

July 30, 2024

RESULT REPORT Q1 FY25 | Sector: Building Materials

# Apollo Pipes Ltd.

## Standalone volumes flat, maintain ADD!

### Result Synopsis

Apollo Pipes Ltd (standalone) volumes remained flattish at 20,937Te (2-year volume CAGR stood at 20%). The volumes were flattish owing to lower demand for HDPE pipes which constituted ~15% of volumes in previous quarter and the same in Q1FY25 was <5%. However ex-HDPE, plastic pipe volumes grew by 10%YoY. Standalone EBITDA/Te stood at Rs11.6 as compared to 12.3/12.1 in Q1FY24/Q4FY24 respectively. In Q1FY25, company consolidated the performance of Kisan Mouldings (subsidiary) which was acquired in Q4FY24 to expand the presence in west India. Kisan volumes stood at 5,625Te and the same turned profitable (after FY20) with EBITDA of Rs50Mn on account of change in product-mix towards fittings.

Management believes that with improving demand, Apollo's revenue should grow by 25%YoY in FY25E and Kisan should contribute incremental Rs4-5Bn. With new Varanasi plant of 30,000Te which is expected to commence operations from Q4FY25, O-PVC pipes, windows & doors coupled with brownfield expansion of 28,500Te, company aims to reach a turnover of Rs26Bn by FY27E. Apollo's standalone EBITDA margins are likely to remain capped at ~10% owing to higher capex cost, Kisan's margins will improve gradually to 10% with better product mix and higher utilizations.

We have incorporated Kisan Mouldings contribution to our overall estimates. Hence, we expect revenue growth of 40% for FY25E wherein Apollo's standalone biz is likely to grow by 12%YoY. Over FY24-FY26E, we reckon Revenue/EBITDA/PAT to grow by 33%/31%/40% respectively. We believe operating margins will be ~9.5% over similar period. At CMP, the stock trades at P/E(x) of 31x on FY26E EPS of 20.2 (adjusted for revised share capital), we continue to value the company at P/E(x) of 35x on FY26E EPS, arriving at a target price of Rs709. Hence, we maintain our ADD rating on the stock.

### Result Highlights

- Standalone revenue stood at Rs2.40Bn, a decline of 8%YoY & 7% below estimates (2-year CAGR stood at 5%).
- EBITDA margins (standalone) came in at 10.1% which was similar to Q1FY24 & Q4FY24 margins. Absolute EBITDA, declined by 7%YoY.
- Net profit (standalone) declined by 22%YoY to Rs109Mn, on account of higher depreciation and finance cost.
- Q1FY25 consol nos include the acquisition of Kisan Mouldings which is now a subsidiary of APOLLO PIPES Ltd. Owing to the same, Q4FY24 & FY24 numbers have been revised and only 5-6days of operations have been consolidated. Hence the Q1FY25 Vs Q4FY24 consol numbers are not comparable.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,402	2,580	2,793	(6.9)	(14.0)	Revenue below estimates but margin in-line.
EBITDA	243	258	273	(5.5)	(10.9)	
EBITDA Margin (%)	10.1	10.0	9.8	15 bps	35 bps	
Adjusted PAT	109	114	134	(4.3)	(18.8)	

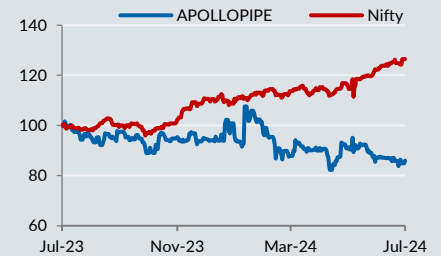
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 623
Target Price	: Rs 709
Potential Return	: +13.8%

### Stock data (as on Jul 30, 2024)

Nifty	24,857
52 Week h/l (Rs)	799 / 588
Market cap (Rs/USD mn)	25,325 / 303
Outstanding Shares (mn)	41
6m Avg t/o (Rs mn):	66
Div yield (%):	-
Bloomberg code:	APOLP IN
NSE code:	APOLLOPIPE

### Stock performance



	1M	3M	1Y
Absolute return	-1.4%	-4.5%	-14.1%

### Shareholding pattern (As of Jun'24 end)

Promoter	45.9%
FII+DII	21.3%
Others	32.8%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	709	745

