

Volume Growth Continues but Valuation Remains Stretched; Downgrade to HOLD
Est. Vs. Actual for Q1FY26: Revenue: **INLINE**; EBITDA: **MISS**; PAT: **INLINE**
Change in Estimates post Q1FY26
FY26E/FY27E: Revenue: 4%/3%; EBITDA: 4%/3%; PAT: 6%/9%

Recommendation Rationale

- **Continued Strong Volume Growth:** The company posted a solid 25% YoY increase in volumes during the quarter, marking the sixth consecutive quarter of volume growth since Q4FY24, which contributed to revenue of Rs 376 Cr. Higher capacity utilisation and increased volumes translated into a 22% YoY rise in EBITDA, highlighting improved operating leverage and cost efficiencies. EBITDA margin expanded to 10% (vs. 9.4% in Q1FY25), supported by a favourable product mix, higher sales volumes, and lower raw material costs on a YoY basis.
- **Steady Growth in Export:** Export revenues rose 37% YoY, maintaining the company's strong export momentum, with exports contributing 37% to total sales. Growth was driven by new approvals, market share gains, and the introduction of new products targeting speciality and construction applications. Management expects export contribution to increase further, reaching around 40–43% of total revenue in the coming year.
- **Capacity Expansion:** The company is evaluating expansion opportunities across its existing product portfolio, including NBR, Styrene Butadiene Latex, and Styrene Acrylics Latex. While a comprehensive capex plan is expected to be disclosed after the board approval, management has indicated that certain debottlenecking and brownfield expansion initiatives are under consideration and may be announced once finalised.

Sector Outlook: Neutral

Outlook & Guidance: The company reported strong volume performance for the quarter and anticipates a further increase in capacity utilisation in the coming periods, supported by a rising share of exports. Management noted that existing capacity could reach its limit over the next one and a half years, with a decision on expansion expected in the upcoming quarters. Going forward, the focus will remain on improving profitability through operational efficiencies as utilisation ramps up, while maintaining a cautious stance given ongoing uncertainties surrounding US tariffs.

Current Valuation: 15x FY27E (Unchanged)

Current TP: Rs 415 (Previous TP: Rs 380)

Recommendation: We downgrade our rating from BUY to HOLD on the stock.

Financial Performance

The company reported revenue of Rs 376 Cr, up 12% YoY and 8% QoQ, in line with our estimates. EBITDA stood at Rs 39 Cr, reflecting a growth of 22% YoY but flat QoQ, missing our estimates of Rs 41 Cr. EBITDA margins stood at 10.3%, improving 84 bps YoY but declining 73 bps QoQ. PAT came in at Rs 19 Cr, marking an increase of 29% YoY and 14% QoQ, in line with our estimates.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	376	8%	12%	370	1%
EBITDA	39	0%	22%	41	-5%
EBITDA Margin	10.3%	-73bps	84bps	11.0%	-73bps
Net Profit	19	14%	29%	19	-1%
EPS (Rs)	3.7	14%	29%	3.7	-1%

Source: Company, Axis Securities Research

(CMP as of 31st July, 2025)

CMP (Rs)	429
Upside /Downside (%)	(-3%)
High/Low (Rs)	489/287
Market cap (Cr)	2,223
Avg. daily vol. (1m) Shrs.	45,597
No. of shares (Cr)	5.18

Shareholding (%)

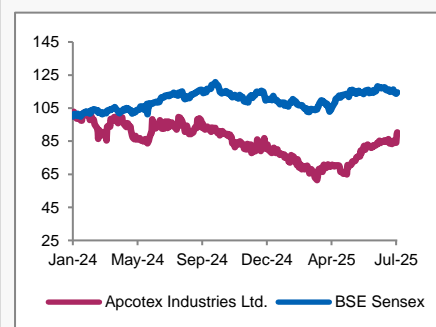
	Dec-24	Mar-25	Jun-25
Promoter	58.2	58.2	58.2
FII's	0.5	0.5	0.5
Others	41.3	41.3	41.3

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,392	1,681	1,827
EBITDA	125	178	217
Net Profit	54	104	144
EPS (Rs)	10.4	20.0	27.7
PER (x)	31.3	16.3	11.8
P/BV (x)	3.1	2.7	2.4
EV/EBITDA (x)	14.8	10.0	7.9
ROE (%)	10.8%	16.8%	20.5%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	4%	3%
EBITDA	4%	3%
PAT	6%	9%

Relative Performance


Source: ACE Equity, Axis Securities Research

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Valuation & Recommendation

We have made a minor upward revision to our estimates but are downgrading the **stock rating from BUY to HOLD** following the recent price rally. **We maintain our valuation at 15x FY27E earnings, resulting in a revised target price of Rs 415/share (earlier Rs 380/share),** which indicates a modest downside of ~3% from the CMP.

