

BSE SENSEX 65,512 S&P CNX 19,529

CMP: INR1,640 TP: INR1,930 (+18%)

Buy



Stock Info

Bloomberg	APAT IN
Equity Shares (m)	250
M.Cap.(INRb)/(USDb)	454.9 / 5.5
52-Week Range (INR)	1806 / 988
1, 6, 12 Rel. Per (%)	-6/27/39
12M Avg Val (INR M)	807
Free float (%)	69.4

Financials Snapshot (INR b)

Y/E Mar	2023	2024E	2025E
Sales	161.7	191.5	250.9
EBITDA	10.2	14.5	21.0
PAT	6.4	9.3	14.4
EBITDA (%)	6.3	7.6	8.4
EPS (INR)	23.1	33.4	51.7
EPS Gr. (%)	15.2	44.5	54.7
BV/Sh. (INR)	108.4	136.8	182.5

Ratios

Net D/E	0.2	0.0	-0.3
RoE (%)	24.4	27.3	32.4
RoCE (%)	20.6	24.0	30.2
Payout (%)	15.1	15.0	11.6

Valuations

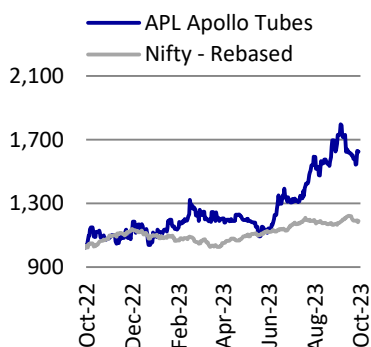
P/E (x)	70.6	48.9	31.6
EV/EBITDA (x)	44.9	31.4	21.0
Div Yield (%)	0.2	0.3	0.4
FCF Yield (%)	-0.1	1.4	3.2

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	30.6	31.2	34.5
DII	12.7	11.1	11.2
FII	25.1	25.7	24.6
Others	31.6	32.1	29.7

FII Includes depository receipts

Stock Performance (1-year)



Raipur Plant to boost APAT's margins through innovative product offerings

We visited the recently commissioned Raipur plant of APAT and interacted with some of the key personnel. The inception of the Raipur plant dates back to FY21, initiated by APL Apollo Building Products Pvt Ltd. (ABPL), a wholly owned subsidiary of APAT, located in Village Simga, Baloda bazar district in Chhattisgarh (almost 60 Km from Raipur Airport). Key aspects of this plant are:

- It is the largest plant for the company with an installed capacity of 1.2MTPA and scope to further expand by 0.1MTPA through debottlenecking
- It is strategically located in close proximity to raw material suppliers; additionally, this strategic location enables the company to serve multiple regions efficiently, given its Central position in India.
- The Raipur plant will manufacture only value-added products (VAP), which will drive up the overall margin profile for the company. Additionally, these plants will be manufacturing products, marking the first production of its kind in both India and the world.
- The plant was recently commissioned and the production volume is rapidly increasing, with the target of achieving a quarterly run rate of 0.18-0.2MTPA by 4QFY24.

Key Characteristics of the Raipur Plant

- The Raipur plant is located at Village Simga, Baloda bazar district in Chhattisgarh and is spread across 450 acres (of which the covered area is ~200acres). The total capacity of the plant is ~1.2MTPA with further scope to expand by 0.1MTPA through debottlenecking.
- The plant is located in close proximity to the Raipur Airport (~60km) and its strategic positioning near the raw material source ensures a streamlined supply chain (~300km radius).
- The plant is divided into five sections: Hot Strip unit (HSU), wide flat division, tube division, narrow flat division, special pipe division. (refer exhibit: 4)
- The HSU, wide flat division and Narrow tube division have commenced productions with monthly capacity of 41,000MT/20,000MT/25,000MT, respectively. The narrow flat division (capacity 14,000MT per month) and special pipe division are currently under construction/erection.

Strategically positioned to maximize benefits

- APAT operates a network of 11 state-of-the-art manufacturing facilities strategically spread across the country. These facilities collectively offer a substantial total capacity of 3.6MTPA.
- The well-distributed manufacturing plants play a pivotal role in establishing the company's strong geographic presence, enabling it to be in close proximity to its customers. Additionally, this new Raipur plant has commenced operations with a capacity of 1.2MTPA, focusing exclusively on value-added products. This can be further expanded by 0.1MTPA with debottlenecking.

