MIRAE ASSET Sharekhan

Stock Update

Result Update

APL Apollo Tubes Ltd

Muted start to FY26; H2 Recovery on Track

Building Material	Sharekhan code: APLAPOLLO

Reco/View: Buy	↔	CMP: Rs. 1,541	Price Target: Rs. 1,900	↔

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Consolidated revenue came in at Rs. 5,169 crore, up 3.9% y-o-y and EBITDA rose 23.3% y-o-y to Rs. 372 crore. Volumes grew only 10% y-o-y to 794 KT, lagging expectations, while EBITDA/tonne improved 12% y-o-y to Rs. 4,685.
- Management revised FY26 volume growth guidance to 10–15% (earlier 15–20%) and expects EBITDA spreads of Rs. 4,600–5,000/tonne.
- Company remains optimistic about H2FY26, expecting a recovery driven by post-monsoon project activity and higher government spending. Strategic priorities include capacity expansion, product launches and a stronger push on exports.
- We maintain a Buy rating with a PT of Rs. 1,900, supported by a robust medium-term outlook driven by capacity additions and structural demand tailwinds.

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

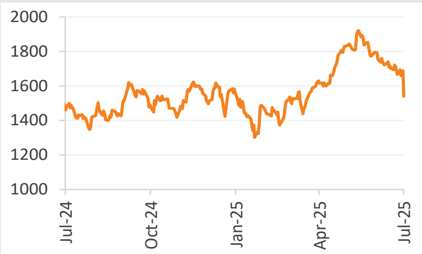
Company details

Market cap:	Rs. 42,779 cr
52-week high/low:	Rs. 1,935 / 1,253
NSE volume: (No of shares)	6.2 lakh
BSE code:	533758
NSE code:	APLAPOLLO
Free float: (No of shares)	19.9 cr

Shareholding (%)

Promoters	28.3
FII	33.1
DII	16.8
Others	21.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-14.1	-4.5	1.6	5.5
Relative to Sensex	-12.6	-7.4	-6.5	3.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Consolidated revenue came in at Rs. 5,169 crore, up 3.9% y-o-y, while operating profit rose 23.3% y-o-y to Rs. 372 crore. Sales volume grew 10.1% y-o-y to 794 KT but lagged the management's expectations due to muted economic activity, geopolitical tensions, early monsoon, and tight liquidity, with dealers facing delayed payments from government projects. Management expects a stronger H2FY26, supported by a recovery in exports to the Middle East (previously disrupted by conflict), two new product launches (1,000x1,000 tubes and rust-proof tubes), and seasonally strong infrastructure and retail demand. FY26 volume guidance has been revised to 10–15%(from 15-20% earlier) and EBITDA/tonne to be Rs.4,600-5,000. Over the long term, the company aims to increase the share of VAP to 70–75% (from 61% currently), in line with its capacity expansion target of 7 MTPA by FY28. Additionally, it plans to scale up exports from both its Dubai facility and the Bhuj plant in Gujarat.

Key positives

- Share of value-added products rose to 61% in Q1FY26 from 58% in Q4FY25.

Key negatives

- Q1FY26 Volume growth (10% y-o-y) was below expectations due to weak economic activity, geopolitical tensions, and an early monsoon.

Management Commentary

- APL Apollo maintains a dominant 60-70% market share in supplying to Pre-Engineered Building (PEB) companies for emerging sectors. The company anticipates robust volume growth of 20-25% from this segment over the next three to four years.
- The QoQ EBITDA/tonne declined by Rs. 182, impacted by lower volumes and a one-time ESOP expense.
- APL Apollo outlined a four-bucket strategy for cash flow allocation: taxes, Capex, shareholder rewards (dividends or buybacks), and balance sheet strengthening. The company aims to become liability-free and potentially secure discounts from steel mills through cash purchases.
- Capacity utilisation stood at 60% for the Dubai plant and just under 60% for the Raipur facility.

Revision in earnings estimates – We have revised our net earnings estimates for FY26–FY27, factoring in the slower growth at the start of the year.