Outlook

Although the industry is still operating below optimal capacity, the demand-supply gap is gradually closing. Apcotex is likely to achieve peak capacity utilisation over the next year and a half. The company is strategically focusing on markets that offer sustainable margins and has initiated cost optimisation measures to enhance efficiency.

Key Highlights

- **Revenue Mix:** Domestic sales accounted for 63% of total revenue, while exports contributed the remaining 37%. Management anticipates export contribution to exceed 40% over the next few years, supported by increasing demand for speciality products. While the export segment shows promise, the domestic market remains challenging.
- **Financial Performance:** In Q1FY26, the company reported a 12% YoY increase in revenue, driven by a strong 25% YoY growth in volumes and a favourable product mix. Export revenue rose 37% YoY, maintaining its 37% share in total sales. EBITDA grew 22% YoY, benefitting from higher volumes and better plant utilisation. EBITDA margin improved to 10.3%, up from 9.4% in Q1FY25. The debt-to-equity ratio stands at 0.3x, with a minor short-term uptick expected.
- **Nitrile Latex:** The Valia-based nitrile latex facility operated at ~90% capacity in Q1FY26, up from 75–80% in Q4FY25. However, margins in this segment remain under pressure due to industry overcapacity. While volumes continue to grow, profitability is being constrained. Management noted that, excluding the nitrile latex segment, overall margins would have been a few percentage points higher.
- **Nitrile Rubber:** The company is currently operating at near full capacity for NBR. To support future demand, management is considering debottlenecking and capacity expansion projects, which will be announced upon finalisation.
- **Taloja Plant:** Taloja Plant (Latex) is operating at ~85% utilisation level, with utilisation expected to improve.
- **Margins:** Margin expansion is expected as nitrile latex profitability improves to mid-teen levels. The company has added significant capacity over the past two years, and as these assets ramp up to optimal levels, margins are likely to improve in the coming quarters. With capacity utilisation nearing peak levels, management expects further operating leverage gains. The construction segment continues to deliver stable demand, whereas the paper industry remains subdued due to higher imports from China and industry overcapacity. The carpet segment, largely export-driven, has remained resilient but faced temporary headwinds from geopolitical instability in the Middle East. Apcotex is focused on boosting margins by increasing the share of high-margin speciality products and gradually exiting low-margin customer segments.
- **NBR:** For NBR, the management stated that the anti-dumping case initiated by DGTR in Sep'24 is expected to conclude in the near term (in the next 2-4 months). For Q1FY26, the company was at around 100% capacity utilisation level.
- **US Tariff:** While the company has minimal direct exposure to the US market, it remains cautious as some customers are significantly reliant on US exports (as the US remains the largest market for the medical glove industry).
- **Capex:** The company is actively exploring expansion opportunities across its core product segments—NBR, Styrene Butadiene Latex, and Styrene Acrylics Latex. A comprehensive capex plan will be shared after the board's approval. The expansion will be funded through a mix of internal accruals and debt.

Key Risks to Our Estimates and TP

- Prolonged weakness in Latex and other product margins, forcing the company to switch to other products/reduced utilisation levels.
- Imposition of anti-dumping duties (ADD), improving competitive position.
- Faster-than-expected ramp-up in utilisation level in new plants.

