

HOLD

TP: Rs 420 | ▲ 8%

APOLLO PIPES

| Building Materials

| 09 August 2025

Dismal Q1; maintain HOLD on weak ROE profile

- Weak performance for the 7th consecutive quarter on intense competition in a tepid demand environment
- Aims to grow volume at a low-to-mid double-digit rate in FY26 in anticipation of a recovery in demand in H2FY26
- Maintain HOLD on weak ROE profile; TP cut by 3% to Rs 420 per share

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Dismal Q1: APOLP Q1FY26 results came well below our estimate (Revenue: -16%; EBITDA: -26%) due to weak volumes (-4.7% YoY vs +8.1% estimated) as well as sharp margin contraction (-187bps YoY to 7.5% vs 8.6% estimated). Overall, APOLP revenue/EBITDA/APAT de-grew by 11%/29%/35% YoY in Q1FY26.

Highlights: APOLO has lost market share (MS) in Q1FY26 as it posted negative pipe volume growth (-4.7% YoY) vs positive volume growth, reported by major peers (SI: +6.1% YoY; PRINCEPIP: +3.7%; FNXP: +1.7%). This was due to the management deciding to refrain from intense pricing competition, which impacted volume in Q1. As a result, gross margin was relatively stable (-6bps YoY to 29.9%), but EBITDA margin was down sharply (-187bps YoY to 7.5%) due to the impact of negative operating leverage.

Guidance: Management believes that demand conditions remain very challenging, but a pickup is expected from H2FY26. APOLP expects low-to-mid double-digit volume growth for FY26. EBITDA per ton is expected to improve to Rs 10-11/kg (standalone) and Rs 7-8/kg (Kisan) in the near future. ROCE is expected to improve to more than 20% over the next 2-3 years. APOLP plans to grow its pipe capacity from 225 ktpa currently to 286 ktpa over the next 2-3 years. Capex is estimated to be Rs 1.5bn for FY26 (Rs 1.0bn earlier). The company also plans to put up a greenfield pipe complex in South India. going ahead.

Maintain HOLD; TP cut by 3% to Rs 420: We expect APOLP's sales volume to grow at a healthy 14.4% CAGR over FY25-FY28E but maintain HOLD due to the weak ROE profile (4.7%-7.9% for FY26E-FY28E), on low operating rate (46-55% over FY26-FY28), intense competition and KML's margin-dilutive acquisition. At CMP, the stock trades at 37.3x on 1YF P/E vs 5Y average of 57.5x. We have cut our TP to Rs 420 (Rs 435 earlier) due to earnings downgrade (-25.0%/-20.9% for FY26E/ FY27E), based on weak Q1 result. Our target P/E multiple remains unchanged at 27x on Jun'27 EPS estimates (vs Mar'27 earlier).

Key changes

Target	Rating
▼	◀ ▶

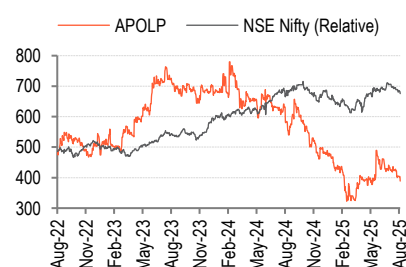
Ticker/Price	APOLP IN/Rs 389
Market cap	US\$ 195.4mn
Free float	53%
3M ADV	US\$ 1.1mn
52wk high/low	Rs 679/Rs 313
Promoter/FPI/DII	47%/4%/15%

Source: NSE | Price as of 8 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,816	12,595	15,206
EBITDA (Rs mn)	957	1,054	1,418
Adj. net profit (Rs mn)	326	403	587
Adj. EPS (Rs)	7.4	8.8	12.7
Consensus EPS (Rs)	7.4	13.1	20.1
Adj. ROAE (%)	4.8	4.7	6.1
Adj. P/E (x)	52.5	44.4	30.5
EV/EBITDA (x)	17.8	16.4	12.6
Adj. EPS growth (%)	(31.6)	18.2	45.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly Financial Snapshot – Consolidated

