

Aggressive on volumes, competitive in margins

CMP: INR 623

Rating: BUY

Target Price: INR 810

Stock Info

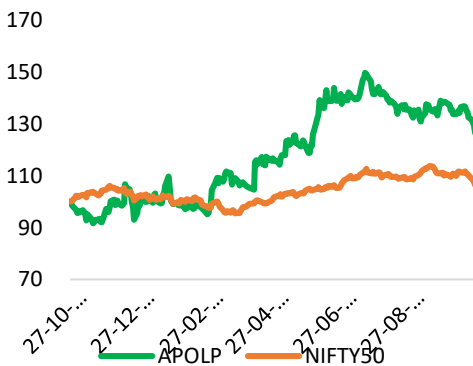
BSE	531761
NSE	APOLLOPIPE
Bloomberg	APOLP:IN
Sector	Plastic Products
Face Value (INR)	10
Mkt Cap (INR Mn)	25,769
52w H/L (INR)	799/589
Avg Daily Volume (in 000')	100

**Shareholding Pattern %
(As on June, 2024)**

Promoters	45.9
Public & Others	54.1

Stock Performance (%)	1m	6m	12m
APOLP	-2	-9	-14.3
NIFTY	3	15.5	25.8

APOLP Vs Nifty



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Weak set of numbers on standalone basis, consol growth led by acquisition, future prospects extremely positive. Upgrade to BUY

- **Volumes** came in at 26,562 tonnes (+25.2% QoQ) (+29.3% YoY) (Vs our expectations of 26,082 tonnes)
- **Revenues** came in at INR 3.09 Bn (+18.5% QoQ) (+20.7% YoY) (-4.7% against our estimates)
- **EBITDA** came in at INR 290 Mn (+13.96% QoQ) (+10.68% YoY) (+12.6% Vs our estimates)
- **EBITDA Margins** came in at 9.39% (Vs 9.94% QoQ) (Vs 10.05% YoY) (Vs 7.94% our estimates)
- **PAT** came in at INR 139 Mn (+101% QoQ) (-0.32% YoY) (Vs our estimates of 6 Mn)
- **PAT Margins** came in at 4.5% (Vs 2.7% QoQ) (Vs 5.3% YoY)

Key triggers going ahead:

- **Increase in capacity from 218,000 tonnes to 286,000 tonnes by FY27.** This will have all the Value Added segments as well (OPVC, Window & Door profiles).
- **Turnaround of Kisan Mouldings Ltd (KML):** Company is focusing on turning KML to profitability first and rationalizing business along with it. The aim is to increase B2C business which will be focused on plumbing pipes.
- **Improvement in margins and pan India penetration:** Company has a focus to improve EBITDA margins to 12% going ahead (ROCE and ROE to reach 25%). At the same time, company wants to increase penetration in western and Central India. This will be done through KML and Varanasi plant.

Outlook: Company expects 25% CAGR in topline for the next 2-3 years on standalone basis. Company also expects 25% volume growth in FY25 from standalone business. For FY27, company has a target of INR 26 Bn in revenues. For the next 2-3 years, standalone EBITDA margins will be 10% but after completion in capex by FY26, the EBITDA margin target will be 12-13%. For KML, company is aiming topline of INR 4.5-5 Bn in FY25, INR 6-6.5 in FY26 and INR 7.5-8 Bn in FY27. For FY25, the EBITDA guidance is 7-8% but going ahead, the guidance is for 10-12%. In 2-3 years, the company aims to achieve 25-30% ROCE and ROE in 2-3 years. **We roll over our estimates to FY27 and assign 20x PE multiple to arrive at a target price of INR 810. We also upgrade our rating to BUY.**

