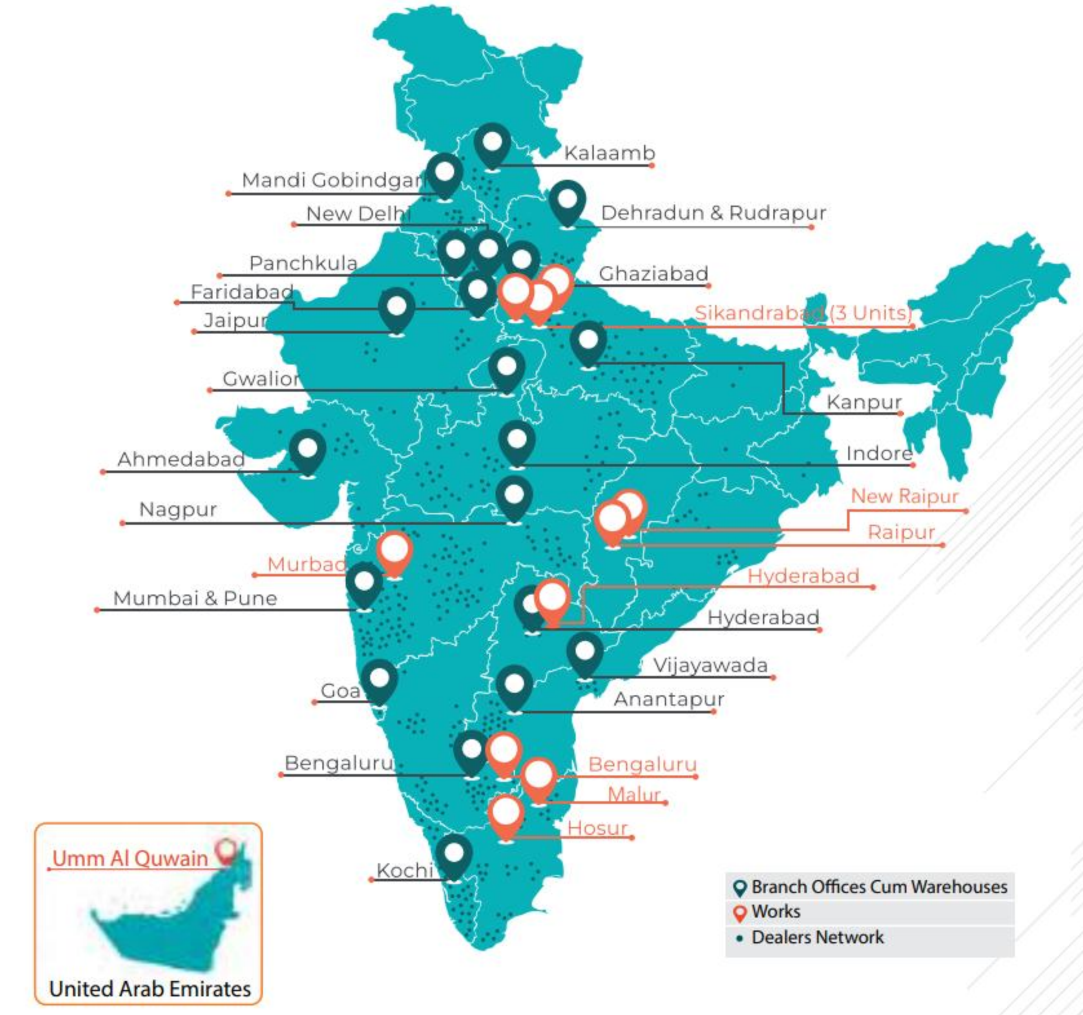
About the Company

APL Apollo Tubes (APAT), incorporated in 1986, is India's leading producer of structural steel tubes, boasting an installed capacity of 4.3 mtpa as at end of 3QFY25. The company offers a diverse product range including structural steel tubes, galvanized tubes, pre-galvanized tubes, MS black pipes, hollow sections and colour-coated roof tuffs (totalling over 2,500 SKUs) and has a network of 800+ distributors across the country.

Details of Manufacturing Units

APAT has a widespread presence across India with **11 manufacturing facilities** located in Hyderabad, 3 plants at Sikandrabad (Uttar Pradesh), Bengaluru (Karnataka), Hosur (Tamil Nadu), 2 plants in Raipur (Chhattisgarh), Malur (Karnataka), Murbad (Maharashtra) and Umm Al Quwain (UAE). The company is set to enhance its production capabilities by establishing 3 new greenfield plants (610 KTPA) and 90 KTPA brownfield which will raise the total installed capacity to 5 mtpa by FY26E.

Exhibit 1: Strong Pan-India presence



Source: Company, Dolat Capital

Exhibit 2: APL Apollo's product offering

Product Category	Application	Key USPs	Application
Apollo Structural	**Heavy**	First company to introduce DFT technology in India	High-rise, Warehousing, Infrastructure
	Super Heavy	Offers columns of 300mm x 300mm, 500mm x 500mm and 1000mm x 1000mm*	Column, Beams, Heavy structural erections
	Light	1st Indian company to introduce Door frame & Plank Light weight tubes for furniture	Door Frame, staircase steps, Furniture & fencing Electrical Conduits
	General	First company in India to introduce square, rectangular structural steel tubes	Sheds & Gates, Handrails & Fencing, Balcony Grills Staircase etc
Apollo Z	**Rust-proof**	company in India to introduce - galvanized sections, replacing vanized tubes Effective in use in coastal markets	Roofing Structures, Fabrication Work, Purlins Rafters
	Coated	High tensile light structural application; bendable; superior rust proof properties	Warehousing Factory Sheds
Apollo Galv	**Agri/ Industrial**	Effective for use in water applications, being highly noncorrosive in nature	Greenhouse structures Plumbing Firefighting

Source: Company, Dolat Capital

Industry Snapshot

Structural steel, known for its high strength, durability, and ductility, is essential for constructing high-rise buildings, bridges, airports, railway stations, and other infrastructure. Its recyclability and prefabrication capabilities make it a sustainable and efficient choice, enabling faster construction and reduced project timelines. In India, the structural steel market is set to grow due to increasing demand from the manufacturing sector, a shift toward pre-engineered buildings, and Government-led infrastructure projects like metro stations, airports, industrial corridors, power plants, and ports.

