HOLD
TP: Rs 335 | ⮝ 12%

APOLLO PIPES | Building Materials | 30 October 2025

Another weak quarter; maintain HOLD on weak ROE profile

- **Weak performance for the 8th consecutive quarter on intense competition in a tepid demand environment**
- **Demand conditions remained weak in Oct'25, but are likely to improve from Nov'25 onwards**
- **Maintain HOLD on weak ROE profile and expensive valuations; TP cut by 20% to Rs 335 per share**

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Weak Q2: APOLP Q2FY26 results came below our estimate (Revenue: -8%; EBITDA: -13%; PAT: -68%), due to weak performance of its subsidiary (i.e. Kisan: on account of high share of agri pipe and impact of heavy monsoon in West India). Overall, APOLP revenue/EBITDA/APAT de-grew by 6%/19%/61% YoY in Q2FY26.

Highlights: APOLP standalone volume grew at 9.0% YoY in Q2FY26 over a weak base (-17.0% YoY in Q2FY25). Kisan volume grew at 8.7% YoY in Q2. Standalone EBITDA margin was marginally down 16bps to 8.9% in Q2FY26 due to MTM inventory loss. However, Kisan EBITDA margin fell sharply from 2.6% in Q2FY25 to -2.8% in Q2FY26 given the aggressive pricing scenario and negative operating leverage.

Guidance: As per management, demand conditions remained weak in Oct'25, but are expected to pick up from Nov'25 onwards, in anticipation of imposition of ADD on PVC resin, resumption of construction activities post monsoon and higher government spending on infrastructure projects. APOLP expects its pipe volume to be around 100-105 kt in FY26 (vs 99.7 kt in FY25) and 125 kt in FY27. EBITDA margin is targeted to improve to low-double-digit level over the next 2-3 years period. ROCE is expected to improve to >20% over the next 2-3 years. APOLP plans to grow its pipe capacity from 226.5 ktpa currently to 286 ktpa over the next 2 years. Capex is estimated to be Rs 1.5/Rs 1.0/Rs 0.4-0.5bn for FY26/FY27/FY28.

Maintain HOLD; TP cut by 20% to Rs 335: We maintain HOLD rating on the stock due to weak ROE profile (3.1%-7.4% for FY26E-FY28E) and expensive valuations (the stock trades at a P/E of 31.3x/18.9x on FY27E/FY28E vs pre-Covid average of ~20.0x on 1Y forward basis). APOLP ROE's profile is expected to remain weak over the next 3 years even if we assume healthy volume growth rate (11.4% CAGR over FY25-FY28E) and margin improvement (from 6.7% in Q2FY26 to 10.1% in FY28E) due to poor capital allocation (return-dilutive Kisan acquisition and operating plant at a low rate on a consistent basis). We have cut our TP to Rs 335 (Rs 420 earlier) owing to earnings downgrade (-35%/-25%/-10% for FY26E/ FY27E/FY28E) based on weak Q2 result. Our target P/E multiple remains unchanged at 25x on Sep'27 estimates.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	APOLP IN/Rs 300
Market cap	US$ 149.9mn
Free float	53%
3M ADV	US$ 0.4mn
52wk high/low	Rs 550/Rs 298
Promoter/FPI/DII	47%/4%/15%

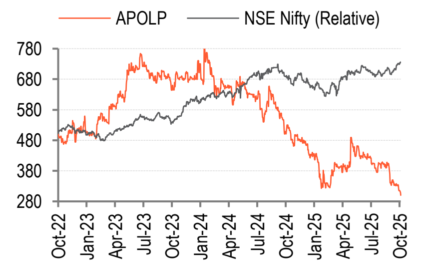
Source: NSE | Price as of 30 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,816	11,889	14,250
EBITDA (Rs mn)	957	881	1,216
Adj. net profit (Rs mn)	326	262	441
Adj. EPS (Rs)	7.4	5.7	9.6
Consensus EPS (Rs)	7.4	13.1	20.1
Adj. ROAE (%)	4.8	3.1	4.7
Adj. P/E (x)	40.5	52.8	31.4
EV/EBITDA (x)	13.6	14.2	10.5
Adj. EPS growth (%)	(31.6)	(23.3)	68.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly Financial Snapshot – Consolidated

