



TM

APL Apollo Tubes

30 October 2025

Earnings beat on superior margins

RESULT UPDATE

Sector: Steel Pipes Rating: HOLD

CMP: Rs 1,805 Target Price: Rs 1,959

Stock Info

Sensex/Nifty	84,997/26,054
Bloomberg	APAT IN
Equity shares (mn)	278
52-wk High/Low	Rs 1,936/ 1,273
Face value	Rs 2
M-Cap	Rs 501bn/ USD 5.7bn

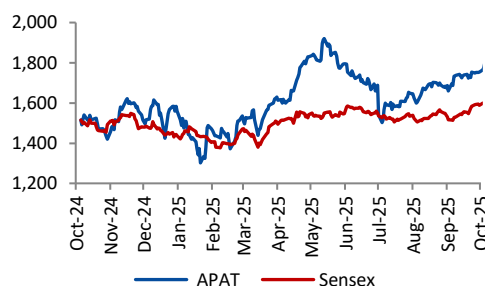
Financial Snapshot (Rs bn)

Y/E Mar	FY26E	FY27E	FY28E
Net sales	231	269	301
EBITDA	16	20	23
PAT	11	14	15
EPS (Rs)	38.6	49.0	55.2
PE (x)	46.8	36.8	32.7
EV/EBITDA (x)	30.5	24.7	22.0
P/B (x)	9.9	8.1	6.8
RoE (%)	23.1	24.2	22.7
RoCE (%)	28.2	30.3	28.8
D/E (x)	0.1	0.1	0.1
OPM (%)	7.1	7.6	7.6

Shareholding Pattern (%)

	Sep'25	Jun'25	Mar'25
Promoter	28.3	28.3	28.3
-Pledged	-	-	-
FII	33.7	33.1	31.8
DII	18.9	16.8	16.7
Others	19.1	21.8	23.2

Stock Performance (1-year)



APL Apollo Tubes' (APAT) 2QFY26 EBITDA (excl. other income) of Rs 4.4bn (+3.2x/+18.7% YoY/QoQ) was 8.2% above our estimate. The company reported revenue of Rs 52bn (+9.1%/flat YoY/QoQ), which was 4.6% below our estimate due to lower-than-expected realisations. APAT reported 855kt sales volume this quarter, clocking 12.8% YoY and 7.6% QoQ growth, with a blended realisation of Rs 60,890/t (-3.3% YoY/-6.4% QoQ). EBITDA/t strengthened to Rs 5,228/t (+187.2%/+11.6% YoY/QoQ) driven by higher margins in both value added and general structures segments, despite a QoQ drop in value-added products (VAP) in the sales mix. APAT's VAP mix during the quarter was 57%, versus 61% in 1QFY26 and 55% in 2QFY25. The company remains committed to its capital expenditure plan to augment its capacity from 4.5mt currently to 6.8mt by FY28 at an estimated outlay of Rs 15bn to be incurred equally over three years. In the near term, optimal utilisation at Raipur and Dubai plants is likely to support volume growth while the company primarily focuses on margin sustenance and expansion. The management upheld its volume growth guidance at 10%-15% and EBITDA/t guidance in the Rs 4,600-5,000/t range for this year and remains confident of sustaining EBITDA/t over Rs 5,000/t in 2HFY26. We maintain HOLD on APAT with a price target of Rs 1,959/share based on 25x 1HFY28E EV/EBITDA.

Valuations and view: We alter our FY26E/FY27E EBITDA estimates by +3%/+7% based on moderately higher EBITDA/t assumption and introduce FY28 estimates assuming 12% YoY growth and Rs 5,000/t EBITDA. We expect APAT to deliver 13%/24%/23% revenue/EBITDA/PAT CAGR over FY25-FY28E. The management reiterated its primary focus on margin expansion as it simultaneously targets volume growth through a) improving utilisation rates enabling operating leverage, and b) aggressive pricing strategies in a smaller general structures segment (SG premium) to compete in the Patra pipe segment, and c) selling other general structures at a premium, leveraging its market share. The EBITDA/t growth outlook is solidified by this quarter's performance, witnessing a steep drop in HRC prices, which have likely bottomed out and have safeguard duties in place to prevent further decline. We value APAT 25x 1HFY28E EV/EBITDA with a revised target price of Rs 1,959/share (Rs 1,718/share earlier). **Maintain HOLD.**