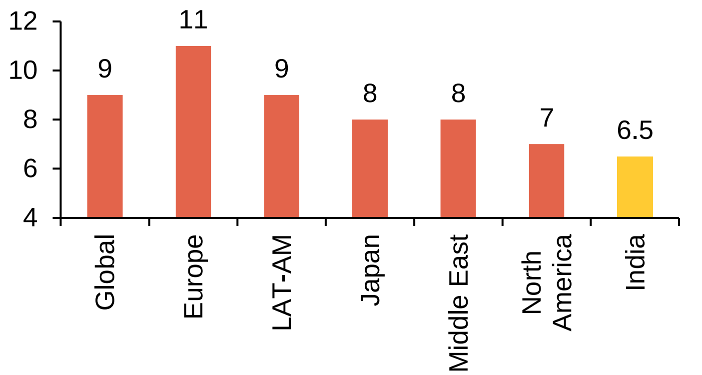
According to the Confederation of Real Estate Developers' Association of India (CREDAI), the real estate sector is projected to reach USD 1.3 trn (13.8% of projected GDP) by FY34 and USD 5.2 trn (17.5% of projected GDP) by FY47. CREDAI has projected an incremental 70 mn additional housing demand by 2030. With organized developers looking at incrementally developing gated communities, high-rises and villas (all of which necessitate greater usage of structural steel pipes/tubes) on a faster pace (typically execution happens faster with structural steel as opposed to conventional concrete/brick and mortar methods) – the real estate sector is poised to remain a major growth driver for structural steel consumption.

According to a CREDAI-CRE Matrix study, **the supply of India's prime workplaces is expected to touch 1 bn sq. ft. in tier-I cities** led by robust industry fundamentals and sustained demand by 2030 from the current level of 700 mn sq. ft. grade A offices.

The Indian data center industry has grown from occupying 2.7 mn sq. ft. in 2017 to 11 mn sq. ft. in 2023. **The industry is further set for expansion, requiring an additional 10 mn sq. ft. of real estate space** and attracting investments totalling USD 5.7 bn, according to a report by real estate consultancy JLL. All such projects would remain robust drivers for structural steel sections/pipes/tubes.

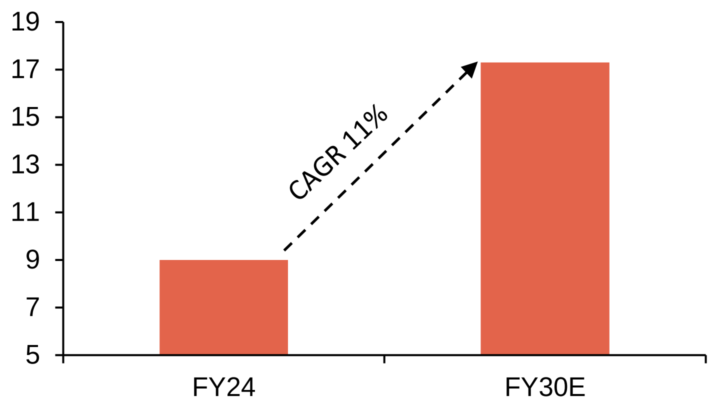
As shown below, **the company expects the structural steel tubes market to rise from 9 mtpa in FY24 to 17.3 mtpa by FY30, implying a CAGR of ~10%**. Structural steel tubes a percentage of steel market stood at 6.5% in FY24 for India, as against the global average of 9% (indicating further potential of growth; company expects it to reach 8.3% in FY30).

Exhibit 3: Structural steel tubes as % of steel market



Source: Company, Dolat Capital

Exhibit 4: Structural steel tubes in India (Mn Ton)



Source: Company, Dolat Capital

Investment Arguments

Increased replacement of conventional building materials with steel pipes/tubes

The growing preference for structural steel pipes and tubes in construction can be attributed to their significant advantages over traditional materials, including faster pace of construction, greater strength, and superior durability. With **about 64% of these products utilized in housing, 19% in commercial buildings, and 13% in infrastructure**, the shift towards steel is reshaping the construction landscape, facilitating quicker project completion and maintaining structural integrity over time.

Exhibit 5: Structural steel gradually replacing conventional construction products

Conventional Construction Products	Applications	Why structural steel Tube replace these products?	How to replace the conventional product?
Steel Angle/Channels	Structural support, Towers infrastructure	Uniform Strength & Lower stock consumption	Low Diameter Steel Tubes/Low Load Bearing
Wood	Furniture, Door Frames, Planks	Cost Effective, Termite Proof & Environmentally Friendly	
Aluminum Profiles	Facades & Glazing	Cost Effective & Higher Strength	
Reinforced Cement Concrete	Construction of Buildings	Faster Construction & Environmentally Friendly	High Diameter Steel Tubes/High Load Bearing
Fabricated Metal Sheet	Pre-Engineered Steel Buildings	Lower steel consumption & reduces overall project cost	

Source: Company, Dolat Capital

APAT has uniquely positioned itself as the first mover in this space by having a plethora of registered, patented products which makes it a go-to solution for organized real estate developers, contractors, fabricators and the like.

Exhibit 6: APL Registered patented products

Source: Company, Dolat Capital

Steady impetus from housing and infrastructure to drive demand

The Indian structural steel market is witnessing significant growth driven by the expansion of the commercial building sector, coupled with government initiatives promoting green buildings, smart cities and the Make in India campaign.

Additionally, Government projects such as the construction of metro stations, new airport terminals, industry corridors, power plants and ports necessitate substantial steel structures. These initiatives are expected to be primary catalysts for driving growth in the Indian structural steel market. The prefabricated building market is expected to grow at a CAGR of around 8.5%, spurred by initiatives like 'Digital India' and 'Smart Cities'.

India's metro network is expanding at an unprecedented pace and is likely to surpass that of the US in the next couple of years to become the second largest in the world. India's metro network has increased significantly, from 229 km across five cities in 2014 to 860km across 20 cities in April 2023. Moreover, construction is underway on metro rail projects covering 986 km in various cities such as Navi Mumbai, Pune, Madhya Pradesh, Kanpur, Agra, Meerut and Surat.