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- APAT has strategically set up its plant with close proximity (within ~300km radius) to the raw material source. Raipur, being a hub of steel plants, provides the company with easy access to essential raw materials.
- Apart from this new Raipur plant, APAT's other plants are also strategically located, i.e., closer to its raw material source. The Delhi Sikandrabad plant procures raw materials from the Tata Bhushan plant; for the Bangalore plant, it is JSW Bilal plant; for the Murbad plant, it is JSW Dolvi works; for the Hyderabad facility, raw material is either sources from Jamshedpur or Bilal.
- APAT also enjoys favorable geographic positioning in Central India, facilitating easy access across the country. Key aspects of this accessibility include:
 - Railway Sidings: The presence of railway sidings within 40kms along the Howrah-Nagpur-Mumbai Main Line enhances logistical efficiency. Additionally, there is an ongoing construction of another siding within 5kms, further enhancing the transportation infrastructure in the area.
 - National Highway-30 (NH-30): The company is strategically connected by NH-30, which links Uttarakhand with Vijayawada in Andhra Pradesh. This highway traverses multiple states, including Uttar Pradesh, Madhya Pradesh, Chhattisgarh, and Telangana.
 - Chhattisgarh State: Chhattisgarh shares its borders with seven neighboring states, further facilitating access to various regions.

Raipur Plant to manufacture only Value-added Products

- The Raipur plant will manufacture value-added products (VAP), which will be unique for the world and for India such as:
 - **World's 1st**: Thicker Color coated products - Superior corrosion resistant, high load bearing with aesthetics thickness 1.60mm to 3 mm; and, Color-coated structural steel tubes - Superior corrosion resistant with aesthetics
 - **India's 1st**: 500x500mm dia structural tubes and World's 2nd 1000x1000mm tubes - Replacing RCC structures/columns in heavy construction; Thicker Non Ox Alu-Zinc up to 3.2mm - High tensile light structural application, bendable and superior rust proof properties; and, AluZinc tubes - Superior rust proof properties and better life.
- APAT also introduced super value-added products and initiated the sale of products with higher net sales realizations (NSR) and EBITDA. APAT's focus on super value addition and the utilization of non-conventional sizes has yielded improved NSR and EBITDA figures.
- APAT manufactures diverse products at this plant such as: The High dia high thickness (HHH) tubes sizes ranges from 240x120mm (dia) to 1000x1000mm and its thickness starts from 8.1mm and above. These tubes are used in structural applications; and The Low dia high thickness tubes sizes ranges from 40x40mm (dia) up to 200x200mm and its thickness starts from 5.1mm and above. These tubes are used in agriculture equipment and engineering.
- Raipur unit to house innovative roofing products such as APL Apollo Roof Tuff, APL Apollo Lumetuff, APL Apollo Rashak Sheets. These roofing sheets are engineered to provide robust protection against corrosion, ensuring a longer service life, while also enhancing the visual appeal of roofing structures.