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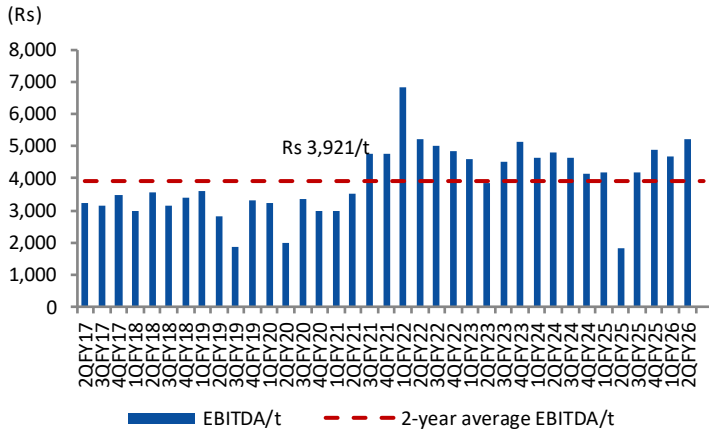
Key highlights of the 2QFY26 earnings call

- **Guidance:** Management has upheld FY26 volume growth guidance between 10%-15%, to be met through higher capacity utilisation at Raipur and Dubai facilities which are currently operating at 65% and 80% utilisation versus 55% and 65% in 1QFY26, respectively.
- **Capacity expansion and volume growth:** In Dubai, two additional lines of 100kt capacity each are set to be commissioned in November and 4QFY26, respectively, taking the total capacity from 300kt to 500kt by the end of this fiscal. At consolidated level, APAT is at a 250kt volume run rate for October and is targeting upwards of 300kt volume deliveries in November and December supported by a favorable demand scenario in 2HFY26.
- **Capex:** APAT's previously announced capex of Rs 15bn to be incurred equally over three years, aimed at expanding capacity from 4.5mt in FY25 to 7mt by FY28, will be funded entirely through internal accruals. Efficient working capital management enables EBITDA to OCF conversion of over 80% for the company. The management affirmed its intent to focus on shareholder returns with excess cash post capex instead of holding it in marketable liquid investments like fixed deposits.
- **EBITDA/t:** APAT recorded higher EBITDA/t during the quarter supported by operating leverage and significant improvement of margins in the general structures segment. The management upheld EBITDA spread guidance in the range of Rs 4,600-Rs 5,000/t for FY26. The company's EBITDA/t profile has notably evolved from Rs 3,000/t to over Rs 4,500/t over the last few years driven by various strategic initiatives which continue to align with the company's aspiration to achieve Rs 6,000/t sustainable EBITDA by FY30-FY31.

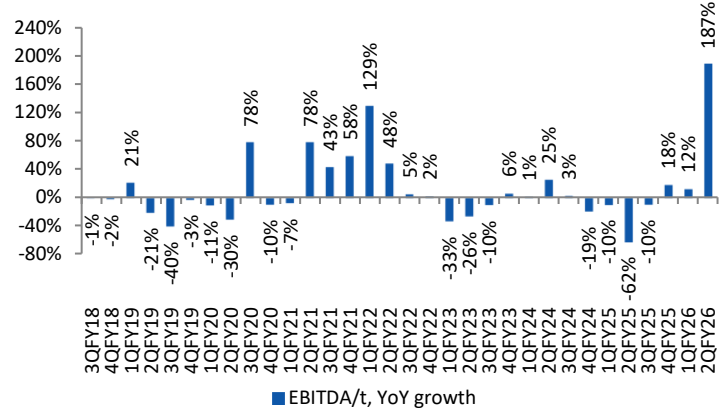
Exhibit 1: Quarterly financial statement

Particulars (Rs bn)	2QFY26	2QFY25	YoY	1QFY26	QoQ
Net Sales	52.1	47.7	9%	51.7	1%
Other income	0.3	0.1	70%	0.3	-2%
Total Income	52.3	47.9	9%	52.0	1%
Expenditure:					
Cost of material	43.4	42.4	2%	43.8	-1%
Employees expenses	0.9	0.9	2%	0.9	-5%
Other expenses	3.3	3.1	7%	3.2	1%
Total expenditure	47.6	46.4	3%	48.0	-1%
EBITDA	4.7	1.5	209%	4.0	19%
EBITDA (Excl. OI)	4.5	1.4	224%	3.7	20%
Depreciation	0.6	0.5	24%	0.5	7%
EBIT	4.1	1.1	291%	3.4	21%
Finance Cost	0.3	0.4	-24%	0.3	-17%
Exceptional item					
EBT	3.9	0.7	455%	3.1	25%
Tax	0.8	0.2	438%	0.7	17%
Tax rate	22%	23%	-3%	23%	-7%
PAT	3.0	0.5	460%	2.4	27%
PAT (adj)	3.0	0.5	460%	2.4	27%
EPS (Rs)	10.87	1.94	460%	8.55	27%
EPS Diluted (Rs)	10.87	1.94	460%	8.55	27%
EBITDA margin	8.6%	2.9%	197%	7.2%	19%
PAT margin	5.8%	1.1%	414%	4.6%	26%

