

January 29, 2025

RESULT REPORT Q3 FY25 | Sector: Building Materials

Apollo Pipes Ltd

Laudable performance on volume front; reiterate BUY!

Result Synopsis

Apollo Pipes Ltd (APOLP) delivered strong volume growth despite the weak macro-environment. Company's standalone volumes (excl Kisan) grew by 13%YoY (2-year CAGR stood at 9%) and volume from Kisan stood at 5,708Te Vs 3,722Te in previous quarter. Though standalone ASP declined by Rs7/Kg on sequential basis, margins contracted by mere Rs1/Kg to Rs10/Kg largely owing to better product-mix. Margins for Kisan improved marginally on account of better operating utilization. Overall for 9MFY25, standalone volumes remained flattish at 58,646Te while revenue declined by 6%YoY. EBITDA/Kg for 9MFY25 came in at Rs10.8 Vs Rs11.8 in 9MFY24. Overall slump in demand and higher competitive intensity have kept margins under pressure.

Management guidance

Management is confident of deliver a volume growth of 25%CAGR over coming 2-3 years with ROCE of 25%. Incrementally, company expects standalone margins to improve by Rs1-1.5/Kg with higher contribution of O-PVC pipes and window profile segment. For Kisan as well, management believes margins will expand to Rs6-7/Kg with better volumes.

Our View

We believe APOLLO PIPES should deliver overall volume growth of 17%CAGR (13%CAGR on standalone) over FY24-FY27E, on the back of expected pick-up in infra spends and healthy demand from plumbing segment with construction of new projects. New products viz, O-PVC and window profiles should enable the company to report healthy growth. Moreover, upcoming capacities in Varanasi and South will boost overall volumes. Margins should also improve gradually from hereon, owing to better operating utilization and improving product-mix. Hence, we expect EBITDA growth of 22%CAGR over FY24-FY27E. We continue to value the company at P/E(x) of 30x on FY27E EPS of 21.4 with a target price of Rs641. Hence, we maintain our BUY rating on the stock.

Result Highlights

- Consolidated revenue stood at Rs3.08Bn (in-line with our est), 23% sequential growth. (YoY consol nos are not comparable owing to acquisition of KISAN).
- Total volumes stood at 26,987Te, a sequential growth of 34%. (6% above our est).
- EBITDA/Kg came in at Rs8.6 Vs Rs9.6 in previous quarter. (Vs our est of Rs9.5).
- Net profit stood at Rs64Mn Vs Rs40Mn in Q2FY25.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,079	3,100	2,976	(0.7)	3.5	Revenue in line with estimate, profitability lower.
EBITDA	233	240	236	(3.1)	(1.4)	
EBITDA Margin (%)	7.6	7.8	7.9	-19 bps	-37 bps	
Adjusted PAT	64	78	76	(18.2)	(15.8)	

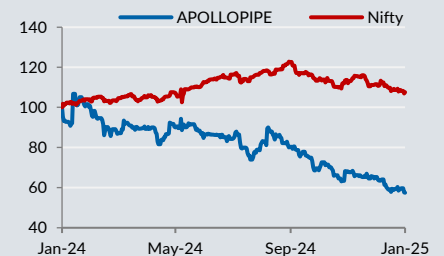
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 420
Target Price	: Rs 641
Potential Return	: +52.6%

Stock data (as on Jan 29, 2025)

Nifty	23,157
52 Week h/l (Rs)	799 / 402
Market cap (Rs/USD mn)	18,464 / 213
Outstanding Shares (mn)	44
6m Avg t/o (Rs mn):	51
Div yield (%):	0.2
Bloomberg code:	APOLP IN
NSE code:	APOLLOPIPE

Stock performance



	1M	3M	1Y
Absolute return	-12.0%	-17.8%	-39.8%

Shareholding pattern (As of Dec'24 end)

Promoter	46.5%
FII+DII	19.3%
Others	34.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	641	640

Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	11.4	15.3	21.4
EPS (Old)	10.2	15.6	21.3
% change	11.3%	-1.9%	0.3%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	12,359	17,765	21,653
YoY Growth	26.5	43.7	21.9
EBITDA	985	1,386	1,735
EBITDA (%)	8.0	7.8	8.0
PAT	380	633	883
YoY Growth	(10.7)	66.6	39.6
ROE	5.3	7.0	9.0
EPS	11.4	15.3	21.4
P/E	37.0	27.4	19.7
BV/Share	210	225	247
P/BV	2.0	1.9	1.7

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Standalone highlights: (Apollo Pipes, Ex-Kisan):

- Revenue stood at Rs2.45Bn, a growth of 10.5%YoY.
- Volumes grew by 13%YoY (2-year CAGR stood at 9%).
- ASP came in at Rs115 Vs Rs117/Rs122 in Q3FY24/Q2FY25 respectively.
- EBITDA/Kg stood at Rs9.9 as compared to Rs10.7/Rs11 in Q3FY24/Q2FY25 respectively.

Kisan Mouldings performance:

- Revenue stood at Rs700Mn a growth of 37%QoQ.
- Volumes came in at 5,708Te Vs 3,722Te in Q2FY25.
- ASP contracted by Rs14/Kg to Rs123/Kg.
- EBITDA/Kg improved to Rs4/Kg as compared to Rs3/Kg in Q2FY25

Exhibit 2: Quarterly Snapshot:

Rs mn	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Revenue	2,495	2,216	2,556	3,085	2,504	3,079	39.0	23.0	7,313	8,668	18.5
Expenditure	2,253	2,014	2,302	2,795	2,310	2,847	41.3	23.2	6,609	7,952	20.3
- RM	1,782	1,569	1,881	2,162	1,690	2,152	37.2	27.4	5,255	6,004	14.2
- Staff Cost	164	154	143	234	228	245	58.7	7.4	471	707	50.1
- Other cost	306	291	278	400	392	449	54.3	14.5	883	1,242	40.6
Operating Profit	242	201	254	290	194	233	15.6	19.9	705	717	1.7
OPM(%)	9.7	9.1	9.9	9.4	7.8	7.6	-153 bps	-19 bps	9.6	8.3	-137 bps
Other Income	13	11	3	10	6	3	(74.5)	(56.7)	36	19	(47.0)
Depreciation	72	75	85	99	106	118	57.0	11.5	214	323	50.8
Interest	7	14	15	22	37	31	125.4	(15.3)	36	90	151.9
PBT	175	123	158	178	58	86	(29.9)	49.3	490	322	(34.3)
Tax	46	33	89	39	18	23	(30.6)	24.0	131	80	(39.0)
PAT	129	91	69	139	40	64	(29.7)	60.9	359	242	(32.6)

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	% yoy	% qoq	9M FY24	9M FY25	% yoy
Volumes (Te)	19,803	18,868	21,345	26,575	20,152	26,987	43.0	33.9	59,890	73,714	23.1
Realization (Rs/Kg)	126	117	120	116	124	114	(2.8)	(8.2)	122	118	(3.7)
EBITDA/Kg (Rs)	12.2	10.7	11.9	10.9	9.6	8.6	(19.2)	(10.5)	12	10	(17.4)

Source: Company, YES Sec

Exhibit 4: Q3FY25 Snapshot:

Rs mn	Apollo Pipes	Kisan Mouldings	Total
Volumes (Te)	21,279	5,708	26,987
Realization (Rs/Kg)	115	123	114
Revenue (Rs Mn)	2,450	700	3,079
EBITDA (Rs Mn)	210	22	233
EBITDA (%)	8.6%	3.2%	7.6%
EBITDA/Kg (Rs)	9.9	3.9	8.6