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	BOBCAPS Q1FY26E	Variance (%)
Operating income	2,750	3,085	(10.9)	3,148	(12.6)	3,267	(15.8)
Raw-Material expense	1,929	2,162	(10.8)	2,272	(15.1)		
Gross Profit	821	923	(11.0)	876	(6.2)		
Employee expense	236	234	1.0	222	6.4		
Other expense	379	400	(5.3)	414	(8.5)		
EBITDA	207	290	(28.6)	240	(14.0)	281	(26.3)
D&A	121	99	22.0	122	(1.1)		
EBIT	86	190	(55.0)	118	(27.4)		
Interest cost	24	22	9.4	19	26.4		
Other income	30	10	204.5	34	(10.6)		
PBT	91	178	(48.7)	132	(31.0)		
Tax	10	39	(75.3)	33	(71.2)		
Reported PAT	82	139	(41.2)	99	(17.3)		
Minority Interest	0	14	-	1	(73.4)		
PAT after Minority Interest	81	125	(34.8)	98	(16.8)		
Adjusted PAT	81	125	(34.8)	98	(16.8)	112	(27.0)
As % of net revenues			(bps)		(bps)		
Gross margin	29.9	29.9	(6)	27.8	204		
Employee cost	8.6	7.6	101	7.0	153		
Other cost	13.8	13.0	81	13.1	62		
EBITDA margin	7.5	9.4	(187)	7.6	(12)		
Tax rate	10.6	22.0	(1142)	25.3	(1475)		
APAT margin	3.0	4.0	(109)	3.1	(15)		

Source: Company, BOBCAPS Research

Fig 2 – Per unit analysis

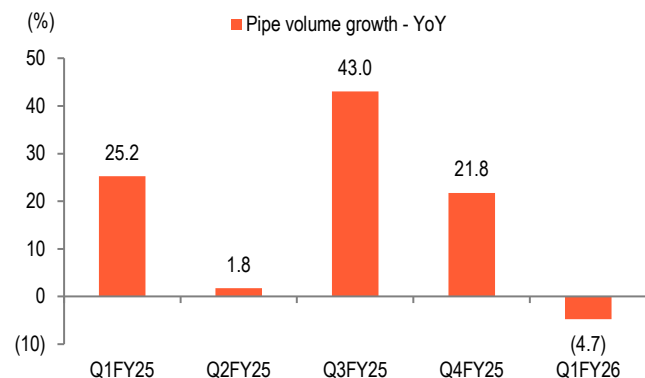
Particulars (Rs/kg)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Sales Volumes (KTPA)	25.3	26.6	(4.7)	26.0	(2.6)
Realization	108.6	116.1	(6.4)	121.1	(10.3)
Raw-Material	76.2	81.3	(6.3)	87.4	(12.8)
Gross Profit	32.4	34.7	(6.6)	33.7	(3.7)
Employee	9.3	8.8	6.0	8.5	9.2
Others	15.0	15.1	(0.6)	15.9	(6.0)
EBITDA per unit	8.2	10.9	(25.1)	9.2	(11.7)

