

Choice

# Apollo Pipes Ltd

## Building Materials

October 2024



Choice Equity Broking Private Limited

# Apollo Pipes

## Initiation Coverage Report

Institutional Research

9<sup>th</sup> October 2024

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## Apollo Pipes Ltd.

## OUTPERFORM

Apollo Pipes is a top 10 piping solution provider in India, headquartered in Delhi, with over three decades of experience. The company operates eight manufacturing facilities across various states, including Uttar Pradesh, Gujarat, Karnataka, Chhattisgarh, Maharashtra, Dadra and Nagar Haveli, and Madhya Pradesh, with a total capacity of 216,000 tons. Apollo Pipes offers an extensive product range of over 2,600 varieties, including cPVC, uPVC, PVC-O pipes, fittings, and water storage tanks, catering to sectors such as agriculture, water management, construction, infrastructure, and telecom ducting. Its strong distribution network includes over 1,000 channel partners, reinforcing its brand presence in the domestic market.

### Investment Thesis and Strategies

**Established position in domestic PVC Pipes industry:** Apollo pipes has established itself as a key player in the domestic PVC pipes market, Leveraging its strong brand recognition and diverse product offerings. To Support ambitious growth and meet the rising demand, Apollo has doubled the capacity in last 4 years from 84,000MT in FY20 to 1,56,000MT in FY24. This expansion was spread across its existing facilities in Dadri, Ahmedabad, Bangalore, and Raipur, enabling the company to better serve its customers with a more extensive production footprint. Going ahead, APL Apollo plans to further ramp up its production capacity to around ~200,000 MTPA by FY26E, driven by the planned manufacturing capacity at Varanasi of 30,000MT and it will be on track by 4QFY25. This upcoming facility is expected to not only bolster the company's overall production capabilities but also optimize its logistics and supply chain efficiency, given its strategic location.

**Acquisition of Kisan Moulding:** Apollo Pipes has acquired a majority stake 53.57% in Kisan moulding, one of the leading pipe brands in West India, for an investment of Rs118 crore. This Acquisition will provide strong footprint in West India with a capacity of 60,000MT and potential revenue of Rs750 crore in three years. Apollo aims to further solidify its position in West India and accelerate its expansion plans in this high-demand market. Kisan's EBITDA turned positive in 1QFY25 post the acquisition by Apollo Pipes as had focused on the project and OEM business, which was not profitable. Now, the company has shifted its focus to fittings segment, driving its improved financial performance. Apollo is now targeting a top line of Rs 4.5 to 5bn from Kisan, with an EBITDAM of 7-8%. The company expects this to grow further, reaching a top line of Rs 6 to 6.5 billion in FY26 and Rs 7.5 to 8 billion in FY27, with margins improving to 10-12%.

**Apollo is Confident of achieving 25+% volume growth Going forward:** Apollo is confident of achieving over 25% volume growth in the next 2-3 years, driven by robust demand in the real estate, agriculture, and water management sectors. Over the past four years, the company has doubled its capacity from 84,000 MT in FY20 to 216,000 MT in FY24. Looking ahead, Apollo plans to expand capacity further to 286,000 MT through brownfield and greenfield projects, including Kisan Moulding. With a strategic focus on the water management and construction segments, Apollo aims to increase its dealer and distributor network from 900 in FY24 to 1,100 (including Kisan) and expand its SKU base from 1,600 to 2,500 over the medium to long term. These initiatives are expected to drive over 25% volume growth in the next 3-4 years, with a targeted top-line of ₹25 billion by FY27E. The increased capacity and a better product mix are also anticipated to improve margins to around 12-13%, compared to 9.7% in FY24.

### View and valuation

We initiate coverage on Apollo Pipes Ltd with an Outperform rating, driven by several key factors: (1) pan-India capacity expansion in the piping segment from 156,000 MT to 286,000 MT over the next 2-3 years, (2) entry into the West Indian market through the acquisition of a majority stake in Kisan Moulding for ₹1.18 billion, adding 60,000 MT of capacity, (3) margin improvement through a focus on value-added products such as O-PVC and PVC windows, and (4) increased penetration supported by higher investments in advertising activities. We expect Apollo Pipes' revenue, EBITDA, and APAT to grow at a CAGR of 26%, 30%, and 31% over FY23-27E. Assigning a 32x multiple on FY27E EPS, we arrive at a target price of ₹759 with an Outperform rating.

09<sup>th</sup> Oct, 2024

<b>CMP (Rs.)</b>	<b>559</b>
<b>Target (Rs.)</b>	<b>759</b>
<b>Potential Upside (%)</b>	<b>35.0</b>

CMP as on 9<sup>th</sup> Oct, 2024

### Company Info

BB Code	APOLP IN EQUITY
ISIN	INE126J01016
Face Value (Rs.)	10.0
52 Week High (Rs.)	798.9
52 Week Low (Rs.)	539.1
Mkt Cap (Rs. bn.)	23.3
Mkt Cap (\$ bn.)	0.27
Shares Outstanding (Mn.)	41.4
FY27E EPS (Rs.)	23.7

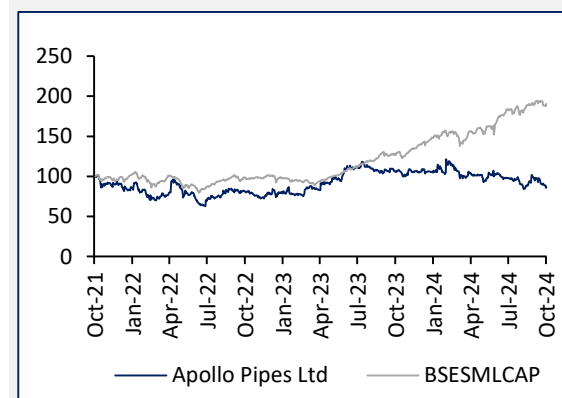
### Shareholding Pattern (%)

	Jun-24	Mar-24	Dec-23
Promoters	45.90	50.77	50.80
FII's	4.14	4.24	3.23
DII's	17.19	14.68	14.70
Public	32.77	30.31	31.27

### Relative Performance (%)

YTD	3Y	2Y	1Y
BSE SMLCAP	90.4	92.5	51.0
Apollo Pipes	(12.7)	7.1	(17.3)

### Rebased Price Performance (%)



## About the Company

- Apollo Pipes is a prominent player in India's piping and fittings industry, specializing in water management solutions. With decades of experience and a diverse clientele, the company is headquartered in Delhi and has a strong brand presence in the domestic market. Apollo Pipes manufactures products primarily for the plumbing, sanitation, water supply, infrastructure, and agriculture sectors.
- Operating from five state-of-the-art manufacturing facilities with a combined capacity of 156,000 MTPA, the company offers a diverse portfolio of over 1,600 high-quality products, including CPVC, uPVC, and HDPE pipes and fittings, bathroom products, water tanks, and solvents. Supported by a robust distribution network of over 700 channel partners and 10,000 customer touchpoints, Apollo Pipes is dedicated to delivering excellence in its offerings.
- A key highlight for the year was the increase in capacity at the Tumkur and Dadri facilities, commissioned toward the end of FY24, with full benefits expected to materialize in FY25E. The company also began construction of a Greenfield facility in Varanasi, which is anticipated to be operational by the end of FY25E. Additionally, new products such as Column Pipes and Oriental Pipes have been added to the portfolio, which are expected to significantly contribute to Apollo Pipes' business growth.