Financials

March (INR Mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales (Rsm)	4,080	5,181	7,841	9,145	9,869	15,107	19,639	25,531
Net profit (Rsm)	285	445	498	239	428	778	1,210	1,783
EPS (Rs)	7.3	11.3	12.7	6.1	10.9	17.7	27.5	40.5
PE (x)	100.9	64.7	57.8	120.4	67.3	41.4	26.6	18.1
EVEBITDA (x)	61.0	38.6	30.7	41.9	29.6	17.8	12.5	8.9
PBV (x)	9.4	8.2	7.1	6.3	5.0	3.2	2.8	2.4
RoE (%)	9.3	12.7	12.3	5.2	7.5	8.6	11.9	15.0
RoCE (%)	11.3	15.6	16.1	8.2	10.8	11.5	15.5	19.7
Dividend yield (%)	-	-	0.1	0.1	0.1	0.2	0.2	0.3
Net debt/equity (x)	-0.2	-0.0	-0.0	-0.1	-0	-0	-0	-0

Apollo Pipes Q1FY25 Concall Highlights:

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Key Highlights of the call:

- The decline in standalone volumes was due to lower HDPE sales (government orders) because of delayed budget and election. Ex of HDPE pipe sales, the growth in volumes in standalone business was 10%
- HDPE segment contributed to 5% of business in Q1FY25 (Volumes) Vs 15% in Q1FY24
- Standalone volumes were 20,900 tonnes. Going ahead, company is expecting strong recovery in North and South.
- In O-PVC, company started 1 line in Q1, 2 more lines will start by end of this year. Current OPVC line contributed minimum in Q1, better contribution will be seen in Q2.
- OPVC pipes along with Window and door profiles will have capacity of 11,500 tonnes which will be available by FY26. Greenfield Varanasi Plant will have capacity of 30,000 tonnes which will start contributing from Q4FY26
- Post completion of Varanasi plant, OPVC and Window & door profiles, company will look for brownfield expansion in the southern market (total addition of 28,500 tonnes) which will take the total capacity of the company to 286,000 tonnes. The brownfield expansion in southern markets will happen after FY26
- Window & door profiles facility will be available by end of FY25
- Capex in FY24 was of INR 2 Bn (excluding Kisan). Going ahead company will do INR 1-1.5 Bn per annum till FY27. For brownfield expansion in south, company will incur atleast INR 2 Bn (Post FY26)
- Company doesn't see any cannibalization in sales between KML and Apollo since KML is largely in West India. Company was catering west India through Ahmedabad plant which was also less. In central India, Apollo was catering through Raipur but will now cater through Varanasi plant after it comes online. KML will also cater to central India going ahead
- Varanasi plant will have capacity utilization of 70-80% by Q4FY26
- 50% of capex in Varanasi plant and OPVC is completed. OPVC remainder will be done in 2-3 quarters.
- PVC prices were volatile in Q1, expect some drop in PVC prices in 1st week of August and then expect support in prices from ADD. The fall in 1st week of August should be the bottom
- No inventory gain or loss during the quarter.
- Current focus is to grow B2C business (as always). CPVC business grew 20% YoY and Watertank business grew 30% YoY
- Contribution of OPVC in FY25 will be 5% and 8-10% in FY26. Margins will be much higher than blended margins
- EBITDA contribution from Window & door profile and OPVC will be INR 700 Mn by FY26
- Capacity utilization for both the companies was 55%
- For FY27, Apollo will do topline of INR 14-15 Bn, KML will do INR 7-8 Bn and remainder from Varanasi plant, window & door profiles and OPVC pipes.
- CPVC prices are on uptrend, don't see prices coming down. Prices are mainly governed by international markets.
- CPVC RM locally sourced, PVC sourced 50% locally and 50% imports.

Kisan Mouldings (KML):

- KML turned EBITDA profitable during the quarter, did topline of INR ~650 Mn. YoY revenues were down because company was more into project business which was OEM related. The business used to collect cash first. It wasn't profitable.
- Apollo Pipes has taken over from April and is focusing on more credit sales and plumbing pipe business.
- No major capex will be done by Apollo in KML, only some brownfield. Company will spend INR 200 Mn in debottlenecking
- Company will maintain 30-40 WC days, may take bank limit funding to maintain it. Currently, company is rationalizing operations

