

HOLD

TP: Rs 435 | ▲ 12%

APOLLO PIPES

| Building Materials

| 13 May 2025

Muted Q4; maintain HOLD on weak ROE profile

- Weak performance for the sixth consecutive quarter on weak demand for plumbing and infra pipes
- Over-optimistic guidance as APOLP targets to grow volume at 25% CAGR as well as improve ROCE to 25% over the next two years
- Maintain HOLD due to weak ROE profile on rising competitive intensity and margin-dilutive KML acquisition; TP cut by 3% to Rs 435 per share

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Muted Q4: APOLP Q4FY25 result came below our estimate (Revenue: -6.4%; EBITDA: -12.7%) due to lower-than-expected sales volume (+21.8% YoY vs +37.5% estimated). Overall, APOLP revenue grew by 23.2% YoY due to consolidation of Kisan Moulding (KML) operations, but EBITDA de-grew by 5.4 YoY in Q4FY25.

Highlights: APOLP-adjusted sales volume (ex KML) was down 5.4% YoY in Q4FY25 and 2.9% YoY in FY25, due to weak demand in UPVC plumbing pipe and HDPE pipe segment from Jal Jeevan Mission program. The company has registered double-digit volume growth in agri pipe/CPVC/water tanks. Standalone EBITDA margin contracted by 111bps YoY to 9.0% in Q4FY25, due to gross margin pressure (-86bps) on intense competition. KML EBITDA margin stood at 3.0% in Q4FY25.

Over-optimistic guidance: Management believes that demand conditions remain very challenging, but a pickup is expected from H2FY26. APOLP targets to improve ROCE from 6.4% in FY25 to 25% by FY27 on a healthy 25% CAGR volume growth, along with improved margin profile for standalone (from 9.2% in FY25 to 10-11% in FY27) & KML (from 3.0% in Q4FY25 to 6-7% in FY27). APOLP plans to aggressively grow its pipe capacity from 225 ktpa currently to 286 ktpa over the next 2-3 years. Capex is estimated to be Rs 1.0bn for FY26. APOLP also plans to put up a greenfield pipe complex in South India going ahead.

Maintain HOLD; TP cut by 3% to Rs 435: We expect APOLP's sales volume to grow at a strong 15.2% CAGR over FY25-FY27E, but maintain our HOLD rating on the stock due to its weak ROE profile (6.2%-7.6% for FY26E-FY27E), on low operating rate, intense competition and KML's margin-dilutive acquisition. At CMP, the stock trades at 31.5x on 1YF P/E vs 5Y average of 53.7x. We have cut our TP to Rs 435 (Rs 450 earlier) due to earnings downgrade (-21.0%/-23.4% for FY26E/FY27E) based on weak Q4FY25 result. Our target P/E multiple remains unchanged at 27x on Mar'27 EPS estimates (vs Dec'26 earlier).

Key changes

Target	Rating
▼	◀ ▶

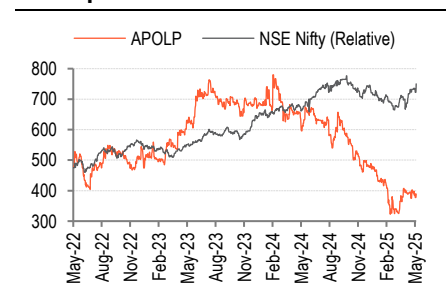
Ticker/Price	APOLP IN/Rs 389
Market cap	US\$ 201.9mn
Free float	53%
3M ADV	US\$ 0.5mn
52wk high/low	Rs 695/Rs 313
Promoter/FPI/DII	47%/3%/14%

Source: NSE | Price as of 12 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,816	13,547	16,310
EBITDA (Rs mn)	957	1,204	1,561
Adj. net profit (Rs mn)	326	538	742
Adj. EPS (Rs)	7.4	11.7	16.1
Consensus EPS (Rs)	7.4	13.1	20.1
Adj. ROAE (%)	4.8	6.2	7.6
Adj. P/E (x)	52.5	33.3	24.2
EV/EBITDA (x)	17.8	14.4	11.4
Adj. EPS growth (%)	(31.6)	57.6	37.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly Financial Snapshot (Rs mn)