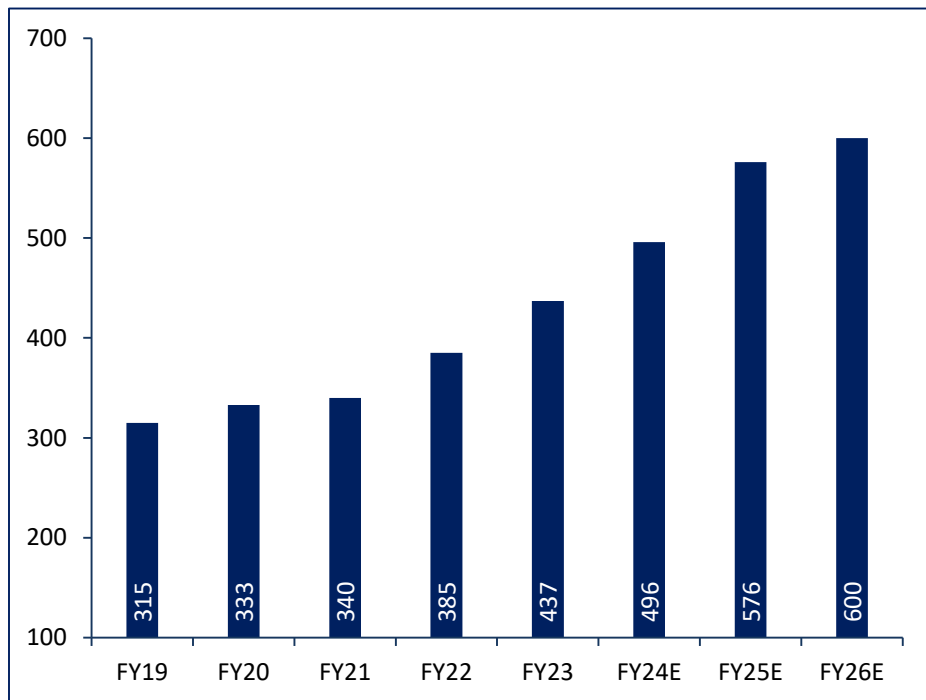
Source: Company, CEBPL



### PVC Pipes & fittings market expected to grow by 11% CAGR by FY26E-

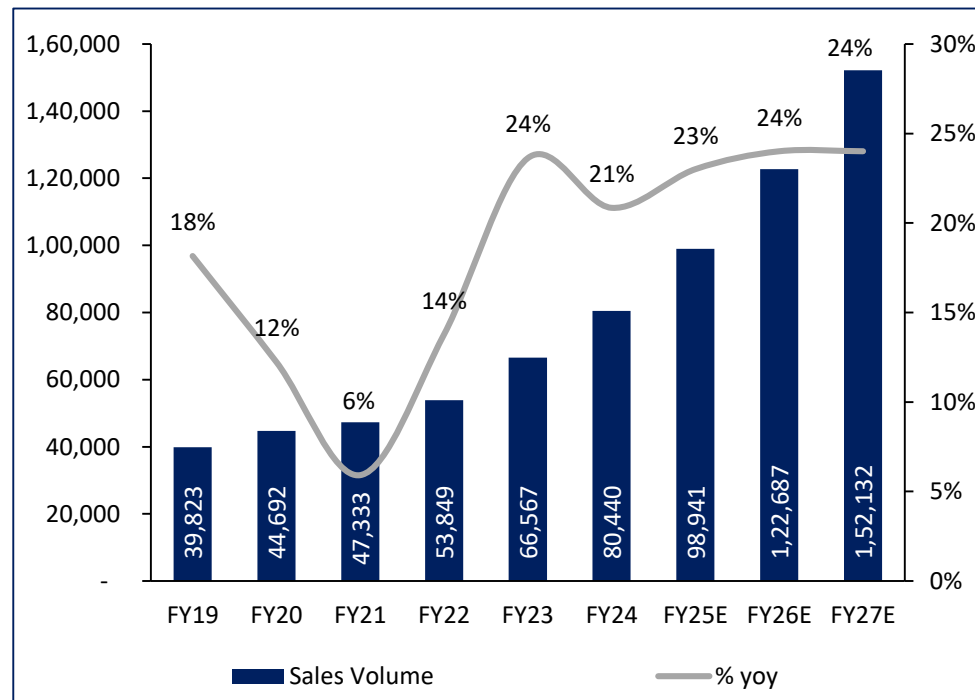
- The PVC pipe sector in India has consistently experienced growth, driven by rising demand linked to the country's overall development. Factors such as urbanization, infrastructure development, and construction in residential, commercial, and industrial sectors contribute to this upward trend. Valued at INR385bn in 2022, the Indian PVC pipes market is projected to grow at a CAGR of 11%, reaching INR600bn by FY26E. The domestic plastic pipes industry is approximately ₹ 495 billion, with organized players holding about 70% market share.
- In addition to private and commercial growth, the government aims to enhance water supply for rural households. Initiatives like the 'Har Ghar Jal Yojana' and 'Jal Jeevan Mission' aim to provide tap water connections to all rural homes by 2024, significantly boosting demand for plumbing and fittings, including PVC pipes.
- The Atmanirbhar Bharat initiative has also influenced this sector, promoting self-reliance through various policies. Notably, anti-dumping duties on CPVC resin and its compounds imported from China and Korea, effective from 2020 to 2025, are expected to benefit regional manufacturers. These factors collectively underscore a promising outlook for the PVC pipe industry in India.
- Apollo Pipes has access to large client base is provided by more than 1600+ SKU, over 700+ channel partners, with 5 manufacturing facilities. To participate in this growth Apollo Pipes has acquired the 53.57% stake in Kisan Mouldings.