### Δ in earnings estimates

	FY25E	FY26E
EPS (New)	15.6	20.2
EPS (Old)	16.2	21.3
% change	-3.6%	-5.0%

### Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	9,870	13,744	17,385
YoY Growth	7.9	39.3	26.5
EBIDTA	958	1,305	1,633
EBIDTA (%)	9.7	9.5	9.4
PAT	428	646	836
YoY Growth	77.9	50.9	29.4
ROE	8.3	8.8	8.9
EPS	10.9	15.6	20.2
P/E	63.0	39.9	30.8
BV/Share	146	217	237
P/BV	4.7	2.9	2.6

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## Operational Highlights for Q1FY25

- Standalone volumes for the quarter stood at 20,937Te, flattish on a YoY & QoQ basis (2-year volumes CAGR stood at 21%).
- ASP stood at Rs115/Te as compared to Rs123/Rs120 in Q1FY24/Q4FY24, respectively.
- EBITDA/Te came in at Rs11.6 Vs Rs12.3/Rs12.1 in Q1FY24/Q4FY24 respectively.

### Exhibit 2: Quarterly Snapshot (standalone):

Rs mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Revenue	2,519	2,603	2,495	2,216	2,458	2,402	(7.7)	(2.3)
Expenditure	2,225	2,342	2,253	2,014	2,208	2,159	(7.8)	(2.2)
- RM	1,809	1,904	1,782	1,569	1,796	1,694	(11.0)	(5.7)
- Staff Cost	124	152	164	154	142	161	6.1	13.9
- Other cost	292	285	306	291	271	304	6.4	12.1
Operating Profit	295	262	242	201	249	243	(7.0)	(2.4)
OPM(%)	11.7	10.1	9.7	9.1	10.1	10.1	8 bps	-2 bps
Other Income	7	12	13	11	3	8	(29.9)	156.3
Depreciation	76	67	72	75	83	83	25.4	-
Interest	24	15	7	14	15	20	33.8	37.4
PBT	202	192	175	123	155	148	(22.9)	(4.3)
Tax	51	53	46	33	89	39	(25.5)	(56.0)
PAT	151	139	129	91	66	109	(21.9)	66.0

Source: Company, YES Sec

### Exhibit 3: Operational Numbers (standalone):

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	% yoy	% qoq
Volumes (Te)	18,685	21,219	19,803	18,868	20,550	20,937	(1.3)	1.9
Realization (Rs/Te)	135	123	126	117	120	115	(6.5)	(4.1)
EBITDA/Te	15.8	12.3	12.2	10.7	12.1	11.6	(5.8)	(4.2)

Source: Company, YES Sec

### Exhibit 4: Q1FY25 Snapshot (consolidated):

Rs mn	Apollo Pipes	Kisan Mouldings	Total
Volumes (Te)	20,937	5,625	26,562
Realization (Rs/Te)	115	121	116
Revenue	2,402	683	3,085
Expenditure	2,159	636	2,795
- RM	1,694	468	2,162
- Staff Cost	161	72	234
- Other cost	304	96	400
Operating Profit	243	46	290
OPM(%)	10.1	6.8	9.4
Other Income	8	2	10
Depreciation	83	16	99
Interest	20	2	22
PBT	148	30	178
Tax	39	0	39
PAT	109	30	139
PAT(%)	4.5%	4.4%	4.5%