Outlook: Company expects 25% CAGR in topline for the next 2-3 years on standalone basis. Company also expects 25% volume growth in FY25 from standalone business. For FY27, company has a target of INR 26 Bn in revenues. For the next 2-3 years, standalone EBITDA margins will be 10% but after completion in capex by FY26, the EBITDA margin target will be 12-13%. For KML, company is aiming topline of INR 4.5-5 Bn in FY25, INR 6-6.5 Bn in FY26 and INR 7.5-8 Bn in FY27. For FY25, the EBITDA guidance is 7-8% but going ahead, the guidance is for 10-12%. In 2-3 years, the company aims to achieve 25-30% ROCE and ROE in 2-3 years. **We roll over our estimates to FY27 and assign 20x PE multiple to arrive at a target price of INR 810. We also upgrade our rating to BUY.**

Apollo Pipes - Quarterly Results

(Rs mn)	Q1FY25	Q4FY24	Q1FY24	% QoQ	% YoY
Operating matrices					
Volume (tons)	26,562	20,550	21,219	29	25
Realisation (Rs /kg)	116	124	123	(7)	(5)
EBITDA (Rs /kg)	10.9	12.4	12.3	(12)	(12)
P&L					
Total Income	3,085	2,556	2,603	21	19
Raw material costs	2,162	1,881	1,904	15	14
Employee costs	234	143	152	63	54
Other expenses	400	278	285	44	40
EBITDA	290	254	262	14	11
Depreciation	99	85	67	17	49
Finance costs	22	15	15	51	47
Other income	10	3	12	201	(16)
PBT	178	158	192		
Tax	39	89	52		
PAT	139	69	139		
EPS (Rs)	3.0	1.8	3.5		
As % Total Income				QoQ (bps)	YoY (bps)
Gross margin	29.9	26.4	26.9	352	307
Employee costs	7.6	5.6	5.8	197	173
Other expenses	13.0	10.9	11.0	210	201
EBITDA margin	9.4	9.9	10.1	(55)	(66)
Depreciation	3.2	3.3	2.6	(9)	66
Finance costs	0.7	0.6	0.6	15	14
Other income	0.3	0.1	0.5	19	(13)
PBT	5.8	6.2	7.4	(42)	(160)
Effective tax rate	26.0	26.0	27.4	-	(138)
PAT	4.5	2.7	5.3	179	(84)

Exhibit 1: Income Statement

March (INR Mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net revenues (Rs m)	4,080	5,181	7,841	9,145	9,869	15,107	19,639	25,531
<i>Growth (%)</i>	12.7	27.0	51.3	16.6	7.9	53.1	30.0	30.0
Direct costs	2,888	3,618	5,732	6,928	7,136	10,406	13,355	17,285
<i>Gross Margin(%)</i>	29.2	30.2	26.9	24.2	27.7	31.1	32.0	32.3
SG&A	728	820	1,175	1,537	1,775	3,104	4,019	5,123
EBITDA	464	743	934	680	958	1,597	2,265	3,124
EBITDA margins (%)	11.4	14.3	11.9	7.4	9.7	10.6	11.5	12.2
- Depreciation	127	176	257	284	299	541	676	791
Other income	101	84	38	20	39	54	71	92
Interest Exp	61	44	43	89	51	66	36	31
PBT	377	607	672	327	648	1,045	1,624	2,393
<i>Effective tax rate (%)</i>	24.4	26.7	25.9	26.9	33.9	25.5	25.5	25.5
+ Associates/(Minorities)	-	-	-	-	-	-	-	-
Net Income	285	445	498	239	428	778	1,210	1,783
Adjusted income	285	445	498	239	428	778	1,210	1,783
Weighted Average Shares	39	39	39	39	39	44	44	44
Diluted EPS (Rs/share)	7.3	11.3	12.7	6.1	10.9	17.7	27.5	40.5
<i>Diluted EPS growth (%)</i>	19.2	55.9	11.9	(51.9)	79.0	62.4	55.5	47.3