Change in Estimates

	Revised		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	1,681	1,827	1,613	1,772	4%	3%
EBITDA	178	217	171	211	4%	3%
PAT	104	144	98	132	6%	9%

Results Review

(Rs Cr)	Q1FY25	Q4FY25	Q1FY26 Axis Est	Q1FY26 Actual	YoY (%)	QoQ (%)	Axis Var %
Revenue	337	349	370	376	12%	8%	1%
Net Raw Material consumed	247	244	263	277	12%	14%	
Employee	16	21	20	19	17%	-8%	
Other Expenses	42	47	46	41	-2%	-13%	
Total Expenditure	305	311	330	337	11%	8%	
EBITDA (core)	32	38	41	39	22%	0%	-5%
EBITDAM	9.4%	11.0%	11.0%	10.3%	84bps	-73bps	-73bps
Add: Other income	2	1	2	3	29%	185%	
EBITDA	34	39	43	41	22%	5%	
Less: Depreciation	10	11	11	11	15%	7%	
EBIT	24	29	32	30	25%	4%	
Less: Net Interest	4	4	5	4	-7%	-17%	
Profit Before Extraordinary Items and Tax	20	24	27	26	31%	8%	
Less: Extraordinary Expense (net)		-	-	-			
Profit Before Tax	20	24	27	26	31%	8%	
Less: Total Tax	5	8	8	7	36%	-7%	
Profit After Tax	15	17	19	19	29%	14%	-0.9%
Reported EPS (Rs)	2.9	3.2	3.7	3.7	29%	14%	-0.9%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	1,080	1,125	1,392	1,681	1,827
COGS	708	778	1,030	1,235	1,319
Staff costs	56	65	75	89	97
Other Expenditure	157	168	163	178	194
Total Expenditure	921	1,011	1,268	1,503	1,610
EBITDA	159	114	125	178	217
EBITDA Margin %	14.7%	10.1%	9.0%	10.6%	11.9%
Depreciation	15.2	31.5	41.6	41.6	42.5
EBIT	143	82	83	137	175
EBIT Margin %	13.3%	7.3%	6.0%	8.1%	9.6%
Interest	5	16	17	15	12
Other Income	7	8	10	17	27
PBT	146	75	76	138	190
Tax	38	21	22	35	47
<i>Tax Rate %</i>	<i>25.8%</i>	<i>27.7%</i>	<i>29.1%</i>	<i>25.2%</i>	<i>24.5%</i>
PAT	108	54	54	104	144
EPS	20.8	10.4	10.4	20.0	27.7

Source: Company, Axis Securities Research

Balance Sheet
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share Capital	10	10	10	10	10
Reserves & Surplus	466	511	543	605	691
Net Worth	476	522	553	615	701
Short-Term Borrowings	27	89	122	92	62
Trade Payables	102	135	188	207	225
Other Current Liability	13	12	14	17	18
Total Current Liability	180	272	351	343	332
Long-Term Borrowings	125	94	62	62	62
Deferred Tax Liability (Net)	12	20	21	21	21
Total Non-Current Liability	147	128	95	95	95
Total Liabilities	327	400	446	438	427
Total Equity + Liabilities	803	922	999	1,053	1,129
Assets					
Net Block	383	384	384	393	400
Financial Assets: Investments	73	89	83	83	83
Total Non-Current Assets	481	496	490	499	506
Inventories	105	125	138	161	175
Trade Receivable	137	203	254	230	250
Investments	15	22	23	23	23
Cash and Cash Equivalents	15	15	27	65	95
Other Current Assets	35	35	37	44	48
Total Current Assets	323	426	508	554	622
Total Assets	803	922	999	1,053	1,129

Source: Company, Axis Securities Research

Cash Flows
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
PBT	146	75	76	138	190
Depreciation & Amortization	15	32	42	42	43
Provision for Taxes	5	16	17	15	12
Change in Deferred tax	-2	-2	-1	0	0
Change in Working Capital	-8	-63	-31	15	-19
Direct tax paid	-35	-16	-19	-35	-47
Cash flow from operations	121	40	85	175	180
Change in Gross Block	-187	-28	-50	-50	-50
Change in Investments	32	-18	-30	0	0
Change in WIP	-24	27	51	0	0
Cash flow from investing	-179	-20	-29	-50	-50
Proceeds / (Repayment) of Short-Term Borrowings (Net)	7	0	-31	0	0
Repayment of Long-Term Borrowings	102	31	33	-30	-30
Finance Cost paid	-5	-15	-17	-15	-12
Dividends paid	-26	-28	-28	-41	-57
Cash flow from financing	71	-13	-44	-87	-100
Change in cash	13	8	11	39	30
Cash at start	17	30	38	49	65
Cash at end	30	38	49	65	95