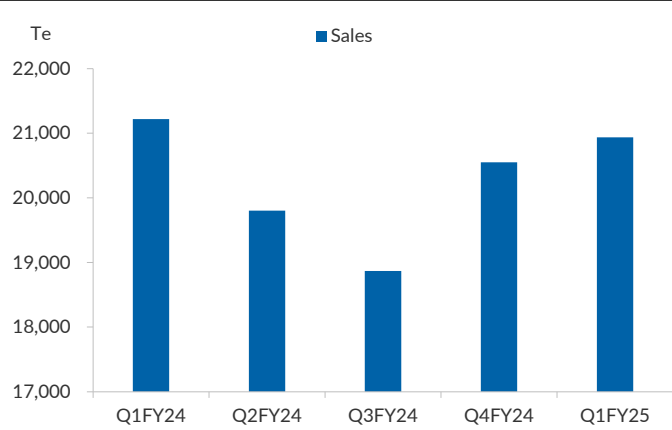
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **Guidance:** Company reiterated revenue guidance of 25-30% CAGR for the next 3-4 years to Rs26Bn by FY27E where standalone revenue would be Rs 16Bn, Kisan would contribute Rs7-8Bn and windows & O-PVC would contribute the remaining. Blended margin would remain at ~10% for the next 2-3 years and will increase to ~12-13% after the 286,000Te capacity is fully operational. ROCE guidance retained at 25-30% over the same period.
- Company expects revenue of Rs12-12.5Bn from Apollo standalone and Rs4-5Bn from Kisan, taking the total to ~Rs16.5-17.5Bn for FY25E.
- Volumes for the quarter were flat due to ongoing election season. Owing to which the HDPE pipes which contributed ~15% of volumes, contracted to mere 5%. Ex-HDPE, pipes volumes for the company increased by 10%.
- Currently dealers are working with low-inventory. However with stability in resin prices, management expects dealers to resort to re-stocking.
- **Kisan Mouldings:** Kisan recorded Rs680Mn revenue in Q1FY25 and an EBITDA of Rs50Mn (turned profitable). Company expects similar 7-8% margin for FY25E and the same will increase to 10-12% by FY27E. Company does not foresee any incremental investment in this subsidiary.
- **Capex:** Total capex of Rs2.5Bn for the OPVC (Rs1Bn, 50% incurred), Varanasi plant (Rs1.5Bn) and window profile (Rs0.6Bn, 10% incurred), most of which would be incurred in FY25E. For the next 2-3 years company expects a capex outlay of Rs1-1.5Bn each year for residual capex plus South India expansion (under consideration). Entire capex will be funded from internal accruals and the pending fund infusion.
- Company started first line of OPVC pipes in Q1FY25 and the other 2 lines will be operational by Q4FY25 contributing 5% to total topline in FY25E & 8-10% FY26E onwards.
- 70-80% of the 30,000Te Varanasi plant capacity & complete window profile project is expected to be operational by Q4FY25E.
- Agri/Non-agri mix for Apollo is 45%/55%. Agri biz contributes 70% of Kisan's revenue.
- Capacity utilization is 55% for both Apollo & Kisan.
- Value-added products of CPVC pipes & water tanks recorded a growth of 20%YoY/30%YoY respectively.