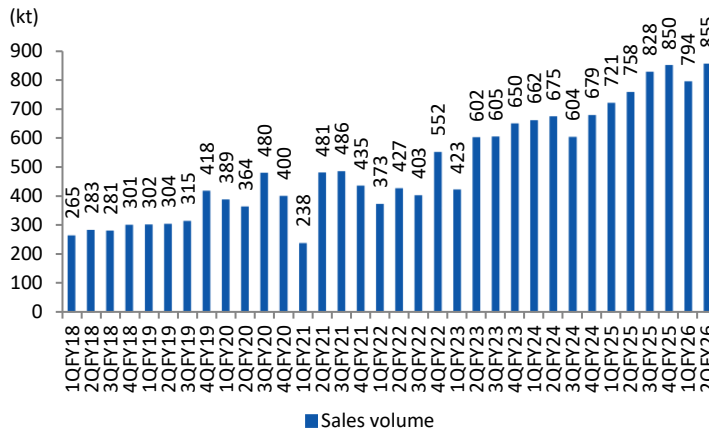
Source: Company, Systematix Research

Exhibit 2: Quarterly EBITDA/t at Rs 5,228/t

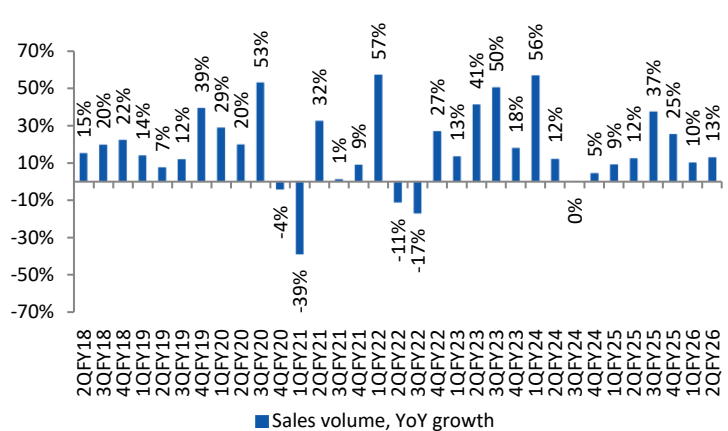
Source: Company, Systematix Research

Exhibit 3: YoY change in quarterly EBITDA/t

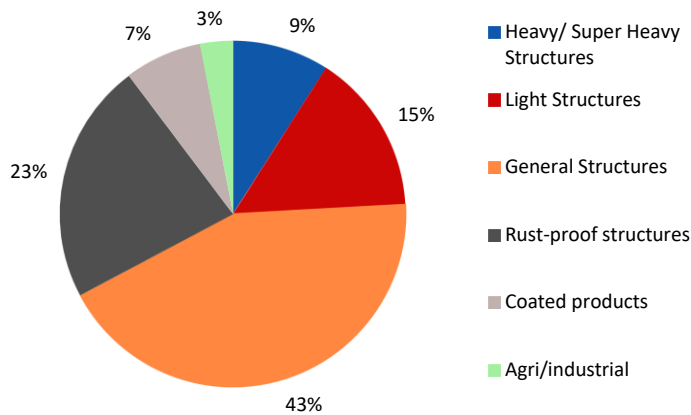
Source: Company, Systematix Research

Exhibit 4: Quarterly sales volume

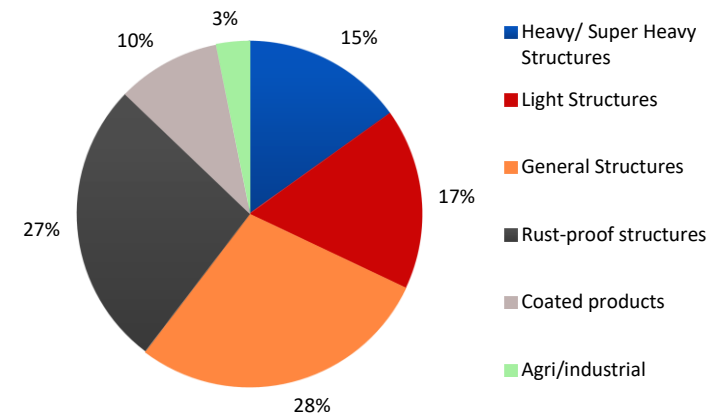
Source: Company, Systematix Research

Exhibit 5: YoY change in sales volume

Source: Company, Systematix Research

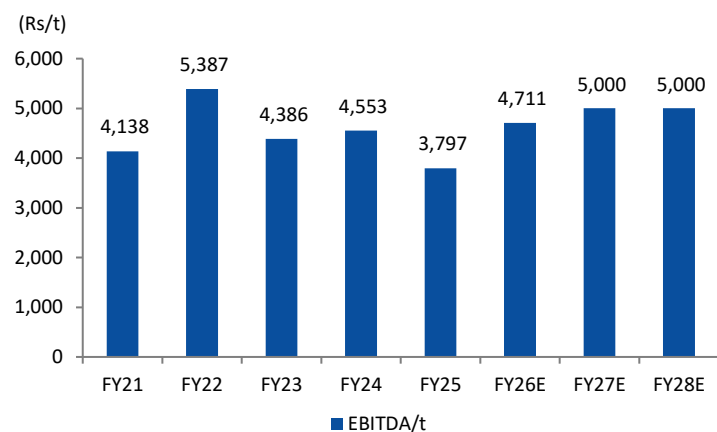
