

July 24, 2025

RESULT REPORT Q1 FY26 | Sector: Building Materials

APL Apollo Tubes Ltd

Sluggish demand in H1- Compels downwards revision in FY26 growth guidance; Downgrade from BUY to ADD!

Key take aways from Q1FY26 Earnings:

Volumes: 794KTe, a growth of 10%YoY. The growth was lower than expected due to sluggish demand in domestic markets caused by early onset of monsoons, India-PAK war, liquidity challenges with dealers owing to deferment in payments from agencies & EPC contractors. Share of VAP improved on sequential basis to 61% from 58% in previous quarter.

Revenue: Rs51.7Bn (in-line with estimates), a growth of 4%YoY and broadly steady on sequential basis as HRC prices remained fairly steady and was down only in last month of quarter. ASP/Te stood at Rs65,110, lower by 6%YoY & flattish QoQ.

Profitability/Te: Gross earnings/Te improved to Rs9,943 from Rs9,551 in previous quarter due to higher share of value-added products; the same did not translate to higher EBITDA/Te as employee cost was higher on account of ESOPs expenses amounting to Rs60-70Mn and marginal impact of operating leverage caused by low volume-off take. Hence EBITDA/Te contracted by Rs180/Te to Rs4,685.

EBITDA: stood at Rs3.72Bn, a growth of 23%YoY and Net profit came in at Rs2.37Bn, a growth of 23%YoY.

NWC-Days: came in at 6-days as compared to 0-days in FY25.

ROCE: stood at 28.6% Vs 24.5% in FY25, and ROE came in at 21.9% for the quarter as compared to 19.4% in FY25. Net cash position stood at Rs2.1Bn Vs Rs3.1Bn as on March'25.

Management guidance revised downwards to 10-15% Vs 15-20% YoY volume growth in FY26 owing to macro challenges crippling growth in H1FY26.

Snapshot Overview

Parameter	Q1 FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	51,698	-6.2%	3.9%	In-line	Miss
EBITDA	3,720	-10.1%	23.3%	Miss	Miss
EBITDA Margin (%)	7.2%	-31	113	Miss	Miss
PAT	2,372	-19.1%	22.8%	Miss	Miss

Source: Bloomberg, YES Sec

Key Data points

Per Te analysis	Q1 FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Volume (Te)	794	-7%	10%	In-Line	In-Line
ASP	65,110	1%	-6%	In-Line	In-Line
EBITDA/Te	4,685	-4%	12%	Miss	Miss

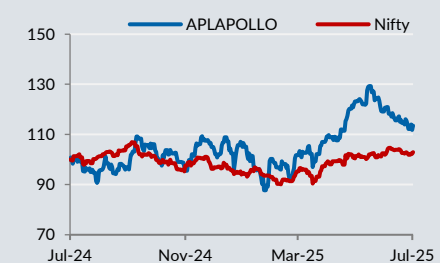
Source: Bloomberg, YES Sec

Reco	: ADD
CMP	: Rs 1,686
Target Price	: Rs 1,981
Potential Return	: +17%

Stock data (as on Jul 24, 2025)

Nifty	25,062
52 Week h/l (Rs)	1,936 / 1,273
Market cap (Rs/USD mn)	466,047 / 5,396
Outstanding Shares (mn)	278
6m Avg t/o (Rs mn):	1,014
Div yield (%):	0.3
Bloomberg code:	APAT IN
NSE code:	APLAPOLLO

Stock performance



	1M	3M	1Y
Absolute return	-6.0%	3.5%	13.4%

Shareholding pattern (As of Mar'25 end)

Promoter	28.3%
FII+DII	48.5%
Others	23.2%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	BUY
Target Price	1,981	2,122

Δ in earnings estimates

	FY26E	FY27E
EPS (New)	40.9	49.5
EPS (Old)	43.9	53.1
% change	-7%	-7%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Revenue	206,895	230,268	272,653
YoY Growth	14.2%	11.3%	18.4%
EBITDA	11,990	16,371	19,219
EBITDA (%)	5.8%	7.1%	7.0%
PAT	7,571	11,351	13,743
YoY Growth	3.4%	49.9%	21.1%
ROE	19.4%	24.1%	23.6%
EPS	27.3	40.9	49.5
P/E	55.9	41.2	34.1
BV/Share	151.6	187.5	232.1
P/BV	10.1	9.0	7.3

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ANALYST VIEW & INVESTMENT THESIS

1-year View:

FY26 is expected to begin on a challenging note due to a subdued macroeconomic environment and continued weakness in retail demand. However, we anticipate a gradual improvement from H2FY26, driven by a potential revival in government infrastructure spending and a recovery in retail consumption, which has remained muted for several quarters.