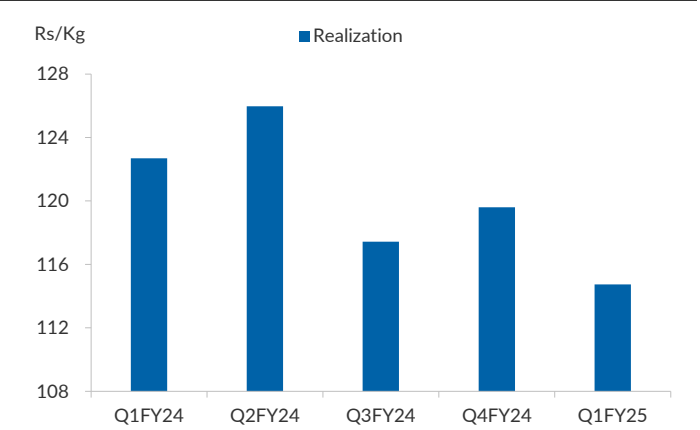
## QUARTERLY TRENDS

**Exhibit 5: Standalone pipe volumes were flattish YoY...**



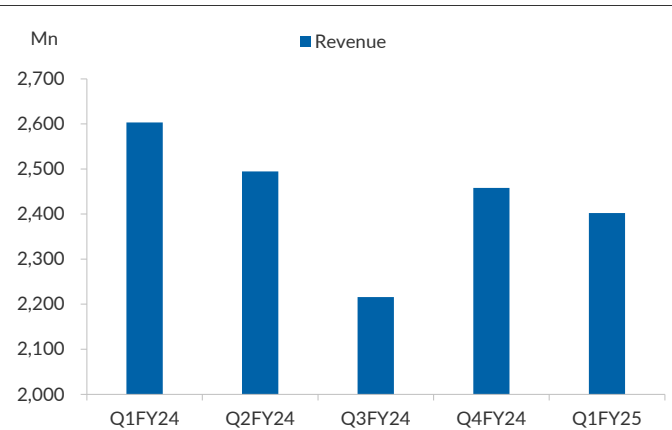
Source: Company, YES Sec

**Exhibit 6: Realization came in at Rs115/kg...**



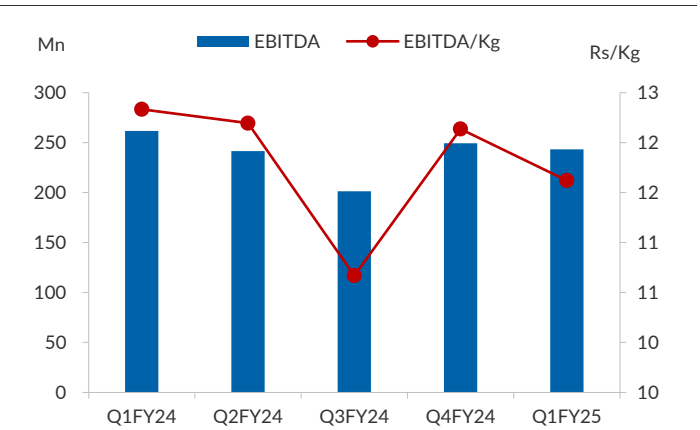
Source: Company, YES Sec

**Exhibit 7: Revenue declined by 8%YoY...**



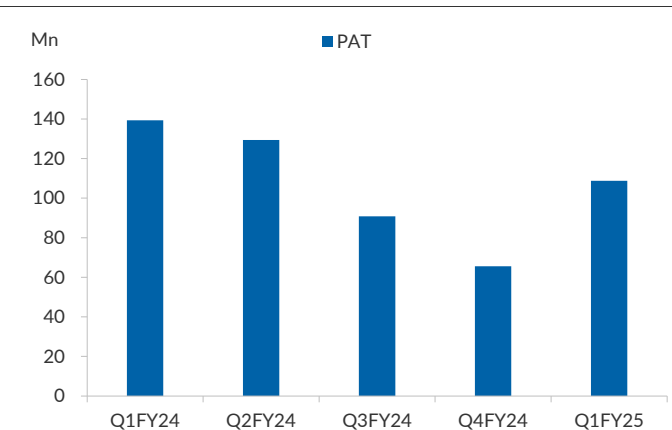
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**Exhibit 8: EBITDA/kg stood at Rs11.6...**



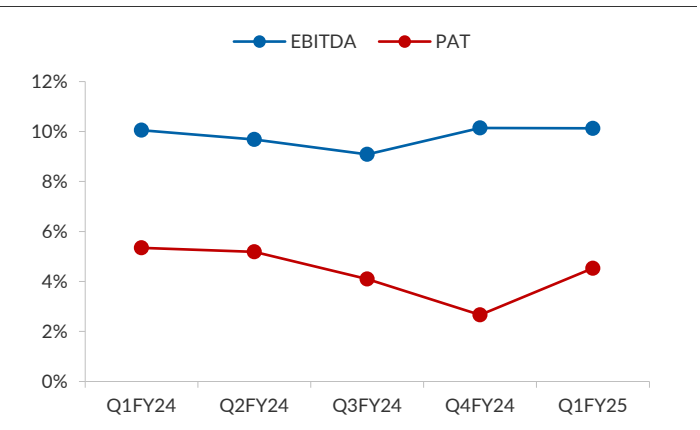
Source: Company, YES Sec

**Exhibit 9: Net Profit was Rs109Mn...**



Source: Company, YES Sec

**Exhibit 10: OPM & NPM came in at 10% & 4.5%...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 11: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	7,841	9,145	9,870	13,744	17,385
COGS	5,732	6,927	7,136	10,131	12,753
COGS %sales	73.1	75.7	72.3	73.7	73.4
GP	2,109	2,218	2,733	3,612	4,633
GP%	26.9	24.3	27.7	26.3	26.6
EBITDA	934	681	958	1,305	1,633
EBITDA%	11.9	7.4	9.7	9.5	9.4
Depreciation	257	284	299	431	516
Finance Cost	43	89	51	63	63
Other Income	38	20	39	50	60
PBT	672	328	648	861	1,114
Tax	174	88	220	215	279
PAT	498	241	428	646	836
PAT%	6.3	2.6	4.3	4.7	4.8