#### PVC Pipe Market Size (INR bn)



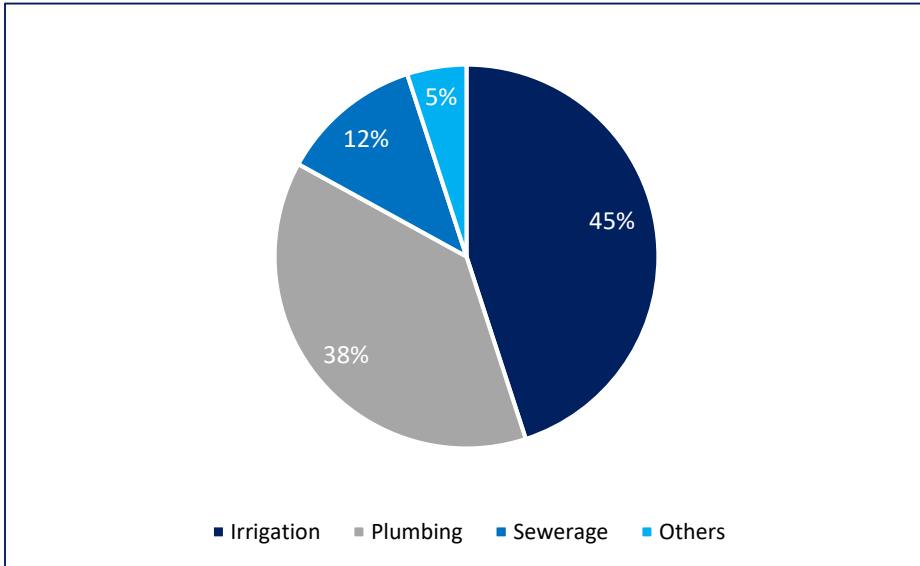
Source: Company, CEBPL

#### Apollo Pipe Sales Volume Growth (INR bn)



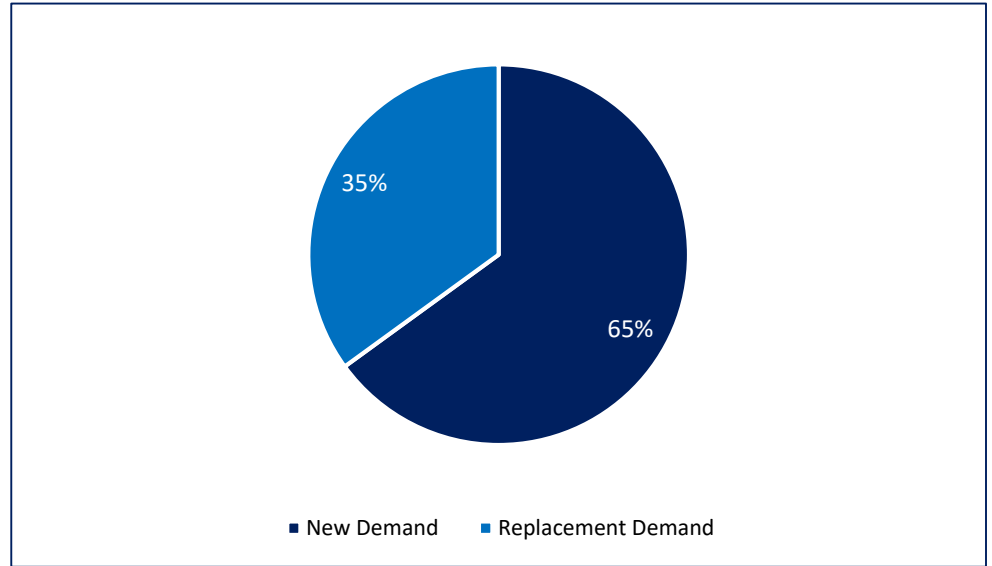
Source: Company, CEBPL

**Demand Segmentation- Domestic Industry**



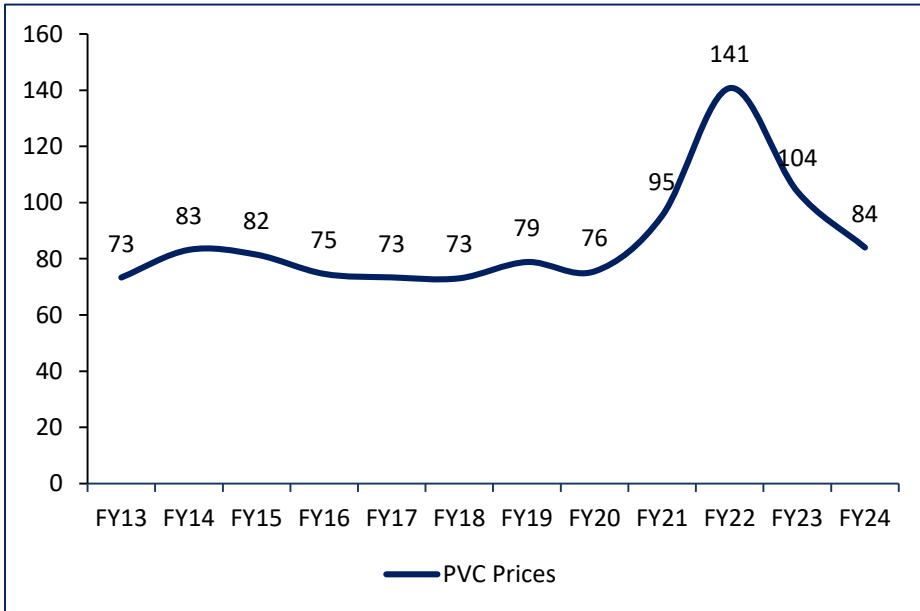
Source: Company, CEBPL

**Demand Split- Domestic Industry**



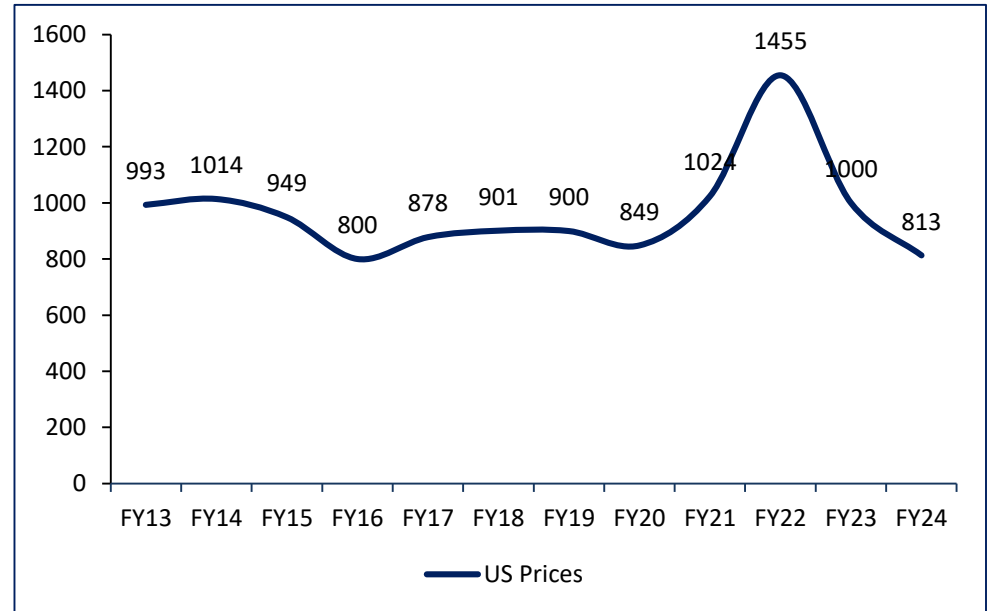
Source: Company, CEBPL

**PVC Price (INR KG)**



Source: Company, CEBPL

**PVC Price (USD MT)**



Source: Company, CEBPL

## Sector of Presence & Focus- A big positive for PVC Pipes

- **Indian Agricultural Sector-** Agriculture occupies about 55% of India's net sown area, totaling 139.42 million hectares, and cultivates 34 of the country's 40 major crops. However, it remains largely dependent on rain, with approximately 60%-70% of farmland relying on rainfall for irrigation and sustenance. This reliance highlights the significant impact of the monsoon on India's economy. Agriculture consumes around 70% of the nation's water, yet it faces challenges related to water management and irrigation.
- To address these issues, the government has initiated several programs, including the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) aimed at improving irrigation, and the National Food Security Mission (NFSM) designed to boost crop yields. In the coming three years, the government plans to assist one crore farmers in transitioning to natural farming practices. The introduction of innovative farming techniques and technology-driven solutions is expected to enhance efficiency and output, ultimately increasing agricultural produce and expanding irrigable land.
- These developments suggest promising prospects for the PVC pipes market, as advanced irrigation systems like drip and sprinkler irrigation necessitate significant infrastructural improvements. This creates a growing demand for robust PVC pipes, underscoring the potential for market expansion in this sector.

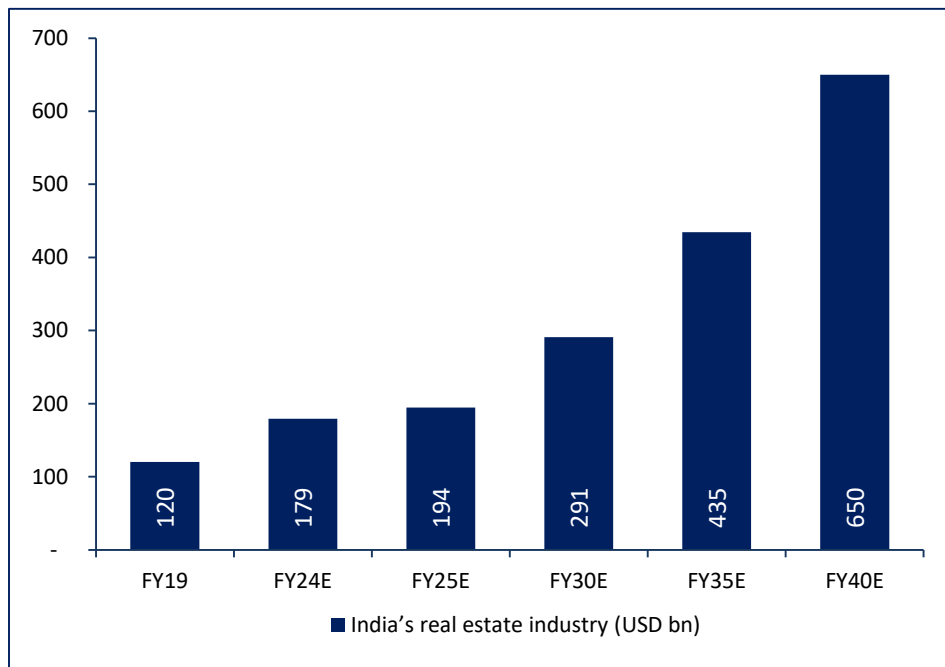


Source: Company, CEBPL

## Sector of Presence & Focus- A big positive for PVC Pipes

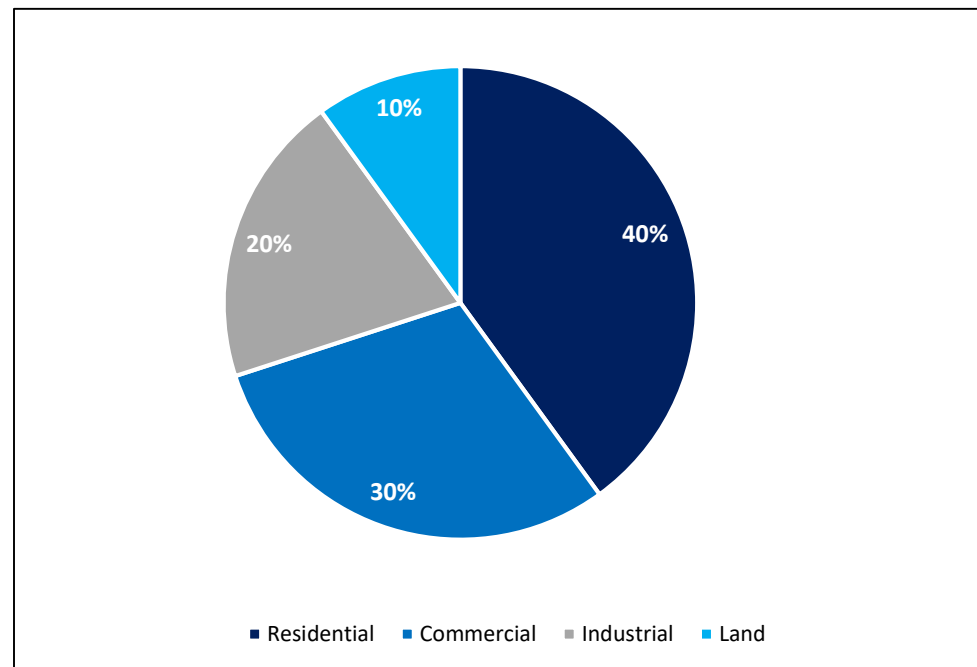
- Indian Real Estate Sector-** The Indian real estate market is projected to soar to Rs 65,000 crore (USD 9.3 billion) by 2040, up from Rs 12,000 crore (USD 1.72 billion) in FY19. By FY30, the market size is anticipated to hit USD 1 trillion, a significant increase from USD 200 billion in FY21. The residential real estate market is on a growth trajectory, with sales in the top seven cities increasing by 14% in FY24 and new launches rising by 25%. This momentum is expected to continue into 2024, supported by lower interest rates. Government initiatives like the Pradhan Mantri Awas Yojana (PMAY) and the Affordable Housing Fund have significantly boosted demand for affordable housing, highlighting the government’s commitment to this sector.
- Additionally, the retail real estate market is thriving, with organized retail stock projected to grow by 28% to 82 million sq. ft by 2023. There is a consistent demand for malls and shopping complexes, reflecting consumer preferences for organized retail spaces. Co-working spaces have gained popularity among start-ups, freelancers, and small businesses due to their cost-effectiveness and flexibility.
- The development of various real estate projects is expected to create numerous opportunities for the PVC pipe sector, enhancing its demand and positioning it as a key player in supporting the infrastructure needs of this rapidly expanding market.

### India’s real estate industry to grow by 8% CAGR over FY23 to FY40E



Source: Company, CEBPL

### India Real Estate Market Share, By Property (in %)



Source: Company, CEBPL



## Capacity Expansion to aid long term growth plan

- Apollo Pipes currently has a production capacity of 216,000 MTPA, with 156,000 tons attributed to Apollo Pipes Ltd and 60,000 tons from Kisan Mouldings Ltd. The company is executing a capacity expansion plan of 41,500 tons, which includes a 30,000-ton greenfield expansion at the Varanasi plant, expected to be completed by FY26E. This expansion also involves the launch of new products, such as PVC-O pipes and window and door profiles, with an additional capacity of 11,500 tons, also targeted for completion by FY26E. Furthermore, there is a 28,500-ton brownfield expansion, bringing the total capacity to 286,000 tons in the next 2-3 years. The company's primary focus remains on optimizing utilization at its facilities in Dadri, Ahmedabad, Bengaluru, and Raipur. Apollo Pipes is also expanding its Dadri plant to cater to rising demand in the northern region, while setting up new manufacturing lines for value-added products at different locations, aiming for over 25% CAGR growth over the next three years.
- The company launched its first production line for O-PVC pipes in Q1FY25, positioning Apollo Pipes among the leading companies in India to offer this product segment. Two additional lines are expected to become operational by the end of FY25. Additionally, the project to introduce uPVC doors and window profiles is progressing as planned, further enhancing APL Apollo's presence in the housing and building materials sector.
- Following the completion of its initial expansion plan, the company is planning to further expand its capacity in southern India, either by acquiring adjacent land at its existing plant or by establishing a larger facility. The company is targeting a capital expenditure of INR 1,000–1,500 million over the next 2–3 years, which will primarily be funded through internal cash flows, with the remaining coming from equity infusion.
- To achieve its target of capacity utilization, company plans to expand its SKUs from 1,600 in FY24 to 2,500 by FY25E. Additionally, the company aims to increase its distributor network from 200 in FY24 to 250 by FY25E, with a further expansion to 300 by FY26E.