Our Call

Valuation – Maintain Buy on APL with a PT of Rs. 1,900: APL Apollo benefits from its first-mover advantage and presence in a niche segment, having pioneered innovative, first-of-its-kind products in structural steel tubes. The company remains focused on launching value-added product, expanding capacity, and boosting exports — key pillars of its long-term strategy. APL is well-positioned for sustainable growth, with a strategic shift towards prioritizing profitability over volume. The company expects to achieve an improved EBITDA/tonne of Rs. 4,600–5,000 in FY26 and aims to scale its capacity to 6.8 million tonnes by FY28 and further to 10 million tonnes by FY30, reinforcing its strong growth potential. We expect revenue, operating profit, and net profit to clock a CAGR of 14%, 29%, and 33%, respectively, over FY2025-FY2027E. We maintain a 'Buy' rating with a PT of Rs. 1,900, supported by its strong outlook driven by capacity additions and structural demand drivers.

Key Risks

Delayed recovery in demand from construction and infrastructure projects could hurt the earnings outlook. Any intensifying of competition from well-established steel companies could affect APL's volume growth and the working capital cycle.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	18,119	20,690	23,290	26,930
Operating profit	1,192	1,199	1,688	1,999
OPM (%)	6.6	5.8	7.2	7.4
Adjusted PAT	732	757	1,107	1,348
% y-o-y growth	14.1	3.4	46.2	21.8
Adjusted EPS (Rs.)	26.4	27.3	39.9	48.6
P/E (x)	58.4	56.5	38.7	31.7
P/B (x)	11.9	10.2	8.4	6.9
EV/EBITDA (x)	33.0	32.2	22.2	18.2
RoNW (%)	22.2	19.4	23.7	23.8
RoCE (%)	23.9	21.6	27.8	28.3

Source: Company; Mirae Asset Sharekhan estimates

Key conference call highlights

- APL continues to prioritize profitability over volume, targeting EBITDA of Rs. 4,600–5,000/tonne for FY26. Long-term goal of Rs. 5,500–6,000/tonne.
- Divested stake in Shankara after achieving a 4x sales increase via the distributor, fulfilling the strategic intent.
- The company sold its stake in Shankara after successfully quadrupling its sales of APL Apollo products through that distributor, fulfilling the original purpose of the investment.
- Premium over secondary (Patra) players in general product segment has widened to Rs. 3,000/tonne.
- Q2FY26 may remain soft, but H2FY26 is expected to see recovery driven by:
- Government spending on railways and aviation
- Private infra growth (warehouses, data centers)
- Strong solar sector demand
- About 72% of power usage now comes from renewables, with plans to increase further.
- APL stated that to counter the volatility of the price gap between primary and secondary steel, APL Apollo's long-term strategy is to "decommoditise" its product portfolio by introducing a range of specialized, high-quality tubes that secondary steel producers cannot make. They are also focusing on export markets.

Results (Consolidated) **Rs cr**

Particulars	Q1FY26	Q1FY25	y-o-y %	Q4FY25	q-o-q %
Net sales	**5,169.8**	**4,974.3**	**3.9**	**5,508.6**	**(6.2)**
other income	25.6	24.7	3.5	34.9	(26.8)
Total income	**5,195.3**	**4,999.0**	**3.9**	**5,543.5**	**(6.3)**
Total expenses	4,797.8	4,672.7	2.7	5,094.9	(5.8)
Operating profit	**372.0**	**301.7**	**23.3**	**413.7**	**(10.1)**
Depreciation	54.4	46.5	16.9	57.6	(5.6)
Interest	33.3	27.8	19.5	32.3	3.0
Exceptional items	--	--		--	
Profit Before Tax	**310.0**	**252.0**	**23.0**	**358.7**	**(13.6)**
Income taxes	72.8	58.9	23.7	65.6	10.9
PAT	**237.2**	**193.2**	**22.8**	**293.1**	**(19.1)**
Adjusted PAT	237.2	193.2	22.8	293.1	(19.1)
EPS (Rs)	**8.5**	**7.0**	**22.8**	**10.6**	**(19.1)**
Margins (%)					
OPM (%)	7.2	6.1	113 bps	7.5	-31 bps
NPM(%)	4.6	3.9	70 bps	5.3	-73 bps
Tax rate (%)	23.5	23.4	13 bps	18.3	519 bps