Exhibit 6: 2QFY26 Volume composition by segment

Source: Company, Systematix Research

Exhibit 7: 2QFY26 EBITDA contribution by segment

Source: Company, Systematix Research

Exhibit 8: Trend in EBITDA/t



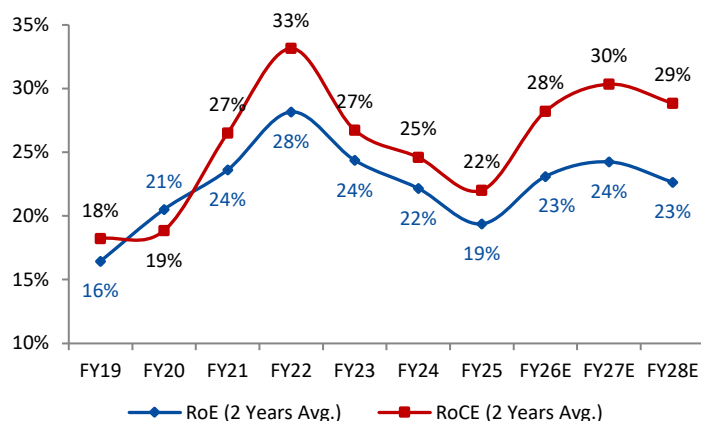
Source: Company, Systematix Research

Exhibit 9: Volumes are expected to grow at 13% CAGR over FY25-FY28E



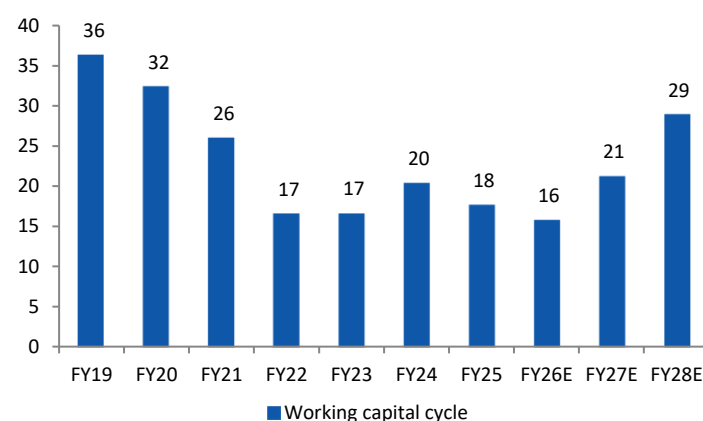
Source: Company, Systematix Research

Exhibit 10: RoE and RoCE trend



Source: Company, Systematix Research

Exhibit 11: Net working capital cycle (days)