Companies	Capacity FY24 (MT)	Margins 1QFY25 (%)	Utilization %	Agri Mix(%)	Plumbing & Drainage (%)
Apollo Pipes	1,56,000	9.4	68%	55%	45%
Astral Ltd	3,34,040	17.9	67%	20%	80%
Prince Pipes	3,38,959	9.6	60%	30%	65%
Finolex Industries	4,70,000	12.7	77%	70%	30%
Hindware Home	58,600	6.7	70%	5%	95%

Source: Company, CEBPL

## Strategic acquisition of Kisan Moulding – A new era in Piping

- Kisan Mouldings Limited has established itself as a key player in the pipes and fittings industry, specializing in water management, irrigation, water distribution, and sewage disposal systems for over 30 years. The company is recognized as one of India's leading manufacturers of plastic piping, including Chlorinated Poly Vinyl Chloride (CPVC) and Poly Vinyl Chloride (PVC) pipes. It also excels in irrigation and plumbing systems for residential, commercial, and industrial use, processing approximately 20,000 to 40,000 metric tons of polymer annually. Its plumbing product lineup features the KML Classic CPVC Plumbing System and the Free Flow uPVC Plumbing System (ASTM). Kisan Mouldings offers a comprehensive range of PVC and CPVC pipes, fittings, and solvents, providing complete piping solutions under one roof.
- Apollo Pipes acquired a 53.57% stake in Kisan Mouldings on March 26, 2024. Kisan Mouldings has a production capacity of 60,000 tons. In Q1FY25, Kisan Mouldings reported revenue of INR 682.3 million, reflecting a 14.8% QoQ growth but a 15.7% YoY decline. During this quarter, the company achieved an EBITDA of INR 46.2 million, a significant improvement from the negative EBITDA in Q4. Previously operating at a loss, the company has refocused on trade sales and leveraging the Kisan brand since Apollo Pipes took charge in April.
- Looking ahead, Apollo aims to increase Kisan's sales to INR 4,500–5,000 million in FY25, INR 6,000–6,500 million in FY26, and INR 7,500–8,000 million by FY27, with a target EBITDA margin of 10%. The company also plans brownfield capital expenditures for plant modernization and is committed to maintaining a working capital cycle of 30–40 days, with a focus on high-quality trade channel sales. Kisan Moulding have wider dealer network with over 300+ dealers and 15,000+ retailers.



Source: Company, CEBPL

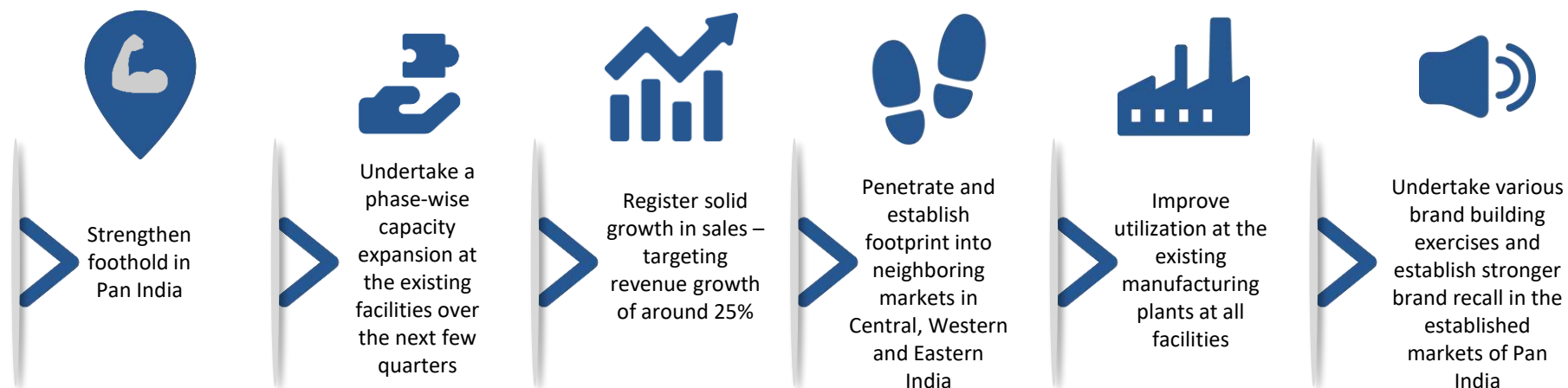


Source: Company, CEBPL

## Revenue Growth & Margin Expansion Plan

- From FY21 to FY24, the company achieved a revenue CAGR of 24%, with expectations for growth to accelerate at a 26% CAGR from FY24 to FY27E. Additionally, the company has projected a 25-30% CAGR in revenue over the next 3-4 years. Looking ahead, Apollo is targeting long-term EBITDA margins of 12-13%, supported by the introduction of new value-added products such as O-PVC pipes and window profiles. However, for the next two years, the company anticipates EBITDA margins to hover around 10% due to the impact of ongoing substantial capital expenditures. As new capacities are brought online, the company expects to face negative operating leverage. Once capacity expansion reaches 286,000 tons, margins are projected to gradually rise to the 12-13% range vs 9.7% in FY24.
- The company is confident of achieving a 25-30% ROCE, even with the proposed investments. This confidence is backed by improvements in working capital efficiencies.
- Apollo's strategic focus on expanding its value-added product portfolio offers a strong growth trajectory. Currently, 45% of its product mix consists of premium offerings such as fittings (including uPVC pipes), cPVC pipes and fittings, bath fittings, high-end HDPE pipes (with better margins in the agri sector), water storage tanks, newly launched premium PPR pipes, and solvents. With capacity expansions at Dadri-2, and brownfield projects in Dadri and Tumkur, the value-added mix is expected to rise to 70%. Additionally, greenfield plants in East, West, and South India will further boost this mix to 60-65%. By shifting its focus toward these higher-margin products, Apollo aims to elevate its group sales mix to above 65-70%.

## Focus Areas for FY25E



Source: Company, CEBPL

### Company Presence & Capacity – Front foot in North & South

Apollo Pipes has focused on expanding its production capacity through strategic capital investments. The company's approach involves setting up manufacturing facilities near key consumer markets, allowing them to reach customers faster and more cost-effectively. Over the past five years (FY20-FY24), Apollo Pipes has invested ₹3,750 million in capacity-building initiatives, strengthening its ability to meet growing market demand. This strategy enhances operational efficiency and market presence, ensuring faster product availability and optimized distribution costs. These investments underscore the company's commitment to long-term growth and its proactive approach to staying competitive in the industry.



70%

Capacity in North & West

30%

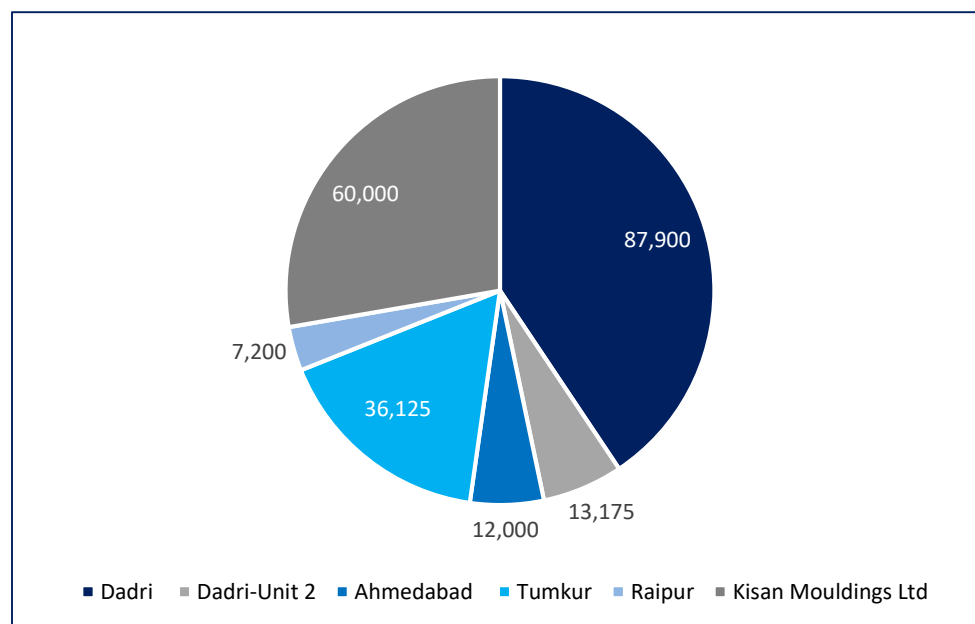
Capacity in South & East

#### Geographic wise Plant Capacity

Geographic Locations	FY21	FY22	FY23	FY24	FY27E
Dadri	78,700	78,700	87,900	87,900	2,86,000
Dadri-Unit 2	NA	NA	NA	13,175	
Ahmedabad	12,000	12,000	12,000	12,000	
Tumkur	27,300	27,300	28,900	36,125	
Raipur	NA	7,200	7,200	7,200	
Kisan Mouldings Ltd	NA	NA	NA	60,000	

Source: Company, CEBPL

#### Plant Capacity as on Mar-24



Source: Company, CEBPL



## Diversify Product Portfolio

- Apollo Pipes is deeply committed to expanding its product range, consistently introducing new products to meet diverse market needs. Over the years, the company has broadened its pipe offerings to cater to almost every application, ensuring that they serve a wide range of industries. Additionally, Apollo Pipes has strategically diversified into related non-pipe segments, which not only complements their core business but also helps them capture a greater share of their clients' overall spending.
- This approach allows the company to provide more value to customers by offering a one-stop solution for various requirements. Enhancing their product portfolio is a regular practice, with new additions every year to keep up with market trends and demands. Furthermore, strategic inorganic investments, such as acquisitions, have allowed them to further widen their product offerings, strengthening their competitive edge and driving growth in both existing and new markets. This commitment underscores Apollo Pipes' long-term growth strategy.
- Apollo Pipes has manufacturing facilities located in multiple regions, including Dadri and Sikandrabad (U.P.), Ahmedabad (Gujarat), Tumkur (Bangalore, Karnataka), Raipur (Chhattisgarh), Mahagaon (Yavatmal, Maharashtra), Silvassa (Dadar & Nagar Haveli), and Dewas (Madhya Pradesh).
- Company has successfully added **water storage tanks** to its product portfolio.
- Apollo Pipes has launched **plastic faucets, taps, and showers** in the domestic market to increase brand visibility with new products.
- Launched '**PVC-O Pipes**' for increasing in product range and cater to Jal-Jivan Mission Project

