AXIS DIRECT

Result Update
5th May, 2026

APL Apollo Tubes Ltd
Building Materials

BUY
Target Price
2,250

Strong Margins Despite Disruptions; Focus Shifts to Profitability Over Volumes

Est. Vs. Actual for Q4FY26: **Revenue** – **MISS**; **EBITDA/t** – **BEAT**; **PAT** – **BEAT**

Change in Estimates post Q4FY26:

FY27E/FY28E: Revenue: -3%/-1%; **EBITDA:** -5%/-2%; **PAT:** -7%/-3%

Recommendation Rationale

- **Resilient Q4FY26 Despite Disruptions:** Despite late-quarter disruptions (war impact, energy shortages, destocking), the company delivered ~Rs 5,500+/t EBITDA, driven by strong brand premium and better product mix amidst supply tightness in steel tubes. Management remains confident of sustaining Rs 5,000-5,500/t EBITDA, even in volatile conditions.
- **Strategic Shift: Profitability Over Volume in Near Term:** Given demand uncertainty and macro headwinds, management highlighted a clear pivot. The focus will be on protecting margins and absolute EBITDA rather than volumes. Volume growth will be volatile and could be below guidance in the near term as Apr-May'26 trends indicate weak volumes but strong profitability.
- **Strong Cash Generation & Balance Sheet Strength:** FY26 Operating Cash Flow stood robust at ~Rs 2,000 Cr (up 65% YoY), Free Cash Flow at ~Rs 1,336 Cr (from Rs 374 Cr in FY25), Net Cash at ~Rs 1,500 Cr+ (jump from Rs 304 Cr in FY25). A significant ~Rs 1,000 Cr cash build-up in Q4 alone was driven by Inventory reduction (30-40k tonnes) and working capital efficiency. This strong balance sheet enables self-funded capex, higher dividends, and potential buybacks.

Sector Outlook: Cautiously Positive

Company Outlook & Guidance: Management highlighted war-driven global disruptions and near-term headwinds for the sector, such as a steel price increase (HRC up ~Rs 3,000/ton), which has led to channel destocking and energy/gas/labour shortages. As a result, earlier 20% YoY volume growth guidance for FY27 was revised towards the lower end of 15-20% (at risk near term). Management emphasised that margin guidance is more reliable than volume guidance in current conditions and maintained its EBITDA/t guidance at Rs 5,000-5,500/t. FY27 EBITDA growth guidance is 20-25%, and PAT growth will be 25-30% YoY.

Current Valuation: 35x P/E Mar'28E EPS (Roll Forward from Dec'27)

Current TP: Rs 2,250/share (Unchanged)

Recommendation: We **maintain our BUY rating** on the stock.

Financial Performance: APL Apollo Tubes reported a largely in-line set of numbers. Consolidated revenue stood at Rs 6,076 Cr, up 14%/8% YoY/QoQ (largely in line). EBITDA stood resilient (amidst backdrip of war's impact) at Rs 511 Cr, up 24%/8% YoY/QoQ, 1%/2% ahead of consensus and our estimate. EBITDA/t stood at Rs 5,525/t, up 14%/7% YoY/QoQ, led by higher sales volumes, which reached 924kt (up 9%/1% YoY/QoQ). VAP share stood resilient at 55% (vs 57% in Q3FY26). PAT stood at Rs 354 Cr, up 21%/14% YoY/QoQ. Balance sheet stood strong, with a net cash position of Rs 15,323 Cr at the end of FY26.

Outlook: The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. We slightly cut our sales volume estimates for FY27/28E by 5%/3%, respectively, leading to a decrease in our FY26/27E EBITDA by 5%/2%.

Valuation & Recommendation: We value the company on Mar'28E EPS (roll forward from Dec'27E EPS) using a 1-year forward P/E target of 35x (unchanged) to arrive at a TP of Rs 2,250/share (unchanged), implying an upside of 20% from the CMP. **We maintain our BUY rating on the stock.**

Key Financials (Consolidated)

(Rs Cr)	Q4FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	6,076	8%	14%	6,203	-2%
EBITDA	511	8%	24%	502	2%
EBITDA/t (Rs/t)	5,525	7%	14%	5,423	2%
Net Profit	354	14%	21%	341	4%
EPS (Rs)	12.76	14%	21%	12.28	4%

Source: Company, Axis Securities Research

(CMP as of 4th May, 2026)

CMP (Rs)	1,877
Upside /Downside (%)	20%
High/Low (Rs)	2,301/1,492
Market cap (Cr)	52,116
Avg. daily vol. (6m) Shrs.	7,36,956
No. of shares (Cr)	27.8

Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoter	28.3	28.3	28.3
FII	33.7	33.1	37.5
Mutual Funds / UTI	14.2	14.6	11.9
Financial Institutions	0.0	0.0	0.0
Others	23.8	24.0	22.4

Financial & Valuations

(Rs. Cr)	FY26A	FY27E	FY28E
Net Sales	22,460	27,402	32,063
EBITDA	1,802	2,165	2,565
Net Profit	1,203	1,464	1,784
EPS (Rs)	43.3	52.7	64.3
PER (x)	43.5	35.8	29.3
EV/EBITDA (x)	29.3	24.3	20.5
P/BV (x)	9.9	7.9	6.4
ROE (%)	25.3	24.6	24.0

Change in Estimates (%)

Y/E Mar	FY26A	FY27E	FY28E
Sales	-2%	-3%	-1%
EBITDA	1%	-5%	-2%
PAT	1%	-7%	-3%

Relative Performance

Source: ACE Equity, Axis Securities

Results Gallery

[Q3FY26](Q3FY26)
[Q2FY26](Q2FY26)
[Q1FY26](Q1FY26)
[Q4FY25](Q4FY25)

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Key Concall Highlights

- **Capacity Utilisation Impacted by Energy Issues:** Domestic plants operated at ~80–85% utilisation due to temporary gas shortages, while Dubai operations are at ~40% utilisation due to geopolitical disruptions. Operations have stabilised but remain below optimal levels. Shortage of galvanised products in the market due to gas shortage will yield better margins for the company in future.
- **Capex Plan Intact:** The company plans Rs 1,400-1,500 Cr capex over the next 2-2.5 years, focused on expansion in East and South India, new product development, and distribution network. Capacity will ramp up towards ~8 MTPA by FY28, and capex will be fully funded through internal accruals.
- **Inventory Optimization Driving Cash Generation:** Inventory reduced by 30-40k tons, leading to ~Rs 250 Cr release despite rising steel prices. The company continues to target further reduction in inventory levels, supporting negative working capital.
- **Market Share Gains Continue Amid Disruptions**: Market share increased to ~60–65% (from ~55%), as organised players benefit from supply disruptions, raw material shortages and weakness in the unorganized segment.
- **Raw Material Trends and Pricing:** HRC (Hot Rolled Coil) prices increased by ~Rs 3,000/ton (Apr-May), which has been passed through to customers. Low inventory cycle (~30 days) limits inventory gains/losses.
- **Demand Mix and Outlook:** Housing remains dominant (~64%), the commercial segment is stable, and infrastructure is weak but expected to recover with government spending. Overall outlook remains cautiously positive.
- **Capital Allocation and Shareholder Returns:** Strong cash flows exceed capex needs, enabling higher dividend payouts, potential buybacks, and continued investment in growth without leverage.

Key Risks to Our Estimates and TP

- Failure to ramp up the expansion projects as guided by the company.
- Steep fall in regional HRC prices leading to traders destocking.
- Macroeconomic risk impacting the demand for structural steel.

Change in Estimates

Rs Cr	Revised			Old			% Change		
	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Net Sales	22,460	27,402	32,063	22,940	28,347	32,354	-2%	-3%	-1%
EBITDA	1,802	2,165	2,565	1,790	2,289	2,611	1%	-5%	-2%
EBITDA/t	5,161	5,412	5,481	5,020	5,449	5,440	3%	-1%	1%
PAT	1,203	1,464	1,784	1,189	1,567	1,834	1%	-7%	-3%
EPS (Rs.)	43	53	64	43	56	66	1%	-6%	-3%
Sales Volume (kt)	3,491	4,000	4,680	3,566	4,200	4,800	-2%	-5%	-3%