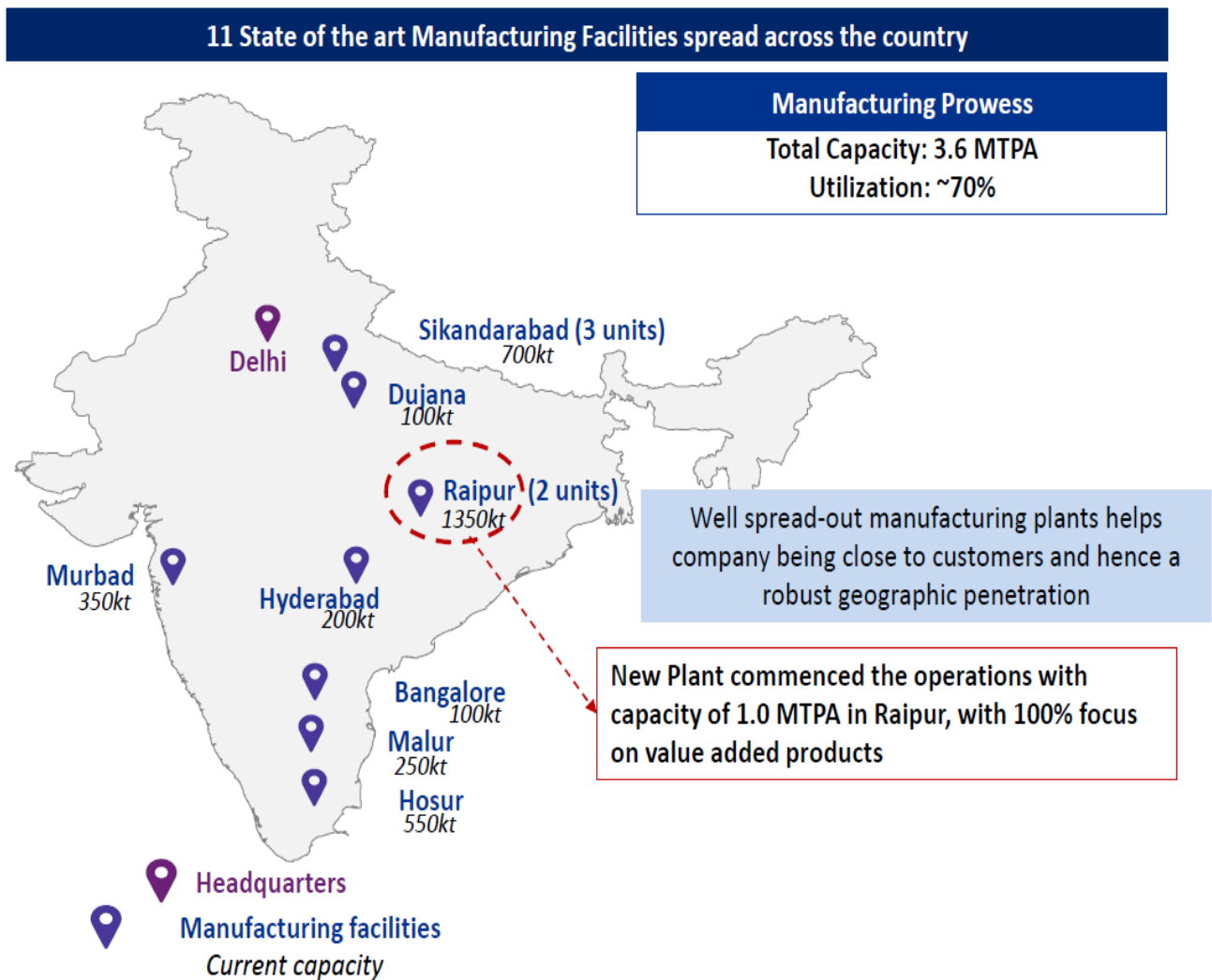
Volumes rampup gaining momentum

- The Raipur plant achieved a quarterly run rate of 75,000 tonnes in 1QFY24. The management aims to increase this figure to 0.18-0.2MTPA by 4QFY24.
- The Raipur plant manufactures these value-added products, which is margin accretive in nature. The EBITDA/MT for these products is expected to be in the range of ~INR6,000-8,000 vs. INR4,500-5,000 for existing company products, thereby driving up the overall margins of APAT.