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

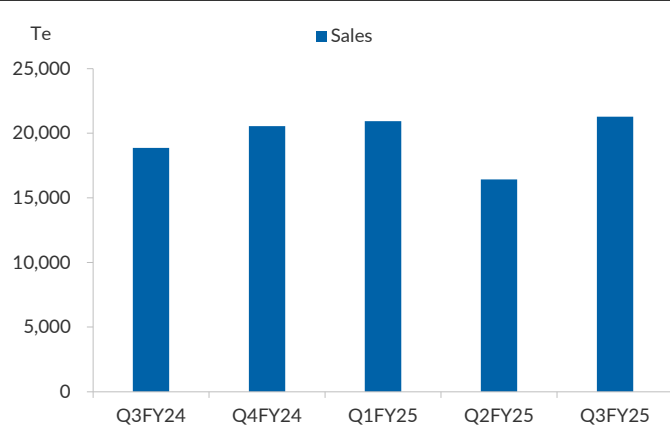
- While macro demand remains weak, company expects agri & housing demand to be good in Q4 which is generally a seasonably strong quarter and has already seen greenshoots in January. Government thrust on water & housing is also expected to return May'25 onwards.
- Management expects 25% CAGR volume over next 2-3 years and 25% ROCE. Standalone EBITDA/Te of ~Rs10,000 could improve by Rs1,000-1,500 contingent on demand scenario with OPVC ramping up & window profiles commencing as both are high margin products. Company expects to improve Kisan margins to Rs6,000-7,000/Te over next 2-3 years.
- O-PVC has just started contributing to 4-5% revenue and will go up to 7-8% in FY26E, window profiles is expected to start in next 3-4 months, Varanasi plant is yet to commence, and Kisan that has only been operational for 3 quarters will ramp up further. All these will contribute positively to Apollo's growth.
- Despite incurring a capex of Rs4.3Bn in last 7-8 quarters (Rs1.3Bn in 9MFY25 including gross block additions & capital advances of which ~Rs1Bn was for 3 OPVC lines), company continues to remain debt-free. Management will not take debt for any expansion.
- Additional capex of Rs3.5-4Bn has been planned for next 2-3 years for ongoing projects, and a new greenfield plant of 40,000-50,000Te capacity in South India near Bangalore that will commence by FY28E and cater to the major 4-5 states in South. For the same, company has raised Rs1.1Bn from Kitara at 30% premium over CMP and the rest will be from internal cashflow generation. Now that Apollo has received the funding commitment, company will lock in the land.
- Above greenfield plant plus brownfield expansion of 20,000-30,000Te in OPVC & other segments like water tanks will take total capacity to 3.6-3.7lakh Te. Post this, all further capacity expansions would be funded via internal accruals.
- No difference exists in product pricing of Apollo Vs larger players at retail level. There is only a pricing difference at distributor level where North is at par and West & South has 3-5% difference as company is still building its market there.
- North contributes 60-65% of revenue. Company entered West with Kisan and will enter South with new greenfield plant. With capacities coming online, management expects West & South revenue to be similar to North at ~Rs6Bn.
- Water segment contribution has declined from 15% of revenue at peak to ~5% currently.
- OPVC tech is only available with Netherlands (supplies to 1 company in India) & Spain (supplies to 7 companies in India) of which only 4-5 manufactures are expanding the segment aggressively. Apollo has tied up with Molecor (Spain) and 2 of 3 lines are operational. Last line is expected to be operational in next 2-3 months. The EU suppliers have exclusive contracts with Indian manufacturers who cannot supply to any other company and Indian players cannot procure from any other supplier. Chinese quality & tech currently is extremely low and management believes that China would not be able to cover the gap for at least the next 2-3 years.
- Number 1 player in window profiles has a revenue of Rs7-8Bn from the segment. Apollo targets to be in top 3/4 with a segment contribution of Rs1-2Bn in next 2-3 years.
- Company will not invest further in bath fittings as it requires a lot of bandwidth and high investment to have complete SKU range. After the ongoing expansions, company will explore bath fittings and will look for inorganic opportunities for the same.
- Nominal inventory loss was incurred in Q3FY25 as PVC prices did not see much fluctuation.
- 10-15% dealers are currently taking channel financing that was 5-10% in FY24.
- Ad spends were ~1% of sales and owing to adverse demand scenario, company has been focusing more on BTL i.e., adding more plumbers in program, in-shop branding, engaging with

channel partners for outdoor hoardings, etc. ROI for the same has been in-line with ROCE at 20-25%.