Source: Company, BOBCAPS Research

Earnings Call Highlights

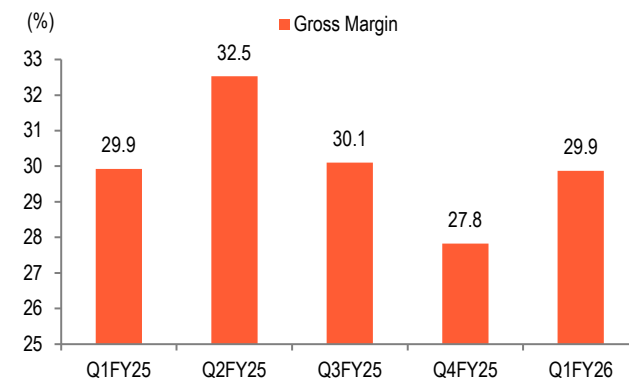
- **Pipe demand scenario:** Pipe demand conditions remained soft in Q1FY26 given the sluggish real estate sector, low government spending and destocking by channel partners. Management expects recovery in demand from Sep'25 in the anticipation of a pick-up in construction activities post monsoon and rise in government spending on infrastructure projects in H2FY26.
- **Strategic initiatives:** APOLP has a three pronged growth pillar over medium-term
 - a) product portfolio expansion: added duct pipes, DWC pipes, gas pipes, O-PVC pipes, and UPVC doors/windows to tap high-growth markets
 - b) product mix: targeting CPVC pipes share to rise from 15% at present to >20% over the next 1-2 years through a new resin supplier partnership
 - c) geographical manufacturing footprint expansion: Ramp-up of Kisan plant in western market and start of Varanasi plant in FY26 to expand presence in eastern markets; the company also targets to open a plant in South in future.
- **Guidance:** APOLP expects low-to-mid double-digit volume growth for FY26. EBITDA per ton is expected to improve to Rs 10-11/kg (standalone) and Rs 7-8/kg (Kisan) in the near future. ROCE is expected to improve to more than 20% over the next 2-3 years.
- **Infra pipe:** Current demand for infra pipe was weak due to lower government spend on infrastructure. Government infrastructure spending is expected to resume in H2FY26, which would drive the demand for O-PVC & HDPE pipes.
- **UPVC window/door profile:** APOLP has recently launched the product. Targets this product to generate revenue of Rs 500mn in FY26.
- **Product mix:** Share of housing segment is expected to rise from 60% at present to 70-75% over the next 3-4 years.
- **Working capital:** The target is to improve operating cycle from 38 days in Q1FY26 to 30 days by Mar'26/Sep'26.
- **Capex:** The company plans to ramp up capacity from 225 ktpa at present to 286 ktpa over the next 2-3 years through:
 - a) addition of a greenfield pipe plant of 30 ktpa in Varanasi, UP by FY26
 - c) brownfield expansion of 27.5 ktpa over the next 2-3 years. Plans are also for a greenfield plastic pipe plant in South India over the next 3 years. The company has incurred capex of Rs 0.7bn in Q1FY26 and plans to spend Rs 0.7-0.8bn in the remaining 9MFY26.
- **Net cash:** APOLP net cash position has gone up from Rs 460mn in Mar'25 to Rs 510mn in Jun'25. The company has issued warrants to Kitara Capital (Oman-based fund) for a total investment of Rs 1.1bn, with 25% amount received in Q1FY26 and the remaining 75% expected over the next 18 months.

Fig 3 – APOLP's pipe volumes de-grew by 4.7% YoY in Q1FY26 on weak demand conditions



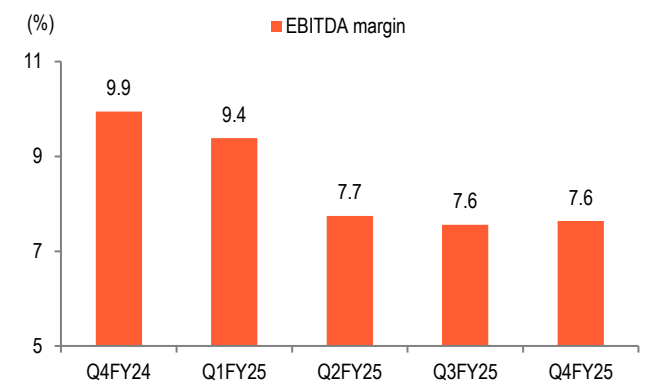
Source: Company, BOBCAPS Research

Fig 4 – Gross margin was relatively stable at 29.9% on YoY basis



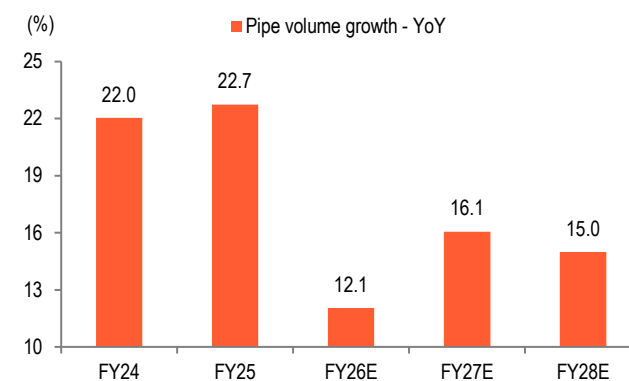
Source: Company, BOBCAPS Research

Fig 5 – However, EBITDA margin was down sharply by 187bps to 7.6% in Q1 on negative operating leverage