- The management has indicated to take the total capacity to 10MTPA by 2030 from 5MTPA expected by the end of FY24. Of this, exports volumes will be ~1-2MTPA by 2030.

Valuation and view

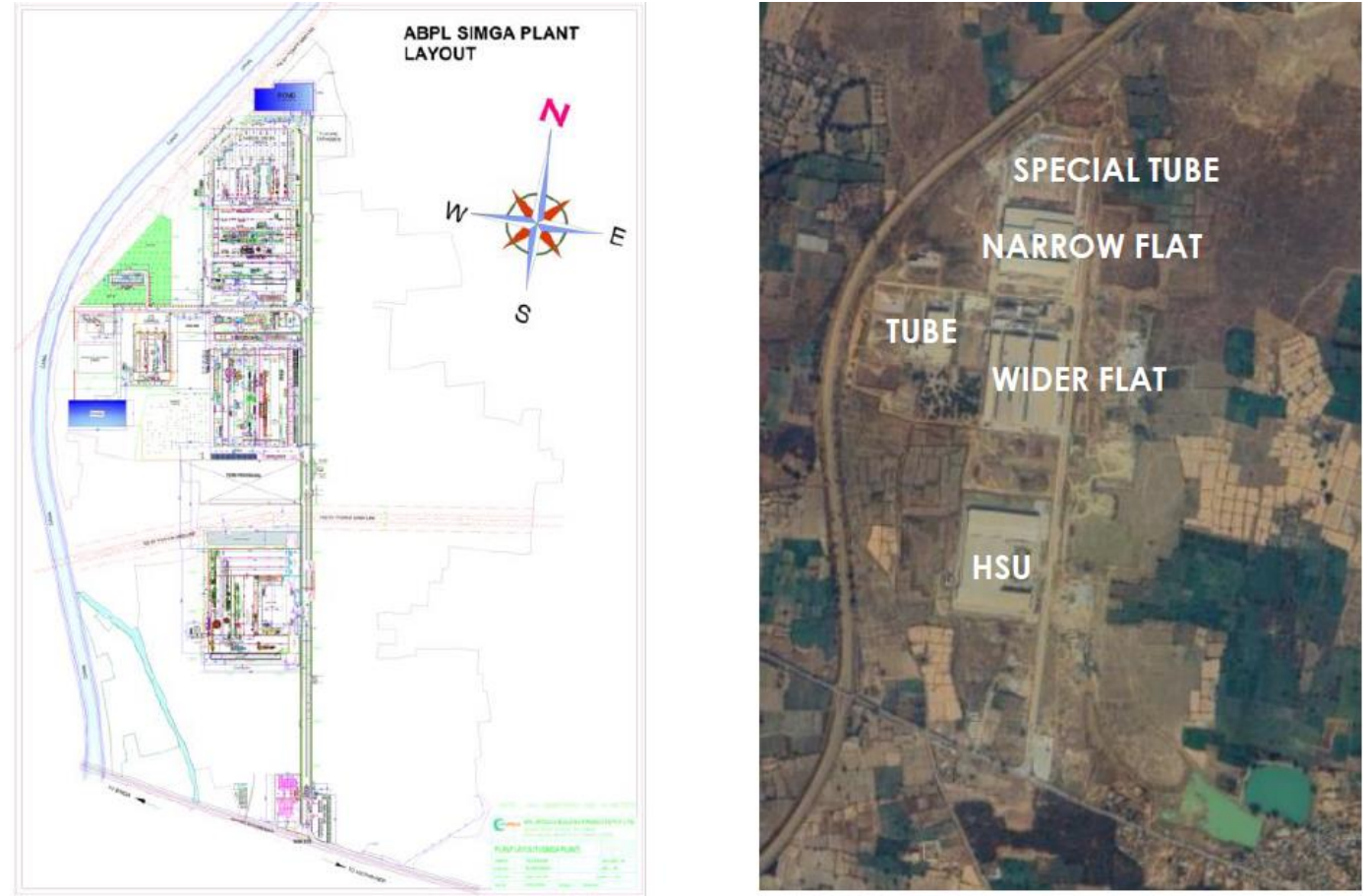
- The incremental capacity from upcoming plants and debottlenecking, along with the addition of high-margin products from the Raipur unit, should result in strong volume growth and margin expansion going ahead.
- We project a revenue/EBITDA/PAT CAGR of 25%/43%/50% over FY23–25. We value the stock at 33x Sep’25E EPS to arrive at a TP of INR1,930. We **maintain our BUY rating on the stock.**

