04th March 2025

Electronic Filing

National Stock Exchange of India Limited “Exchange Plaza” Bandra-Kurla Complex, Bandra (E), Mumbai-400051 NSE Symbol : APLAPOLLO	Department of Corporate Services/Listing BSE Limited Phiroze Jeejeebhoy Tower, Dalal Street, Fort, Mumbai-400001 Scrip Code : 533758

Re: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Dear Sir/ Madam,

The Company had got its bank facilities rated from various Credit Rating Agencies i.e. CARE, ICRA Limited and CRISIL Ratings Limited. Of the three, the Company voluntarily requested to CARE for withdrawal of its credit rating.

Pursuant to the provisions of Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulation"), this is to inform that in terms of CARE Rating’s Policy on Withdrawal of Ratings, CARE has reaffirmed and withdrawn the outstanding ratings of ‘CARE AA; Positive and CARE A1+’ assigned to bank facilities of the Company with immediate effect vide its press release dated March 03, 2025 (attached herewith).

We request you to kindly take the above information on your record.

The above information is being uploaded on the website of the Company at www.aplapollo.com.

Thanking you

Yours faithfully
For APL Apollo Tubes Limited

VIPUL JAIN

Digitally signed by VIPUL JAIN
Date: 2025.03.04 15:32:27 +05'30'

Vipul Jain
Company Secretary and Compliance Officer

APL Apollo Tubes Limited

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE AA; Positive and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A1+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE AA; Positive and CARE A1+' assigned to bank facilities of APL Apollo Tubes Limited (APL or the company) with immediate effect. This action has been taken at the request of the company and 'No objection Certificate' received from lenders, who have extended these bank facilities to the company, which are rated by CARE Ratings.

The ratings assigned to bank facilities of APL Apollo Tubes Limited (APL) continue to factor extensive experience of its promoters and management in the steel tubes manufacturing industry, the company's long track record of operations and its strong business risk profile with leadership position in the electric resistance welding (ERW) pipes segment along with a diversified product profile. The same coupled with increasing scale of operations and continuously shortening working capital cycle has resulted in healthy return ratios, which are expected to remain comfortable over the medium term on the back of steady growth in the company's sales volumes with stable margins. The ratings continue to factor in the company's comfortable financial risk profile marked by low overall gearing and healthy debt coverage metrics aided by healthy operational cash flows and its strong liquidity position. CARE Ratings Limited (CARE Ratings) takes cognisance that the company has successfully commissioned its Raipur plant and its Dubai plant, with above ~55% capacity utilisation, which shall support improvement in its sales volumes to fuel sales growth further.

The company is also in the process of setting up plants in Gorakhpur (Uttar Pradesh), Siliguri (West Bengal) and Bangalore (Karnataka) to cater to different geographies. Residual capex outlay is expected to be ~₹600 crore in the next 3-4 quarters, which is expected to be met through internal accruals to reach a capacity of five million tonnes, and hence, the company shall be able to maintain a low leverage profile in the medium term in the absence of any large debt-funded capex.

However, rating continues to be tempered by APL's exposure to steel price volatility as experienced in Q2FY25 and competitive nature of the pipes and tubes industry with a limited value addition.

Analytical approach: Consolidated

CARE Ratings has considered a consolidated approach in the credit risk assessment of APL due to common management, significant operational and financial linkages among the companies. The list of entities considered in consolidation is mentioned in **Annexure-6**.

Outlook: Positive

The 'Positive' rating outlook factors in expectations of continued healthy growth in total operating income backed by higher sales volume and capacity expansion while improving PBILDT margin and expectation of improvement in the overall financial profile of the company in near-to-medium term.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters and management

APL was originally incorporated by late S.K. Gupta and Saroj Rani Gupta. After the demise of S. K. Gupta, its management was taken over by his son Sanjay Gupta, who has been managing the company for the past two decades. He has ~25 years of professional experience in the steel tubes industry. His son, Rahul Gupta, holds an industry experience of more than seven years and handles the building division of the group. Vinay Gupta, brother of Sanjay Gupta, has an extensive experience of over two decades and looks after the company's pre-galvanised and international business. Sanjay Gupta is supported by an experienced team of professional with extensive experience in ERW industry segment. Under his leadership and support from strong management team, the company has evolved from a small steel tube manufacturer into a leader of branded steel tube products especially in structural pipes segment.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Long track record of operations and dominant market position

