

June 29, 2022

APL Apollo Tubes Limited: Change in Limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	300.0	300.0	[ICRA]A1+; Outstanding
Fund-based: Working Capital Facilities	1,100.0	1,175.0	[ICRA]AA(Stable)/ [ICRA]A1+; Outstanding
Fund-based (FB): Term Loan	145.0	145.0	[ICRA]AA(Stable); Outstanding
Non-fund Based (NFB): Working Capital Facilities	494.0	494.0	[ICRA]A1+; Outstanding
Unallocated	162.0	87.0	[ICRA]AA(Stable)/ [ICRA]A1+; Outstanding
Total	2,201.0	2,201.0	

*Instrument details are provided in Annexure-1

Rationale

To arrive at the ratings, ICRA has taken a consolidated view of the business and financial risk profiles of APL Apollo Tubes Limited (AATL), its wholly-owned subsidiaries, namely Shri Lakshmi Metal Udyog Limited (SLMUL) and Apollo Metalex Private Limited (AMPL), and its step-down subsidiary, Apollo Tricoat Tubes Limited (ATTL). Collectively referred to as the Group/APL/company, these companies are in the similar lines of businesses and have significant operational and financial linkages.

The ratings factor in the Group's healthy financial risk profile, a sustained healthy operating performance, improved working capital management and de-leveraging of its balance sheet. The Group reported a robust 53% YoY growth in revenues along with sustained healthy margins in FY2022. The growth was spurred by a surge in realisations, continued volumetric ramp-up and increasing proportion of value-added products. Moreover, the Group has considerably reduced its gross working capital cycle over the past two fiscals on the back of an efficient working capital management, which has supported its cash flow generation. This in turn helped the company prepay a part of its debt obligations, facilitating faster deleveraging of its balance sheet. Together with healthy return metrics, this translates into robust debt coverage metrics for the Group. Further, the ratings continue to reflect the Group's leadership position in the domestic electric resistance welded (ERW) pipes segment and its geographically diversified manufacturing base across India.

The ratings, however, are constrained by the intense competition in the pipes and tubes industry due to the presence of both organised and unorganised players. This moderates the Group's pricing power, making it more vulnerable to the volatility in steel prices.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company would be able to maintain its leadership position in the organised sector in the ERW pipe segment with focus on value-added products and successfully enhance its capacities in the upcoming fiscals through internal accruals. Further, the company's phased-out capex plans and limited incremental borrowing requirements are expected to help it maintain healthy capitalisation and coverage metrics.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Approach: Consolidation
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has combined the business and financial profiles of various Group entities (as mentioned in Annexure-2), given the close business, financial and managerial linkages among these.

About the company

APL Apollo Tubes Limited (AATL) was incorporated in February 1986 as Bihar Tubes Private Limited with its headquarters in Delhi-NCR. AATL is the largest ERW pipe/ structural steel tube manufacturer in India. The company operates 10 manufacturing facilities across India with a total installed capacity of 2.65 million tonnes per annum (MTPA). The Group's product offerings include 1,500+ varieties for structural steel applications. These tubes have a wide spectrum of applications in urban infrastructure and real estate, rural housing, commercial construction, greenhouse structures and engineering applications.

AATL has steadily enhanced its capacities and widened its presence across geographies over the years by way of acquisitions—Lloyd Line Pipes Limited (LLPL; acquired in FY2011) at Murbad (Maharashtra), Shree Lakshmi Metal Udyog Limited (SLMUL; acquired in FY2008) in Bengaluru (Karnataka) and Apollo Metalex Private Limited (AMPL; acquired in FY2007) at Sikandarabad (Uttar Pradesh). The Group has also established a large pan-India distribution network of around 800 dealer distributors and over 50,000 retailers over the years.

Key financial indicators (audited)

Consolidated	FY2020	FY2021	FY2022*
Operating Income (Rs. crore)	7,723	8,500	13,063
PAT (Rs. crore)	256	408	619
OPBDIT/OI (%)	6.2%	8.0%	7.2%
PAT/OI (%)	3.3%	4.8%	4.7%
Total Outside Liabilities/Tangible Net Worth (times)	1.25	0.9	0.8
Total Debt/OPBDIT (times)	1.75	0.8	0.6
Interest Coverage (times)	4.45	10.3	21.3

Source: Company *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020	
					Jun 29, 2022	Nov 18, 2021	Mar 08, 2021	Dec 31, 2020	Nov 19, 2019	May 27, 2019
1 NCD	Long Term	0.0	-	-	-	-	-	[ICRA]AA-(Stable); withdrawn	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
2 NCD	Long Term	0.0	-	-	-	-	-	[ICRA]AA-(Stable); withdrawn	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3 CP	Short Term	300.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 FB: Term Loan	Long Term	145.0	145.0*	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA-(Positive)	[ICRA]AA-(Positive)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
5 FB: Working Capital Facilities	Long/Short Term	1175.0	-	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA-(Positive)/[ICRA]A1+	[ICRA]AA-(Positive)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+
6 NFB: Working Capital Facilities	Short Term	494.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7 Unallocated limits	Long/Short Term	87.0	-	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-	[ICRA]AA-(Stable)/[ICRA]A1+

Amount in Rs. Crore *amount outstanding as of September 2021

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper	Very Simple
Fund - based -Term Loan	Simple
Fund- based - Working Capital Facilities	Simple
Non-fund Based - Working Capital Facilities	Very Simple
Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Unplaced	Commercial Paper	NA	NA	NA	300.0	[ICRA]A1+
NA	Fund - based-Term Loan	FY2017-FY2020	7.25%-7.55%	FY2024-FY2025	145.0	[ICRA]AA (Stable)
NA	Fund- based - Working Capital Facilities	NA	NA	NA	1175.0	[ICRA]AA (Stable)/[ICRA]A1+
NA	Non-fund Based - Working Capital Facilities	NA	NA	NA	494.0	[ICRA]A1+
NA	Unallocated	NA	NA	NA	87.0	[ICRA]AA (Stable)/[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
APL Apollo Tubes Limited	100.00%	Full Consolidation
Shri Lakshmi Metal Udyog Limited (SLMUL)	100.00%	Full Consolidation
Apollo Metalex Private Limited	100.00%	Full Consolidation
Apollo Tricoat Tubes Limited*	55.82%	Full Consolidation
Blue Ocean Projects Private Limited	100.00%	Full Consolidation
APL Apollo Building Products Private Limited	100.00%	Full Consolidation
APL Apollo Tubes FZE.	100.00%	Full Consolidation

Source: Company and Group Financials

Note: ICRA has taken a consolidated view of the parent (AATL), its subsidiaries and step-subsidiaries while assigning the ratings

* Subsidiary of SLMUL, Shareholding as on March 31, 2022

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