To modernize the expansive network, Indian Railways has initiated the Amrit Bharat Station Scheme to redevelop 1,309 stations nationwide. **Each station is projected to require ~500 to 40,000 tons of steel tubes**, depending on its size, marking a substantial opportunity for the structural steel industry.

India's current per capita warehousing stock at 2.7 sq. ft., is well below that of developed economies like the United States of America (54.2 sq ft), Japan (46.3 sq ft), and China (8 sq ft). This significant disparity highlights a massive potential demand for warehousing space. **Projections suggest that India's warehousing and logistics stock will grow substantially, doubling to exceed 700 mn sq ft by 2030**. This growth is expected to be driven by occupiers expanding across various segments such as e-commerce, third-party logistics, and engineering & manufacturing.

According to the Civil Aviation Ministry, India will have 230-240 airports, including heliports and water aerodromes, by 2030 (from current level of 148). The Ministry is looking at developing six 'Twin City' airports by 2030 to decongest existing airports in major cities and expand the airport infrastructure to address the burgeoning demand for air travel.

APAT's pan-India presence (11 manufacturing units catering to various geographies gives unique advantage because of larger logistics cost involved in this business imply that closer proximity of manufacturing plant to the target market can yield sustainable margins) along with diverse product portfolio (more than 2,500 SKUs) yield competitive advantage.

Exhibit 7: APL Diverse Product Offering

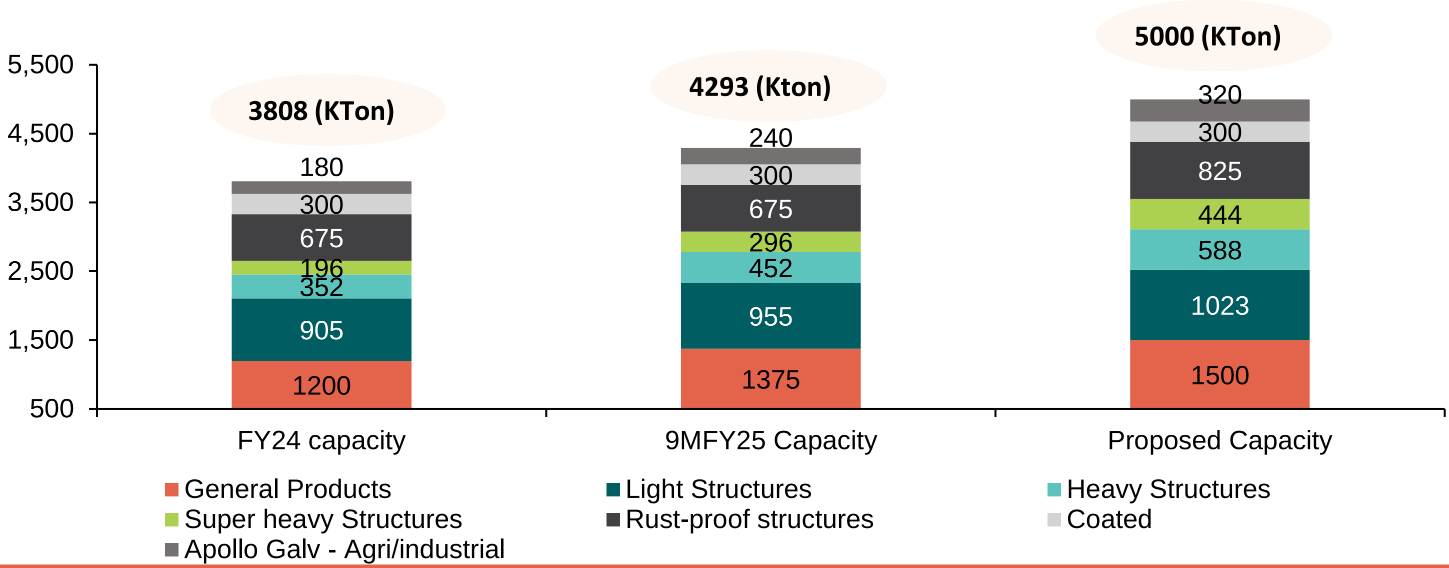
Product Category	Application	Product – visual overview	Key USPs	Applications	Applications – visual overview
Apollo Structural	Heavy		• First company to introduce DFT technology in India	High-rise, Warehousing, Infrastructure	
	Super Heavy		• Offers columns of 300mm x 300mm, 500mm x 500mm and 1000mm x 1000mm*	Column, Beams, Heavy structural erections	
	Light		• First company in India to introduce Door frame and Plank • Light weight tubes for furniture	Door Frame, Staircase Steps, Furniture & fencing Electrical Conduits	
	General		• First company in India to introduce square, rectangular structural steel tubes	Sheds & Gates, Handrails & Fencing, Balcony Grills Staircase etc.	
Apollo Z	Rust-proof		• First company in India to introduce pre-galvanized sections, replacing galvanized tubes • Effective in use in coastal markets	Roofing Structures, Fabrication Work, Purlins Rafters	
	Coated		• High tensile light structural application; bendable; superior rust proof properties	Warehousing Factory Sheds	
Apollo Galv	Agri/Industrial		• Effective for use in water applications, being highly non-corrosive in nature	Greenhouse structures Plumbing Firefighting	