With significant volatility in Hot Rolled Coil (HRC) prices now largely behind us and indications of prices having bottomed out, we expect a steady improvement in APL's pricing environment. This should be further supported by a rising contribution from value-added products, enhancing overall margin resilience. We project 8% volume growth for FY26E, with an estimated EBITDA per ton (EBITDA/Te) of Rs4,800, reflecting improved operating leverage and a favorable product mix.

3-years View:

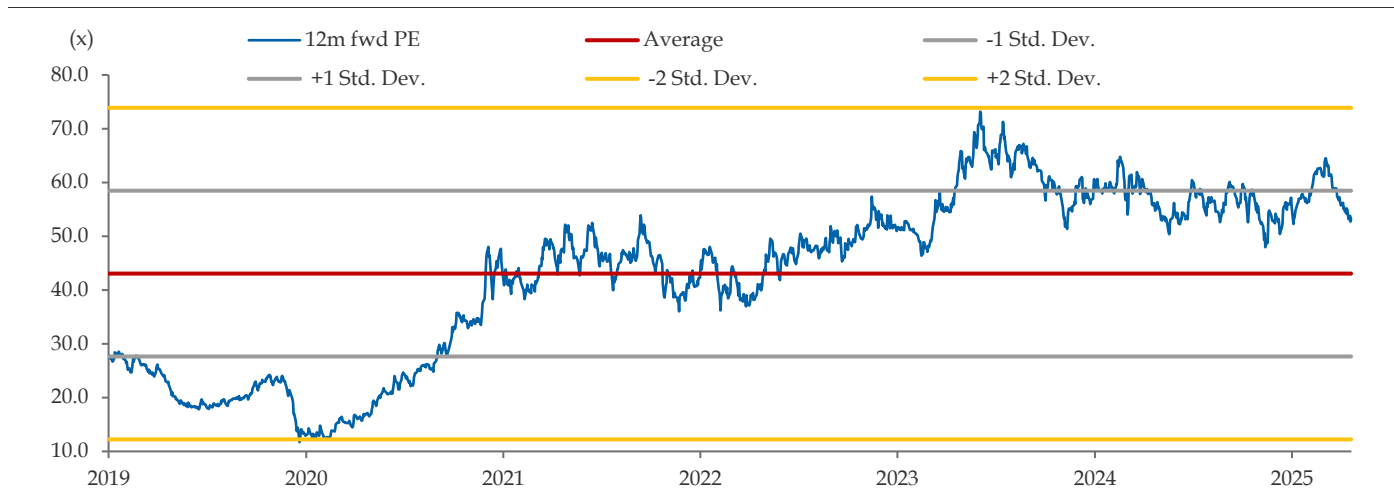
Looking ahead, we believe APL's growth trajectory is poised to strengthen FY27 onwards, supported by an expected pick-up in government-led infrastructure projects. Additionally, the favorable base effect of FY26 positions the company well to deliver volume growth of 15–20% over the coming years.

To cater to this anticipated demand, APL is undertaking a significant capacity expansion—from 4.5Mn Te to 6.8Mn Te by FY28. The company is also focusing on increasing its presence in export markets, which will further accelerate growth and improve diversification.

Given the muted performance expected in H1FY26, we have revised our FY26E volume growth estimate downwards to 8%YoY, while maintaining 15% growth for FY27E. We remain confident in APL's ability to deliver healthy margins, with EBITDA/Te estimated at Rs4,800 in FY26E and Rs4,900 in FY27E, supported by an increasing share of value-added products (VAPs) and improved operating leverage.