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY26E	Variance (%)
Operating income	2,357	2,504	(5.9)	2,750	(14.3)	5,107	5,589	(8.6)	2,561	(8.0)
Raw-Material expense	1,590	1,690	(5.9)	1,929	(17.5)	3,519	3,851	(8.6)		
Gross Profit	767	815	(5.8)	821	(6.6)	1,588	1,738	(8.6)		
Employee expense	240	228	5.3	236	1.8	476	462	3.1		
Other expense	369	392	(6.0)	379	(2.6)	748	793	(5.6)		
EBITDA	158	194	(18.7)	207	(23.7)	364	484	(24.6)	182	(13.4)
D&A	145	106	37.1	121	19.6	266	205	29.8		
EBIT	13	88	(85.6)	86	(85.2)	98	279	(64.7)		
Interest cost	25	37	(32.1)	24	3.1	49	59	(16.5)		
Other income	54	6	733.1	30	78.3	84	16	413.0		
PBT	41	58	(28.7)	91	(54.9)	132	236	(43.8)		
Tax	27	18	49.9	10	182.4	37	57	(35.6)		
Reported PAT	14	39	(64.9)	82	(83.0)	95	178	(46.4)		
Minority Interest	(2)	(2)	-	0	(1,036.8)	(2)	12	-		
PAT after Minority Interest	16	42	(61.2)	81	(80.1)	98	167	(41.5)		
Adjusted PAT	16	42	(61.2)	81	(80.1)	98	167	(41.5)	51	(68.1)
As % of net revenues			**(bps)**		**(bps)**			**(bps)**		
Gross margin	32.5	32.5	1	29.9	267	31.1	31.1	1		
Employee cost	10.2	9.1	108	8.6	161	9.3	8.3	106		
Other cost	15.7	15.7	(1)	13.8	189	14.6	14.2	46		
EBITDA margin	6.7	7.7	(106)	7.5	(83)	7.1	8.7	(152)		
Tax rate	66.3	31.5	3475	10.6	5571	27.9	24.3	355		
APAT margin	0.7	1.7	(98)	3.0	(227)	1.9	3.0	(107)		

Source: Company, BOBCAPS Research

Fig 2 – Per unit analysis

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales Volumes (KTPA)	21.7	20.2	7.6	25.3	(14.3)	47	47	0.6
Realization	108.7	124.3	(12.5)	108.6	0.1	108.7	119.6	(9.2)
Raw-Material	73.3	83.8	(12.5)	76.2	(3.7)	74.9	82.4	(9.2)
Gross Profit	35.4	40.4	(12.5)	32.4	9.0	33.8	37.2	(9.1)
Employee	11.1	11.3	(2.1)	9.3	18.9	10.1	9.9	2.5
Others	17.0	19.5	(12.6)	15.0	13.8	15.9	17.0	(6.2)
EBITDA per unit (Rs/kg)	7.3	9.6	(24.5)	8.2	(11.0)	7.8	10.4	(25.1)

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Pipe demand scenario:** The plastic pipe industry volume saw marginal growth in in Q2 due to low base effect. Demand conditions remained weak in Oct'25 due to heavy monsoon impacted the construction activity, low government spending on infrastructure projects, and volatile PVC resin prices. However, the management expects the demand environment to improve from Nov'25 onwards in anticipation of imposition of ADD on PVC resin, resumption of construction activities post monsoon and higher government spending on infrastructure projects.

- **Industry consolidation:** The Indian plastic pipe industry margin has come under severe pressure due to heightened competition in a weak demand environment. This has resulted in industry consolidation as the smaller and unorganized players are finding it difficult to survive in such environment. Going ahead, the management believes the industry margin is likely to return back to normal level as the large organized players would be able to take price hike once the demand situation improves.

- **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 >25% over the next 3 years through a resin supplier partnership with Lubrizol 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 once its pipe quarterly sales volume reaches 35-40 kt mark.

- **Guidance:** APOLP expects its pipe volume to be around 100-105 kt in FY26 and 125 kt in FY27. Management expects EBITDA margin to improve to a low-double-digit level over the next 2-3 years period due to rising share of value-added products and operating leverage benefits. EBITDA per ton is expected to improve to Rs 10-11/kg (standalone) and Rs 4-6/kg (Kisan) in near future. ROCE is expected to improve to more than 20% over the next 2-3 years.

