

## Early Signs of Recovery Amidst Market Uncertainties; Maintain BUY

**Est. Vs. Actual for Q4FY25:** Revenue: **MISS**; EBITDA: **BEAT**; PAT: **BEAT**

### Change in Estimates post Q4FY25

**FY26E/FY27E:** Revenue: -4%/-2%; EBITDA: 4%/2%; PAT: 3%/1%

### Recommendation Rationale

- **Strong Volume Growth Drives Margin Recovery:** The company recorded a robust 15% YoY increase in volumes during the quarter, resulting in revenue of Rs 349 Cr. Improved capacity utilisation and higher volumes led to a 23% YoY rise in EBITDA. EBITDA margins expanded to 11%, driven by increased volumes, improvement in Nitrile Latex margins, and favourable crude prices during the first two months of the quarter.
- **Sustained Export Growth:** The company maintained its strong export performance this quarter, reporting a 22% YoY rise in export volumes and a 24% YoY increase in export revenue, which accounted for 33% of total sales. Management anticipates the export contribution to overall revenue to rise to approximately 40–45% over the next few years.
- **Capacity Utilisation to Peak:** The management highlighted that capacity utilisation is rising and may soon reach peak levels, potentially leading to further enhancement in margins. However, the company has not finalised any plans around capacity additions, as it is currently focused on optimising existing operations and may consider expansion once global uncertainties subside.

### Sector Outlook: Neutral

**Outlook & Guidance:** The company posted robust volumes during the quarter and expects utilisation levels to pick up going forward. Management indicated that the company may run out of capacity over the next one and a half years, with a decision on capacity expansion likely over the next few quarters. While margins improved during the quarter, this was partially supported by higher crude prices in January and February. The decline in crude prices since March may weigh on profitability in Q1FY26, though it remains structurally beneficial for the business over the long term. Looking ahead, the company will focus on enhancing profitability through operational efficiencies as capacity utilisation improves, while staying cautious amid uncertainties related to US tariffs.

**Current Valuation:** 15x FY27E (Unchanges)

**Current TP:** Rs 380 (Unchanged)

**Recommendation:** We maintain our BUY rating on the stock.

### Financial Performance

The company reported revenue of Rs 349 Cr, a 12% increase YoY and -2% QoQ, missing estimates by 8%. However, the performance improved on profitability front as gross margins expanded by 749 bps QoQ to 30.3%. EBITDA stood at Rs 38 Cr, reflecting a growth of 23% YoY and 42% QoQ, beating our estimates of Rs 31 Cr. EBITDA margins stood at 11%, improving 92 bps YoY and 339 bps QoQ. PAT came in at Rs 17 Cr, marking an increase of 9% YoY and 45% QoQ; significantly surpassing our estimates by 29%.

**Valuation & Recommendation:** We continue to value the company at 15x FY27E earnings, which translates into a target price of Rs 380/share, implying an upside of 17% from the CMP.

**We maintain our BUY rating on the stock.**

### Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	349	-2%	12%	381	-8%
EBITDA	38	42%	23%	31	24%
EBITDA Margin	11.0%	339bps	92bps	8.1%	281bps
Net Profit	17	45%	9%	13	29%
EPS (Rs)	3.2	45%	9%	2.4	35%

Source: Company, Axis Securities Research

(CMP as of 8<sup>th</sup> May 2025)

CMP (Rs)	326
Upside /Downside (%)	17%
High/Low (Rs)	489/287
Market cap (Cr)	1,690
Avg. daily vol. (1m) Shrs.	37,480
No. of shares (Cr)	5.18

### Shareholding (%)

	Sep-24	Dec-24	Mar-24
Promoter	58.2	58.2	58.2
FIIIs	0.5	0.5	0.5
Others	41.3	41.3	41.3

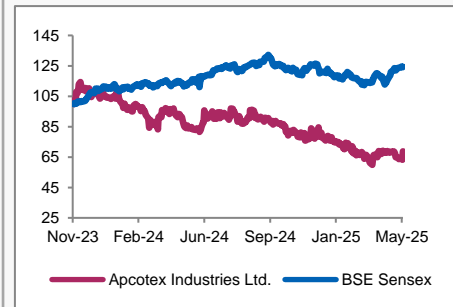
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,392	1,613	1,772
EBITDA	125	171	211
Net Profit	54	98	132
EPS (Rs)	10.4	18.8	25.5
PER (x)	47.3	26.2	19.4
P/BV (x)	4.6	4.2	3.7
EV/EBITDA (x)	21.8	15.4	12.3
ROE (%)	10.8%	16.0%	19.1%

