

CMP: INR 506

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)	20,687
52w H/L (INR)	799/477
Avg Daily Volume (in 000')	70

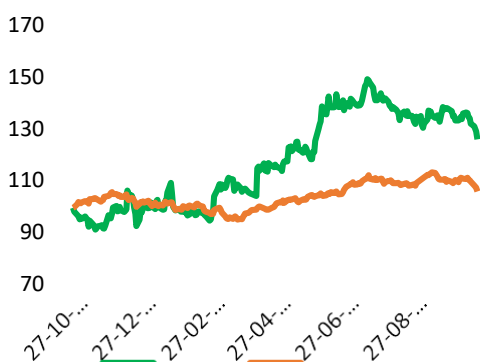
Shareholding Pattern %

(As on September, 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 overall due to extreme volatility in PVC pricing

Performance (Consol):

- **Revenues** came in at INR 2.5 Bn (-18.8% QoQ) (+0.4% YoY) (YoY numbers don't include the acquisition of Kisan Moulding)
- **Gross margins** came in at 32.53% (Vs 29.93% QoQ) (Vs 28.55% YoY)
- **EBITDA** came in at INR 194 Mn (-33.02% QoQ) (-25.2% YoY)
- **EBITDA Margins** came in at 7.75% (Vs 9.39% QoQ) (Vs 10.4% YoY)
- **PAT** came in at INR 39.5 Mn (-71.6% QoQ) (-69.4% YoY)
- **PAT Margins** came in at 1.57% (Vs 4.49% QoQ) (Vs 5.15% 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: For H2, company has guided for 35% rev growth over H1 and 35% rev growth for FY25 over FY24. By early FY27, company is targeting 10-12% EBITDA margins.

For FY27, company has a target of INR 26 Bn in revenues. 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. Capex of INR 2.5 Bn left which will be completed in FY26. Company to turn debt free by end of FY26.

Kisan Mouldings to contribute 25% to revenues in FY25 (similar level in the future years as well). Kisan Mouldings is underutilized. For H2FY25, company is expecting CFO of 500-600 Mn along with conversion of warrants (totaling to INR 1 Bn). These two put together will be used for capex spends. Capex for H2 to be in the range of INR 1.8-2 Bn. Targeting 40 days NWC for FY25. **We maintain 20x PE multiple and maintain target price of INR 810 while retaining our BUY rating.**

Financial Summary

INR Mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales	4,080	5,181	7,841	9,145	9,869	15,107	19,639	25,531
Net profit	285	445	498	239	428	778	1,210	1,783
EPS	7	11	13	6	11	18	28	41
PE (x)	101	65	58	120	67	41	27	18
EVEBITDA (x)	61	39	31	42	30	18	13	9
PBV (x)	9	8	7	6	5	3	3	2
RoE (%)	9.3	12.7	12.3	5.2	7.5	8.6	11.9	15
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	-0.1	0	0	0	0

Apollo Pipes Q2FY25 Concall Highlights:**Key Highlights from the call:**

- Volumes came in at 20,152 tonnes (-24% QoQ) (+2% YoY)
- Toughest quarter in a few years, company was impacted by delayed rains and huge volatility in PVC prices (17% fall)
- Company was targeting 27,000 tonnes of volumes in the quarter. Industry declined in Q2FY25
- Ex of Kisan Mouldings, company volumes declined by 30% (decline came in govt infra and agri segment which contributed 40-45% of revenues)
- Only positive from the results was the improvement in gross margins. Balance sheet was bloated due to capex. Working capital days expanded significantly
- Capex of INR 2.5 Bn left which will be completed in FY26. Company to turn debt free by end of FY26
- H1 saw capex of INR 500-600 Mn and also build up as well which led to WC expansion. Capex for H2 to be in the range of INR 1.8-2 Bn. FY26 capex of INR 500-700 Mn
- For H2, company has guided for 35% rev growth over H1 and 35% rev growth for FY25 over FY24
- Government orders and infrastructure for water to pick up soon.
- Company has 2 OPVC lines which are going to start in 4 months. UPVC & Window profiling and Varanasi plant of 40,000 tonnes to start soon. Varanasi plant will help company achieve the goal to cater pan India.
- Channel partners still don't want to go for restocking, still waiting on sidelines and observing PVC prices. Inventory loss for the quarter was minimal (under INR 50 Mn)
- Company doesn't expect much offtake from government orders due to state elections.
- Demand conversion from other pipes to OPVC pipes has been observed by the company. Demand not very big for now, company has 3 machines which is the highest number of machines by any player.
- 5-6 states have given approval for OPVC already. OPVC contri in Q2 was in single digits. Margins are Ok for now, dependent on government giving out projects. OPVC should contribute 7-8% to revenues by FY26
- Company is trying to maintain sufficient inventory in Kisan Mouldings to not hamper growth going forward. Kisan dealers are mainly agri heavy
- PVC ADD rumors have been going on for 2-3 months, company expects the ADD to come in by November (in the range of 50-250\$)
- 20% of total receivables in channel funding for partners.
- HDPE pipe sales were even worse in Q2. Expecting pick up only after assembly elections
- CPVC, water tanks and fittings ramping up well, all three have 15% + margins
- Housing Vs Non Housing sales stood at 60:40
- H1FY25 ROCE at 7.6%, ROE at 4.6% | Net Debt at INR 710 Mn, NWC days at 54 days Vs 19 days in FY24

Outlook & Valuations: Capex of INR 2.5 Bn left which will be completed in FY26. Company to turn debt free by end of FY26. For H2, company has guided for 35% rev growth over H1 and 35% rev growth for FY25 over FY24. By early FY27, company is targeting 10-12% EBITDA margins. Kisan Mouldings to contribute 25% to revenues in FY25 (similar level in the future years as well). Kisan Mouldings is underutilized. For H2FY25, company is expecting CFO of 500-600 Mn along with conversion of warrants (totaling to INR 1 Bn). These two put together will be used for capex spends. Capex for H2 to be in the range of INR 1.8-2 Bn. Targeting 40 days NWC for FY25. **At CMP, company trades 12.5x FY27EEPS**

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

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