APL has been operational for over 35 years; it began with manufacturing of MS black pipes using the ERW technology with a capacity of 6,000 MT in 1986 and over the years, has forayed into manufacturing of galvanized iron pipes (GI), pre-galvanised pipes (GP), and hollow sections, etc. As on September 30, 2023, it has installed capacity of 41.50 lakh MTPA at a consolidated level which has been gained through expansions and key strategic acquisitions made by the company, making it the largest ERW pipe manufacturer in the country. The installed capacity and sales volume of APL grew at a healthy compounded annual growth rate (CAGR) of ~17.50% and ~16.87%, respectively, over FY21-FY24 (refers to April 01 to March 31) period.

Diversified operations and product portfolio

The company's production facilities are geographically well diversified as it has 11 manufacturing facilities spread over north, central, west and south India along setup being established in east as well. The company have warehouses-cum-branches in over 20 cities across India. The company has a network of more than 850 direct distributors/dealers and over 50,000 retailers and fabricators. It has a well-diversified product portfolio consisting of four primary product segments with different specification as per the customer needs in each primary product category. Its product range includes MS tubes, galvanized pipes, tricoat pipes, plank, signature, chaukhat and pre-galvanized tubes and hollow sections in the ERW segment. The company's products find widespread application in industries like infrastructure, construction, water and sewage projects, structures, general engineering, transportation system, housing, greenhouses, and solar plants etc. The geographic diversification of operations enables continuous production and mitigates risk of interruption due to anomalies of operating in single geography besides saving in freight costs. The well-diversified product portfolio with widespread applications across different sectors protects its revenues from depending on single segment and ensures better revenue visibility and margins.

Strong operating performance

In FY23 and FY24, PBILDT per tonne for the company averaged ~₹4,500. However, in 9MFY25 the PBILDT per tonne declined on account of decline in realisations. Due to this, APL suffered decline in PBILDT per tonne of ~₹2000 per tonne in Q2FY25 considering inventory loss. Total operating income (TOI) of the company increased at a healthy rate of ~11.78% in FY24 on a year-on-year basis on the back of healthy demand. The volume sold saw a year-on-year increase of ~14.87% in FY24. Furthermore, during 9MFY25 (refers to April 01 to September 30), the TOI witnessed a healthy increase of ~13.67% on a y-o-y basis on the back of higher volumes sales and stable sales realisations. Going forward, CARE Ratings expects margins to remain firm backed by expected increase in sales from better margin giving value-added products and cost-efficient operations.

Healthy financial risk profile

APL's overall gearing marginally moderated but stood comfortable to ~0.40x, as on March 31, 2024, against 0.39x as on March 31, 2023. The moderation in overall gearing is on account of increase in total debt due to term debt availed by the company for its capex activity. Consequently, coverage indicators also moderated but stood comfortable with interest coverage and total debt to PBILDT at 10.20x and 1.20x, as on March 31, 2024, against 15.42x and 1.09x as on March 31, 2023, respectively. The company's solvency profile is expected to remain comfortable going forward considering healthy cash flow generation and low reliance on debt to fund capex and for meeting working capital requirements.

Efficient working capital cycle

Although pipe manufacturing has traditionally been working capital intensive business, APL has been able to efficiently manage its working capital as reflected by its short operating cycle, which further reduced to below unity days in FY24 (PY: two days). The company introduced cash discount to its customers for upfront payment, which resulted in faster recovery and resulted in significant decline in average collection period over the years to three days in FY24 from 24 days in FY20. APL has been able to improve its working capital cycle consistently over the last five years on account of better inventory management and efficient collections partially supported through channel financing made available to its larger dealers.

Key weaknesses

Raw material price volatility risk

Major raw materials for APL's products are HR coils, galvanised coils and zinc, prices of which are volatile. Prices of HR coils are market linked and determined on a periodic basis, exposing the company to raw material price volatility, which has a bearing on its profitability margins. Apart from raw material, the company is exposed to loss of value on inventories held by it in case of sharp downward movement in the prices. However, the company being one of the largest buyers of HRC and largest seller of pipes in India has demonstrated its ability to better manage these volatilities through availing bargain deals from steel makers, passing on the increase in steel prices to its customers and maintaining an optimal inventory level.