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Operating income	3,148	2,556	23.2	3,079	2.2	11,816	9,869	19.7	3,362	(6.4)
Raw-Material expense	2,272	1,881	20.8	2,152	5.6	8,276	7,136	16.0		
Gross Profit	876	675	29.8	927	(5.5)	3,541	2,733	29.5		
Employee expense	222	143	55.0	245	(9.5)	928	614	51.2		
Other expense	414	278	49.0	449	(7.9)	1,656	1,161	42.6		
EBITDA	240	254	(5.4)	233	3.3	957	958	(0.2)	275	(12.7)
D&A	122	85	44.8	118	4.0	445	299	49.1		
EBIT	118	170	(30.5)	115	2.6	511	660	(22.5)		
Interest cost	19	15	30.8	31	(38.4)	110	51	116.6		
Other income	34	3	924.3	3	1,113.7	53	39	34.9		
PBT	132	158	(16.4)	86	53.0	454	648	(29.9)		
Tax	33	89	(62.4)	23	48.5	113	220	(48.5)		
Reported PAT	99	69	43.1	64	54.6	341	428	(20.4)		
Minority Interest	1	2	-	2	(47.9)	14	2	-		
PAT after Minority Interest	98	67	45.4	62	57.5	326	426	(23.4)		
Adjusted PAT	98	67	45.4	62	57.5	326	426	(23.4)	93	5.6
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	27.8	26.4	142	30.1	(228)	30.0	27.7	227		
Employee cost	7.0	5.6	145	8.0	(91)	7.9	6.2	164		
Other cost	13.1	10.9	228	14.6	(144)	14.0	11.8	225		
EBITDA margin	7.6	9.9	(231)	7.6	8	8.1	9.7	(162)		
Tax rate	25.3	56.4	(3,102)	26.1	(77)	25.0	33.9	(898)		
APAT margin	3.1	2.6	48	2.0	109	2.8	4.3	(156)		

Source: Company, BOBCAPS Research

Fig 2 – Per Unit Analysis (Rs/kg)

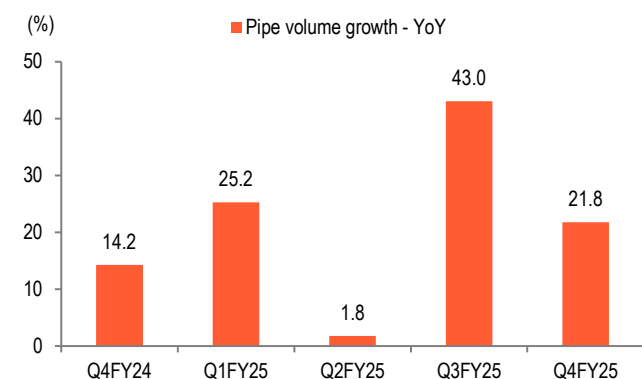
Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales Volumes (KTPA)	26.0	21.3	21.8	27.0	(3.7)	100	81	22.7
Realization	121.1	119.7	1.1	114.1	6.1	118.5	121.5	(2.5)
Raw-Material	87.4	88.1	(0.8)	79.8	9.6	83.0	87.8	(5.5)
Gross Profit	33.7	31.6	6.6	34.4	(1.9)	35.5	33.6	5.5
Employee	8.5	6.7	27.3	9.1	(6.0)	9.3	7.6	23.2
Others	15.9	13.0	22.3	16.7	(4.4)	16.6	14.3	16.2
EBITDA per unit (Rs/kg)	9.2	11.9	(22.3)	8.6	7.2	9.6	11.8	(18.7)