### PLUMBING



CPVC Plumbing System



UPVC Plumbing System



PPR-C Plumbing System

### AGRICULTURE



HDPE Sprinkler System

uPVC Pressure Pipes & Fittings

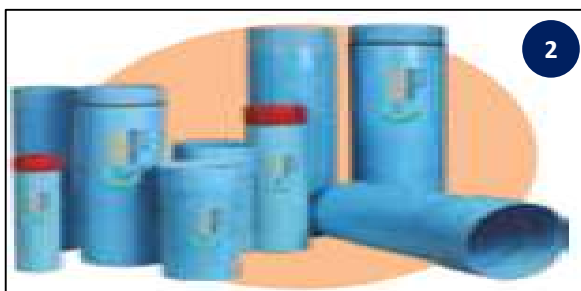


Source: Company, CEBPL

**Diversify Product Portfolio**

**SEWAGE**

1. uPVC SWR Drainage System
2. Underground Drainage Pipes

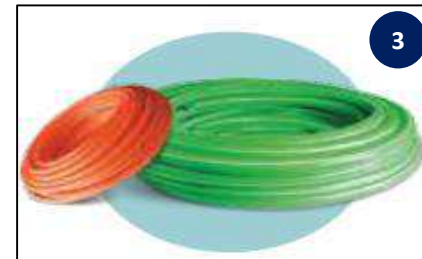


**BOREWELL SYSTEM**

1. UPVC Column Pipes
2. Casing Pipes

**WATER SUPPLY**

1. PVC-O Pipes
2. HDPE Pipes & Coils
3. Garden Pipes

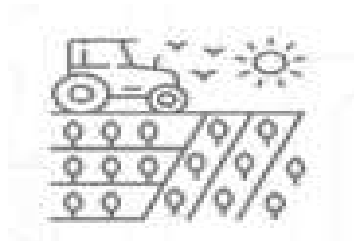


1. Water Tanks
2. Solvent Cement
3. Kitchen Sink

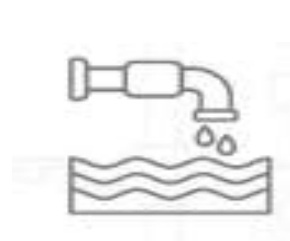
Source: Company, CEBPL

## Key Product Offerings

## Apollo Pipes Key Focus Area

**Agriculture Segment:**

- Casing pipes
- Drip irrigation & Sprinkler system
- Bore well pipes

**Water Management Segment:**

- Hot & cold potable water distribution & transportation
- Residential, commercial installations

**Construction Segment:**

- Sanitation & Sewage pipes
- Plumbing Pipes

- 1. Agriculture Segment-** Agriculture accounts for roughly 55% of India's net sown land, which amounts to 139.42 million hectares, and produces 34 of the 40 key crops in the country. Nonetheless, it is predominantly reliant on rainfall, with around 60%-70% of agricultural land depending on rain for irrigation and sustenance. This dependence underscores the crucial role of the monsoon in influencing India's economy. While agriculture uses about 70% of the country's water resources, it encounters various challenges concerning water management and irrigation practices. Products offered by Apollo Pipes under Agriculture segment are-
- 2. Casing Pipes-** The casing pipe industry is projected to experience a growth rate of 5.8% CAGR from 2024 to 2034, driven by increasing demand in the oil and gas sector and global water issues. APL Apollo offers high-quality casing pipes in two varieties: plain pipes and screen (slotted) pipes, both well-suited for rainwater harvesting. These casing pipes are significantly lighter than traditional metal options, facilitating easy and cost-effective transportation without the need for additional labor. Their fast and straightforward jointing process also makes installation hassle-free. APL Apollo's casing pipes ensure hygienic and efficient water transport, making them ideal for domestic, agricultural, industrial, and mining bore wells. They provide reliable performance while effectively preventing the contamination of water supplies by foreign particles. As a result, these pipes are highly favored by civil engineers and drilling contractors.
- 3. Drip Irrigation & Sprinkler system-** APL Apollo's sprinkler system is an innovative irrigation solution that blends high quality, affordability, and easy installation. This system maximizes water savings while offering excellent coverage for both small and large areas, making it suitable for all property types. Designed for efficient water distribution, the APL Apollo sprinkler system can cover a wide range, ensuring optimal irrigation. All products are crafted from high-strength, chemically resistant engineering plastics to provide functional satisfaction while maintaining cost-effectiveness.

Source: Company, CEBPL

## Key Product Offerings

- 1. Bore well Column Pipes-** APL Apollo Column pipes are the ideal solution for all borewells and submersible piping needs. These pipes are strong, durable, and robust, featuring an ultra-lightweight design with high tensile strength. They are capable of safely supporting the combined weight of the pump, water, and pipes. With leak-proof couplings, APL Apollo Column pipes offer exceptional sturdiness and longevity, making them a superior alternative to traditional metal pipes. These pipes are specifically designed to extract underground stream water using submersible pumps, particularly in the agricultural sector.
- 2. Water Management System-** The rehabilitation of aging pipelines and the installation of new pipes for liquid transportation represent significant opportunities within the water management sector. The government is focused on providing clean water and developing sustainable urban environments through well-structured sewage management and efficient transportation systems. Furthermore, the National Rural Drinking Water Mission (NRDWM) is dedicated to implementing safe drinking water initiatives.
- 3. Hot & cold potable water distribution, transportation & Residential, commercial installations-** The global CPVC pipe market was valued at USD 1.47 billion in 2023 and is projected to reach USD 3.71 billion by 2032, growing at a CAGR of 10.8% during the forecast period. CPVC piping systems are ideal for transporting both hot and cold potable water, making them particularly suitable for environments where a hygienic and uncontaminated water supply is essential. This includes applications in residential and commercial buildings, hotels, educational institutions, swimming pools, and more.
- 4. Construction Segment-** The infrastructure push, particularly in plumbing and distribution, will be driven by key areas such as water management, waste management, and water drainage & sewerage systems. Government initiatives like the 'Housing for All' and 'Smart Cities' schemes are set to significantly increase demand, with the Government of India targeting the construction of 20 million homes in urban areas and 40 million in rural areas. An urban home is estimated to consume about 200 kg of PVC products, while a rural home will require approximately 75 kg.
- 5. Plumbing Pipes-** APL APOLLO UPVC Plumbing Pipes and Fittings are designed for standard water distribution in residential, commercial, and industrial spaces. They are also utilised in swimming pools, hand pump pipes, salt water lines, and the sugar and paper industries. Additional applications of the UPVC plumbing system include ring lines, industrial process lines, corrosive fluid conveyance, and coal washing and ash management.
- 6. Sanitation & Sewage Pipes-** An Underground Drainage Pipe System is a network of pipes installed below ground to remove excess water from soil, buildings, or roads. Its key function is to prevent water buildup in low areas, which can lead to flooding, erosion, and structural damage. The system consists of interconnected pipes, fittings, valves, and pumps to manage water flow. Common types of pipes used include corrugated plastic, PVC, concrete, and clay pipes.

Source: Company, CEBPL



## Peer Comparison

	FY23		FY24		FY25E		FY26E		FY27E	
	Apollo Pipes	Prince Pipes	Apollo Pipes	Prince Pipes	Apollo Pipes	Prince Pipes	Apollo Pipes	Prince Pipes	Apollo Pipes	Prince Pipes
Capacity (MT)	1,36,000	3,15,088	1,56,000	3,49,527	2,16,000	3,94,527	2,57,500	4,29,527	2,86,000	4,29,527
Volume (MT)	66,567	1,57,718	80,440	1,72,793	98,941	1,96,984	1,22,687	2,26,532	1,52,132	2,60,511
Blended Realizations (Rs/MT)	1,37,380	1,71,881	1,22,688	1,48,660	1,24,539	1,51,634	1,26,403	1,54,666	1,28,928	1,57,760
Revenue (Rs mn)	9,145	27,109	9,869	25,687	12,322	29,869	15,508	35,037	19,614	41,098
EBITDA (Rs mn)	680	2,503	958	3,074	1,232	3,584	1,597	4,380	2,099	5,219
EBITDAM %	7.4	9.2	9.7	12.0	10.0	12.0	10.3	12.5	10.7	12.7
EBITDA/MT (Rs/MT)	10,215	15,871	11,909	17,791	12,452	18,196	13,017	19,333	13,797	20,035

## Risks and Concerns

- **Raw Material Price Volatility:** Apollo Pipes relies heavily on PVC resin and other raw materials, which are subject to price fluctuations based on crude oil prices. Any significant increase in raw material costs could pressure margins.
- **Competition in the Pipes Industry:** The plastic pipe industry is highly competitive, with both organized and unorganized players. This could limit Apollo Pipes' pricing power and impact market share, especially as other established brands expand their product offerings.
- **Dependence on Real Estate and Infrastructure Sectors:** Apollo Pipes' demand is closely linked to the performance of the construction, real estate, and infrastructure sectors. Any slowdown in these sectors could adversely affect the company's sales.
- **Capacity Utilization:** The company has been expanding its production capacity. However, if the demand growth does not keep pace with capacity additions, it could lead to underutilization of assets and pressure profitability.

## Company Timeline: Major events and milestones

- |                |                                                                                                                                                                                                                                                                                |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2000</b>    | <ul style="list-style-type: none"> <li>Commercial PVC pipe manufacturing operations established 3600 MTPA in Sikanderabad, U.P.</li> </ul>                                                                                                                                     |
| <b>2005-10</b> | <ul style="list-style-type: none"> <li>Started manufacturing HDPE pipes</li> <li>Setup new plant at Dadri-UP of capacity 21000 MTPA</li> <li>1st Company to start manufacturing of patented uPVC column pipes in North India</li> </ul>                                        |
| <b>2013-15</b> | <ul style="list-style-type: none"> <li>Started manufacturing UPVC Plumbing Pipes fittings with 180 MTPA capacity</li> <li>Commenced CPVC Pipes &amp; fittings using Kemone, France resin</li> <li>Started manufacturing UPVC agri and SWR fittings</li> </ul>                  |
| <b>2016</b>    | <ul style="list-style-type: none"> <li>First in North India to install 900kg/hr PVC extension line\</li> <li>Expanded capacity by 10,000 MTPA</li> <li>Took total available capacity to 50,000 MTPA</li> </ul>                                                                 |
| <b>2017</b>    | <ul style="list-style-type: none"> <li>Largest plastic piping solution company</li> <li>Installed capacity of molding division enhanced to 2,700 MTPA</li> </ul>                                                                                                               |
| <b>2018</b>    | <ul style="list-style-type: none"> <li>Purchased a land with building in Noida to develop Apollo Pipes Corporate office</li> <li>Introduced a brand new product range of faucets, taps, showers and accessories</li> </ul>                                                     |
| <b>2019</b>    | <ul style="list-style-type: none"> <li>Concluded promoter infusion of Rs. 142 crore through issuance of Equity Shares and fully convertible warrants on Preferential basis</li> </ul>                                                                                          |
| <b>2020-22</b> | <ul style="list-style-type: none"> <li>Concluded the strategic acquisition of Kisan Mouldings' manufacturing unit in Bengaluru</li> <li>Successful listing of Company's shares on NSE</li> <li>Started Manufacturing Water tank, Solvent, Bath Fittings and faucets</li> </ul> |
| <b>2021-22</b> | <ul style="list-style-type: none"> <li>Commissioned the Raipur plant to tap Central and Eastern India markets</li> </ul>                                                                                                                                                       |
| <b>2022-24</b> | <ul style="list-style-type: none"> <li>PPR-C plumbing product range introduced</li> <li>Capacity enhanced to 2,16,000 Ton</li> <li>PVC-O introduced</li> </ul>                                                                                                                 |