- **Infra pipe:** APOLP infra price volume share has gone down from 15% in the past to <5% in Q2FY26, because of weak demand on account of lower government spend on infrastructure.

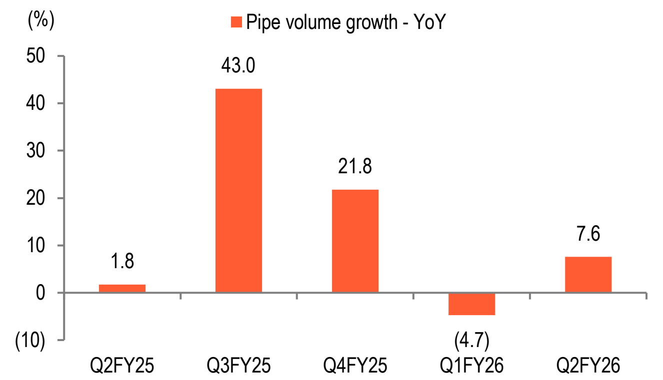
- **New product:** revenue share is less than 5% in Q2FY26 but is expected to rise substantially in FY27.

- **Product mix (standalone):** Share of housing segment is expected to rise from 60% in Q2FY26 to 75% over the next 2-3 years.

- **Capex:** The company plans to ramp up capacity from 226.5 ktpa at present to 286 ktpa over the next 2 years through: a) addition of a greenfield pipe plant of 30 ktpa in Varanasi, UP by FY26 c) brownfield expansion of 29.5 ktpa over the next 2-3 years. The company plans to spend Rs 1.5bn in FY26 (vs Rs 0.92bn in H1FY26), Rs 1.0bn in FY27 and Rs 0.4-0.5bn in FY28.

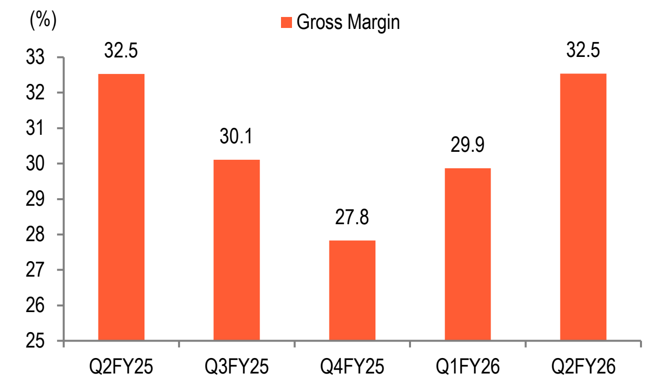
- **Channel inventory:** is below normal at the moment to volatile resin prices. Expect ADD on PVC resin to be implemented in Nov'25, which would help in restocking of inventories in the channel.
- **CPVC pipe:** volume grew at a high double-digit rate in H1FY26.
- **Inventory loss:** The company has booked marginal inventory loss in Q2FY26.
- **Net cash:** APOLP net cash position has gone down from Rs 510mn in Jun'25 to Rs 80mn in Sep'25 due to heavy capex. 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 by Dec'26.