Source: Company, Dolat Capital

Top-line growth aided by higher installed capacity

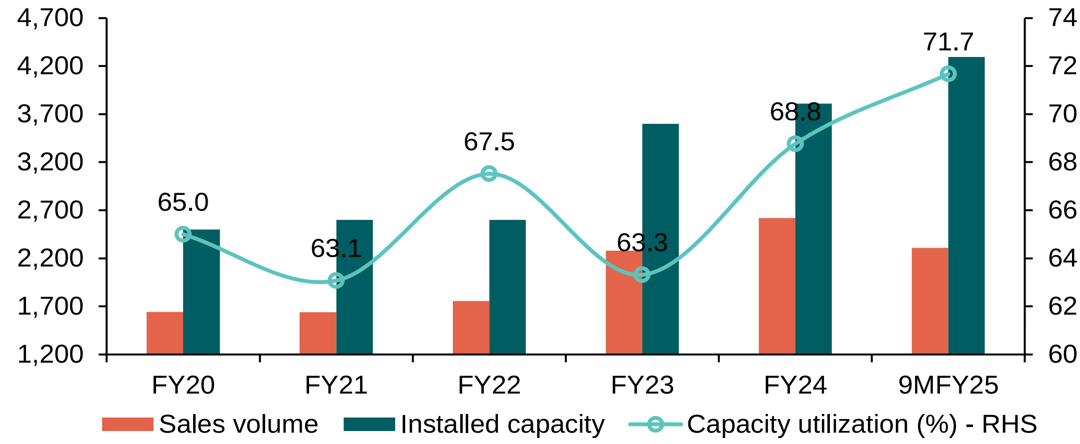
APAT has raised its capacity ~3.3x from 1.3 mtpa level in FY16 to currently 4.3 mtpa. With the addition of three greenfield plants totaling 610 KTPA and a 90 KTPA brownfield expansion, the projected installed capacity is set to reach 5 mtpa by FY26. 9MFY25 sales volume at 2.3 MT indicates that the management guidance of 3.2 mtpa for FY25 (~22% higher YoY) is achievable. Greater capacity utilization of the Raipur plant (current installed capacity of 1.2 mtpa) combined with ramp up of Dubai plant would also drive higher volumes in FY26 (management guidance is at 4 MT for FY26 and 5 MT for FY27).

Exhibit 8: Capacity expansion continues to focus on value-added products



Source: Company, Dolat Capital

Exhibit 9: Optimum capacity utilization over the years



Source: Company, Dolat Capital

Exhibit 10: 610 KTPA greenfield expansions to incrementally cater to ~1.5 MTPA market in target geographies given below

Location for Greenfield Plants	Capacity	Target Market
Gorakhpur Eastern UP	110,000 Ton	Eastern UP, Bihar and Nepal
Siliguri West Bengal	200,000 Ton	West Bengal, Jharkhand, 7 Sister State and Bhutan
New Bangalore Karnataka	300,000 Ton	South India

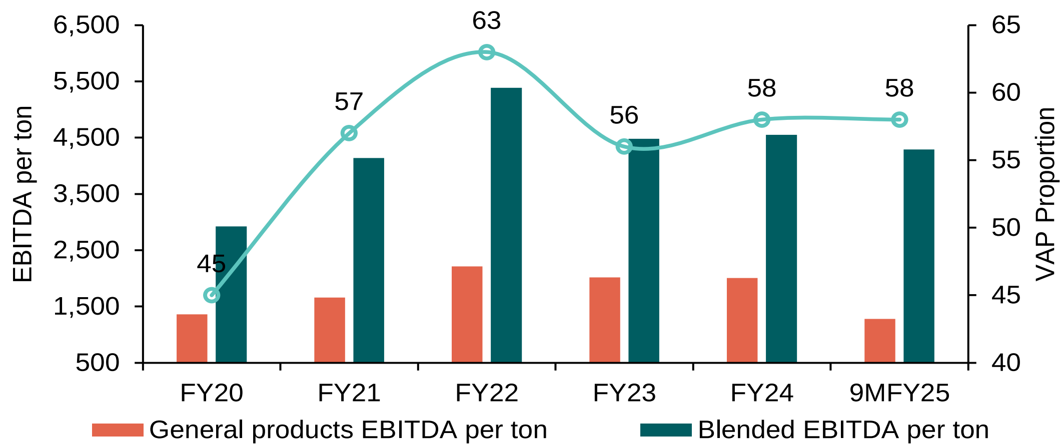
Source: Company, Dolat Capital

Higher share of value-added products to support improved EBITDA per ton

APAT has made strategic efforts to de-commoditize its product portfolio by enhancing focus and increasing capacity for value-added products instead of general structural, ERW pipes. General products typically yield an average EBITDA per ton of around Rs.2,000 (commoditized ERW black pipes which face intense competition from other organized primary steel-based pipe manufacturers and unorganized, recycled patra-based pipe producers). On the other hand, value-added products offer a significantly higher EBITDA per ton ranging from Rs 5,000 to 8,000. This strategic shift towards margin-accretive offerings has historically enhanced the blended EBITDA per ton for the company.

Going forward, the target is to achieve ~70% VAP share on an installed base of 5 mtpa capacity to improve EBITDA per ton.