Source: Company, Axis Securities

Results Review

Consolidated (Rs Cr)	Q4FY25 Actual	Q3FY26 Actual	Q4FY26 Axis Sec Est	Q4FY26 Consensus	Q4FY26 Actual	% Change (YoY)	% Change (QoQ)	Variance (%)	Vs Cons (%)
Sales Volumes (tonnes)	8,50,447	9,16,976	9,24,881	9,24,881	9,24,881	9%	1%	0%	0%
Sale of products	**5,324**	**5,649**	**6,203**	**6,192**	**6,076**	**14%**	**8%**	**-2%**	**-2%**
Other operating income	184	167	186		193	5%	16%	4%	NA
Total Revenue from Operations	**5,509**	**5,815**	**6,389**		**6,269**	**14%**	**8%**	**-2%**	**NA**
ASP (Rs/t)	62,606	61,599	67,069	66,948	65,695	5%	7%	-2%	-2%
Expenditure									
Net Raw Material	4,696	4,901	5,396		5,268	12%	7%	-2%	NA
Employee Expenses	75	93	89		96	28%	4%	8%	NA
Other Exp	323	350	403		394	22%	13%	-2%	NA
EBITDA	**414**	**472**	**502**	**504**	**511**	**24%**	**8%**	**2%**	**1%**
EBITDA Margin (%)	7.5%	8.1%	7.9%		8.2%				
EBITDA per tonne (Rs/tonne)	**4,864**	**5,145**	**5,423**	**5,452**	**5,525**	**14%**	**7%**	**2%**	**1%**
Depreciation	58	59	56		59	3%	0%	5%	NA
Interest	32	33	22		32	-2%	-4%	43%	NA
Other Income	35	25	26		36	4%	48%	43%	NA
PBT	**359**	**404**	**449**		**457**	**27%**	**13%**	**2%**	**NA**
Tax	66	94	108		102	56%	8%	-5%	NA
Tax Rate (%)	18.3%	23.3%	24.0%		22.4%				
PAT	**293**	**310**	**341**		**354**	**21%**	**14%**	**4%**	**NA**
MI	-	-	-		-	NA	NA	NA	NA
Attrib PAT	**293**	**310**	**341**	**340**	**354**	**21%**	**14%**	**4%**	**4%**
EPS (Rs.)	10.56	11.17	12.28	12.43	12.76	21%	14%	4%	3%

Source: Company, Axis Securities, Bloomberg Consensus

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
Total Sales	**20,690**	**22,460**	**27,402**	**32,063**
Total Raw Materials	17,870	18,890	23,155	27,093
COGS	19,158	20,288	24,854	29,049
EBITDA	**1,199**	**1,802**	**2,165**	**2,565**
EBITDA per tonne	**3,797**	**5,161**	**5,412**	**5,481**
Depreciation	201	231	256	280
Interest & Finance charges	133	125	95	66
Other Income	96	112	113	128
EBT (as reported)	**960**	**1,557**	**1,926**	**2,348**
Tax	203	354	462	564
RPAT	**757**	**1,203**	**1,464**	**1,784**

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
Equity Share Capital	56	56	56	56
Reserves	4,153	5,241	6,552	8,184
Net worth	4,209	5,297	6,608	8,239
Total loans	615	452	352	252
Deferred tax liability (Net)	153	180	180	180
Capital Employed	**5,172**	**6,156**	**7,419**	**8,997**
Net block	3,370	3,740	3,984	4,204
Investments	126	48	219	257
Inventories	1,623	1,445	2,102	2,372
Sundry debtors	267	351	300	351
Cash and cash equivalents	369	644	1,268	2,547
Total Current Assets	3,183	3,854	4,910	6,678
Total Current Liabilities	2,424	2,677	3,000	3,510
Net Current Assets	759	1,177	1,910	3,168
Capital Deployed	**5,172**	**6,156**	**7,419**	**8,997**

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
PBT	960	1,557	1,926	2,348
Depriciation & Amortization	201	231	256	280
Incr/(Decr) in Deferred Tax Liability	-	-	-	-
(Incr)/Decr in Working Capital	167	545	(109)	21
Net Cash Flow from Operating	**1,213**	**2,103**	**1,594**	**2,022**
(Incr)/ Decr in Gross PP&E incl Capital Advances	(723)	(696)	(500)	(500)
(Incr)/Decr In Work in Progress	-	-	-	-
(Incr)/Decr In Investments	-	-	(171)	(37)
(Incr)/Decr in Other Non-Current Assets	-	-	(115)	(63)
Cash Flow from Investing	**(375)**	**(1,394)**	**(622)**	**(425)**
(Decr)/Incr in Borrowings	(514)	(162)	(100)	(100)
Dividend	(153)	(160)	(153)	(153)
Cash Flow from Financing	**(815)**	**(438)**	**(348)**	**(318)**
Cash at the Start of the Year	345	369	644	1,268
Cash at the End of the Year	**369**	**644**	**1,268**	**2,547**