- Anti-dumping duty on PVC resin will not have any major impact on margins as it will affect only by Rs6-8/Kg per initial reports.
- Company offers only 30-40 days of credit period to dealers.

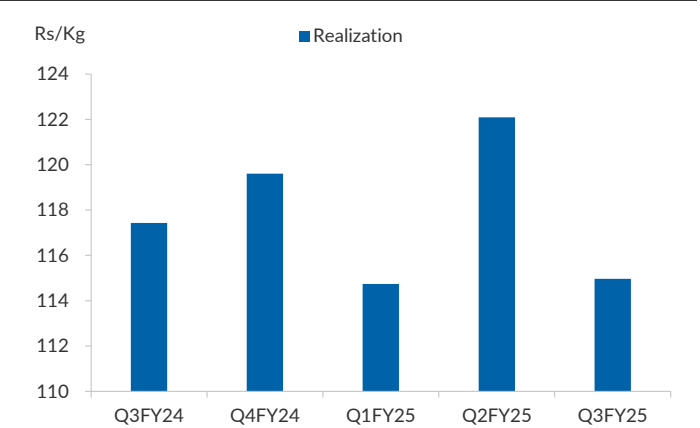
QUARTERLY TRENDS

Exhibit 5: Standalone pipe volumes up by 13%YoY...



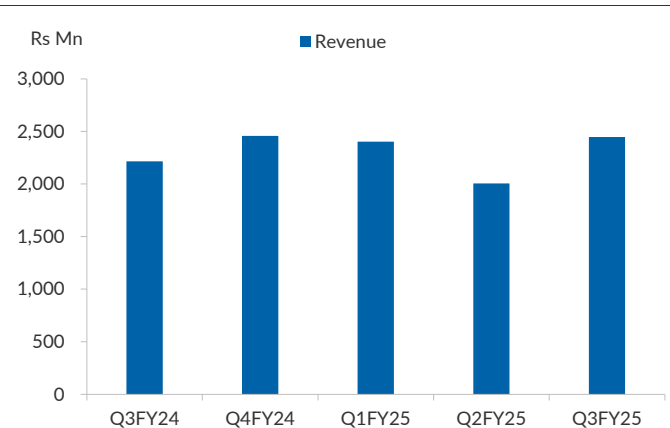
Source: Company, YES Sec

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



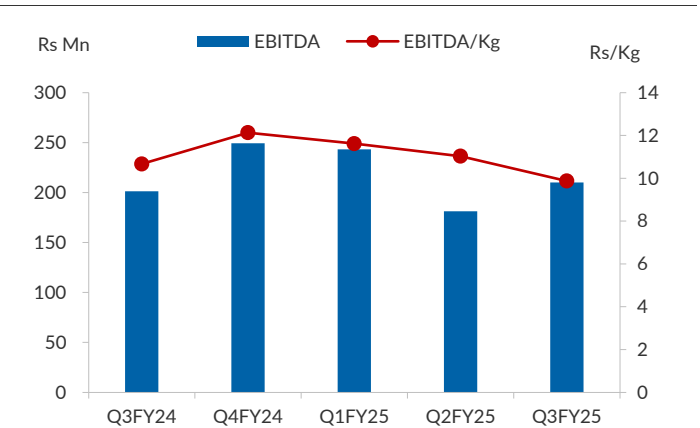
Source: Company, YES Sec

Exhibit 7: Standalone revenue increased by 10%YoY...