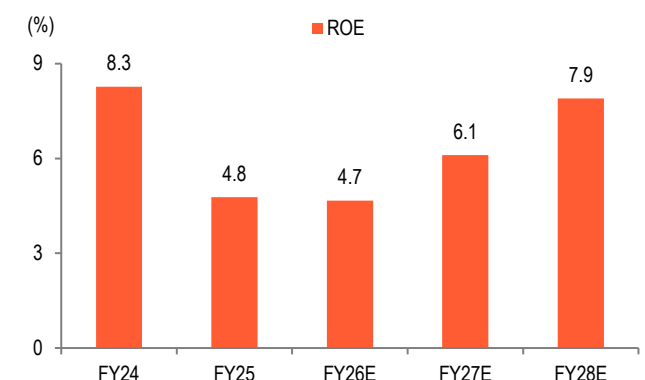
Source: Company, BOBCAPS Research

Fig 6 – Despite our assumption of a strong pipe volume CAGR of 14.4% over FY25-FY28E...



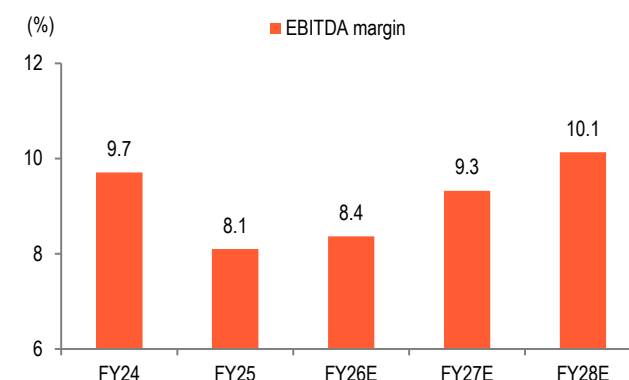
Source: Company, BOBCAPS Research

Fig 7 – APOLP's ROE profile is forecast to remain weak over FY26E-FY28E, due to low operating rate,...



Source: Company, BOBCAPS Research

Fig 8 – ... intense competition and margin-dilutive acquisition of Kisan Moulding operations



Source: Company, BOBCAPS Research

Valuation Methodology

We expect APOLP's sales volume to grow at a healthy 14.4% CAGR over FY25-FY28E but maintain HOLD due to the weak ROE profile (4.7%-7.9% for FY26E-FY28E), on low operating rate (46-55% over FY26-FY28), intense competition and KML's margin-dilutive acquisition. Further, we believe the stock is a de-rating candidate as it would be an uphill task to achieve the twin objectives of outpacing industry volume growth and improving the return ratio profile over the medium term. At CMP, the stock trades at 37.3x on 1YF P/E vs 5Y average of 57.5x.

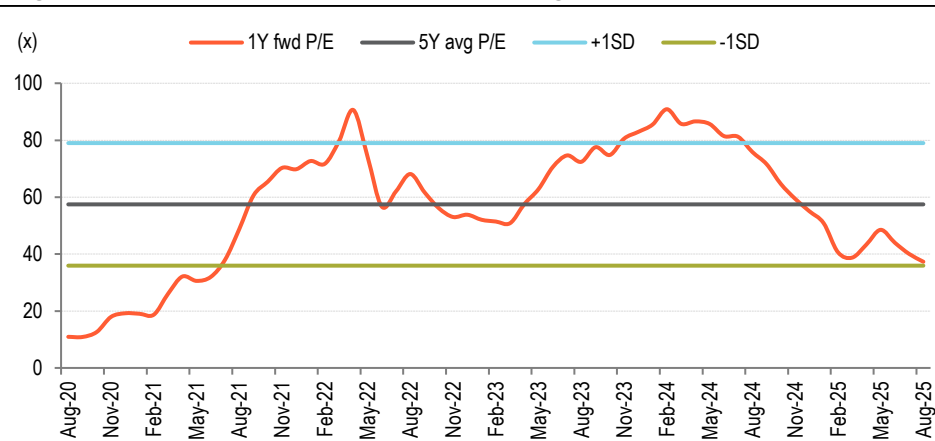
We have cut our TP to Rs 420 (Rs 435 earlier) due to earnings downgrade (-25.0%/-20.9% for FY26E/ FY27E) based on weak Q1 result. Our target P/E multiple remains unchanged at 27x on Jun'27 EPS estimates (vs Mar'27 earlier).