Exhibit 1: Strategically located plant facilities



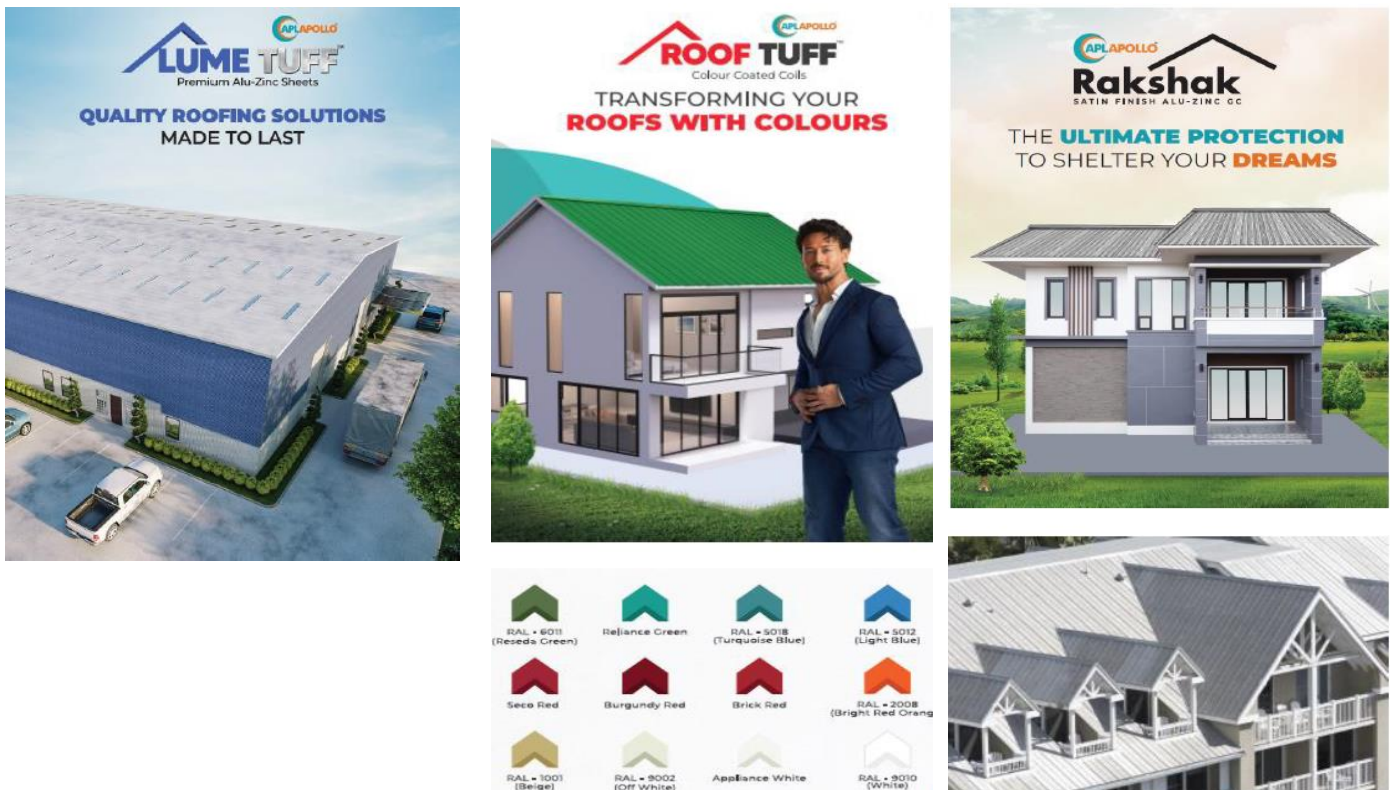
Source: Company, MOFSL

Exhibit 2: Raipur plant spread across ~450 acres with a covered area of ~200 acres



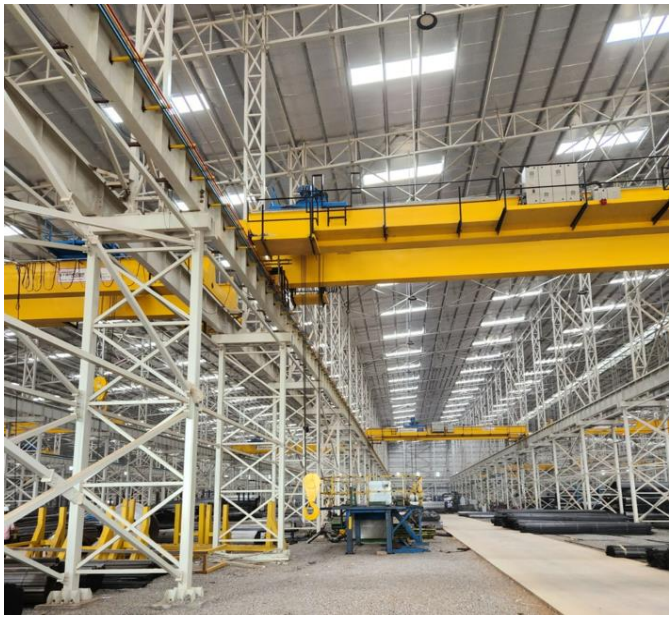
Source: Company, MOFSL

Exhibit 3: Innovative Roofing Solutions offered from the Raipur Plant



Source: Company, MOFSL

Exhibit 4: Raipur Plant built on Structural tubes



Source: Company, MOFSL

Exhibit 5: Railway Sidings at Plant



Source: Company, MOFSL

Exhibit 6: Coated Tubes/Sheet Process



Source: Company, MOFSL

Exhibit 7: Some of the Product varieties displayed at Plant



Source: Company, MOFSL

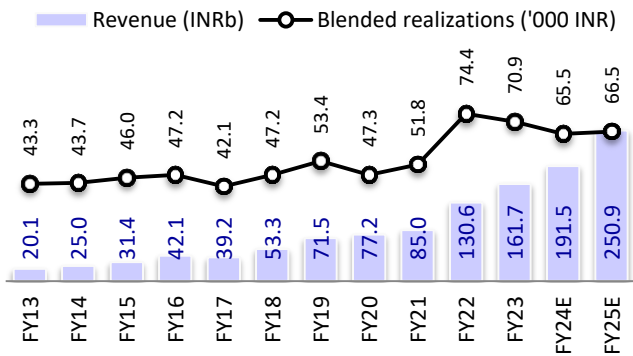
Exhibit 8: Other snaps from the Raipur Plant visit