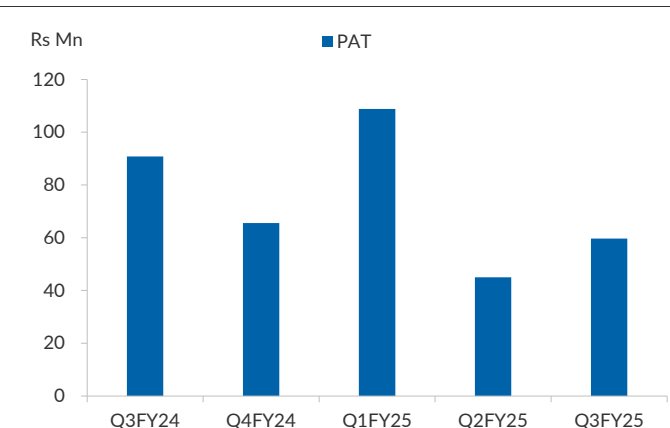
Source: Company, YES Sec

Exhibit 8: EBITDA/Kg stood at Rs10...



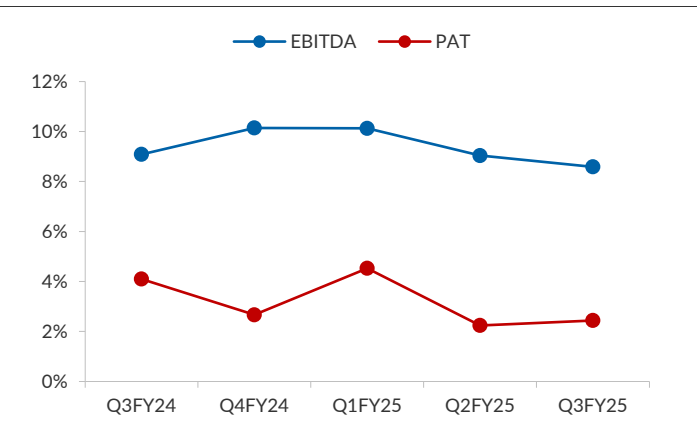
Source: Company, YES Sec

Exhibit 9: Standalone net profit was Rs60Mn...



Source: Company, YES Sec

Exhibit 10: OPM & NPM came in at 8.6% & 2.4%...



Source: Company, YES Sec

FINANCIALS

Exhibit 11: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	9,145	9,771	12,359	17,765	21,653
COGS	6,927	7,051	9,077	13,319	15,838
COGS %sales	75.7	72.2	73.4	75.0	73.1
GP	2,218	2,720	3,281	4,446	5,815
GP%	24.3	27.8	26.6	25.0	26.9
EBITDA	681	954	985	1,386	1,735
EBITDA%	7.4	9.8	8.0	7.8	8.0
Depreciation	284	297	429	513	562
Finance Cost	89	51	100	89	66
Other Income	20	39	50	60	70
PBT	328	645	506	844	1,178
Tax	88	220	127	211	294
PAT	241	425	380	633	883
PAT%	2.6	4.4	3.1	3.6	4.1

Source: Company, YES Sec

Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	393	394	414	414	414
Reserves	4,179	5,347	5,727	6,360	7,243
Equity	4,572	5,740	6,140	6,773	7,656
Payables	1,179	1,669	2,149	3,153	3,750
Provisions	5	79	79	79	79
Other current Liab	364	881	881	881	881
Total Equity & Liab	6,619	10,106	13,935	15,373	16,652
Gross Block	3,746	6,104	8,104	8,904	9,704
Acc Dep	1,240	1,537	1,966	2,480	3,041
Net Block	2,506	4,567	6,138	6,424	6,663
CWIP	56	84	84	84	84
Other Noncurrent	453	1,344	1,344	1,344	1,344
Inventory	1,708	1,987	2,558	3,754	4,464
Receivables	658	796	1,006	1,446	1,763
Cash & Bank	348	560	2,037	1,552	1,566
Loans	38	36	36	36	36
Other	553	331	331	331	331
Total Assets	6,619	10,106	13,935	15,373	16,652