Fig 9 – Revised estimates

Consolidated (Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Operating income	12,595	15,206	13,547	16,310	(7.0)	(6.8)
EBITDA	1,054	1,418	1,204	1,561	(12.5)	(9.2)
EBITDA Margin	8.4	9.3	8.9	9.6	(52bps)	(25bps)
Adjusted PAT	403	587	538	742	(25.0)	(20.9)
EPS	8.8	12.7	11.7	16.1	(25.0)	(20.9)

Source: Company, BOBCAPS Research

Fig 10 – Trades at 37.3x on 1YF P/E vs 5Y average of 57.5x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales Volume growth	22.0	22.7	12.1	16.1	15.0
Realization growth	(11.6)	(2.5)	(4.9)	4.0	3.0
EBITDA per unit (Rs/kg)	11.8	9.6	9.4	10.9	12.2
Pre-tax ROCE	11.6	6.7	5.6	7.8	10.1
Pre-tax ROIC	14.0	8.8	7.8	10.4	12.6

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates:

- Fast turnaround of KML operations would be a key upside risk to our estimates.
- Market share loss and slow ramp-up of existing capacity would be a key downside risk to our estimates.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	9,869	11,816	12,595	15,206	18,012
EBITDA	958	957	1,054	1,418	1,825
Depreciation	299	445	514	586	677
EBIT	660	511	540	832	1,148
Net interest inc./(exp.)	(51)	(110)	(97)	(97)	(97)
Other inc./(exp.)	39	53	120	120	120
Exceptional items	0	0	0	0	0
EBT	648	454	562	854	1,170
Income taxes	220	113	128	215	295
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(2)	(14)	(31)	(52)	(69)
Reported net profit	426	326	403	587	807
Adjustments	0	0	0	0	0
Adjusted net profit	426	326	403	587	807

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,669	1,744	1,859	2,245	2,659
Other current liabilities	881	513	513	513	513
Provisions	79	121	129	156	185
Debt funds	632	918	951	1,063	1,182
Other liabilities	1,104	1,069	1,069	1,069	1,069
Equity capital	394	440	460	460	460
Reserves & surplus	5,347	7,487	8,901	9,396	10,111
Shareholders' fund	5,740	7,928	9,362	9,857	10,572
Total liab. and equities	10,106	12,293	13,883	14,902	16,180
Cash and cash eq.	560	1,378	1,912	1,332	1,047
Accounts receivables	796	950	1,012	1,222	1,448
Inventories	1,987	2,130	2,210	2,695	3,211
Other current assets	367	449	476	566	664
Investments	516	649	649	649	649
Net fixed assets	4,567	5,150	6,036	6,850	7,573
CWIP	84	373	373	373	373
Intangible assets	401	400	400	400	400
Deferred tax assets, net	396	390	390	390	390
Other assets	432	426	426	426	426
Total assets	10,106	12,293	13,883	14,902	16,180

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	1,892	192	878	830	1,134
Capital expenditures	(2,488)	(1,316)	(1,400)	(1,400)	(1,400)
Change in investments	(115)	(133)	0	0	0
Other investing cash flows	39	53	120	120	120
Cash flow from investing	(2,564)	(1,396)	(1,280)	(1,280)	(1,280)
Equities issued/Others	0	47	20	0	0
Debt raised/repaid	195	286	33	112	120
Interest expenses	(51)	(110)	(97)	(97)	(97)
Dividends paid	(39)	(31)	(69)	(92)	(92)
Other financing cash flows	783	1,830	1,049	(52)	(69)
Cash flow from financing	888	2,022	936	(130)	(138)
Chg in cash & cash eq.	216	817	534	(580)	(284)
Closing cash & cash eq.	564	1,381	1,916	1,335	1,051