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Structural steel tubes market size to clock 10% CAGR over 2024-2030E, as demand from construction projects soars

The structural steel tubes market in India is expected to clock a CAGR of 10% from 2024 to 2030, reaching 17.3 million tonnes. Demand outlook seems robust, supported by the government's focus on infrastructure spending and rising applications of structured steel in housing and commercial buildings. With strong demand, we expect the share of structured steel in India's overall steel consumption pie to increase significantly to 8% by CY2030 from 6% currently. Overall, we expect the structural steel tubes market to post a 12% CAGR over 2023-2030E and reach ~17 million tonnes by CY2030E.

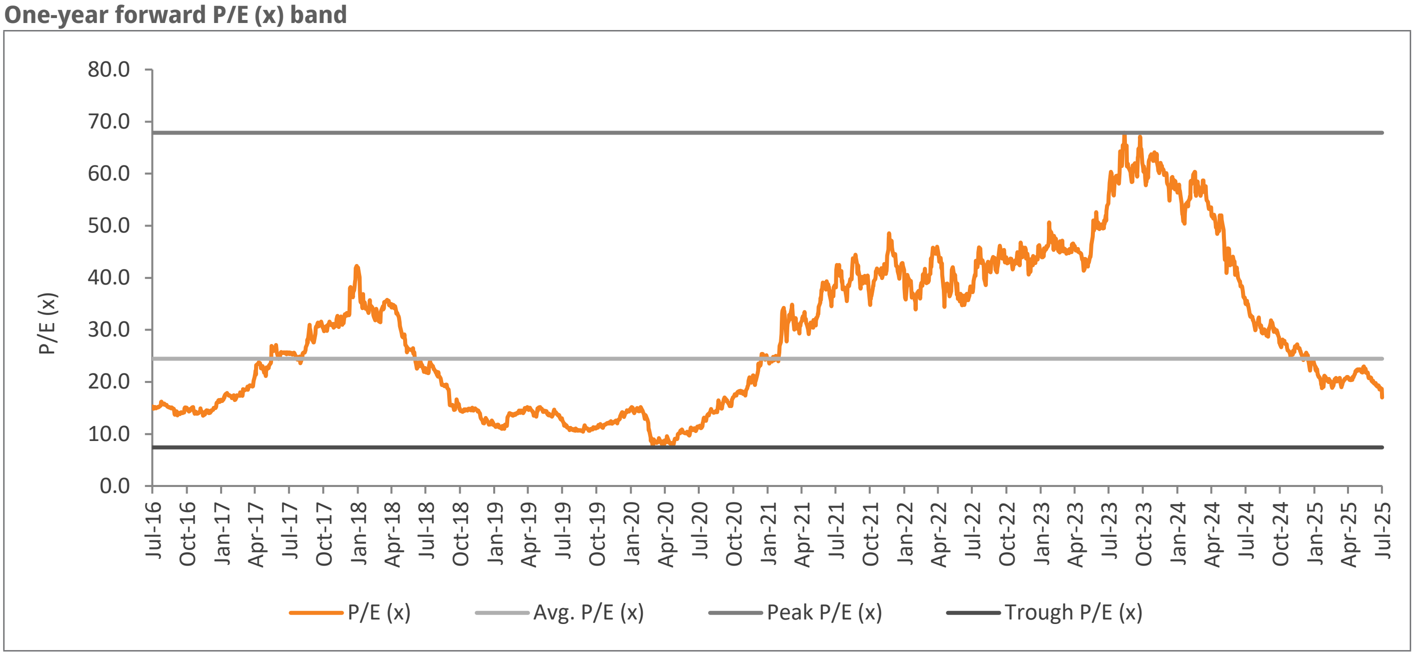
■ Company Outlook – Profitability-led growth to drive earnings resilience