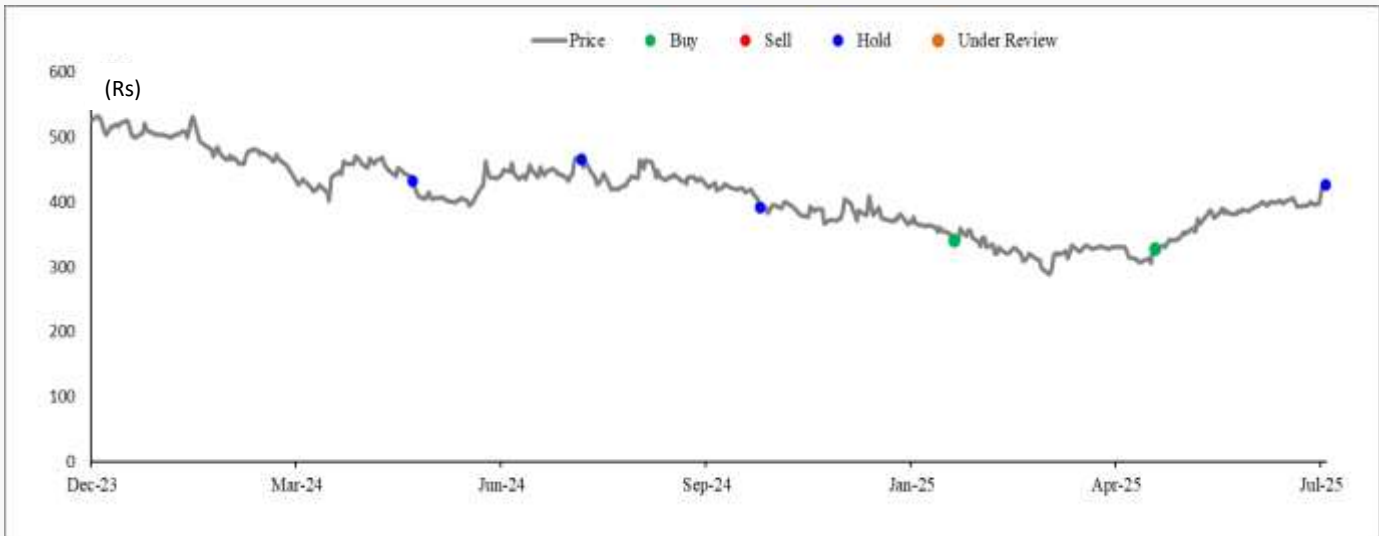
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	12.9%	4.1%	23.8%	20.7%	8.7%
EBITDA	13.4%	-28.1%	9.5%	43.0%	21.9%
APAT	9.2%	-50.1%	0.3%	91.6%	38.5%
Per Share Data (Rs)					
Adj. EPS	20.8	10.4	10.4	20.0	27.7
BVPS	91.8	100.6	106.7	118.7	135.3
DPS	4.1	5.7	4.5	8.0	11.1
Profitability (%)					
EBITDA Margin	14.7%	10.1%	9.0%	10.6%	11.9%
Adj. PAT Margin	9.8%	6.6%	4.3%	6.2%	7.9%
ROCE	17.8%	8.9%	8.3%	13.0%	15.5%
ROE	22.2%	14.2%	10.8%	16.8%	20.5%
ROIC	20.2%	10.2%	9.5%	15.3%	18.6%
Valuations (X)					
PER	15.7	31.4	31.3	16.3	11.8
P/BV	3.6	3.2	3.1	2.7	2.4
EV / EBITDA	11.5	16.3	14.8	10.0	7.9
EV / Net Sales	1.7	1.7	1.3	1.1	0.9
Turnover Days					
Asset Turnover	3	2	3	3	3
Inventory days	32	37	34	35	35
Debtors' days	50	55	60	50	50
Creditors' days	34	38	42	45	45
Working Capital Days	49	54	52	40	40
Gearing Ratio					
Total Debt to Equity (x)	0.3	0.3	0.3	0.1	0.0

Source: Company, Axis Securities Research

Apcotex Industries Price Chart and Recommendation History



Date	Reco	TP	Research
08-May-24	HOLD	450	Result Update
30-Jul-24	HOLD	451	Result Update
28-Oct-24	HOLD	415	Result Update
30-Jan-25	BUY	380	Result Update
09-May-25	BUY	380	Result Update
01-Aug-25	HOLD	415	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.