Fig 3 – APOLP's pipe volumes grew by 7.6% YoY in Q2FY26 over a weak base



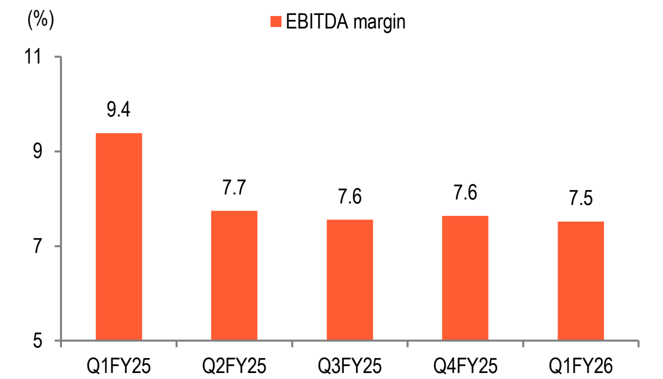
Source: Company, BOBCAPS Research

Fig 4 – Gross margin relatively stable at 32.5% on YoY basis in Q2FY26



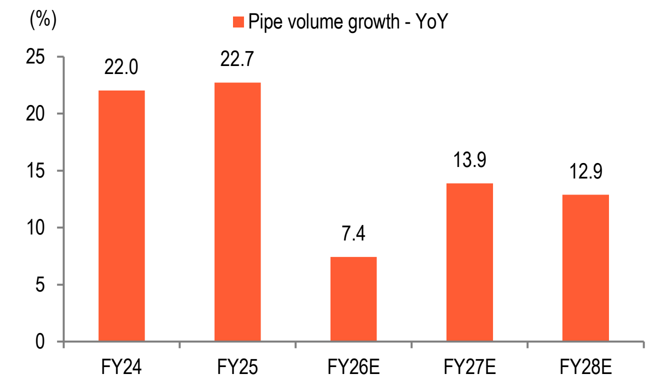
Source: Company, BOBCAPS Research

Fig 5 – EBITDA margin was down 106bps to 7.5% in Q2 on weak performance of subsidiary (i.e. Kisan)



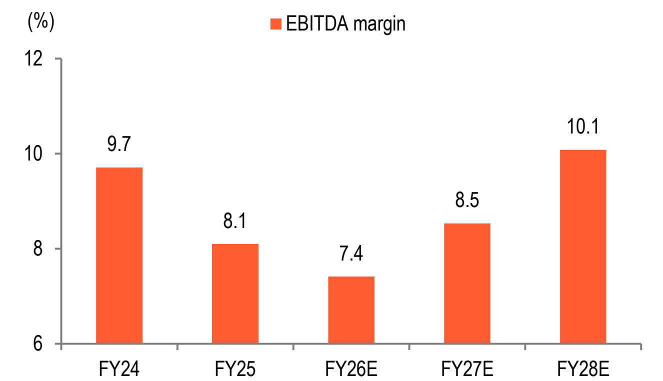
Source: Company, BOBCAPS Research

Fig 6 – Despite our assumption of a healthy pipe volume CAGR of 11.4% over FY25-FY28E…



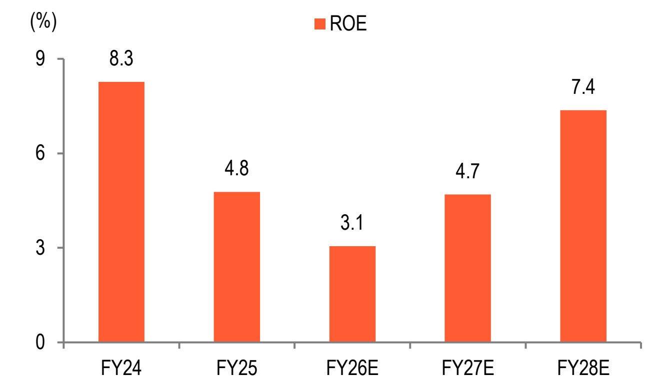
Source: Company, BOBCAPS Research

Fig 7 – ..and EBITDA margin projected to improve over the next two years..



Source: Company, BOBCAPS Research

Fig 8 – APOLP's ROE profile is forecast to remain weak over FY26E-FY28E on poor capital allocation policy



Source: Company, BOBCAPS Research

Valuation Methodology

We maintain HOLD rating on the stock due to weak ROE profile (3.1%-7.4% for FY26E-FY28E) and expensive valuations (the stock trades at a P/E of 31.3x/18.9x on FY27E/FY28E vs pre-Covid average of ~20.0x on 1Y forward basis). APOLP ROE's profile is expected to remain weak over the next 3 years even if we assume healthy volume growth rate (11.4% CAGR over FY25-FY28E) and margin improvement (from 6.7% in Q2FY26 to 10.1% in FY28E), due to poor capital allocation (return-dilutive Kisan acquisition and operating plant at low rate on a consistent basis).

