# Capacity addition to help APL Apollo

## Proposed Acquisitions And Tie-Ups To Bring In More Clients

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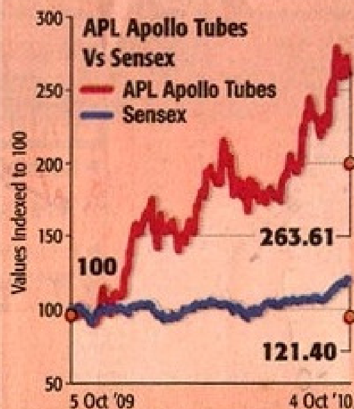
STOCK of APL Apollo Tubes, a Delhi-based steel tube manufacturer, has consistently outperformed the markets with yearly returns of 160% compared to a 20% rise in Sensex. The company's recently commissioned capacities and the planned acquisition of Lloyds Line Pipes is set to give a booster to its earnings in the coming quarters.

Incorporated in 1986, APL Apollo Tubes is a manufacturer and exporter of steel pipes and tubes. It produces a wide range of steel tubes including black tubes, galvanised tubes, pre-galvanised tubes and hollow sections.



Source: Capitaline

mid-cap MANTRA

The company doubled its production capacity to 4 lakh tonnes per annum by adding a new plant in Hosur. The plant, which was under trial runs till July, will make its presence felt from the September quarter. The new plant will cater to the growing demand from South India.

The company has also forged a strategic partnership with a leading distributor, Shankara Pipes, under which the company will allot around 2% of its equity shares on preferential basis to the latter at ₹176 each. This is at around 11% premium to its current market price. The relationship is expected to help in increasing the company's presence in southern and western markets.

At present, the exports account for only about 5% of APL Apollo's revenue, which the copmany wants to increase going forward.

The recently-announced acquisition of the Maharashtra-based manufacturer of steel tubes and pipes Lloyds Line Pipes for ₹40 crore, which will be completed later this year, will boost the capacity by 90,000 tonne per annum besides improving access to customers in the Western region.

The company reported net sales growth of 19% y-o-y in the June 2010 quarter. The company, however, saw its profit declining 18% due to presence of other income in the last year's profit. As the company operates with low operating margins, it depends on volume to boost its profits.

At the current market price of ₹158 the stock is trading at 15 times to trailing 12-month EPS. This is to a premium to most of its peers. However, considering its recently doubled capacities, the premium appears justified.

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### STEELING AHEAD

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