Source: Company, YES Sec

Exhibit 13: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	327	648	506	844	1,178
Depreciation & Amortization	284	299	429	513	562
Finance cost	89	51	100	89	66
(Incr)/Decr in Working Capital	146	444	(302)	(631)	(430)
Taxes	(143)	(180)	(127)	(211)	(294)
Cash from ops.	687	1,247	606	603	1,081
(Incr)/ Decr in PP&E	(728)	(957)	(2,000)	(800)	(800)
Cash Flow from Investing	(680)	(2,140)	(2,000)	(800)	(800)
(Decr)/Incr in Borrowings	51	(1,222)	400	(200)	(200)
Finance cost	(89)	(51)	(100)	(89)	(66)
Cash Flow from Financing	(78)	(637)	2,870	(289)	(266)
Incr/(Decr) in cash	(70)	(1,530)	1,477	(485)	15
Cash and cash equivalents at beginning of year	418	2,076	560	2,037	1,552
Cash and cash equivalents at end of year	348	546	2,037	1,552	1,566

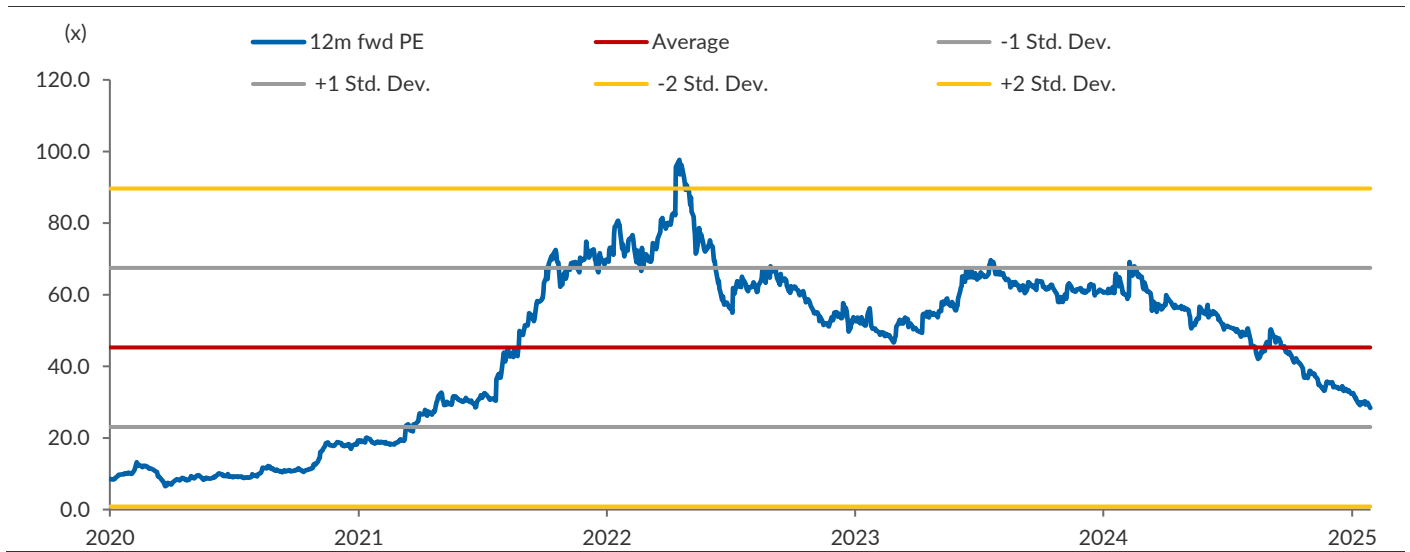
Source: Company, YES Sec

Exhibit 14: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue growth	16.6	6.8	26.5	43.7	21.9
EBITDA growth	(27.1)	40.1	3.3	40.7	25.2
EBIT growth	(41.7)	66.9	(12.8)	53.8	33.4