Source: Company, YES Sec

### Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	393	393	394	414	414
Reserves	3,660	4,179	5,347	5,993	6,829
Equity	4,053	4,572	5,740	8,956	9,792
Payables	550	1,179	1,669	2,370	2,983
Provisions	4	5	79	79	79
Other current Liab	415	364	881	881	881
<b>Total Equity &amp; Liab</b>	<b>5,438</b>	<b>6,619</b>	<b>10,106</b>	<b>14,022</b>	<b>15,471</b>
Gross Block	3,017	3,746	6,105	8,105	8,905
Acc Dep	956	1,240	1,539	1,969	2,485
Net Block	2,061	2,506	4,567	6,136	6,420
CWIP	71	56	84	84	84
Other Noncurrent	154	453	1,344	1,344	1,344
Inventory	1,316	1,708	1,987	2,821	3,551
Receivables	705	658	796	1,108	1,401
Cash & Bank	418	348	560	1,761	1,902
Loans	57	38	36	36	36
Other	352	553	331	331	331
<b>Total Assets</b>	<b>5,438</b>	<b>6,619</b>	<b>10,106</b>	<b>14,022</b>	<b>15,471</b>

Source: Company, YES Sec

## Exhibit 13: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	672	327	648	861	1,114
Depreciation & Amortization	257	284	299	431	516
Finance cost	43	89	51	63	63
(Incr)/Decr in Working Capital	(417)	146	444	(446)	(410)
Taxes	(158)	(143)	(180)	(215)	(279)
Cash from ops.	364	687	1,247	694	1,004
(Incr)/ Decr in PP&E	(423)	(728)	(957)	(2,000)	(800)
Cash Flow from Investing	(368)	(680)	(2,140)	(2,000)	(800)
(Decr)/Incr in Borrowings	(256)	51	(1,222)	-	-
Finance cost	(44)	(89)	(51)	(63)	(63)
Cash Flow from Financing	(300)	(78)	(637)	2,507	(63)
Incr/(Decr) in cash	(304)	(70)	(1,530)	1,201	141
Cash and cash equivalents at beginning of year	722	418	2,076	560	1,761
Cash and cash equivalents at end of year	418	348	546	1,761	1,902