Source: Company, BOBCAPS Research

Earnings Call Highlights

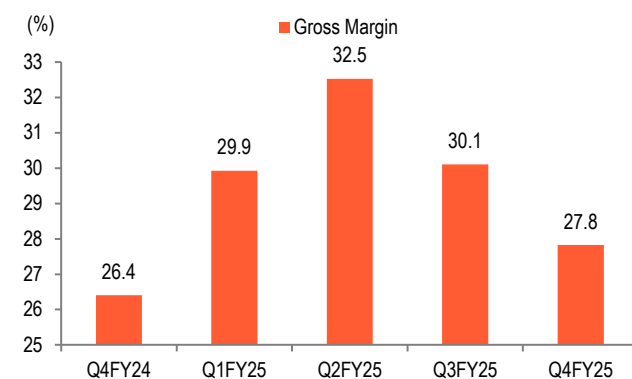
- **Pipe demand scenario:** Indian plastic pipe industry volume was down 5% YoY in FY25, due to slowdown in private real estate, low government spend on infra and de-stocking in channel. Demand is expected to recover from H2FY26 in anticipation of a pickup in real estate activity.
- **Product segment:** In FY25, APOLP has registered double-digit volume growth in agri pipe/CPVC/water tanks. UPVC plumbing pipe sales volume was flat, whereas HDPE pipe volume was down sharply on lower government spend on infra. Share of HDPE pipe revenue contribution has come down from 12-15% in FY24 to below 5% in FY25 due to weak demand from Jal Jeevan Mission program.
- **Volume outlook:** APOLP expects volume to grow at 25% CAGR over the next 2-3 years due to ramp-up of new capacities. For FY26, the company expects volume to grow at 20-25% rate (standalone: +20%; KML: >20%).
- **Margin outlook:** The company expects standalone EBITDA margin to improve from 9.2% in FY25 to 10-11% in FY27. KML EBITDA margin is projected to improve from 3.0% in Q4FY25 to 5.0% in FY26 and 6-7% in FY27.
- **ROCE outlook:** APOLP targets ROCE to improve to 25% over the next two years in anticipation of a healthy 25% CAGR volume growth, along with improved margin profile.
- **O-PVC pipe:** The company has invested in OPVC pipes in FY25, which would form around 15% of its gross block. APOLP expects it to contribute around 5% to its revenue by FY27. No incremental capex is planned for OPVC in the near future.
- **Window profile:** The company plans to put up a capacity of 3,000 MTPA at a cost of Rs 600mn. Targets to launch the product in June 2025.
- **Working capital:** Roughly 15% of APOLP's dealers have opted for channel financing in FY25 (vs 5-10% in FY24). Management expects KML's working capital (WC) to become as efficient as APOLP standalone operations as it plans to start channel financing and better raw-material procurement terms.
- **Capex:** The company plans to ramp up capacity from 225 ktpa currently 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 b) UPVC window & door profiles of 3 ktpa 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 three years. APOLP has a budgeted capex outlay of Rs 1.0bn for FY26.
- **Net cash:** Position has gone up from Rs 120mn in Dec'24 to Rs 460mn in Mar'25. Going ahead, the company plans to further raise Rs 1.1bn by issuing fresh convertible warrants at an exercise price of Rs550 per share to fund its ongoing capex program, of which Rs 280mn has been infused in Apr'25 and the balance amount is expected to be received by Sep'26.

Fig 3 – APOLP's pipe volumes up 21.8% YoY in Q4FY25 due to consolidation of the Kisan Moulding acquisition