Exhibit 11: Higher EBITDA from Value-Added Products' per ton drove margins



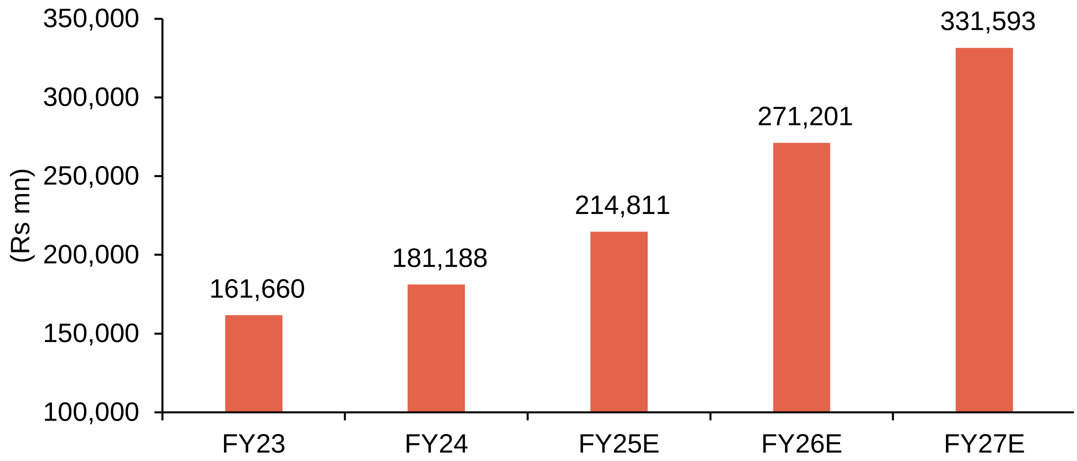
Source: Company, Dolat Capital

Exhibit 12: Solar Power Project installations to drive demand further

Source: Company, Dolat Capital

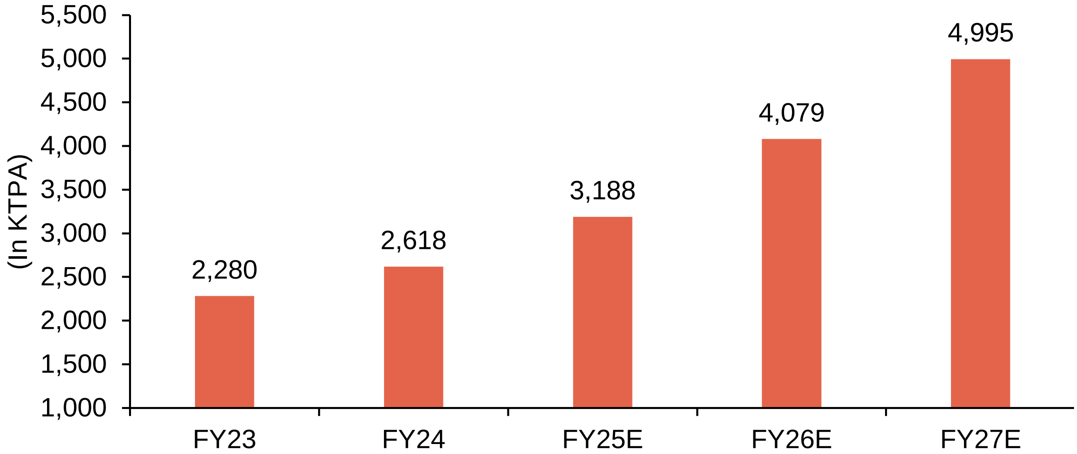
Financial snapshot through charts

Exhibit 13: Revenue set to grow 1.8x in 3 years



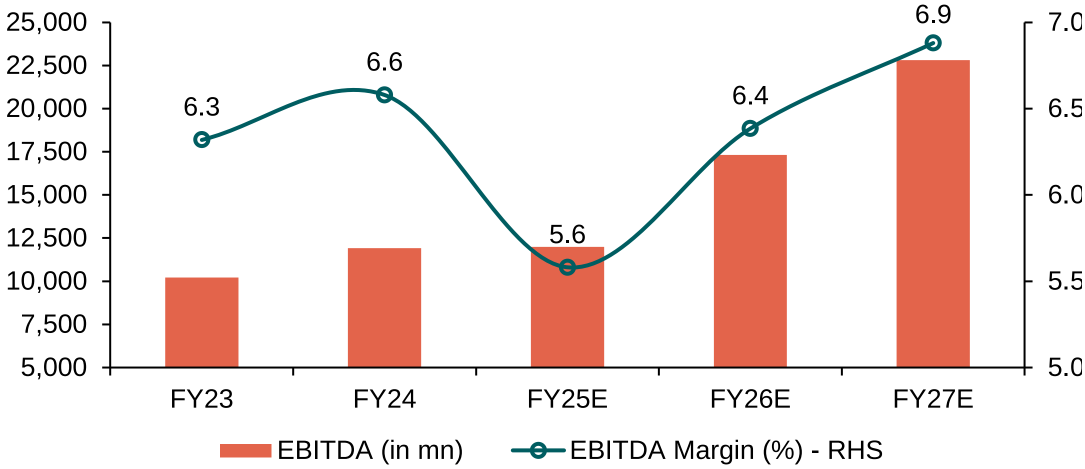
Source: Company, Dolat Capital

Exhibit 14: 5 MT sales by FY27



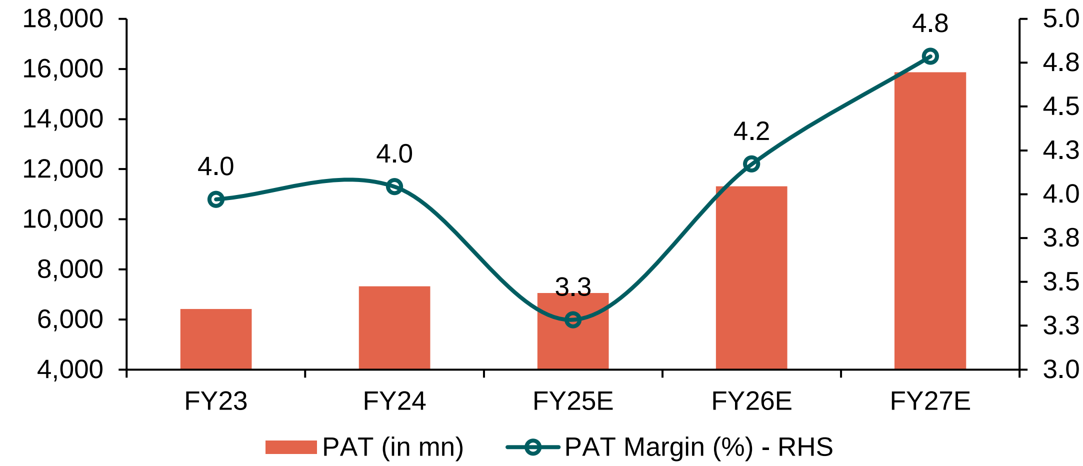
Source: Company, Dolat Capital

Exhibit 15: EBITDA to nearly double in 3 years



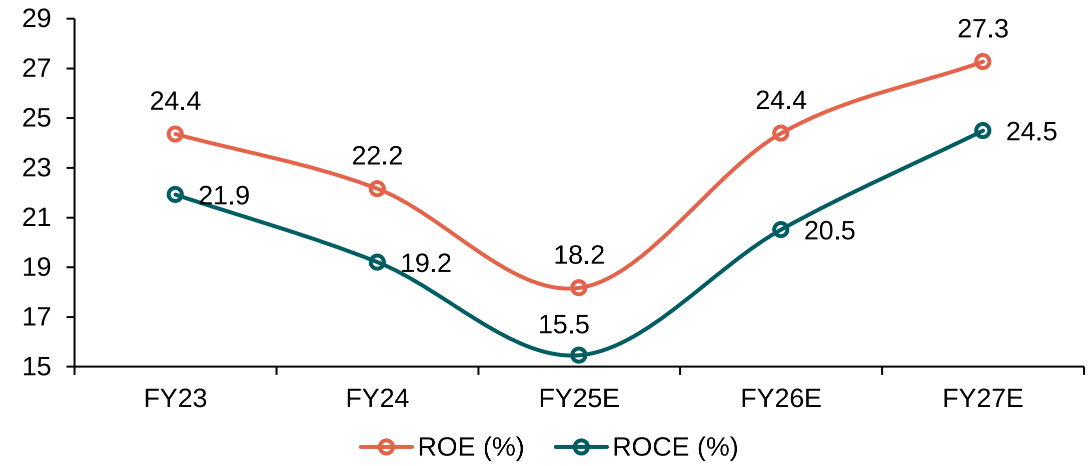
Source: Company, Dolat Capital

Exhibit 16: Top-line growth & robust EBITDA to support PAT



Source: Company, Dolat Capital

Exhibit 17: Return ratios to improve with higher capacity utilization



Source: Company, Dolat Capital

Exhibit 18: Key Assumptions

Particulars	FY23A	FY24A	FY25E	FY26E	FY27E
Sales in ton	2,280,000	2,617,969	3,187,528	4,078,836	4,995,298
EBITDA per ton	4,481	4,553	3,760	4,221	4,842

Source: Company, Dolat Capital

Exhibit 19: Growth Indicators (%)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	23.8	12.1	18.6	26.3	22.2
EBITDA	8.1	16.7	0.5	44.5	31.7
PAT	15.2	14.1	(3.7)	60.5	40.2
EPS	3.9	14.0	(3.7)	60.5	40.2

Source: Company, Dolat Capital

Exhibit 20: Valuation

Particulars	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	68.5	60.0	62.3	38.9	27.7
P/BV (x)	14.6	12.2	10.6	8.6	6.7
EV/EBITDA (x)	43.5	37.5	37.5	25.8	19.3
EV/Sales (x)	2.8	2.5	2.1	1.6	1.3
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4

Source: Company, Dolat Capital

Exhibit 21: Financial Ratios

Particulars	FY23	FY24	FY25E	FY26E	FY27E
RoE	24.4	22.2	18.2	24.4	27.3
RoCE	21.9	19.2	15.5	20.5	24.5
Debt/Equity (x)	0.2	0.2	0.2	0.1	0.0
EBIT/Interest (x)	13.2	9.0	7.1	13.7	31.1

Source: Company, Dolat Capital

Exhibit 22: Margins %

Particulars	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	6.3	6.6	5.6	6.4	6.9
EBIT	5.5	5.6	4.6	5.6	6.1
PAT	4.0	4.0	3.3	4.2	4.8

Source: Company, Dolat Capital

Key Risks

Increase in competitive intensity: The ongoing expansion of capacity among the major organized players in the primary steel-based pipe manufacturing sector is expected to intensify competition, which may lead to price erosion. This heightened competition could subsequently impact profit margins negatively.

Steel price volatility: Given that steel pipe manufacturing is akin to conversion business where raw material prices (particularly HRC) constitute a major proportion of cost, rising prices of steel and zinc could adversely affect profit margins. As steel prices increase, the cost of HRC-based pipes also rises, potentially driving price-sensitive customers to opt for less expensive recycled patra-based pipes, resulting in market share erosion for manufacturers relying on higher-cost HRC products.