Source: Company, CEBPL

## Leadership & Management Team

Name and Designation	Brief Description
<b>Mr. Sameer Gupta</b> <b>Chairman &amp; Managing Director</b>	<p>Mr. Sameer Gupta is a graduate of Shri Ram College of Commerce, Delhi University. He entered the family business at a young age and successfully established the PVC Pipes division. Under his capable leadership, the company has consistently achieved new milestones, driven by the values of hard work, a commitment to quality, excellence, and growth.</p>
<b>Mr. Arun Agarwal</b> <b>Joint Managing Director</b>	<p>Mr. Arun Agarwal, a Chartered Accountant from the Institute of Chartered Accountants of India, joined APL Apollo Tubes Limited in 2009 as the Finance Controller at the Bangalore location. With 14 years of professional experience at the company, he has contributed to various key functions, including plant maintenance, power management, and total quality management. In 2019, he was appointed Chief Operating Officer (COO) and has since been deeply involved in the group's strategic decision-making. Over the years, he has taken on increasing responsibilities within APL Apollo Tubes, a leader in the structural steel tubes manufacturing sector with a dominant 50% market share. Mr. Agarwal has been instrumental in managing operations across all 11 plants under the company's umbrella.</p>
<b>Mr. Ashok Kumar Gupta</b> <b>Non- Executive Director</b>	<p>Mr. Ashok Kumar Gupta holds a Master's degree in Physics and a Post Graduate Diploma in Business Administration (PGDBA) from AIMA. With over three decades of experience, he is a seasoned industry veteran, having held key management positions in esteemed organizations such as SAIL, Jindal Group, Bhushan Steel, the L.N. Mittal Group, Shalimar Paints Limited, and APL Apollo Tubes Limited.</p>
<b>Mr. Ajay Kumar Jain</b> <b>CFO</b>	<p>Mr. Ajay Kumar Jain is a Chartered Accountant with 26 years of experience in both listed and unlisted companies. His expertise spans across accounts, finance, taxation, treasury, and commercial matters. He brings extensive knowledge in financial and strategic planning, financial management, accounting, auditing, and taxation. Additionally, he has a strong background in implementing MIS, budgeting, risk management, and ensuring compliance.</p>
<b>Mr. Ankit Sharma</b> <b>Company Secretary &amp; Compliance Officer</b>	<p>Mr. Ankit Sharma is an Associate Member of the Institute of Company Secretaries of India and holds a bachelor's degree in law. With around 9 years of experience in the legal and secretarial domain, he has successfully managed various high-profile assignments, including preferential issues, bonus issues, corporate restructuring, strategic acquisitions, inter-se transfer of securities among promoters, direct listing of securities on stock exchanges, investor relations, and strategic alliances. His previous roles include working with the Hindustan Times Group and Kohinoor Foods Limited. His expertise lies in corporate laws, corporate governance, SEBI regulations, and related legislation.</p>

Source: Company, CEBPL

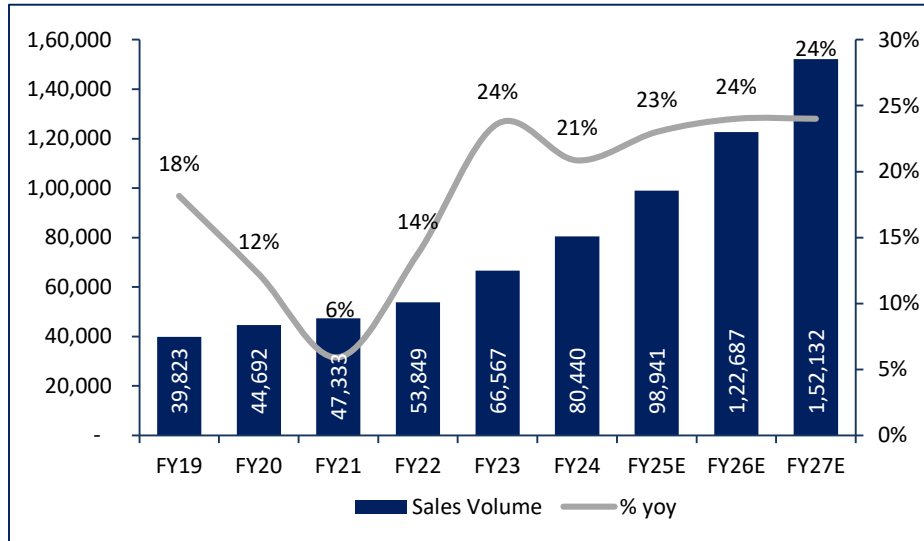
## Shareholding pattern (%)

Names	Sep-21	Mar-22	Sep-22	Mar-23	Sep-23	Mar-24	Jun-24
<b>Promoters -</b>	<b>52.03%</b>	<b>52.03%</b>	<b>52.03%</b>	<b>52.03%</b>	<b>50.80%</b>	<b>50.77%</b>	<b>45.90%</b>
Meenakshi Gupta	26.21	26.21	26.21	26.21	26.21	26.19	21.30
Sameer Gupta	24.59	24.59	24.59	24.59	24.59	24.58	23.39
Sanjay Gupta HUF	1.23	1.23	1.23	-	-	-	-
Dhruv Gupta	-	-	-	-	-	-	1.21
Sanjay Gupta	-	-	-	1.23	-	-	-
<b>FIs -</b>	<b>1.91%</b>	<b>1.04%</b>	<b>2.21%</b>	<b>2.71%</b>	<b>2.67%</b>	<b>4.24%</b>	<b>4.14%</b>
Alps/kotak India Esg Fund	-	-	-	1.02	-	1.27	1.21
Others	1.91	1.04	2.21	1.69	2.67	2.97	2.93
<b>DIs -</b>	<b>9.54%</b>	<b>11.32%</b>	<b>11.76%</b>	<b>12.65%</b>	<b>14.87%</b>	<b>14.68%</b>	<b>17.19%</b>
Hsbc Small Cap Fund	-	-	-	3.52	4.78	4.64	3.95
Kotak Small Cap Fund	3.72	3.69	3.69	3.69	3.88	3.88	3.69
Franklin India Smaller Companies Fund	-	-	-	-	1.71	3.33	4.89
L&t Mutual Fund Trustee Limited-I&t Emerging Business	1.97	3.03	3.52	-	-	-	-
Idfc Tax Advantage (elss) Fund	2.33	2.11	2.11	2.11	-	-	-
Ohana India Growth Fund	-	-	-	-	-	-	1.87
Mahindra Manulife Multi Cap Fund	-	-	-	1.73	-	-	-
Bandhan Tax Advantage (elss) Fund	-	-	-	-	1.7	-	-
Bandhan Elss Tax Saver Fund	-	-	-	-	-	1.3	1.21
Mahindra Manulife Multi Cap Badhat Yojana	-	-	1.28	-	-	-	-
Baroda Bnp Paribas India Consumption Fund	1.04	1.19	-	-	-	-	-
Others	0.48	1.30	1.16	1.60	2.80	1.53	1.58
<b>Public -</b>	<b>35.75%</b>	<b>34.97%</b>	<b>33.35%</b>	<b>32.07%</b>	<b>31.11%</b>	<b>29.87%</b>	<b>32.37%</b>
Others	0.76%	0.63%	0.63%	0.53%	0.53%	0.43%	0.41%