APL Apollo remains focused on margin-accretive growth, prioritizing profitability over volume amid macro headwinds. While the start to FY26 was soft due to economic slowdown, geopolitical tensions, and liquidity challenges, the company expects a recovery in H2FY26 driven by post-monsoon demand, increased government spending, and improving exports. Rising share of VAP and efforts toward premiumisation, cost optimisation, and renewable energy usage are expected to support EBITDA/ton expansion. With a long-term EBITDA/tonne target of Rs. 5,500–6,000 and improving product mix, the company is well-positioned for sustainable earnings growth over the medium term.

■ Valuation – Maintain Buy on APL with a PT of Rs. 1,900

APL Apollo benefits from its first-mover advantage and presence in a niche segment, having pioneered innovative, first-of-its-kind products in structural steel tubes. The company remains focused on launching value-added product, expanding capacity, and boosting exports — key pillars of its long-term strategy. APL is well-positioned for sustainable growth, with a strategic shift towards prioritizing profitability over volume. The company expects to achieve an improved EBITDA/tonne of Rs. 4,600–5,000 in FY26 and aims to scale its capacity to 6.8 million tonnes by FY28 and further to 10 million tonnes by FY30, reinforcing its strong growth potential. We expect revenue, operating profit, and net profit to clock a CAGR of 14%, 29%, and 33%, respectively, over FY2025-FY2027E. We maintain a 'Buy' rating with a PT of Rs. 1,900, supported by its strong outlook driven by capacity additions and structural demand drivers.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

APL Apollo Tubes Limited (APL Apollo) is India's leading structural steel tube manufacturer. Headquartered at Delhi NCR, the Company operates 11 manufacturing facilities with a total capacity of 4.5 Mn Ton. It has a pan-India presence with 11 units strategically located in Hyderabad, 3 plants at Sikandarabad (UP), Bangalore, Hosur (Tamil Nadu), 2 plants in Raipur (Chhattisgarh), Malur (Karnataka), Murbad (Maharashtra) and Umm AI Quwain (UAE). APL Apollo's multi-product offerings include over 3,000 varieties for multiple building material structural steel applications. With state-of-the-art-manufacturing facilities, APL Apollo serves as a 'one-stop shop' for a wide spectrum of products, catering to an array of industry applications such as urban infrastructure and real estate, rural housing, commercial construction, greenhouse structures and engineering applications. The Company's vast 3-tier distribution network of over 800 Distributors is spread across India, with presence in over 300 towns and cities.

Investment theme

Structural steel share in overall steel consumption in India is one of the lowest in the world at ~4% in FY2020 as compared to global average of 9-10%. With rising demand from housing and infrastructure projects, we expect the structural steel market to witness a 10% CAGR over FY2024-FY2030E and reach 17.3 mt by FY2030E. APL, a market leader in the segment, would be the key beneficiary of rising demand and potential market share gain over the next couple of years. Thus, we expect sustained volume-led strong earnings growth for APL.

Key Risks

- Any rise in competition from well-established steel companies could impact volume growth and impact working capital cycle.
- Delayed recovery in demand from construction and infrastructure projects could hurt the earnings outlook.

Additional Data

Key management personnel

Name	Designation
Sanjay Gupta	Chairman
Anubhav Gupta	Chief Strategy Officer
Chetan Khandelwal	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Capital Group Cos Inc/The	9.99
2	KITARA PIIN 1101	6.52
3	New World Fund Inc	3.79
4	Vanguard Group Inc/The	2.70
5	Blackrock Inc	2.69
6	GOVERNMENT PENSION FUND GLOBAL	1.88
7	DSP Investment Managers Pvt Ltd	1.63
8	Franklin Resources Inc	1.54
9	FIL Ltd	1.50
10	Kotak Mahindra Asset Management Co	1.42

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.