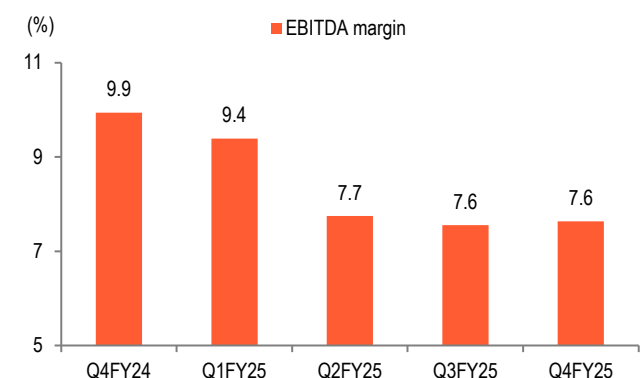
Source: Company, BOBCAPS Research

Fig 4 – Gross margin improved by 142bps YoY to 27.8% in Q4FY25



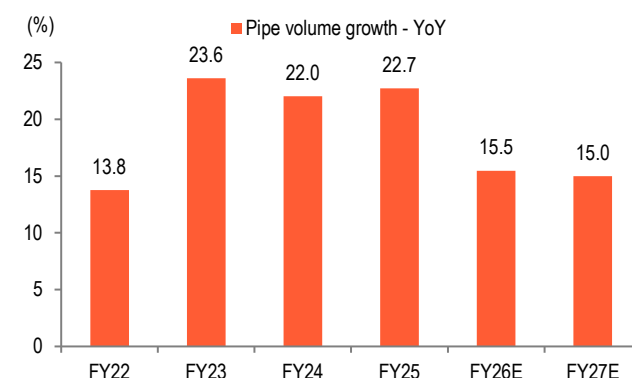
Source: Company, BOBCAPS Research

Fig 5 – However, EBITDA margin was down 231 bps to 7.6% in Q4 given Kisan Moulding's weak margin



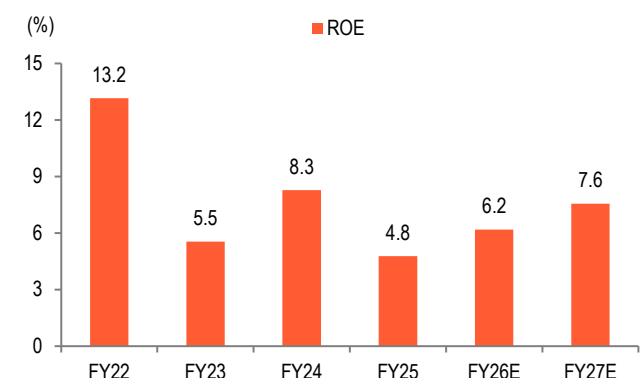
Source: Company, BOBCAPS Research

Fig 6 – Despite our assumption of a strong pipe volume CAGR of 15.2% over FY25-FY27E...



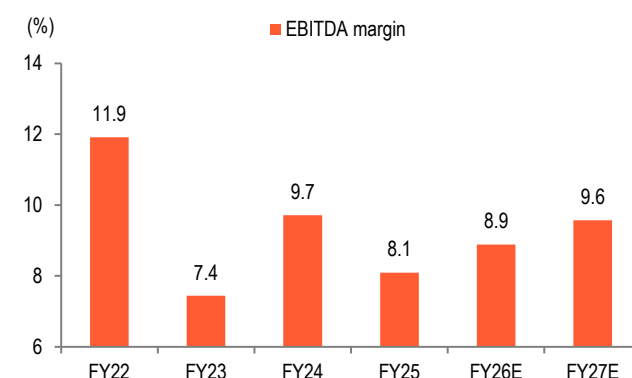
Source: Company, BOBCAPS Research

Fig 7 – APOLP's ROE profile is forecast to remain weak over FY25-FY27E, due to intense competition...



Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Valuation Methodology

We expect APOLP's sales volume to grow at a strong 15.2% CAGR over FY25-FY27E, but maintain our HOLD rating on the stock due to its weak ROE profile (6.2%-7.6% for FY26E-FY27E), on low operating rate, 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.

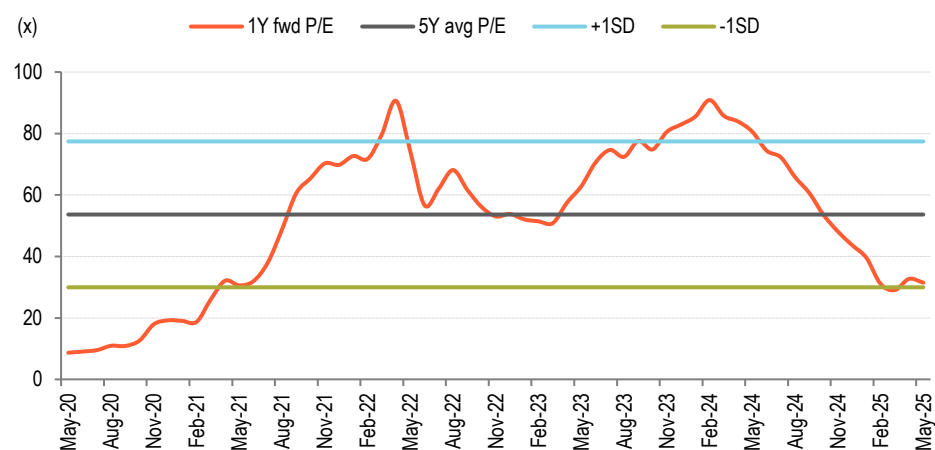
We have cut our TP to Rs 435 (Rs 450 earlier) due to earnings downgrade (-21.0%/-23.4% for FY26E/ FY27E), based on weak Q4FY25 result. Our target P/E multiple remains unchanged at 27x on Mar'27 EPS estimates (vs Dec'26 earlier). At CMP, the stock trades at 31.5x on 1YF P/E vs 5Y average of 53.7x.