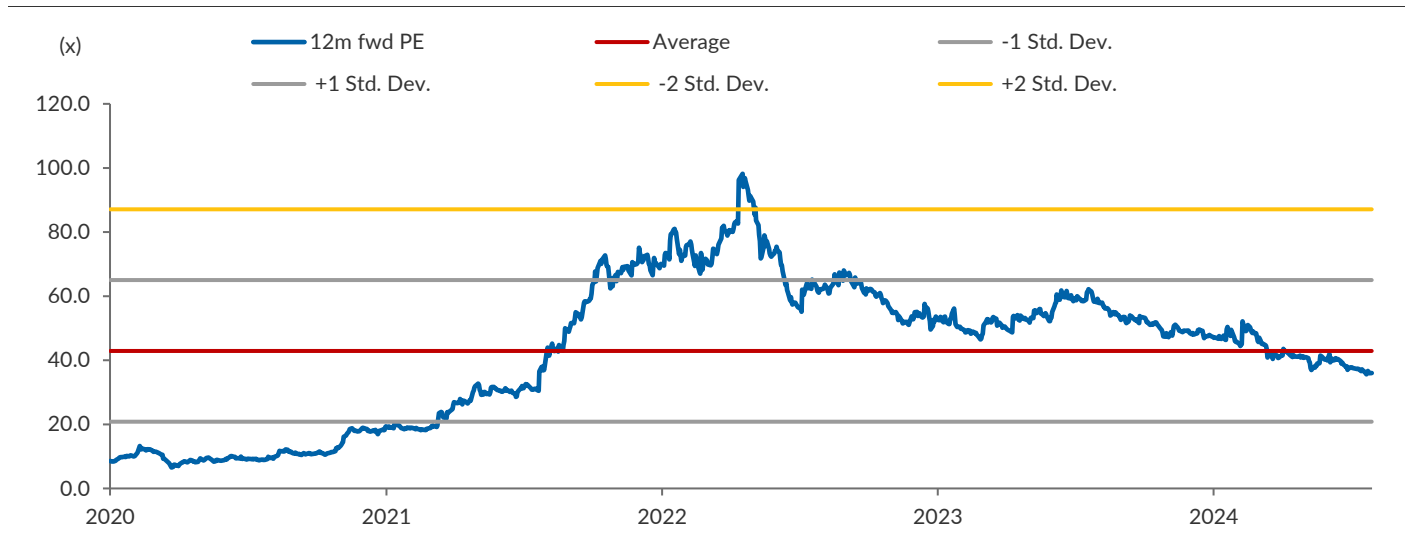
Source: Company, YES Sec

## Exhibit 14: Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Matrix (%)</b>					
Revenue growth	51.3	16.6	7.9	39.3	26.5
EBITDA growth	25.8	(27.1)	40.8	36.2	25.1
EBIT growth	9.9	(41.7)	67.7	32.3	27.4
PAT growth	11.9	(51.7)	77.9	50.9	29.4
<b>Profitability ratios (%)</b>					
GP margin	26.9	24.3	27.7	26.3	26.6
EBITDA margin	11.9	7.4	9.7	9.5	9.4
EBIT margin	9.1	4.6	7.1	6.7	6.8
PAT margin	6.3	2.6	4.3	4.7	4.8
RoCE	18.1	9.5	12.2	10.9	11.2
RoE	13.2	5.6	8.3	8.8	8.9
<b>Per share values</b>					
EPS	12.7	6.1	10.9	15.6	20.2
CEPS	19.2	13.3	18.5	26.0	32.7
BVPS	103.1	116.3	145.9	216.6	236.8
<b>Valuation ratios (x)</b>					
P/E	38.0	81.7	63.0	39.9	30.8
P/B	4.7	4.3	4.7	2.9	2.6
EV/EBITDA	20.2	29.0	28.2	18.9	15.0
<b>Leverage ratios (x)</b>					
Debt/ Equity	0.1	0.1	0.1	0.1	0.1
Net debt/Equity	(0.0)	0.0	0.0	(0.1)	(0.1)
Net debt/EBITDA	(0.0)	0.1	0.1	(0.9)	(0.8)
Int coverage	16.7	4.7	13.8	14.6	18.6
<b>NWC days</b>					
Receivables	33	26	29	29	29
Inventory	84	90	102	102	102
Payables	35	62	85	85	85

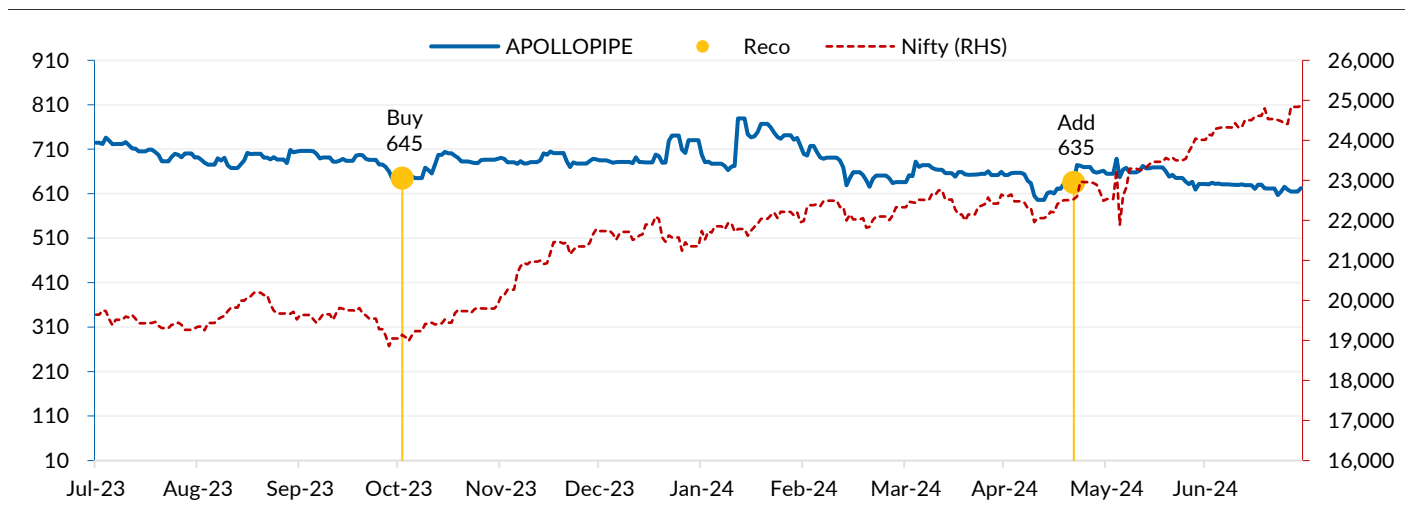
Source: Company, YES Sec

**Exhibit 15: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## Recommendation Tracker



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Name of the Research Analyst : Udit Gajiwala, Shalin Damani

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Analyst signature

Analyst signature

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