Source: Company, CEBPL

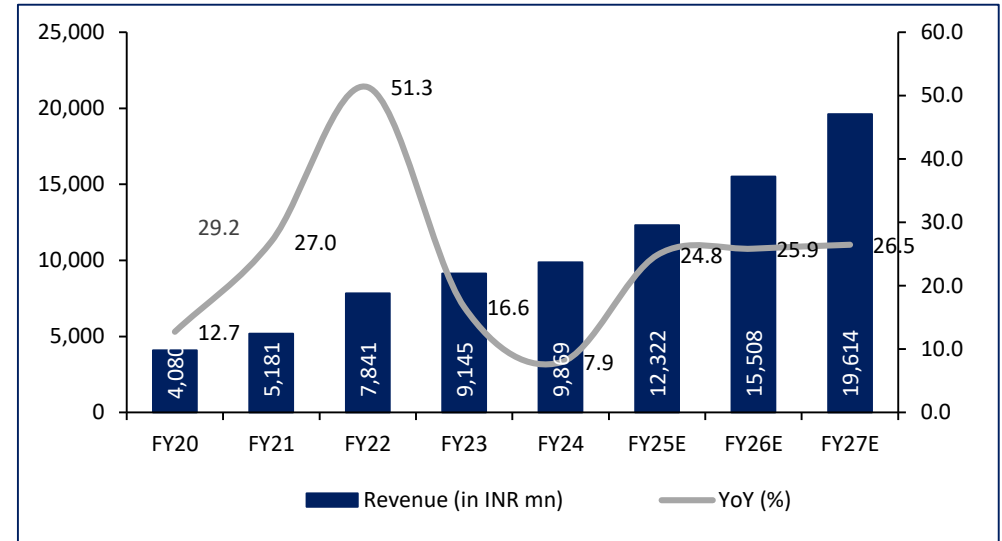


Pipes Volume to Grow by 24% CAGR over FY24 to FY27E



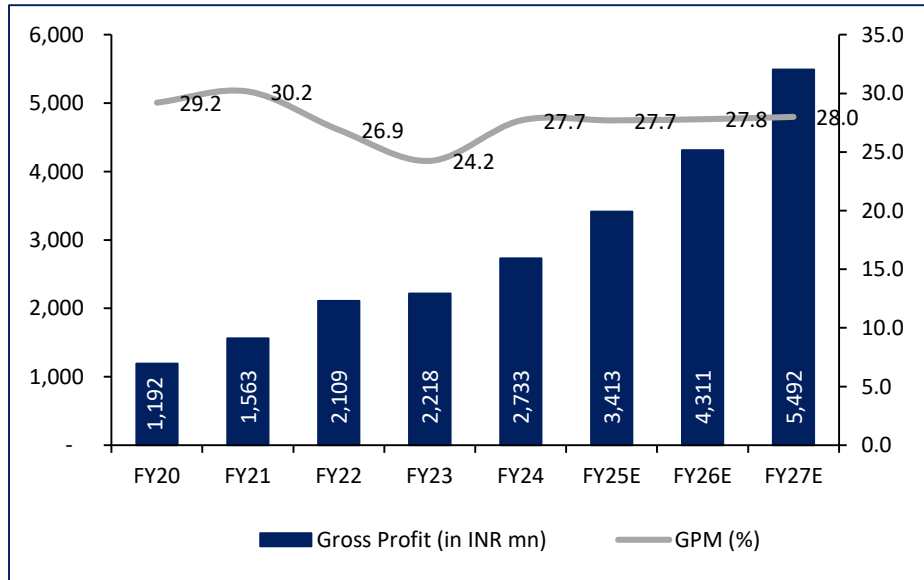
Source: Company, CEBPL

Revenue to grow by 26% CAGR backed by healthy Volume over FY24 to FY27E



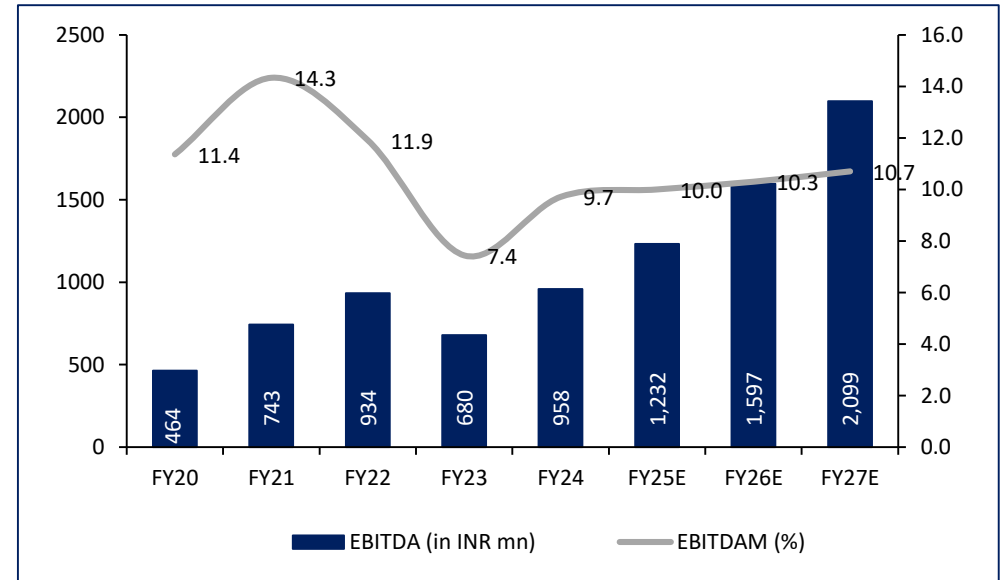
Source: Company, CEBPL

Gross margins to improve on back of better product mix (Rs Mn)



Source: Company, CEBPL

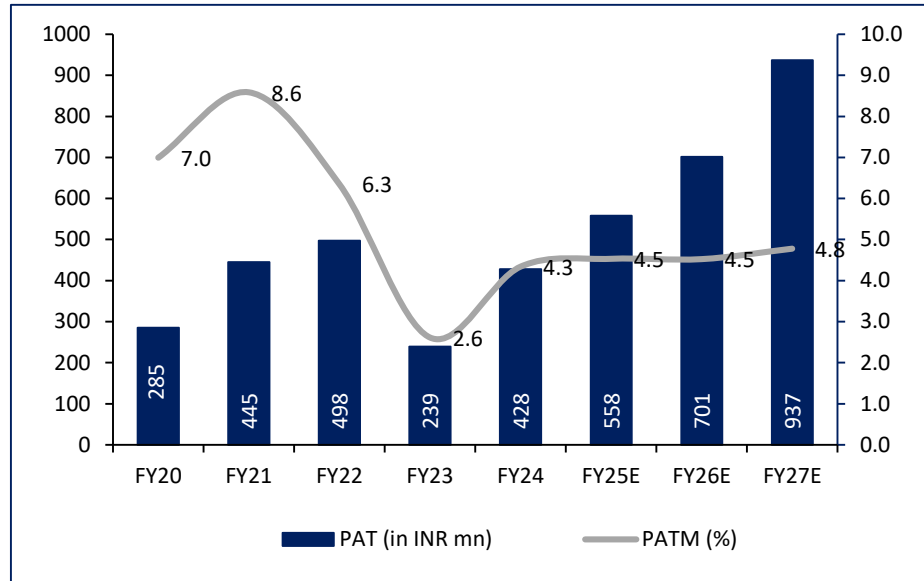
EBITDA to grow by 30% CAGR over FY24 to FY27E