At the current market price (CMP), the stock is trading at a P/E of 34x on FY27E EPS of Rs49.5 (revised down by 7%). We continue to value the company at 40x FY27E EPS, arriving at a target price of Rs1,981. Hence, we downgrade the stock from a BUY to an ADD rating.

Exhibit 1: 1-year forward P/E (x) chart



Source: Company, YES Sec

CONCALL SUMMARY

Management revises volume growth guidance downwards!

- Guidance: Management revised volume growth guidance downwards from 15-20%YoY to 10-15%YoY for FY26 owing to softer than expected growth in Q1FY26 and for FY27, company expects volumes to increase by 15-20%YoY. Margins should be in the range of Rs4,600-5,000/Te for FY26. Company's longer-term target is to achieve an EBITDA/Te of Rs5,500-6,000.
- Company mentioned growth in Q1FY26 could have been 5% better but the same was impacted due to India-Pak war which dented demand in North for a week, War in Middle East impacted export performance. Moreover, early onset of monsoons & liquidity challenges with dealers due to deferment in payment from agencies & EPC contractors dented sales.
- EBITDA/Te was lower on sequential basis due to one-off expense related to ESOPs which amounted to ~Rs60-70Mn. Normalized quarterly employee cost will be ~Rs870-880Mn. No ESOPs are expected in the next 12 months.
- Management believes with better export demand and if domestic macro-environment does not worsen from here on then H2FY26 will be much better & they will attain expected volume growth.
- Company is expanding its capacity from 4.5Mn Te to 6.8Mn Te over the next 2-3 years which include 2 new plants in East with a cumulative capacity of 0.5Mn Te, brownfield expansion in Dubai of 0.2Mn Te, new plant in South India of 0.36Mn Te, brownfield expansion at Raipur of 0.5Mn Te coated roofing sheets & 0.1Mn Te of heavy structural tubes, and a new 0.3Mn Te plant in Bhuj to mainly cater to exports.
- Dubai accounted for ~6% of total volumes (mainly general products). EBITDA/Te for general products in India would be Rs2,500.
- Current capacity utilization for Dubai plant is 60%+ and for Raipur plant is <60%.
- VAP constituted 61% of total sales in Q1FY26. With the entire 6.8Mn Te capacity coming into play, company expects the same to increase to 70-75%.
- APL invested in Shankara in Apr'22 to have the company sell more of APL's products. Shankara's sale of APL products has quadrupled since and as APL saw no further value in holding stake in Shankara, APL sold its stake in the company.
- No dealer incentives or discounts were offered in the quarter.
- Dealers have been sitting on light inventory since Oct'23.
- NWC-days stood at 6-days for the quarter.

Estimate Revisions

Metric (Rs Mn)	Old Est (FY27E)	New Est	% Change	Reason
Revenue	290,325	272,653	-6%	Lower volume growth
EBITDA	20,464	19,219	-6%	Per tonne largely stable
EPS	53	50	-7%	

Valuation Snapshot

Valuation Metric	FY25	FY26E	FY27E
P/E (x)	55.9	41.2	34.1
EV/EBITDA (x)	35.3	28.2	23.5
ROCE (%)	22.7	28.1	28.1

FINANCIALS

Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs Mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	49,743	55,086	51,698	3.9	(6.2)
COGS	42,697	46,964	43,803	2.6	(6.7)
% of sales	85.8	85.3	84.7	(1.3)	(0.6)
Gross margin %	14.2	14.7	15.3	7.8	3.6
Employee costs	801	754	930	16.1	23.4
% of sales	1.6	1.4	1.8	11.7	31.4
Other expenses	3,229	3,232	3,245	0.5	0.4
% of sales	6.5	5.9	6.3	(3.3)	7.0
EBITDA	3,017	4,137	3,720	23.3	(10.1)
EBITDA margin %	6.1	7.5	7.2	18.7	(4.2)
Depreciation	465	576	544	16.9	(5.6)
EBIT	2,552	3,561	3,176	24.5	(10.8)
EBIT margin %	5.1	6.5	6.1	19.8	(5.0)
Interest expense	278	323	333	19.5	3.0
Other income	247	349	256	3.5	(26.8)
PBT	2,520	3,587	3,100	23.0	(13.6)
Tax	589	656	728	23.7	10.9
Effective tax rate %	23.4	18.3	23.5	0.6	28.4
Adj.PAT after Share of Assc & JV	1,932	2,931	2,372	22.8	(19.1)
PAT margin %	3.9	5.3	4.6	18.1	(13.8)