Delay in commissioning of new plants: Commissioning of new plants, ramp-up of Raipur and Dubai facilities are expected to support top-line growth. Any impending delay in execution could potentially have a negative impact on earnings.

Macroeconomic downturn: Structural steel pipe demand is largely driven by key sectors such as housing, infrastructure impetus akin to railways, warehousing, malls and airports. Any macroeconomic headwind which could impact these sectors would lead to subdued demand for structural steel pipes/tubes and thus impact earnings.

Valuation

Management's ambitious FY25 target of ~22% volume growth to 3.2 MT is bolstered by capacity expansion plans (to reach 5 mtpa by FY25-26E) and ramp-up of Dubai plant (from 0.3 mtpa to 0.5 mtpa in future) thereby enhancing the company's top line. The company's robust 3QFY25 performance outshone the subdued 2QFY25 (inventory write-downs and heavy discounting strategy due to declining HRC prices). We view the company's proactive volume expansion and product mix enhancement strategies positively and **initiate coverage with an 'Accumulate' rating and TP of Rs 1,830** at a target P/E multiple of 32x FY27 earnings.

Q3FY25 Result: Best-ever sales, EBITDA and PAT

3QFY25 consolidated revenue at Rs. 54.3 bn grew by 30% YoY and 13.8% QoQ. The company reported the highest-ever quarterly sales volume at 828 KT, higher by 35.8% YoY and 9.2% QoQ. Consolidated EBITDA at ~Rs. 3.5 bn (4.2% above consensus estimates) grew by 23.6% and jumped 150.3% QoQ. EBITDA per ton came in at Rs. 4,173, lower by 8.9% YoY but sharply rose by 129.2% QoQ. Reported PAT post minority interest, at Rs. 2.2 bn was higher by 31.1% YoY and higher by 303.2% QoQ. It was primarily supported by improved EBITDA performance and higher other income (at Rs. 217 mn, it grew by 44.1% and 46.5%).

The highest-ever sales in a quarter; FY25 to witness ~22% growth

The company reported highest-ever quarterly sales volume at 828 KT, higher by 35.8% YoY and 9.2% QoQ. Management maintained FY25 sales volume guidance of 3.2 MT and 4 MT/5 MT for FY26/27E respectively. The intent to expand installed capacity from the current 4.3 mtpa to 5 mtpa (and further take it to 5.5 mtpa) by FY25-26 remains intact (some older mills would be shifted from existing facilities, to set up three new plants in Siliguri, Gorakhpur, and Bengaluru). These strategically located smaller plants are expected to enhance market penetration in their respective regions, contributing an incremental 1.5 mtpa to the company's overall production capacity.