Source: Company, CEBPL

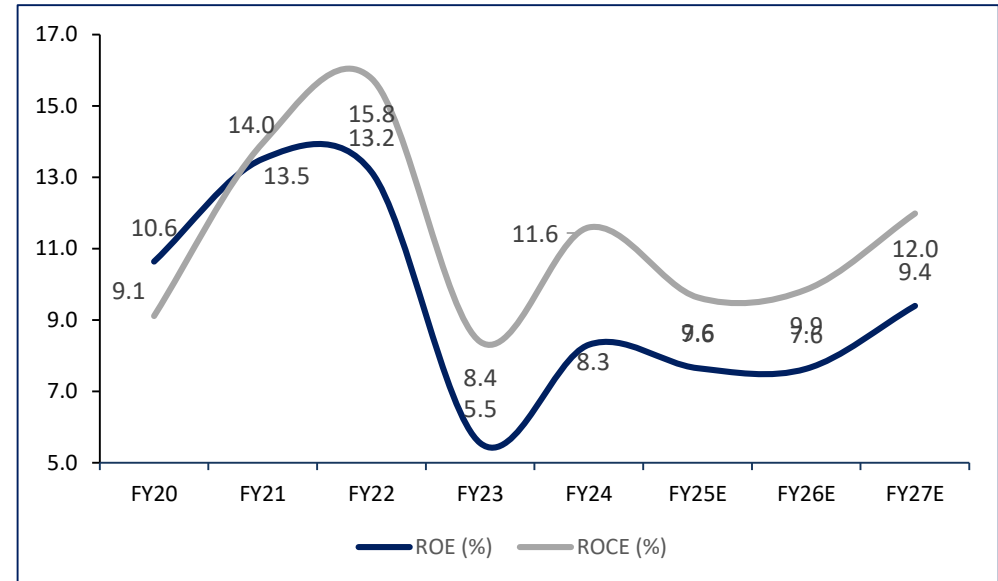


**PAT to grow by 31% CAGR over FY24 to FY27E**



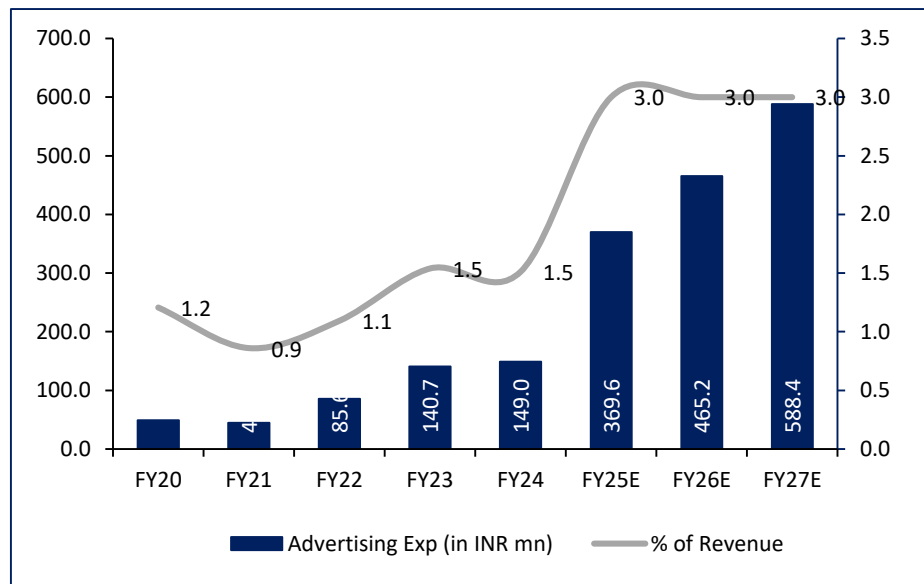
Source: CEBPL, Company

**Return ratios to improve over FY24-27E on the back of better profits**



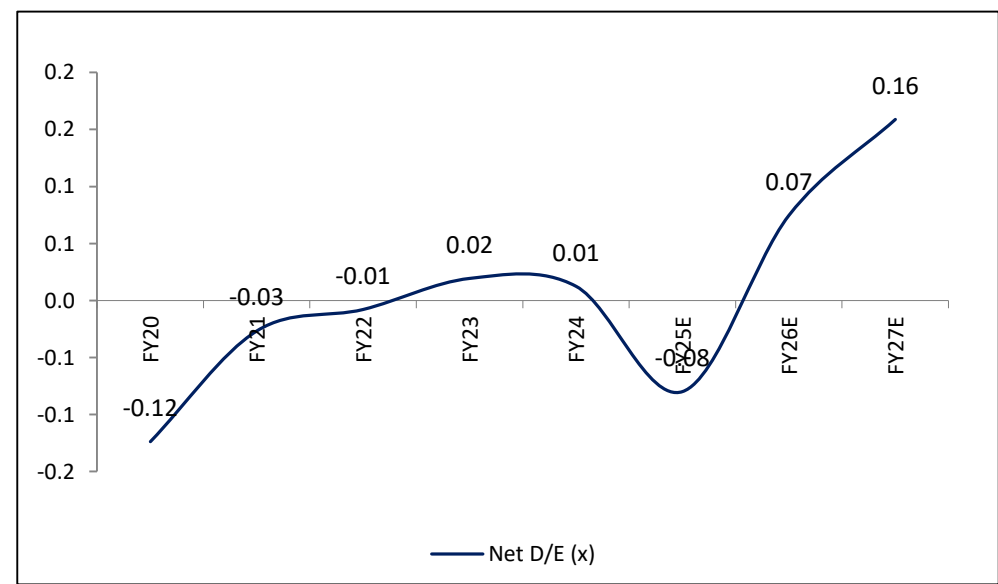
Source: CEBPL, Company

**Advt Expenses as % of Sales**



Source: CEBPL, Company

**Net Debt to Equity Ratio**



Source: CEBPL, Company

Income Statement (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>7,841</b>	<b>9,145</b>	<b>9,869</b>	<b>12,322</b>	<b>15,508</b>	<b>19,614</b>
Gross profit	2,109	2,218	2,733	3,413	4,311	5,492
<b>EBITDA</b>	<b>934</b>	<b>680</b>	<b>958</b>	<b>1,232</b>	<b>1,597</b>	<b>2,099</b>
Depreciation	257	284	299	468	614	773
<b>EBIT</b>	<b>677</b>	<b>396</b>	<b>660</b>	<b>764</b>	<b>983</b>	<b>1,325</b>
Other income	38	20	39	40	50	60
Interest expense	43	89	51	57	84	111
<b>RPAT</b>	<b>498</b>	<b>239</b>	<b>428</b>	<b>558</b>	<b>709</b>	<b>952</b>
<b>APAT</b>	<b>498</b>	<b>239</b>	<b>428</b>	<b>558</b>	<b>709</b>	<b>952</b>
<b>Reported EPS (Rs.)</b>	<b>12.7</b>	<b>6.1</b>	<b>10.9</b>	<b>14.0</b>	<b>17.7</b>	<b>23.7</b>

Balance Sheet (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	2,364	2,807	4,658	6,274	8,460	10,186
Capital Work in progress	71	56	84	800	500	300
Goodwill	-	-	310	310	310	310
Investments	41	401	516	516	516	516
Cash & Cash equivalents	418	348	560	1,339	228	(401)
Loan Advance & Other Assets	113	53	828	828	828	828
Net current assets	1,881	1,755	1,080	1,871	962	652
<b>Total assets</b>	<b>4,470</b>	<b>5,073</b>	<b>7,477</b>	<b>10,599</b>	<b>11,576</b>	<b>12,792</b>
Shareholder's funds	4,053	4,572	5,740	8,859	9,533	10,445
Minority interest	-	-	940	940	940	940
Deferred Tax	14	44	103	103	103	103
Total Debt	387	437	632	632	932	1,232
Other Liabilities & Provisions	16	20	60	64	68	71
<b>Total equity &amp; liabilities</b>	<b>4,470</b>	<b>5,073</b>	<b>7,477</b>	<b>10,599</b>	<b>11,576</b>	<b>12,792</b>

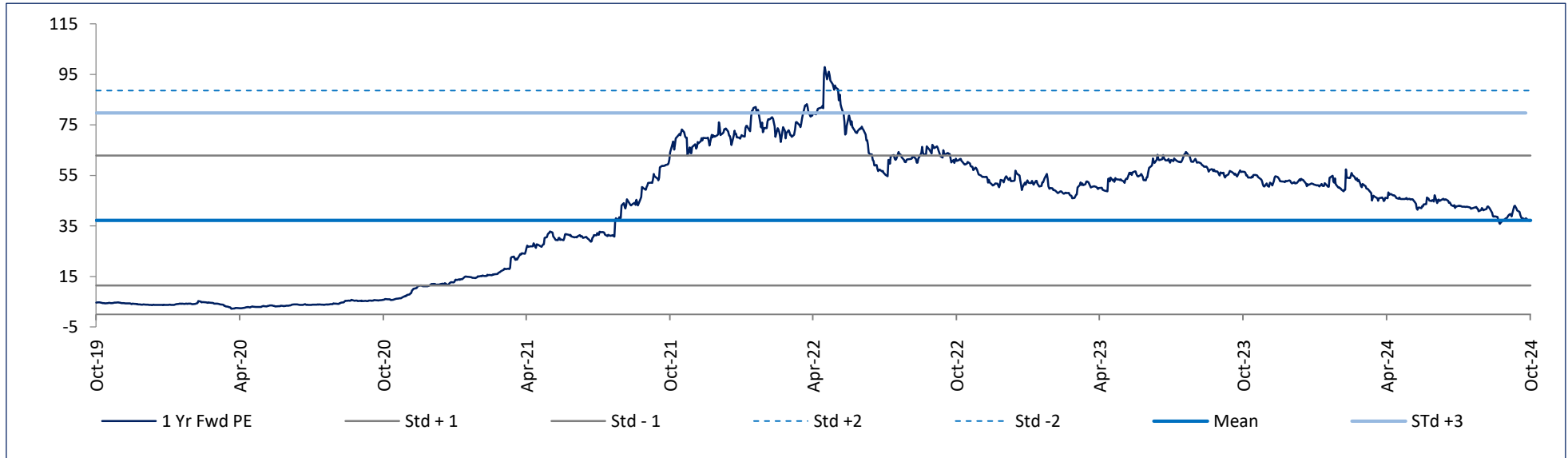
Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from Operations	363	687	1,247	1,075	1,208	1,521
Cash flows from Investing	(367)	(680)	(2,140)	(2,800)	(2,500)	(2,300)
Cash flows from financing	(301)	(78)	(637)	2,518	181	150

Source: Company, CEBPL

Ratio Analysis	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Ratios (%)</b>						
Revenues	51.3	16.6	7.9	24.8	25.9	26.5
EBITDA	25.8	(27.2)	40.9	28.6	29.6	31.4
PAT	11.9	(51.9)	79.1	30.4	27.0	34.3
<b>Margin Ratios (%)</b>						
Gross Profit Margin	26.9	24.2	27.7	27.7	27.8	28.0
EBITDA Margin	11.9	7.4	9.7	10.0	10.3	10.7
EBIT Margin	6.3	2.6	4.3	4.5	4.6	4.9
<b>Profitability (%)</b>						
Return on equity (%)	13.2	5.5	8.3	7.6	7.7	9.5
OCF/EBITDA (x)	0.4	1.0	1.3	0.9	0.8	0.7
Return on capital employed (%)	15.8	8.4	11.6	9.6	9.9	12.0
<b>Turnover Ratio (Days)</b>						
Inventory	61	68	73	70	69	69
Debtors	33	26	29	27	25	25
Payables	26	45	62	62	60	60
Cash Conversion Cycle	68	56	19	16	17	20
<b>Financial Stability Ratio (x)</b>						
Net debt to Equity (x)	(0.0)	0.0	0.0	(0.1)	0.1	0.2
Net debt to EBITDA (x)	(0.0)	0.1	0.1	(0.6)	0.4	0.8
Interest Cover (x)	15.8	4.5	13.0	13.4	11.7	12.0
<b>Valuation</b>						
PE (x)	45	93	52	40.2	31.9	23.8
EV / EBITDA (x)	24	33	24	18	15	12
Book Value per share (x)	103	116	146	223	237	260
Price to Book value (x)	5.5	4.9	3.9	2.5	2.4	2.2
EV/OCF (x)	61	32	19	21	20	17

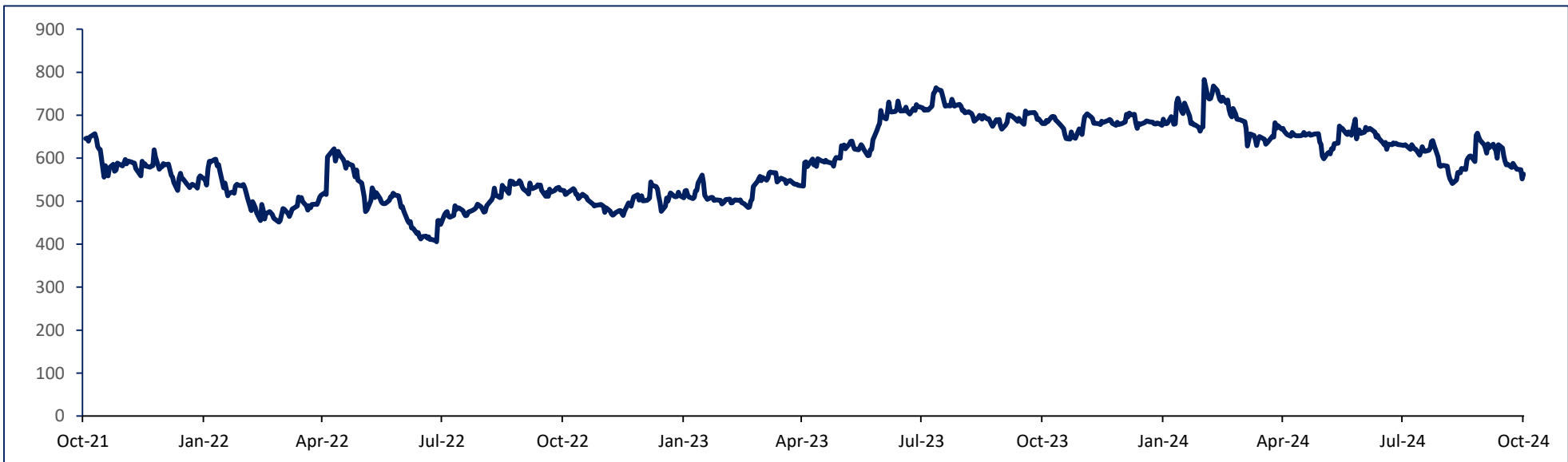
Source: Company, CEBPL

### 1 Year Forward PE Band



Source: Company, CEBPL

### 3 Years Price Chart



Source: Company, CEBPL



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