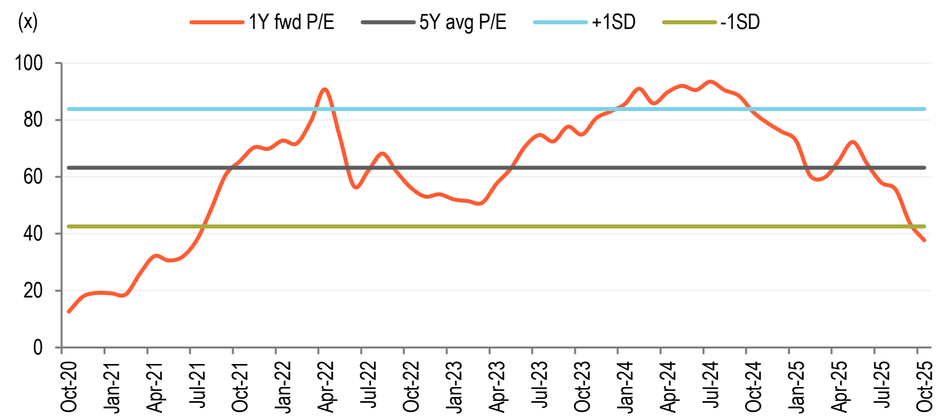
We have cut our TP to Rs 335 (Rs 420 earlier) due to earnings downgrade (-35%/-25%/-10% for FY26E/ FY27E/FY28E) based on weak Q2 result. Our target P/E multiple remains unchanged at 25x on Sep'27 estimates (vs Jun'27 earlier).

Fig 9 – Revised estimates

Consolidated (Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Operating income	11,889	14,250	16,849	12,595	15,206	18,012	(5.6)	(6.3)	(6.5)
EBITDA	881	1,216	1,698	1,054	1,418	1,825	(16.4)	(14.2)	(6.9)
EBITDA Margin	7.4	8.5	10.1	8.4	9.3	10.1	(95bps)	(79bps)	(5bps)
Adjusted PAT	262	441	729	403	587	807	(35.1)	(24.9)	(9.7)
EPS	5.7	9.6	15.8	8.8	12.7	17.5	(35.1)	(24.9)	(9.7)

Source: BOBCAPS Research

Fig 10 – Trades at 37.7x on 1YF P/E vs 5Y average of 63.2x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales Volume growth	22.0	22.7	7.4	13.9	12.9
Realization growth	(11.6)	(2.5)	(6.4)	5.2	4.7
EBITDA per unit (Rs/kg)	11.8	9.6	8.2	10.0	12.3
Pre-tax ROCE	11.6	6.7	3.4	5.7	9.3
Pre-tax ROIC	14.0	8.8	4.7	7.5	11.2