Source: Company, MOFSL

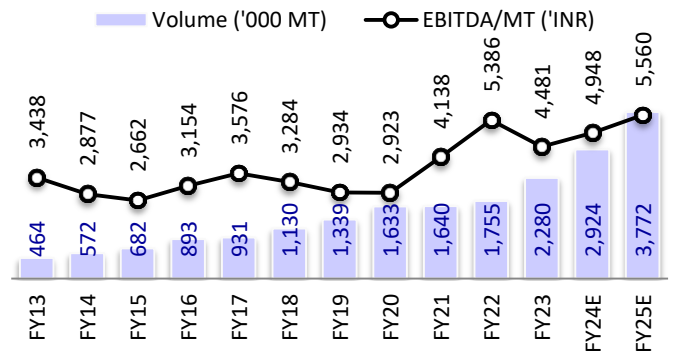
Story in Chart

Exhibit 9: Expect revenue CAGR of 25% over FY23-25



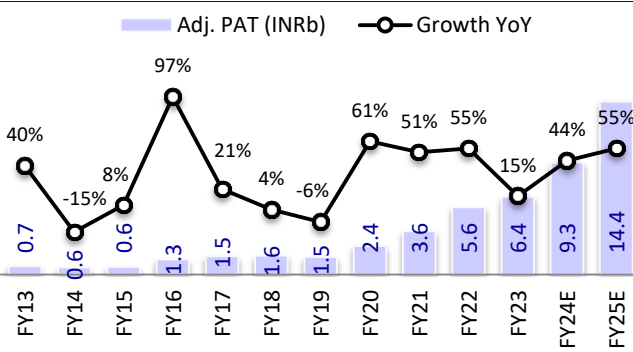
Source: Company, MOFSL

Exhibit 10: Volume to register 29% CAGR over FY23-25



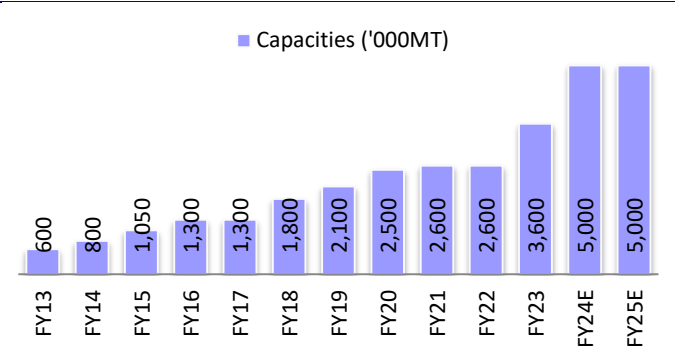
Source: Company, MOFSL

Exhibit 11: Adj. PAT trend



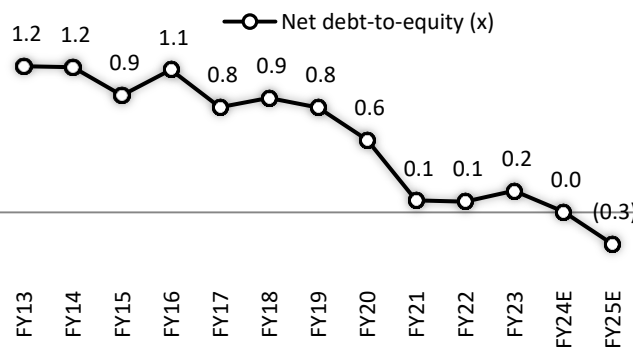
Source: Company, MOFSL

Exhibit 12: Capacity expansion in line with growing demand



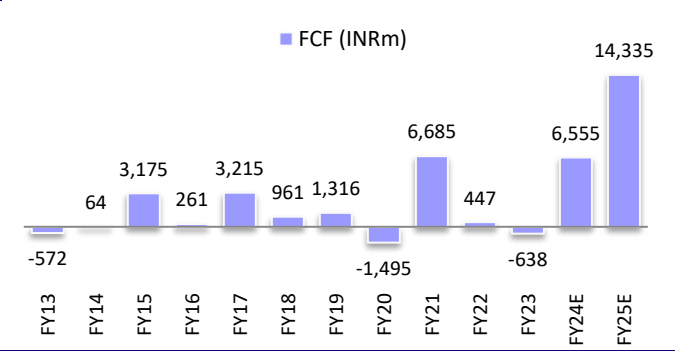
Source: Company, MOFSL

Exhibit 13: Strong balance sheet led by...