Exhibit 2: Balance Sheet

March (INR Mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share capital	131	131	393	393	394	440	440	440
Net worth	3,065	3,515	4,053	4,572	5,740	9,057	10,197	11,896
Total debt (including Pref)	776	629	387	437	633	533	433	333
Minority interest	-	-	-	-	-	-	-	-
Deferred tax	25	24	14	44	103	102	101	100
Liability/(Asset)								
Capital Employed	3,866	4,167	4,454	5,053	6,476	9,692	10,731	12,329
Net tangible assets	1,324	1,996	2,153	2,506	4,567	6,124	6,948	7,737
Net Intangible assets	217	213	211	210	2	2	2	2
Goodwill	-	-	-	-	-	-	-	-
CWIP	305	77	71	56	84	74	64	54
Investments (Strategic)	-	-	-	-	-	-	-	-
Investments (Financial)	4	5	43	401	516	516	516	516
Current Assets	1,692	1,928	2,543	3,008	3,563	4,446	5,228	6,494
Cash	1,280	723	418	348	560	329	460	863
Current Liabilities	956	775	985	1,567	2,689	2,969	3,655	4,503
Working capital	736	1,153	1,558	1,442	874	1,477	1,573	1,991
Capital Deployed	3,866	4,167	4,454	4,962	6,603	8,522	9,562	11,162
Contingent Liabilities	1,001	43	392	-	-	-	-	-

Exhibit 3: Cash Flow Statement

March (INR Mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EBIT (before other income)	338	596	681	396	660	1,045	1,624	2,393
+ Non-cash items	127	176	257	284	299	541	676	791
OCF before WC	465	772	938	680	958	1,586	2,300	3,185
- Incr./ (decr.) in WC	262	434	417	-317	-314	593	85	408
Others including taxes	79	129	158	88	220	266	424	620
Operating cash-flow	124	209	363	909	1,052	726	1,791	2,157
- Capex	592	617	405	334	2,465	2,090	1,490	1,570
Free cash-flow	-467	-408	-41	574	-1,412	-1,364	301	587
Acquisitions								
- Dividend	16	-	-	24	39	57	70	84
+ Equity raised	498	-	-	0	0	47	-	-
+ Debt raised	-221	-165	-256	50	196	-100	-100	-100
- Fin Investments	-	0	14	357	115	-	-	-
- Misc. Items (CFI + CFF)	(12)	(17)	(7)	270	(242)	-	-	-
Net cash-flow	-195	-557	-304	-26	-1,128	-1,474	131	403
Cash classified as other asset/overdraft	(0)	0	(0)	45	(1,340)	(1,244)	(1)	(1)

Exhibit 4: Ratios

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	100.9	64.7	57.8	120.4	67.3	41.4	26.6	18.1
EV/EBITDA (x)	61.0	38.6	30.7	41.9	29.6	17.8	12.5	8.9
EV/sales (x)	6.9	5.5	3.7	3.1	2.9	1.9	1.4	1.1
P/B (x)	9.4	8.2	7.1	6.3	5.0	3.2	2.8	2.4
RoE (%)	9.3	12.7	12.3	5.2	7.5	8.6	11.9	15.0
RoCE (%)	11.3	15.6	16.1	8.2	10.8	11.5	15.5	19.7
ROIC	12.9	14.8	13.3	5.7	8.3	10.9	14.0	18.4
DPS (Rs per share)	-	-	1.0	0.6	1.0	1.3	1.6	1.9
Dividend yield (%)	-	-	0.1	0.1	0.1	0.2	0.2	0.3
Dividend payout (%)	-	-	7.9	9.9	9.2	7.4	5.8	4.7
Net debt/equity (x)	-0.2	-0.0	-0.0	-0.1	-0	-0	-0	-0
Receivables (days)	53	44	33	26	29	28	27	26
Inventory (days)	74	55	61	68	73	60	55	55
Payables (days)	61	34	26	47	62	43	43	43
WC Cycle	66	65	68	47	41	45	39	38
CFO:PAT%	43.6	46.9	73.0	380.0	245.7	93.3	148.0	120.9
FCF:PAT%	-163.8	-91.8	-8.3	240.2	-329.8	-175.3	24.9	32.9

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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