OCTOBER 13, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF APL APOLLO TUBES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	12.50	CARE A (Single A)	Reaffirmed
Short-term Bank Facilities	12.50	CARE A1 (A One)	Reaffirmed
Total	**25 crore (Rupees Twenty Five crore only)**		

Rating Rationale

The ratings assigned to the bank facilities of APL Apollo Tubes Ltd (APL) continue take into account the experience and resourcefulness of the promoters, the company's long track record of operations and its established market position. The ratings also consider APL's diversified operations, the company's strong brand with a wide product range and its established marketing and distribution network. Furthermore, the ratings factor in the consistent growth in consolidated sales and profits of the company and its moderate financial risk profile with a relatively shorter operating cycle on a consolidated basis. However, the ratings are constrained by the company's exposure to raw material price volatility and the highly competitive nature of the industry.

Going forward, the company's ability to improve its profitability margins amid competition, maintain a moderate capital structure and improve its debt coverage indicators on a consolidated basis shall remain the key rating sensitivities.

APL and its subsidiaries are engaged in a similar line of business with a common sourcing and marketing network. Due to significant operational and financial linkages among the companies, CARE has considered a consolidated approach in its 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 Apollo Metalex Pvt Ltd (AMPL) in June 2007 and Shree Lakshmi Metal Udyog Ltd (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 Lloyd Line Pipes Ltd (LLPL). APL undertakes manufacturing of steel pipes and tubes with a capacity of 580,000 MT on standalone basis and 1,050,000 MT 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 galvanised coils and zinc.

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

On a consolidated level, during FY15, on a total operating income of Rs.3,015.22 crore, the company reported a PBILDT and PAT of Rs.184.63 crore and Rs.63.76 crore, respectively, as against PBILDT and PAT of Rs.165.18 crore and Rs.58.98 crore, respectively, on a total operating income of Rs.2,497.58 crore in FY14. In Q1FY16 (refers to the period April 1 to June 30), the company reported a PBILDT and PAT of Rs.184.63 crore and Rs.63.76 crore, respectively, on a total operating income of Rs.965 crore.

Analyst Contact
Name: Ajay Dhaka
Tel: 011-45333218
Email: ajay.dhaka@careratings.com

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

Note: Mr Anil Kumar Bansal, independent Director on CARE's board, is a Non-Executive Director on the board of APL Apollo Tubes Ltd, is an independent Director of CARE and to comply with the regulations, he did not to participate in the rating process and the Rating Committee Meeting.

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.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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