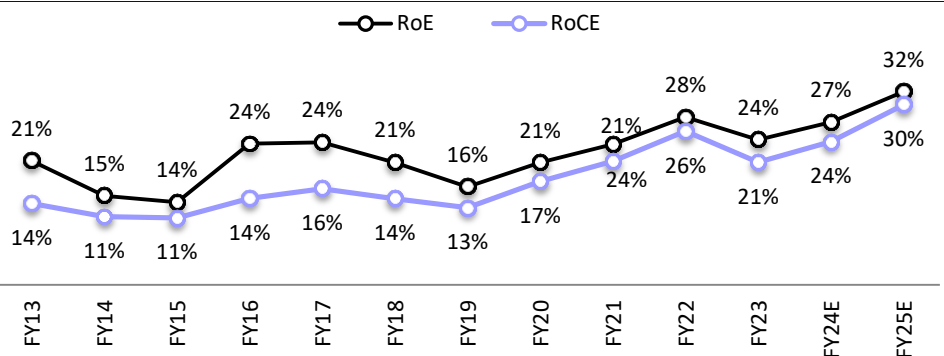
Source: Company, MOFSL

Exhibit 14: ...robust free cash flow generation



Source: Company, MOFSL

Exhibit 15: RoE and RoCE on upward trajectory



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement									(INRm)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	39,239	53,348	71,523	77,232	84,998	1,30,633	1,61,660	1,91,482	2,50,898
Change (%)	-6.9	36.0	34.1	8.0	10.1	53.7	23.8	18.4	31.0
RM Cost	32,324	45,483	63,077	65,786	71,648	1,12,231	1,40,178	1,62,589	2,13,514
Employees Cost	754	862	1,079	1,422	1,296	1,530	2,062	2,674	3,136
Other Expenses	2,832	3,292	3,439	5,252	5,266	7,419	9,204	11,750	13,273
Total Expenditure	35,909	49,637	67,595	72,459	78,210	1,21,181	1,51,444	1,77,013	2,29,923
% of Sales	91.5	93.0	94.5	93.8	92.0	92.8	93.7	92.4	91.6
EBITDA	3,330	3,710	3,928	4,773	6,787	9,453	10,216	14,469	20,975
Margin (%)	8.5	7.0	5.5	6.2	8.0	7.2	6.3	7.6	8.4
Depreciation	509	534	643	959	1,028	1,090	1,383	1,839	2,101
EBIT	2,821	3,176	3,286	3,814	5,759	8,363	8,832	12,630	18,874
Int. and Finance Charges	720	813	1,134	1,073	661	445	671	1,021	700
Other Income	60	80	117	222	359	405	472	807	1,004
PBT bef. EO Exp.	2,160	2,443	2,269	2,963	5,458	8,323	8,633	12,415	19,177
EO Items	0	0	0	0	0	0	0	0	0
PBT after EO Exp.	2,160	2,443	2,269	2,963	5,458	8,323	8,633	12,415	19,177
Total Tax	639	862	787	403	1,381	2,133	2,215	3,141	4,827
Tax Rate (%)	29.6	35.3	34.7	13.6	25.3	25.6	25.7	25.3	25.2
Minority Interest	0	0	0	180	475	617	0	0	0
Reported PAT	1,521	1,581	1,482	2,380	3,602	5,573	6,419	9,274	14,350
Adjusted PAT	1,521	1,581	1,482	2,380	3,602	5,573	6,419	9,274	14,350
Change (%)	20.8	4.0	-6.2	60.5	51.3	54.7	15.2	44.5	54.7
Margin (%)	3.9	3.0	2.1	3.1	4.2	4.3	4.0	4.8	5.7

Consolidated - Balance Sheet									(INRm)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	236	237	239	249	250	501	555	555	555
Total Reserves	6,798	8,141	9,402	13,313	16,697	22,139	29,501	37,389	50,075
Net Worth	7,034	8,379	9,641	13,562	16,947	22,640	30,056	37,944	50,630
Minority Interest	0	0	0	954	1,383	2,000	0	0	0
Total Loans	5,944	7,751	8,581	8,338	5,203	5,806	8,729	6,929	2,929
Deferred Tax Liabilities	813	994	1,200	1,012	1,112	1,187	1,171	1,171	1,171
Capital Employed	13,790	17,124	19,422	23,865	24,644	31,633	39,957	46,044	54,731
Gross Block	6,922	9,617	11,626	17,246	18,568	20,677	29,513	35,005	38,728
Less: Accum. Deprn.	454	988	1,548	2,507	3,535	4,625	6,008	7,847	9,949
Net Fixed Assets	6,468	8,628	10,078	14,738	15,033	16,053	23,505	27,157	28,779
Goodwill on Consolidation	230	230	230	1,375	1,375	1,375	1,375	1,375	1,375
Capital WIP	1,224	460	275	101	1,077	5,037	3,740	3,248	1,775
Total Investments	4	11	494	15	15	913	960	5,460	8,960
Current Investments	0	0	0	0	0	50	0	4,500	8,000
Curr. Assets, Loans&Adv.	10,519	12,483	16,663	16,431	16,491	21,147	28,936	30,300	40,538
Inventory	4,696	5,915	7,835	7,842	7,599	8,472	14,799	16,974	20,788
Account Receivables	2,949	4,321	5,433	4,764	1,306	3,417	1,374	1,574	2,062
Cash and Bank Balance	16	68	478	456	3,579	3,764	3,525	2,178	7,652
Loans and Advances	2,859	2,179	2,917	3,370	4,006	5,494	9,239	9,574	10,036
Curr. Liability & Prov.	4,656	4,688	8,317	8,796	9,345	12,891	18,560	21,496	26,696
Account Payables	4,039	3,793	6,989	7,644	7,859	10,595	15,970	18,429	22,677
Other Current Liabilities	459	814	1,220	979	1,310	2,113	2,357	2,792	3,658
Provisions	157	81	108	173	177	184	233	276	361
Net Current Assets	5,864	7,795	8,346	7,636	7,145	8,256	10,377	8,804	13,841
Appl. of Funds	13,790	17,124	19,422	23,865	24,644	31,633	39,957	46,045	54,731