Source: Company, Axis Securities

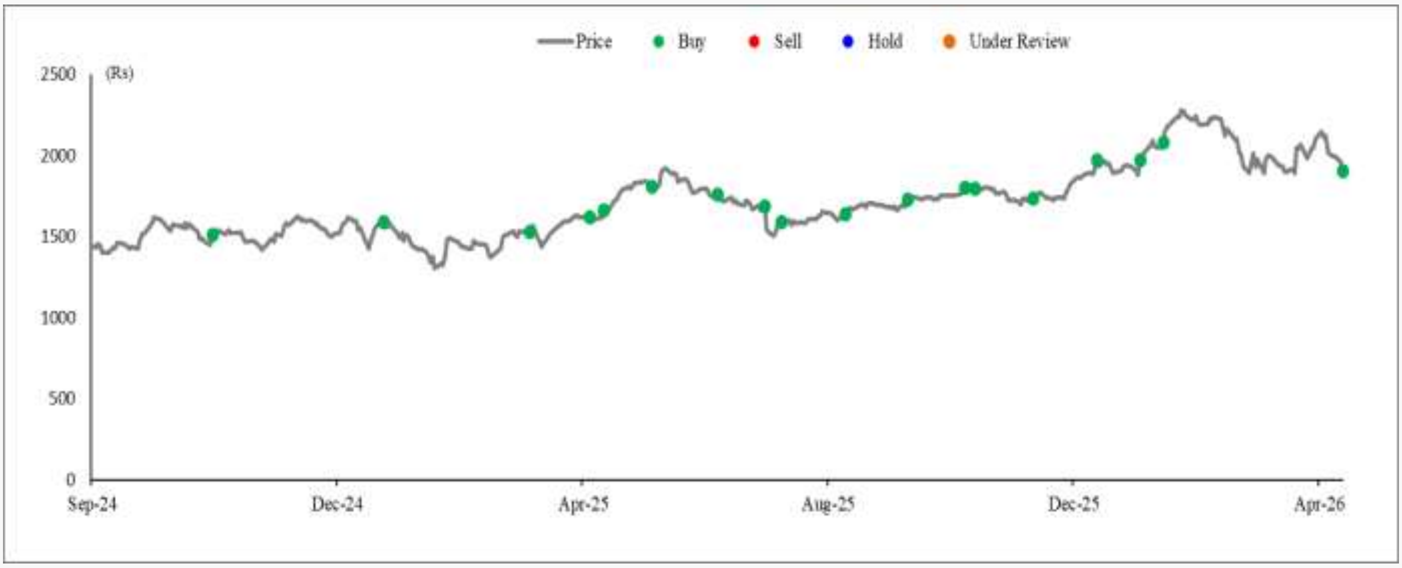
Ratio Analysis

(%)

Ratios	FY25	FY26	FY27E	FY28E
Growth (%)				
Sales	14.2	8.6	22.0	17.0
EBITDA	0.6	50.3	20.1	18.5
APAT	3.4	58.9	21.7	21.9
Profitability (%)				
EBITDA Margin	5.8	8.0	7.9	8.0
Adj. Net Profit Margin	3.7	5.4	5.3	5.6
ROCE	20.1	28.6	28.9	28.5
ROE	19.4	25.3	24.6	24.0
Per Share Data (Rs.)				
AEPS	27.3	43.3	52.7	64.3
Reported CEPS	35.6	52.3	61.1	73.3
BVPS	151.6	190.7	237.9	296.7
Valuations (x)				
PER (x)	56.1	43.5	35.8	29.3
PEG (x)	16.7	0.7	1.7	1.3
P/BV (x)	10.1	9.9	7.9	6.4
EV/EBITDA (x)	35.9	29.3	24.3	20.5
Dividend Yield (%)	0.38%	0.45%	0.29%	0.29%
Turnover days				
Inventory Days	31.1	27.6	26.0	28.1
Debtor Days	3.7	5.2	4.5	3.8
Payable Days	43.6	45.9	41.7	40.9
Gearing Ratio				
D/E	0.1	0.1	0.1	0.0

Source: Company, Axis Securities

APL Apollo tubes Price Chart and Recommendation History



Date	Reco	TP	Research
30-Oct-24	BUY	1,680	Result Update
21-Jan-25	BUY	1,750	Result Update
01-Apr-25	BUY	1,750	Top Picks
02-May-25	BUY	1,800	Top Picks
08-May-25	BUY	1,920	Result Update
01-Jun-25	BUY	2,035	Top Picks
01-Jul-25	BUY	2,035	Top Picks
25-Jul-25	BUY	1,950	Result Update
01-Aug-25	BUY	1,950	Top Picks
01-Sep-25	BUY	1,950	Top Picks
01-Oct-25	BUY	1,950	Top Picks
30-Oct-25	BUY	2,100	Result Update
03-Nov-25	BUY	1,950	Top Picks
01-Dec-25	BUY	2,100	Top Picks
01-Jan-26	BUY	2,100	Top Picks
23-Jan-26	BUY	2,250	Result Update
02-Feb-26	BUY	2,250	Top Picks
05-May-26	BUY	2,250	Result Update

Source: Axis Securities

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