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.8	7.4	8.8	12.7	17.5
Adjusted EPS	10.8	7.4	8.8	12.7	17.5
Dividend per share	1.0	0.7	1.5	2.0	2.0
Book value per share	145.9	180.0	203.3	214.1	229.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.7	1.4	1.4	1.2	1.0
EV/EBITDA	17.8	17.8	16.4	12.6	9.7
Adjusted P/E	35.9	52.5	44.4	30.5	22.2
P/BV	2.7	2.2	1.9	1.8	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	65.8	71.9	71.8	68.7	68.9
Interest burden (PBT/EBIT)	98.2	88.8	104.2	102.7	102.0
EBIT margin (EBIT/Revenue)	6.7	4.3	4.3	5.5	6.4
Asset turnover (Rev./Avg TA)	97.7	96.1	90.7	102.0	111.3
Leverage (Avg TA/Avg Equity)	2.0	1.8	1.6	1.6	1.6
Adjusted ROAE	8.3	4.8	4.7	6.1	7.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	7.9	19.7	6.6	20.7	18.5
EBITDA	40.9	(0.2)	10.1	34.6	28.7
Adjusted EPS	78.1	(31.6)	18.2	45.4	37.5
Profitability & Return ratios (%)					
EBITDA margin	9.7	8.1	8.4	9.3	10.1
EBIT margin	6.7	4.3	4.3	5.5	6.4
Adjusted profit margin	4.3	2.8	3.2	3.9	4.5
Adjusted ROAE	8.3	4.8	4.7	6.1	7.9
ROCE	11.0	6.4	6.4	8.7	10.8
Working capital days (days)					
Receivables	29	29	29	29	29
Inventory	73	66	64	65	65
Payables	62	54	54	54	54
Ratios (x)					
Gross asset turnover	1.9	1.6	1.5	1.5	1.6
Current ratio	1.1	1.7	1.8	1.6	1.5
Net interest coverage ratio	13.0	4.7	5.5	8.5	11.8
Adjusted debt/equity	0.0	(0.1)	(0.1)	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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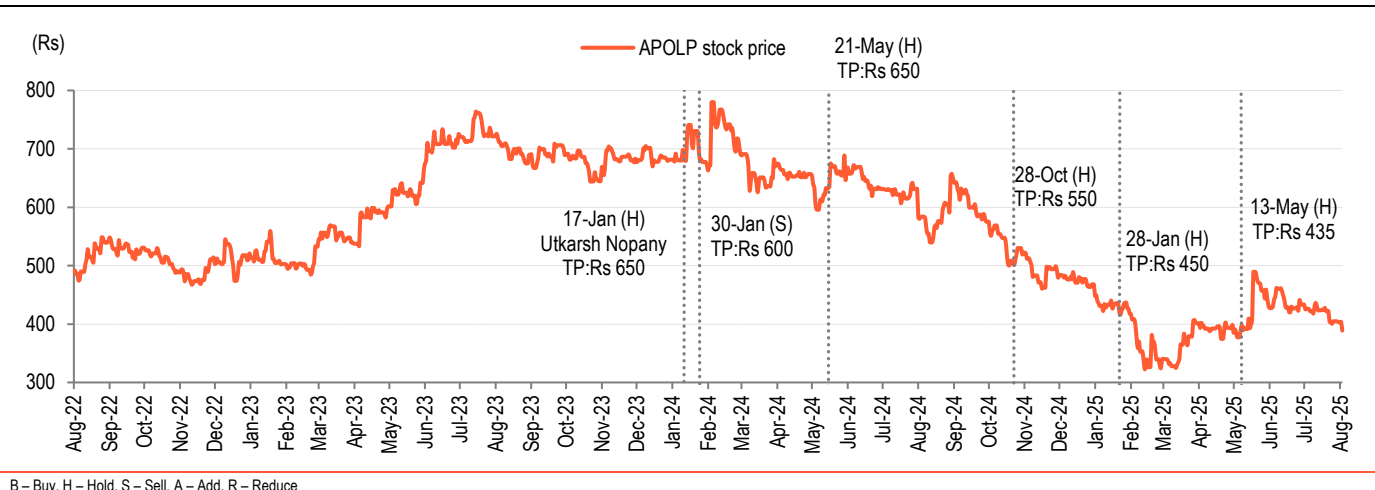
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): APOLLO PIPES (APOLP IN)



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