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)									
EPS	5.5	5.7	5.3	8.6	13.0	20.1	23.1	33.4	51.7
Cash EPS	7.3	7.6	7.7	12.0	16.7	24.0	28.1	40.1	59.3
BV/Share	25.4	30.2	34.8	48.9	61.1	81.6	108.4	136.8	182.5
DPS	1.0	1.2	1.2	0.0	0.0	3.5	3.5	5.0	6.0
Payout (%)	22.5	25.3	27.7	0.0	0.0	17.4	15.1	15.0	11.6
Valuation (x)									
P/E	298.1	286.8	305.9	190.6	125.9	81.4	70.6	48.9	31.6
Cash P/E	223.4	214.4	213.4	135.8	98.0	68.1	58.1	40.8	27.6
P/BV	64.5	54.1	47.0	33.4	26.8	20.0	15.1	12.0	9.0
EV/Sales	11.7	8.6	6.5	6.0	5.4	3.5	2.8	2.4	1.8
EV/EBITDA	138.0	124.3	117.5	96.8	67.3	48.4	44.9	31.4	21.0
Dividend Yield (%)	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.3	0.4
FCF per share	11.6	3.5	4.7	-5.4	24.1	1.6	-2.3	23.6	51.7
Return Ratios (%)									
RoE	23.9	20.5	16.5	20.5	23.6	28.2	24.4	27.3	32.4
RoCE	16.1	14.5	12.9	17.4	20.8	25.8	20.6	24.0	30.2
RoIC	15.8	14.1	12.4	15.9	19.9	29.7	24.5	28.2	39.5
Working Capital Ratios									
Fixed Asset Turnover (x)	5.7	5.5	6.2	4.5	4.6	6.3	5.5	5.5	6.5
Asset Turnover (x)	2.8	3.1	3.7	3.2	3.4	4.1	4.0	4.2	4.6
Inventory (Days)	44	40	40	37	33	24	33	32	30
Debtor (Days)	27	30	28	23	6	10	3	3	3
Creditor (Days)	38	26	36	36	34	30	36	35	33
Leverage Ratio (x)									
Current Ratio	2.3	2.7	2.0	1.9	1.8	1.6	1.6	1.4	1.5
Interest Cover Ratio	3.9	3.9	2.9	3.6	8.7	18.8	13.2	12.4	27.0
Net Debt/Equity	0.8	0.9	0.8	0.6	0.1	0.1	0.2	0.0	-0.3

Consolidated - Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	2,160	2,443	2,269	2,963	5,458	8,323	8,633	12,415	19,177
Depreciation	509	534	0	959	1,028	1,090	1,383	1,839	2,101
Interest & Finance Charges	711	789	0	851	302	40	199	215	-304
Direct Taxes Paid	-629	-602	-673	-403	-1,381	-1,993	-2,161	-3,141	-4,827
(Inc)/Dec in WC	330	-2,342	287	725	3,577	-1,154	-1,475	226	436
CF from Operations	3,082	823	1,884	5,096	8,983	6,306	6,580	11,555	16,585
Others	72	91	1,693	0	0	211	321	0	0
CF from Operating incl EO	3,154	914	3,576	5,096	8,983	6,517	6,901	11,555	16,585
(Inc)/Dec in FA	61	48	-2,261	-6,591	-2,298	-6,070	-7,539	-5,000	-2,250
Free Cash Flow	3,215	961	1,316	-1,495	6,685	447	-638	6,555	14,335
(Pur)/Sale of Investments	2	2	-390	479	0	-898	-48	-4,500	-3,500
Others	-1,761	-1,703	13	1,763	-4,171	1,666	-1,171	807	1,004
CF from Investments	-1,697	-1,654	-2,639	-4,349	-6,468	-5,301	-8,757	-8,693	-4,746
Issue of Shares	106	100	56	10	1	251	1,284	0	0
Inc/(Dec) in Debt	-554	1,807	830	-244	-3,135	603	2,924	-1,800	-4,000
Interest Paid	-725	-772	-1,014	-1,073	-661	-445	-671	-1,021	-700
Dividend Paid	-234	-283	-400	0	0	-971	-971	-1,387	-1,664
Others	-47	-59	0	538	4,403	-469	-949	0	0
CF from Fin. Activity	-1,454	792	-528	-768	609	-1,031	1,617	-4,208	-6,364
Inc/Dec of Cash	2	52	410	-22	3,123	185	-240	-1,347	5,474
Opening Balance	14	16	68	478	456	3,579	3,765	3,525	2,178
Closing Balance	16	68	478	456	3,579	3,765	3,525	2,178	7,652

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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