PAT growth	(51.7)	76.7	(10.7)	66.6	39.6
Profitability ratios (%)					
GP margin	24.3	27.8	26.6	25.0	26.9
EBITDA margin	7.4	9.8	8.0	7.8	8.0
EBIT margin	4.6	7.1	4.9	5.2	5.7
PAT margin	2.6	4.4	3.1	3.6	4.1
RoCE	9.5	12.1	7.3	9.2	11.4
RoE	5.6	8.2	5.3	7.0	9.0
Per share values					
EPS	6.1	10.8	11.4	15.3	21.4
CEPS	13.3	18.4	19.6	27.7	34.9
BVPS	116.3	145.9	210.2	225.5	246.8
Valuation ratios (x)					
P/E	89.6	58.9	37.0	27.4	19.7
P/B	4.7	4.4	2.0	1.9	1.7
EV/EBITDA	31.8	26.3	16.6	12.0	9.5
Leverage ratios (x)					
Debt/ Equity	0.1	0.1	0.1	0.1	0.1
Net debt/Equity	0.0	0.0	(0.1)	(0.1)	(0.1)
Net debt/EBITDA	0.1	0.1	(1.0)	(0.5)	(0.5)
Int coverage	4.7	13.8	6.1	10.5	18.9
NWC days					
Receivables	26	30	30	30	30
Inventory	90	103	103	103	103
Payables	62	86	86	86	86

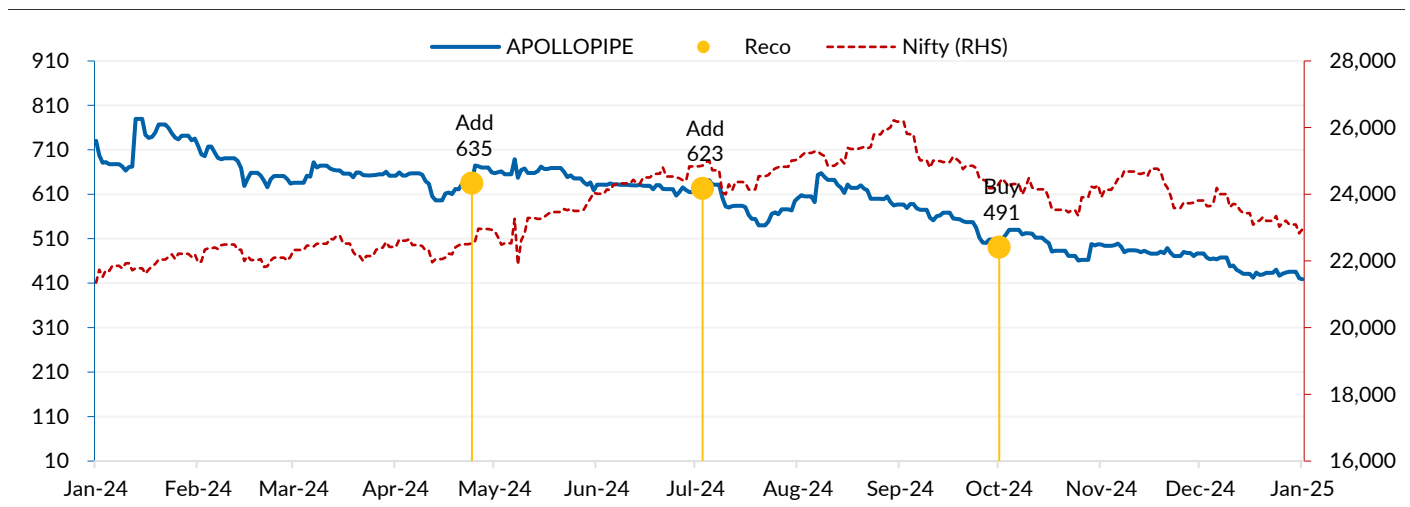
Source: Company, YES Sec

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



Source: Company, YES Sec

Recommendation Tracker



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