EBITDA per ton grew YoY and QoQ; stronger 4QFY25 outlook

Consolidated EBITDA at ~Rs. 3.5bn (4.2% above consensus) rose by 23.6% YoY and materially rose 150.3% QoQ. Blended realization at Rs 65,597 per ton was lower by 4.2% YoY but improved 4.2% QoQ. Quarterly employee cost is expected to stabilize at Rs. 800-900 mn level; higher production/sales volume would aid in operating leverage and support margin. Management guided for 4QFY25 profitability to be in the range of Rs. 4,500 per ton, implying FY25 average EBITDA per ton would be at Rs. 3,760 level. The Raipur plant's capacity utilization stood at 55% in 3QFY25 (incremental capacity addition of 110 ktpa; now Raipur capacity stands at 1.2 mtpa). Management anticipates that higher capacity utilization at the Raipur facility, projected to reach around 70% in FY25 end, combined with the ramp-up of the 300 ktpa Dubai plant, will enhance margins.

Net debt sharply declined sequentially; to turn net cash positive in FY26

Net debt declined sequentially to Rs. 1 bn at the end of 3QFY25 (as against 3 bn at the end of 2QFY25). Residual capex of Rs. 6 bn would be incurred in the next 12 months (which would raise total installed capacity to 5.5 mtpa). Management expects to fund it through internal accruals, anticipating full deleveraging by the end of FY25 or 1HFY26.

Exhibit 23: Consolidated Summary

Consolidated summary	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
Sales	54,327	41,778	30.0	47,739	13.8	151,809	133,531	13.7
Inventory change	1,277	(3,260)	(139.2)	618	106.5	1,936	(2,287)	(184.7)
Cost of Material Consumed	40,870	38,593	5.9	40,912	(0.1)	122,660	115,603	6.1
% of sales	77.6	84.6	(699 bps)	87.0	(941 bps)	82.1	84.9	(279 bps)
Employee cost	899	644	39.6	872	3.2	2,571	1,876	37.1
% of sales	1.7	1.5	11 bps	1.8	(17 bps)	1.7	1.4	29 bps
Other expenses	7,825	3,005	160.4	3,957	97.8	16,789	9,221	82.1
% of sales	14.4	7.2	721 bps	8.3	612 bps	11.1	6.9	415 bps
Total Exp	50,872	38,982	30.5	46,359	9.7	143,957	124,413	15.7
EBITDA	3,456	2,796	23.6	1,381	150.3	7,853	9,118	(13.9)
Margin %	6.4	6.7	(33 bps)	2.9	347 bps	5.2	6.8	(166 bps)
Other income	217	150	44.1	148	46.5	611	563	8.6
Depreciation	503	471	6.9	469	7.4	1,437	1,293	11.1
Interest expenses	368	285	29.1	364	1.2	1,010	823	22.8
Profit Before Tax	2,801	2,190	27.9	696	302.5	6,017	7,565	(20.5)
Exceptional item	0	0	0.0	0	-	0	0	-
PBT after exceptional	2,801	2,190	27.9	696	302.5	6,017	7,565	(20.5)
Tax	631	535	18.0	158	300.1	1,378	1,945	(29.2)
Tax Rate %	22.5	24.4	(188 bps)	22.7	(14 bps)	22.9	25.7	(282 bps)
Reported Net Profit	2,170	1,655	31.1	538	303.2	4,639	5,620	(17.4)
Adjusted Net Profit	2,170	1,655	31.1	538	303.2	4,639	5,620	(17.4)
EPS (RS.)	7.8	6.0	31.0	1.9	303.2	16.7	20.3	(17.5)

Source: Company, Dolat Capital

Exhibit 24: Operating Metrics

Operating metrics	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
Sales volume ('000 tons)	828	610	35.8	758	9.2	2,308	1,947	18.5
Blended realization (per ton)	65,597	68,478	(4.2)	62,949	4.2	65,786	68,597	(4.1)
EBITDA (RS. per ton)	4,173	4,582	(8.9)	1,820	129.2	3,403	4,684	(27.3)

Source: Company, Dolat Capital

Exhibit 25: Per Ton Analysis

Per ton analysis	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
Blended realization	65,597	68,478	(4.2)	62,949	4.2	65,786	68,597	(4.1)
Cost of material consumed per ton	49,348	63,258	(22.0)	53,947	(8.5)	53,154	59,387	(10.5)
Employee cost per ton	1,086	1,055	2.9	1,149	(5.5)	1,114	964	15.6
Other expenses per ton	9,448	4,925	91.8	5,217	81.1	7,276	4,737	53.6
Inventory change per ton	1,542	(5,343)	(128.9)	815	89.1	839	(1,175)	(171.4)
EBITDA per ton	4,173	4,582	(8.9)	1,820	129.2	3,403	4,684	(27.3)

Source: Company, Dolat Capital

Exhibit 26: Sales Volume Analysis

Sales volume analysis	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
General products	360	249	44.8	338	6.5	987	832	18.7
Value added products	468	361	29.5	420	11.4	1,321	1,115	18.5
VAP proportion (%)	56.5	59.2	-273 bps	55.4	109 bps	57.2	57.3	-4 bps

Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Revenue	**181,188**	**214,811**	**271,313**	**331,525**
Total Expense	**169,266**	**202,824**	**253,989**	**308,712**
COGS	157,541	188,700	237,416	289,379
Employees Cost	2,576	3,220	3,301	3,367
Other expenses	9,149	10,904	13,272	15,966
EBIDTA	**11,922**	**11,987**	**17,324**	**22,813**
Depreciation	1,759	2,103	2,253	2,453
EBIT	**10,162**	**9,884**	**15,071**	**20,361**
Interest	1,134	1,390	1,103	655
Other Income	749	935	1,162	1,508
Exc. / E.O. items	0	0	0	0
EBT	**9,777**	**9,429**	**15,130**	**21,214**
Tax	2,453	2,376	3,813	5,346
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	**7,324**	**7,053**	**11,317**	**15,868**
Adjustments	0	0	0	0
APAT	**7,324**	**7,053**	**11,317**	**15,868**

Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Sources of Funds				
Equity Capital	555	555	555	555
Minority Interest	0	0	0	0
Reserves & Surplus	35,491	41,017	50,669	64,595
Net Worth	**36,046**	**41,572**	**51,224**	**65,150**
Total Debt	11,443	13,240	10,509	6,234
Net Deferred Tax Liability	1,258	1,258	1,258	1,258
Total Capital Employed	**48,747**	**56,070**	**62,991**	**72,641**
Applications of Funds				
Net Block	**32,810**	**34,307**	**35,055**	**36,602**
CWIP	2,030	4,030	4,030	2,530
Investments	1,027	1,027	1,027	1,027
Current Assets, Loans & Advances	**36,002**	**44,490**	**55,585**	**70,543**
Current Investments	0	0	0	0
Inventories	16,379	20,871	26,161	32,626
Receivables	1,391	2,842	3,601	4,408
Cash and Bank Balances	3,476	3,157	3,497	5,295
Loans and Advances	14,755	17,621	22,326	28,214
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	**23,121**	**27,784**	**32,705**	**38,060**
Payables	22,848	27,456	32,319	37,611
Other Current Liabilities	273	328	386	449
sub total				
Net Current Assets	12,880	16,706	22,879	32,482
Total Assets	**48,747**	**56,070**	**62,991**	**72,641**

E – Estimates

Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	13.1	12.2	12.5	12.7
EBIDTA Margin	6.6	5.6	6.4	6.9
EBIT Margin	5.6	4.6	5.6	6.1
Tax rate	25.1	25.2	25.2	25.2
Net Profit Margin	4.0	3.3	4.2	4.8
(B) As Percentage of Net Sales (%)				
COGS	86.9	87.8	87.5	87.3
Employee	1.4	1.5	1.2	1.0
Other	5.0	5.1	4.9	4.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.3	0.3	0.2	0.1
Interest Coverage	9.0	7.1	13.7	31.1
Inventory days	33	35	35	36
Debtors days	3	5	5	5
Average Cost of Debt	11.2	11.3	9.3	7.8
Payable days	46	47	43	41
Working Capital days	26	28	31	36
FA T/O	5.5	6.3	7.7	9.1
(D) Measures of Investment				
AEPS (Rs)	26.4	25.4	40.8	57.2
CEPS (Rs)	32.7	33.0	48.9	66.0
DPS (Rs)	5.5	5.5	6.0	7.0
Dividend Payout (%)	20.8	21.6	14.7	12.2
BVPS (Rs)	129.9	149.8	184.6	234.7
RoANW (%)	22.2	18.2	24.4	27.3
RoACE (%)	19.1	16.1	20.9	24.4
RoAIC (%)	24.9	20.1	26.8	32.1
(E) Valuation Ratios				
CMP (Rs)	1590	1590	1590	1590
Mcap (Rs Mn)	441,318	441,318	441,318	441,318
EV	449,285	451,401	448,329	442,258
MCap/ Sales	2.4	2.1	1.6	1.3
EV/Sales	2.5	2.1	1.7	1.3
P/E	60.3	62.6	39.0	27.8
EV/EBITDA	37.7	37.7	25.9	19.4
P/BV	12.2	10.6	8.6	6.8
Dividend Yield (%)	0.3	0.3	0.4	0.4
(F) Growth Rate (%)				
Revenue	12.1	18.6	26.3	22.2
EBITDA	16.7	0.5	44.5	31.7
EBIT	15.1	(2.7)	52.5	35.1
PBT	13.3	(3.6)	60.5	40.2
APAT	14.1	(3.7)	60.5	40.2
EPS	14.1	(3.7)	60.5	40.2

E – Estimates

Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
Profit before tax	**9,777**	**9,429**	**15,130**	**21,214**
Depreciation & w.o.	1,759	2,103	2,253	2,453
Net Interest Exp	1,134	1,390	1,103	655
Direct taxes paid	(2,453)	(2,376)	(3,813)	(5,346)
Change in Working Capital	(3,669)	(4,145)	(5,833)	(7,806)
Non Cash	0	0	0	0
(A) CF from Operating Activities	**6,549**	**6,400**	**8,840**	**11,169**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(6,482)	(5,600)	(3,000)	(2,500)
Free Cash Flow	**67**	**800**	**5,840**	**8,669**
(Inc)./ Dec. in Investments	(67)	0	0	0
Other	0	0	0	0
(B) CF from Investing Activities	**(6,549)**	**(5,600)**	**(3,000)**	**(2,500)**
Issue of Equity/ Preference	47	0	0	0
Inc./(Dec.) in Debt	2,712	1,797	(2,731)	(4,275)
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(2,660)	(2,917)	(2,769)	(2,597)
Other	(148)	0	0	0
(C) CF from Financing	**(49)**	**(1,120)**	**(5,500)**	**(6,872)**
Net Change in Cash	(49)	(319)	341	1,797
Opening Cash balances	**3,525**	**3,476**	**3,157**	**3,497**
Closing Cash balances	**3,476**	**3,157**	**3,497**	**5,295**

E – Estimates

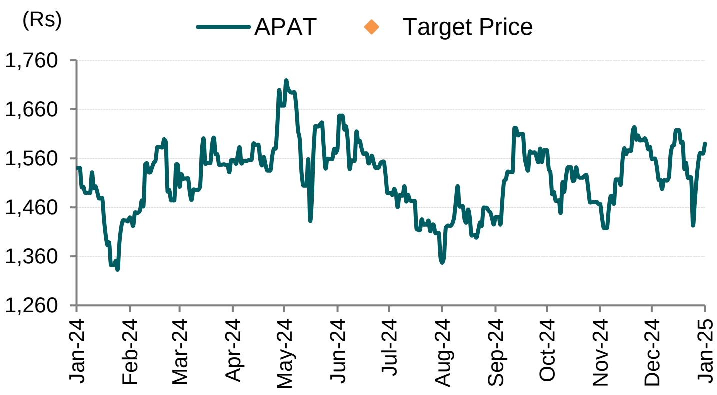
Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)

*Price as on recommendation date

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