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-4%	-2%
EBITDA	4%	2%
PAT	3%	1%

### Relative Performance



Source: ACE Equity, Axis Securities Research

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## Outlook

While the industry continues to operate at suboptimal capacity utilisation levels, the demand-supply gap is narrowing down, and the company is expected to reach peak utilisation levels over the next year and a half. Apcotex is making a conscious effort to conduct business only where reasonable margins are achievable and is implementing cost-cutting measures.

## Key Highlights

- **Revenue Mix:** The domestic business contributed 67% to the overall revenue, while exports accounted for the remaining 33%, with the management expecting export contribution to surpass 40% in the coming years. Revenue growth is being supported by a rising share of speciality products. In FY25, the Latex segment constituted nearly two-thirds of the total revenue, whereas the Non-Latex segment contributed the remaining one-third. The Non-Latex segment witnessed a healthy volume growth of 8–10% YoY.

### *Industry-wise revenue segmentation:*

<i>Rubber:</i>	: 30-33%
<i>Tyre</i>	: 30-33%
<i>paper</i>	: 15%
<i>Construction</i>	: 15%
<i>Carpet and textile</i>	: 15%
<i>Nitrile Latex</i>	: 15%

- **Financial Performance:** The company reported a 12% YoY revenue growth in Q4FY25, primarily driven by record quarterly volume growth of 15% YoY and a favourable product mix. On a sequential basis, volumes increased by 9%, though revenue declined due to lower realisations in the base business. Export revenue increased 23% YoY and comprised 33% of total sales. EBITDA rose 6% YoY on the back of higher volumes and improved plant utilisation, with EBITDA margins expanding to 11%, compared to 10.1% in Q4FY24 and 7.6% in Q3FY25.
- **Nitrile Latex:** The nitrile latex plant at Valia operated at approximately 75-80% utilisation in Q4FY25. Nitrile Latex sales accounted for approximately 14-15% of the overall sales for FY25.
- **Nitrile Rubber:** For Nitrile Rubber, the company is at close to 100% capacity utilisation for FY25, and it is expected to be similar for FY26, as no new capacity will be added.
- **Taloja Plant:** Taloja Plant is operating at around 82-85% utilisation level, with utilisation expected to improve.
- **Margins:** Management highlighted that rising capacity utilisation is approaching peak levels, which could further support margin expansion. The construction segment continues to witness steady demand, providing a stable revenue stream. However, the paper industry has been under pressure for the past couple of years due to increased imports from China and industry overcapacity. Meanwhile, the carpet segment—largely export-oriented—was impacted by geopolitical tensions in the Middle East. The company remains focused on improving profitability by increasing the share of high-margin specialty products and strategically phasing out low-margin customer accounts.
- **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. For FY25, the company was at around 95-96% capacity utilisation level.
- **US Tariff:** While the company's direct exposure to the US market is limited and thus there is no direct impact, the management noted that the outlook remains uncertain due to certain customers' significant reliance on US exports.
- **Power Purchase Agreement:** During the quarter, the company entered into a Power Purchase Agreement (PPA) and approved subscribing to a minimum of 26% of the equity shares of the power producer, Opera Vayu Narmada Private Ltd. The power generated will be credited against consumption at the company's Gujarat plant. This move is part of the company's strategy to shift 65–70% of the plant's power usage to renewable sources, with a greater focus on sustainability rather than immediate cost savings.
- **Capex:** The company is evaluating expansion opportunities across its existing product portfolio, including NBR, Styrene Butadiene Latex, and Styrene Acrylics Latex. While the detailed capital expenditure plan will be announced post board approval, no major investments are expected in the near term, apart from regular maintenance and cost-optimization initiatives.

