OCTOBER 06, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF APL APOLLO TUBES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	25	**CARE A+ [Single A Plus]**	**Revised from CARE A [Single A]**
Short-term Bank Facilities	1	**CARE A1+ [A One Plus]**	**Revised from CARE A1 [A One]**
Total Bank Facilities	**26 (Rupees Twenty Six crore only)**		
Non-Convertible Debentures (NCDs)	**75 (Rupees Seventy Five crore only)**	**CARE A+ [Single A Plus]**	**Revised from CARE A [Single A]**

Rating Rationale

The revision in the ratings assigned to APL Apollo Tubes Limited (APL) takes into account the improvement in the company's operational performance reflected by significant increase in total operating income and profits leading to improvement in its financial risk profile marked by improvement in overall gearing as well as debt coverage indicators. The ratings continue to derive strength from extensive experience of APL's promoters, the company's long track record of operations and its established market position. The ratings also consider APL's diversified operations, its strong brand name with a wide product range and its established marketing and distribution network. However, the ratings are constrained by the company's exposure to raw material price volatility and highly competitive nature of the industry.

Going forward, the company's ability to sustain growth in total operating income, improve its profitability margins amid competition and maintain a moderate gearing shall remain the key rating sensitivities.

APL and its subsidiaries viz. Apollo Metalex Pvt Ltd (AMPL), Shri Lakshmi Metal Udyog Ltd (SLMUL) and Lloyd Line Pipes Ltd (LLPL) are engaged in a similar line of business with a common management, sourcing and marketing network. Due to significant operational and financial linkages among these companies, CARE has considered a consolidated approach in the credit risk assessment.

Background

APL was incorporated as Bihar Tubes Pvt Ltd on February 24, 1986, and started its operations with a unit at Sikandrabad (Uttar Pradesh) to manufacture electric resistance welding (ERW) pipes with a capacity of 6,000 MT. It acquired AMPL in June 2007 and SLMUL in April 2008 to increase its capacity and diversify its geographical presence. In FY10 (refers to the period April 1 to March 31), the company commissioned its second plant at Hosur, Tamil Nadu, with a capacity of 200,000 metric tonnes per annum (MTPA) and its name was changed to APL Apollo Tubes Ltd. In November 2010, it acquired LLPL. APL undertakes manufacturing of steel pipes and tubes with a capacity of 0.58 million tonnes per annum(MTPA) on a standalone basis and 1.05 MTPA on a consolidated basis. The company's products find application in construction, water treatment and transportation, electrical pipes, irrigation and plumbing. The major raw materials used by the company are hot rolled (HR) and galvanized coils and zinc.

During FY16 (refers to the period April 1 to March 31), on a consolidated total operating income of Rs.4,226 crore, the company reported a PBILDT and PAT of Rs.292 crore and Rs.101 crore, respectively. Furthermore, during Q1FY17 (refers to the period April 01 to June 30) (provisional), on a consolidated total operating income of Rs.1127 crore, the company reported a PBILDT and PAT of Rs.90 crore and Rs.41 crore, respectively.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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