Fig 9 – Revised estimates

Consolidated (Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Operating income	13,547	16,310	15,342	18,993	(11.7)	(14.1)
EBITDA	1,204	1,561	1,597	2,093	(24.6)	(25.4)
EBITDA Margin	8.9	9.6	10.4	11.0	(153bps)	(145bps)
Adjusted PAT	538	742	681	968	(21.0)	(23.4)
EPS	11.7	16.1	14.8	21.0	(21.0)	(23.4)

Source: Company, BOBCAPS Research

Fig 10 – Trades at 31.5x on 1YF P/E vs 5Y average of 53.7x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Sales Volume growth	13.8	23.6	22.0	22.7	15.5	15.0
Realization growth	33.0	(5.6)	(11.6)	(2.5)	(0.7)	4.7
EBITDA per unit (Rs/kg)	17.3	10.2	11.8	9.6	10.5	11.8
Pre-tax ROIC	18.7	9.8	14.0	8.8	9.9	12.0

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)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	9,145	9,869	11,816	13,547	16,310
EBITDA	680	958	957	1,204	1,561
Depreciation	284	299	445	511	583
EBIT	396	660	511	693	978
Net interest inc./(exp.)	(89)	(51)	(110)	(77)	(77)
Other inc./(exp.)	20	39	53	134	134
Exceptional items	0	0	0	0	0
EBT	327	648	454	750	1,035
Income taxes	88	220	113	189	261
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	(2)	(14)	(23)	(33)
Reported net profit	239	426	326	538	742
Adjustments	0	0	0	0	0
Adjusted net profit	239	426	326	538	742

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	1,179	1,669	1,744	2,000	2,408
Other current liabilities	364	881	513	513	513
Provisions	5	79	121	139	167
Debt funds	437	632	918	992	1,110
Other liabilities	64	1,104	1,069	1,069	1,069
Equity capital	393	394	440	460	460
Reserves & surplus	4,179	5,347	7,487	9,036	9,685
Shareholders' fund	4,572	5,740	7,928	9,496	10,146
Total liab. and equities	6,619	10,106	12,293	14,209	15,413
Cash and cash eq.	348	560	1,378	1,934	1,477
Accounts receivables	658	796	950	1,089	1,311
Inventories	1,708	1,987	2,130	2,402	2,927
Other current assets	590	367	449	509	605
Investments	401	516	649	649	649
Net fixed assets	2,506	4,567	5,150	6,039	6,856
CWIP	56	84	373	373	373
Intangible assets	301	401	400	400	400
Deferred tax assets, net	0	396	390	390	390
Other assets	53	432	426	426	426
Total assets	6,620	10,106	12,293	14,209	15,413

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	739	1,892	192	817	894
Capital expenditures	(712)	(2,488)	(1,316)	(1,400)	(1,400)
Change in investments	(359)	(115)	(133)	0	0
Other investing cash flows	20	39	53	134	134
Cash flow from investing	(1,052)	(2,564)	(1,396)	(1,266)	(1,266)
Equities issued/Others	0	0	47	20	0
Debt raised/repaid	50	195	286	74	118
Interest expenses	(89)	(51)	(110)	(77)	(77)
Dividends paid	(24)	(39)	(31)	(69)	(92)
Other financing cash flows	303	783	1,830	1,057	(33)
Cash flow from financing	241	888	2,022	1,005	(84)
Chg in cash & cash eq.	(72)	216	817	556	(456)
Closing cash & cash eq.	348	564	1,381	1,937	1,481