### 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	1,613	1,772	1,673	1,814	-4%	-2%
EBITDA	171	211	164	207	4%	2%
PAT	98	132	95	131	3%	1%

Source: Company, Axis Securities Research

## Results Review

(Rs Cr)	Q4FY24	Q3FY25	Q4FY25 Axis Est	Q4FY25 Actual	YoY %	QoQ %	Axis Var %
Revenue	311	355	381	349	12%	-2%	-8%
Net Raw Material consumed	216	274	292	244	12%	-11%	
Employee	17	19	20	21	21%	10%	
Other Expenses	46	35	37	47	2%	33%	
Total Expenditure	279	328	350	311	11%	-5%	
EBITDA (core)	31	27	31	38	23%	42%	24%
EBITDAM	10.1%	7.6%	8.2%	11.0%	92bps	339bps	281bps
Add: Other income	2	5	3	1	-55%	-80%	
EBITDA	33	32	34	39	18%	24%	
Less: Depreciation	8	11	11	11	30%	-1%	
EBIT	25	21	23	29	14%	37%	
Less: Net Interest	4	5	5	4	14%	-6%	
Profit Before Extraordinary Items and Tax	21	16	18	24	14%	49%	
Less: Extraordinary Expense (net)		-	-	-			
Profit Before Tax	21	16	18	24	14%	49%	
Less: Total Tax	6	5	5	8	27%	59%	
Profit After Tax	15	12	13	17	9%	45%	28.9%
Reported EPS (Rs)	3.0	2.2	2.4	3.2	9%	45%	34.7%

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>1,080</b>	<b>1,125</b>	<b>1,392</b>	<b>1,613</b>	<b>1,772</b>
COGS	708	778	1,030	1,185	1,279
Staff costs	56	65	75	85	94
Other Expenditure	157	168	163	171	188
Total Expenditure	921	1,011	1,268	1,442	1,561
<b>EBITDA</b>	<b>159</b>	<b>114</b>	<b>125</b>	<b>171</b>	<b>211</b>
<b>EBITDA Margin %</b>	<b>14.7%</b>	<b>10.1%</b>	<b>9.0%</b>	<b>10.6%</b>	<b>11.9%</b>
Depreciation	15.2	31.5	41.6	41.6	42.5
EBIT	143	82	83	130	168
EBIT Margin %	13.3%	7.3%	6.0%	8.0%	9.5%
Interest	5	16	17	15	12
Other Income	7	8	10	16	20
PBT	146	75	76	131	176
Tax	38	21	22	33	44
<i>Tax Rate %</i>	<i>25.8%</i>	<i>27.7%</i>	<i>29.1%</i>	<i>25.2%</i>	<i>25.2%</i>
<b>PAT</b>	<b>108</b>	<b>54</b>	<b>54</b>	<b>98</b>	<b>132</b>
EPS	20.8	10.4	10.4	18.8	25.5

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Share Capital</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Reserves & Surplus	466	511	543	601	681
Net Worth	476	522	553	612	691
Short Term Borrowings	27	89	122	92	62
Trade Payables	102	135	188	199	218
Other Current Liability	13	12	14	16	17
Total Current Liability	180	272	351	334	325
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	429	420
Total Equity + Liabilities	803	922	999	1,041	1,111
<b>Assets</b>					
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	155	170
Trade Receivable	137	203	254	221	243
Investments	15	22	23	23	23
Cash and Cash Equivalents	15	15	27	70	92
Other Current Assets	35	35	37	43	47
Total Current Assets	323	426	508	542	605
Total Assets	803	922	999	1,041	1,111

Source: Company, Axis Securities Research

**Cash Flows**
**(Rs Cr)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
PBT	146	75	76	131	176
Depreciation & Amortization	15	32	42	42	43
Provision for Taxes	5	16	17	15	12
Chg in Deferred tax	-2	-2	-1	0	0
Chg in Working cap	-8	-63	-31	24	-20
Direct tax paid	-35	-16	-19	-33	-44
<b>Cash flow from operations</b>	<b>121</b>	<b>40</b>	<b>85</b>	<b>178</b>	<b>166</b>
Chg in Gross Block	-187	-28	-50	-50	-50
Chg in Investments	32	-18	-30	0	0
Chg in WIP	-24	27	51	0	0
<b>Cash flow from investing</b>	<b>-179</b>	<b>-20</b>	<b>-29</b>	<b>-50</b>	<b>-50</b>
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	-39	-53
<b>Cash flow from financing</b>	<b>71</b>	<b>-13</b>	<b>-44</b>	<b>-84</b>	<b>-95</b>
<b>Chg in cash</b>	<b>13</b>	<b>8</b>	<b>11</b>	<b>44</b>	<b>21</b>
Cash at start	17	30	38	49	70
Cash at end	30	38	49	70	92