Source: Company, YES Sec

Exhibit 3: Income statement

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenues	161,660	181,188	206,895	230,268	272,653
Growth (%)	23.8%	12.1%	14.2%	11.3%	18.4%
EBITDA	10,216	11,922	11,990	16,371	19,219
EBITDA margin (%)	6.3%	6.6%	5.8%	7.1%	7.0%
Growth (%)	8.1%	16.7%	0.6%	36.5%	17.4%
Depreciation & Amortization	1,383	1,759	2,013	2,247	2,481
Other income	472	749	961	1,065	1,180
EBIT	9,304	10,911	10,937	15,189	17,918
EBIT margin (%)	5.8%	6.0%	5.3%	6.6%	6.6%
Interest	671	1,134	1,333	789	482
PBT	8,633	9,777	9,604	14,400	17,435
Tax	2,215	2,453	2,034	3,049	3,692
Net profit	6,419	7,324	7,571	11,351	13,743
Net profit margin (%)	4.0%	4.0%	3.7%	4.9%	5.0%
EPS	23.1	26.4	27.3	40.9	49.5
Growth (%)	3.7%	14.1%	3.4%	49.9%	21.1%

Source: Company, YES Sec

Exhibit 4: Balance sheet

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	555	555	555	555	555
Reserves	29,501	35,491	41,532	51,495	63,851
Total Shareholders' Funds	30,056	36,046	42,087	52,050	64,406
Liabilities					
Borrowings	8,729	11,246	6,148	4,148	2,148
Trade Payables	15,970	19,816	22,312	24,359	28,959
Others	3,761	4,760	5,415	5,532	5,797
Total equity and liabilities	58,516	71,868	75,962	86,090	101,309
Assets					
PPE	23,493	30,306	33,701	36,454	38,973
CWIP	3,740	2,030	3,355	3,355	3,355
Inventories	14,799	16,379	16,232	17,721	21,067
Investments	960	1,027	1,262	1,262	1,262
Trade Receivables	1,374	1,391	2,673	2,975	3,522
Cash	3,525	3,476	5,749	10,949	19,059
Other Financial Assets	3,336	9,173	4,839	4,839	4,839
Others	7,290	8,086	8,151	8,535	9,231
Total assets	58,516	71,868	75,962	86,090	101,309

Source: Company, YES Sec

Exhibit 5: Cash flow statement

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	8,633	9,777	9,604	14,400	17,435
Add: Depreciation	1,383	1,759	2,013	2,247	2,481
Add: Interest	671	1,134	1,333	789	482
Less: WC changes	(1,475)	1,202	1,728	(10)	274
Less: taxes paid	(2,161)	(2,180)	(1,875)	(3,049)	(3,692)
Cash flow from operations	6,916	11,126	12,129	14,376	16,981
Capital expenditure	(8,621)	(6,948)	(7,225)	(5,000)	(5,000)
Cash flow from investing activities	(8,757)	(9,156)	(3,747)	(5,000)	(5,000)
Movement in borrowings	2,902	2,586	(5,135)	(2,000)	(2,000)
Interest paid	(602)	(941)	(1,472)	(789)	(482)
Dividend	(875)	(1,387)	(1,526)	(1,388)	(1,388)
Cash from financing activities	1,446	266	(8,149)	(4,177)	(3,870)
Change in cash balance	(395)	2,235	233	5,200	8,111
Opening cash balance	1,637	1,227	3,452	5,749	10,949
Closing cash balance	1,242	3,462	3,684	10,949	19,059