Source: Company, BOBCAPS Research

Key Risks

- 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.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**9,869**	**11,816**	**11,889**	**14,250**	**16,849**
EBITDA	958	957	881	1,216	1,698
Depreciation	299	445	555	621	674
EBIT	660	511	326	595	1,024
Net interest inc./(exp.)	(51)	(110)	(100)	(100)	(100)
Other inc./(exp.)	39	53	137	106	106
Exceptional items	0	0	0	0	0
EBT	648	454	363	601	1,030
Income taxes	220	113	95	151	259
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(2)	(14)	(6)	(9)	(42)
Reported net profit	**426**	**326**	**262**	**441**	**729**
Adjustments	0	0	0	0	0
Adjusted net profit	**426**	**326**	**262**	**441**	**729**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,669	1,744	1,755	2,104	2,487
Other current liabilities	881	513	513	513	513
Provisions	79	121	122	146	173
Debt funds	632	918	921	1,022	1,133
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	8,760	9,108	9,745
Shareholders' fund	5,740	7,928	9,220	9,569	10,205
Total liab. and equities	**10,106**	**12,293**	**13,600**	**14,423**	**15,581**
Cash and cash eq.	560	1,378	1,783	1,021	596
Accounts receivables	796	950	956	1,145	1,354
Inventories	1,987	2,130	2,078	2,512	2,969
Other current assets	367	449	451	533	623
Investments	516	649	649	649	649
Net fixed assets	4,567	5,150	6,095	6,975	7,801
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**	**13,600**	**14,423**	**15,581**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**1,892**	**192**	**841**	**732**	**1,093**
Capital expenditures	(2,488)	(1,316)	(1,500)	(1,500)	(1,500)
Change in investments	(115)	(133)	0	0	0
Other investing cash flows	39	53	137	106	106
Cash flow from investing	**(2,564)**	**(1,396)**	**(1,363)**	**(1,394)**	**(1,394)**
Equities issued/Others	0	47	20	0	0
Debt raised/repaid	195	286	3	101	111
Interest expenses	(51)	(110)	(100)	(100)	(100)
Dividends paid	(39)	(31)	(69)	(92)	(92)
Other financing cash flows	783	1,830	1,074	(9)	(42)
Cash flow from financing	**888**	**2,022**	**928**	**(101)**	**(123)**
Chg in cash & cash eq.	**216**	**817**	**405**	**(762)**	**(424)**
Closing cash & cash eq.	**564**	**1,381**	**1,786**	**1,024**	**600**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.8	7.4	5.7	9.6	15.8
Adjusted EPS	10.8	7.4	5.7	9.6	15.8
Dividend per share	1.0	0.7	1.5	2.0	2.0
Book value per share	145.9	180.0	200.2	207.8	221.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.3	1.1	1.1	0.9	0.8
EV/EBITDA	13.9	13.6	14.2	10.5	7.9
Adjusted P/E	27.7	40.5	52.8	31.4	19.0
P/BV	2.1	1.7	1.5	1.4	1.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	65.8	71.9	72.1	73.3	70.7
Interest burden (PBT/EBIT)	98.2	88.8	111.3	101.0	100.6
EBIT margin (EBIT/Revenue)	6.7	4.3	2.7	4.2	6.1
Asset turnover (Rev./Avg TA)	97.7	96.1	87.4	98.8	108.1
Leverage (Avg TA/Avg Equity)	2.0	1.8	1.6	1.5	1.6
Adjusted ROAE	8.3	4.8	3.1	4.7	7.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	7.9	19.7	0.6	19.9	18.2
EBITDA	40.9	(0.2)	(7.9)	38.0	39.6
Adjusted EPS	78.1	(31.6)	(23.3)	68.3	65.3
Profitability & Return ratios (%)					
EBITDA margin	9.7	8.1	7.4	8.5	10.1
EBIT margin	6.7	4.3	2.7	4.2	6.1
Adjusted profit margin	4.3	2.8	2.2	3.1	4.3
Adjusted ROAE	8.3	4.8	3.1	4.7	7.4
ROCE	11.0	6.4	4.6	6.6	10.0
Working capital days (days)					
Receivables	29	29	29	29	29
Inventory	73	66	64	64	64
Payables	62	54	54	54	54
Ratios (x)					
Gross asset turnover	1.9	1.6	1.4	1.4	1.5
Current ratio	1.1	1.7	1.8	1.5	1.4
Net interest coverage ratio	13.0	4.7	3.3	5.9	10.2
Adjusted debt/equity	0.0	(0.1)	(0.1)	0.0	0.1

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

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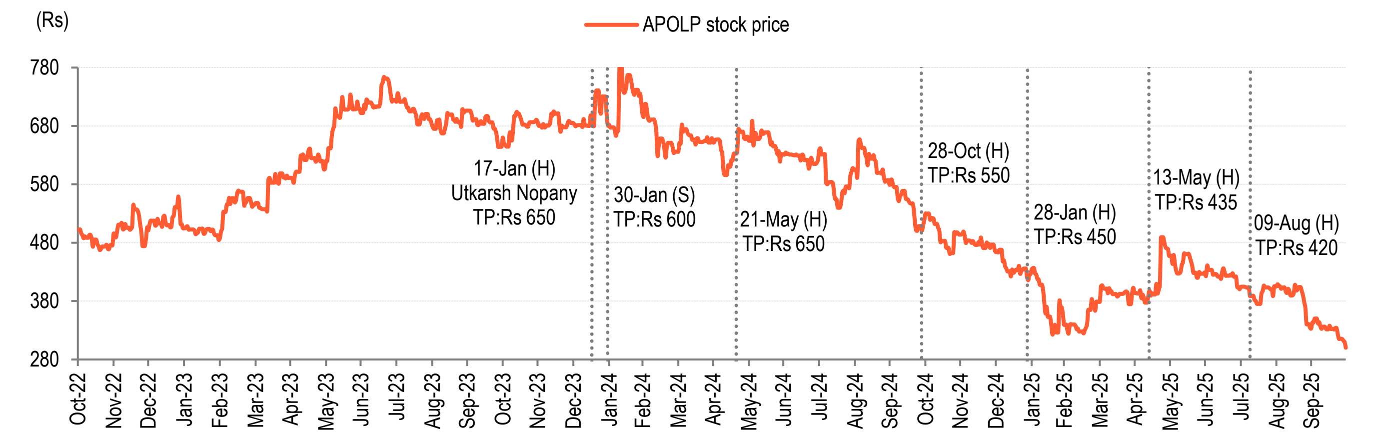
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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