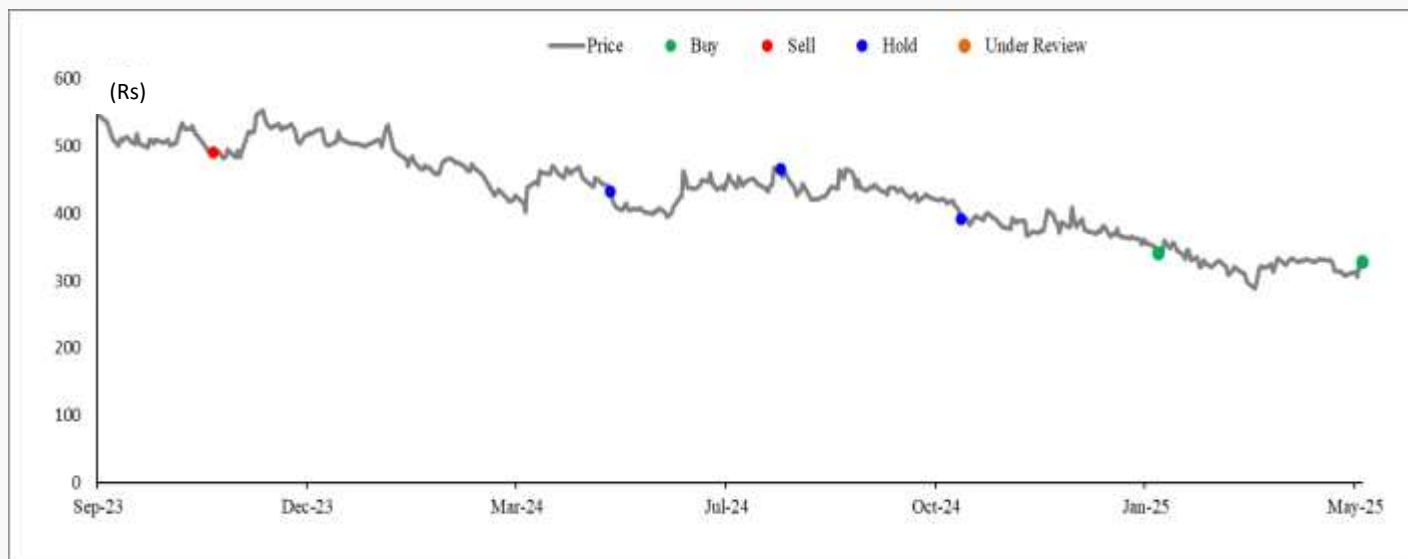
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	12.9%	4.1%	23.8%	15.8%	9.9%
EBITDA	13.4%	-28.1%	9.5%	37.2%	23.2%
APAT	9.2%	-50.1%	0.3%	80.7%	35.2%
<b>Per Share Data (Rs)</b>					
Adj. EPS	20.8	10.4	10.4	18.8	25.5
BVPS	91.8	100.6	106.7	118.0	133.3
DPS	4.1	5.7	4.5	7.5	10.2
<b>Profitability (%)</b>					
EBITDA Margin	14.7%	10.1%	9.0%	10.6%	11.9%
Adj. PAT Margin	9.8%	6.6%	4.3%	6.1%	7.5%
ROCE	17.8%	8.9%	8.3%	12.5%	15.2%
ROE	22.2%	14.2%	10.8%	16.0%	19.1%
ROIC	20.2%	10.2%	9.5%	14.8%	18.2%
<b>Valuations (X)</b>					
PER	23.7	47.4	47.3	26.2	19.4
P/BV	5.4	4.9	4.6	4.2	3.7
EV / EBITDA	17.0	23.9	21.8	15.4	12.3
EV / Net Sales	2.5	2.4	1.9	1.6	1.5
<b>Turnover Days</b>					
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
<b>Gearing Ratio</b>					
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



Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
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