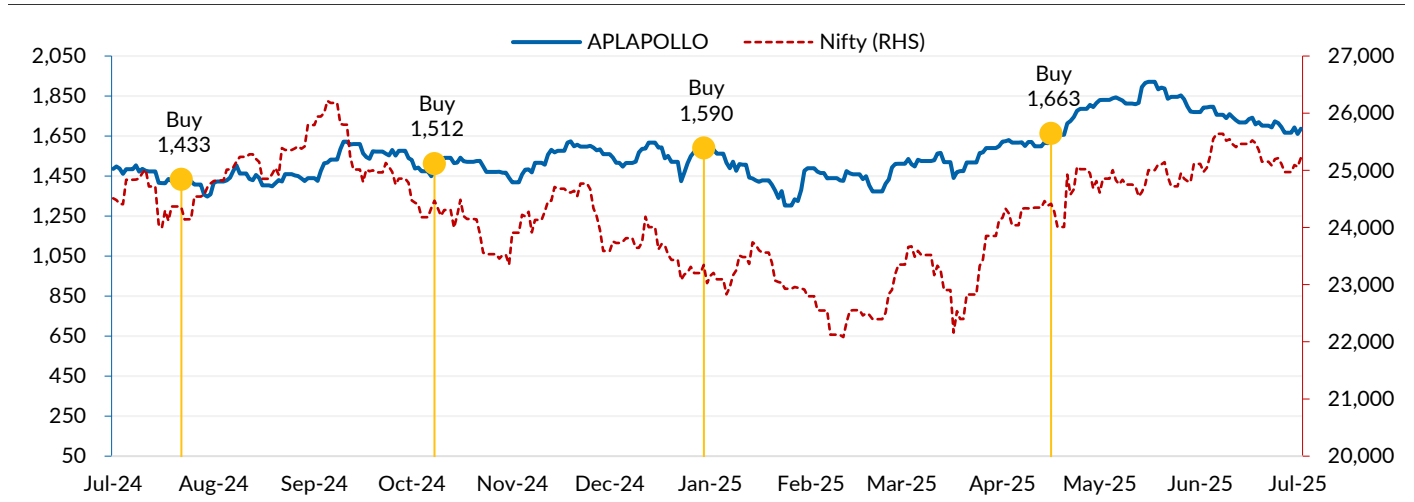
Source: Company, YES sec

Exhibit 6: Ratio analysis

Particulars	FY23	FY24	FY25	FY26E	FY27E
Growth (%)					
Total Sales	23.8%	12.1%	14.2%	11.3%	18.4%
EBIDTA	8.1%	16.7%	0.6%	36.5%	17.4%
EBIT	6.1%	17.3%	0.2%	38.9%	18.0%
PAT	3.7%	14.1%	3.4%	49.9%	21.1%
Profitability (%)					
EBIDTA Margins	6.3%	6.6%	5.8%	7.1%	7.0%
EBIT Margins	5.8%	6.0%	5.3%	6.6%	6.6%
PAT Margins	4.0%	4.0%	3.7%	4.9%	5.0%
ROCE	27.8%	26.1%	22.7%	28.1%	28.1%
ROE	23.5%	22.2%	19.4%	24.1%	23.6%
Per Share Data (Rs)					
EPS	23.1	26.4	27.3	40.9	49.5
CEPS	28.1	32.7	34.5	49.0	58.5
BVPS	108.4	129.9	151.6	187.5	232.1
Valuations (x)					
P/E (x)	51.8	60.2	55.9	41.2	34.1
P/CEPS (x)	42.6	48.6	44.2	34.4	28.8
P/BV (x)	11.1	12.2	10.1	9.0	7.3
EV/EBIDTA	33.2	37.6	35.3	28.2	23.5
Gearing Ratios					
Debt/Equity	0.3	0.3	0.1	0.1	0.0
Net Debt/Equity	0.2	0.2	0.0	(0.1)	(0.3)
Net Debt/EBIDTA	0.5	0.7	0.0	(0.4)	(0.9)
Int Coverage	13.9	9.6	8.2	19.3	37.1
WCC Days					
Debtors	3.1	2.8	4.7	4.7	4.7
Inventory	38.5	38.3	33.2	33.2	33.2
Creditors	41.6	46.3	45.6	45.6	45.6

Source: Company, YES sec

Recommendation Tracker



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In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst : Udit Gajiwala, Shalin Damani

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

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