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	6.1	10.8	7.4	11.7	16.1
Adjusted EPS	6.1	10.8	7.4	11.7	16.1
Dividend per share	0.6	1.0	0.7	1.5	2.0
Book value per share	116.3	145.9	180.0	206.2	220.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	1.9	1.7	1.4	1.3	1.1
EV/EBITDA	25.3	17.8	17.8	14.4	11.4
Adjusted P/E	63.9	35.9	52.5	33.3	24.2
P/BV	3.3	2.7	2.2	1.9	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	73.1	65.8	71.9	71.7	71.6
Interest burden (PBT/EBIT)	82.6	98.2	88.8	108.3	105.9
EBIT margin (EBIT/Revenue)	4.3	6.7	4.3	5.1	6.0
Asset turnover (Rev./Avg TA)	138.2	97.7	96.1	95.3	105.8
Leverage (Avg TA/Avg Equity)	1.5	2.0	1.8	1.6	1.6
Adjusted ROAE	5.5	8.3	4.8	6.2	7.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	16.6	7.9	19.7	14.6	20.4
EBITDA	(27.2)	40.9	(0.2)	25.8	29.7
Adjusted EPS	(51.9)	78.1	(31.6)	57.6	37.8

Profitability & Return ratios (%)

EBITDA margin	7.4	9.7	8.1	8.9	9.6
EBIT margin	4.3	6.7	4.3	5.1	6.0
Adjusted profit margin	2.6	4.3	2.8	4.0	4.5
Adjusted ROAE	5.5	8.3	4.8	6.2	7.6
ROCE	8.3	11.0	6.4	7.9	9.9

Working capital days (days)

Receivables	26	29	29	29	29
Inventory	68	73	66	65	66
Payables	47	62	54	54	54

Ratios (x)

Gross asset turnover	2.7	1.9	1.6	1.6	1.6
Current ratio	1.7	1.1	1.7	1.8	1.7
Net interest coverage ratio	4.5	13.0	4.7	9.0	12.7
Adjusted debt/equity	0.0	0.0	(0.1)	(0.1)	0.0

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%

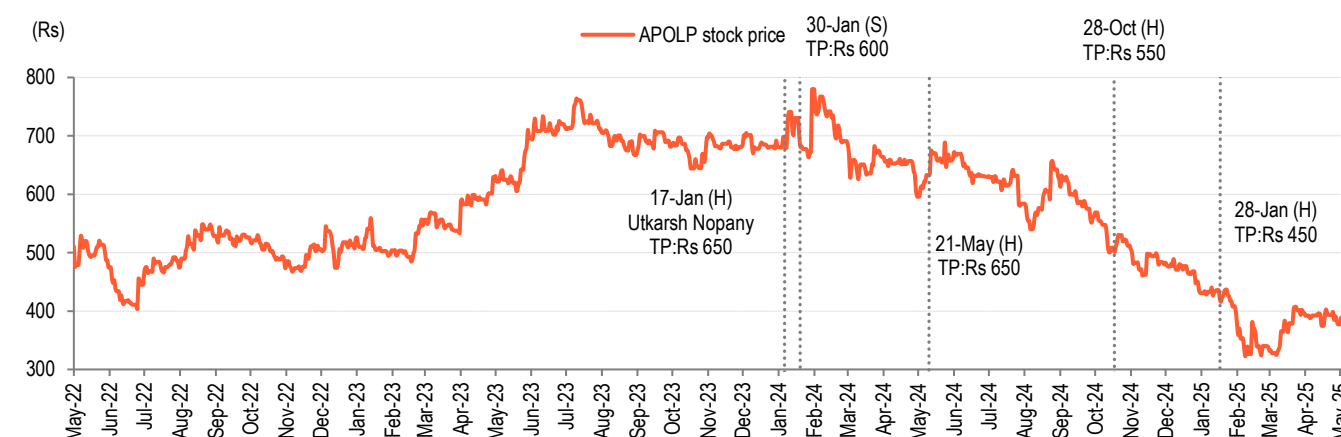
HOLD – Expected return from -6% to +15%

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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