Source: Company, Systematix Research

Exhibit 12: Key assumptions

	Unit	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volume	Mt	2.3	2.6	3.2	3.5	4.1	4.6
EBITDA/tn	Rs/t	4,386	4,553	3,797	4,711	5,000	5,000

Source: Company, Systematix Research

Exhibit 13: APL Apollo Tubes, EV/EBITDA (1HFY28E)

	Discount (%)	EBITDA (Rs bn)	Multiple (x)	Enterprise Value (Rs bn)
EBITDA		22	25	539
Less: Net debt (1HFY26)				-5
Equity Value				544
Target price per share				1,959

Source: Company, Systematix Research

Exhibit 14: Revised estimates

(Rs bn)	Previous		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	231	269	231	269	0%	0%
EBITDA	16	19	16	20	3%	7%
PAT	11	13	11	14	-3%	5%

Source: Systematix Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Net revenues	181	207	231	269	301
Revenue growth (%)	12.1	14.2	11.6	16.5	12.0
- Op. expenses	169	195	214	249	278
EBITDA (Excl. OI)	12	12	16	20	23
EBITDA margins (%)	6.6	5.8	7.1	7.6	7.6
- Interest expenses	1	1	1	1	1
- Depreciation	2	2	2	3	3
+ Other income	1	1	1	1	1
- Tax	2	2	4	5	5
Effective tax rate (%)	25	21	25	25	25
Reported PAT	7	8	11	14	15
+/- Extraordinary items	-	-	-	-	-
+/- Minority interest	-	-	-	-	-
Adjusted PAT	7	8	11	14	15
EPS (Rs/share)	26	27	39	49	55

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	0.6	0.6	0.6	0.6	0.6
Reserves and surplus	35.5	41.5	50.1	61.0	73.2
Net worth	36.0	42.1	50.7	61.5	73.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total Debt	11.4	7.0	4.8	4.2	3.6
Other LT liabilities	2.8	3.3	3.3	3.3	3.3
Capital employed	50.3	52.3	58.8	69.0	80.6
Net fixed assets	34.8	38.6	41.5	44.0	46.9
Other assets	3.6	5.5	5.5	5.5	5.5
Cash and bank balance	3.5	3.7	8.5	17.6	27.1
Bank balance other than above	0.0	2.1	2.1	2.1	2.1
Inventories	16.4	16.2	11.7	13.6	15.3
Receivables	1.4	2.7	1.3	0.7	0.8
Other current assets	12.2	7.2	7.2	7.2	7.2
Current Assets	33.4	31.8	30.7	41.2	52.4
Current liabilities	21.6	23.6	18.9	21.7	24.2
NWC	11.8	8.2	11.8	19.5	28.2
Capital deployed	50.3	52.3	58.8	69.0	80.6

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	10	10	14	18	20
+ Non cash items	2	2	3	4	4
Cash profit	12	12	18	22	24
- Incr/(Decr) in WC	1	2	1	1	1
Operating cash flow	10	10	16	20	24
- Capex	7	7	5	5	6
Free cash flow	3	3	11	15	18
- Dividend	1	2	2	3	3
+ Equity raised	0	-	-	-	-
+ Debt raised	4	8	-2	-1	-1
+ Investments	-3	2	-	-	-
Net cash flow	2	0	5	9	9
+ Opening cash	1	3	4	8	18
Closing cash	3	4	8	18	27

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	68.4	66.2	46.8	36.8	32.7
P/BV (x)	13.9	11.9	9.9	8.1	6.8
EV/EBITDA (x)	42.7	42.1	30.3	24.0	21.0
RoE (%)	22.2	19.4	23.1	24.2	22.7
RoCE (%)	24.6	22.0	28.2	30.3	28.8
Fixed Asset turnover (x)	4.5	4.7	4.6	4.8	4.8
Dividend (%)	275	275	386	490	552
Dividend yield (%)	0.3	0.3	0.4	0.5	0.6
Dividend payout (%)	18.9	20.2	20.0	20.0	20.0
Debtors days	3	5	2	1	1
Creditor days	41	39	28	28	28
Inventory days	33	29	19	18	18
Revenue growth (%)	12.1	14.2	11.6	16.5	12.0
PAT growth (%)	14.1	3.4	41.5	26.9	12.7
EBITDA growth (%)	16.7	0.6	37.1	23.6	12.0

Source: Company, Systematix Research

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