Competitive industry scenario with limited value addition

The steel pipes industry is highly competitive due to presence of organised and unorganised players and expanding applications of various types of steel pipes with limited value addition. Although over the years, the industry has become more organised with the share of unorganised and smaller players reducing yet prevalent competition has a bearing on margins due to fragmentation of the industry. However, APL with its bigger size, wider and innovative product range, diversified and widespread marketing network has a certain edge over small players and even the other large, organised players in the industry.

Industry prospects

The domestic iron and steel pipe industry is one of the key sectors in the infrastructure development of the country. From extension of pipelines for river interlinking to providing drinking water to every household, the industry plays a critical role in the development of the nation. Overall industry size has grown at double-digit in the last five years. Major growth drivers for the industry include demand emanating from domestic water infrastructure, oil exploration and transportation, construction, irrigation, infrastructure, and expansion of gas pipelines such as national gas grid and city gas distribution. The industry witnessed consolidation with increasing dominance of larger players especially in electric welded resistance (ERW) segment, which has been the most fragmented segment historically.

Liquidity: Strong

APL has strong liquidity marked by healthy gross cash accruals (GCA) of ₹915 crore in FY24. The company's total cash and liquid investments stood at ~₹547 crore, as on December 31, 2024 (~₹1,143 crore as on March 31, 2024) compared to total term debt principal repayment obligation of ~₹160 crore in FY25. Cash flow from operations stood at ₹1054 crore in FY24, compared to ₹830 crore in FY23. The company is setting up plants in Gorakhpur, Siliguri and Bangalore - to cater to different geographies. Total capex outlay is expected to be ~₹600 crore in the next 3-4 quarters, which is likely to be funded entirely through internal accruals and surplus cash balance.

Environment, social, and governance (ESG) risks

Risk Factors	Actions taken by the company
Environmental	• Renewable energy contribution to be 47% by 2030 from existing 38%. • Committed to reducing scope 1 & 2 emissions by 25% by 2030 and achieving Net Zero carbon emission by 2050.
Social	• Target to increase the female workforce by 1% every year. • Emphasis on CSR initiatives to uplift local communities and improve their lifestyle.
Governance	• Strong top-down governance with an ESG Committee, ESG Council, and Corporate Sustainability Taskforce. • Strict adherence to anti-corruption policies, compliance with legal requirements, and transparent reporting. • There is audit committee, nomination and remuneration committee, Corporate social responsibility committee; risk management committee, Stakeholder relationship committee.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Iron & Steel
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Iron & steel products

APL was incorporated as Bihar Tubes Private Limited on February 24, 1986, and started its operations with a unit at Sikandrabad (Uttar Pradesh) to manufacture ERW pipes with a capacity of 6,000 MT. APL is the flagship company of the Sudesh group. Currently, APL is engaged in manufacturing steel pipes and tubes with a capacity of 4.3 MTPA as on December 31, 2024, on a consolidated basis. It has a pan-India presence with eleven manufacturing units in Sikandrabad, Bangalore, Hosur, Hyderabad, Raipur and Murbad and UAE.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	16,177	18,082	15,242
PBILDT	1034	1157	846
PAT	642	732	464
Overall gearing (times)	0.30	0.33*	-
Interest coverage (times)	13.36	8.65	8.38

A: Audited UA: Unaudited; Note: these are latest available financial results
*Excluding acceptances

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	0.00	Withdrawn
Non-fund-based-Short Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	-	-	1)CARE AA; Positive (03-Mar-25)	1)CARE AA; Positive (04-Jan-24)	1)CARE AA; Stable (07-Dec-22)	1)CARE AA; Stable (09-Sep-21)
2	Non-fund-based-Short Term	ST	-	-	1)CARE A1+ (03-Mar-25)	1)CARE A1+ (04-Jan-24)	1)CARE A1+ (07-Dec-22)	1)CARE A1+ (09-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Apollo Metalex Private Limited	Full	On the basis of common management, significant operational and financial linkages among the companies.
2	APL Apollo Mart Limited	Full	
3	Blue Ocean Private Limited	Full	
4	APL Apollo Tubes FZE	Full	
5	APL Apollo Building Products Private Limited	Full	
6	APL Apollo Tubes Company LLC	Full	

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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