

CMP: INR 267

Rating: BUY

Target Price: INR 379

Stock Info

BSE	531761
NSE	APOLLOPIPE
Bloomberg	APOLP:IN
Sector	Plastic Products
Face Value (INR)	10
Mkt Cap (INR Mn)	11,770
52w H/L (INR)	495/252
Avg Yearly Volume (in 000')	149.77

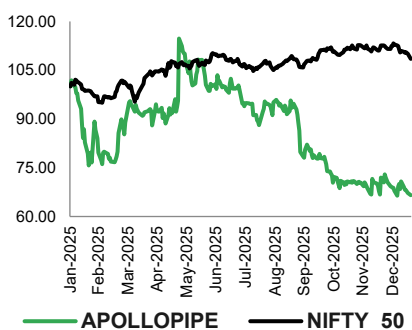
Shareholding Pattern %

(As on Sept, 2025)

Promoters	46.84%
Public & Others	53.16%

Stock Performance (%)	1m	6m	12m
APOLP	-8.7	-32.8	-36.9
Nifty 50	-0.4	+1.9	+8.9

APOLP Vs Nifty 50



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Apollo Pipes reported weak numbers for Q3FY26 (consolidated). Revenue came in at INR 2.47 Bn, increasing by +4.9% QoQ and shrink by -19.7% YoY (-2.5% compared to our estimates). Gross Margin stood at 30.59% as compared to 32.54% QoQ and 30.1% Yoy (against our estimate of 31.35%). Adj EBITDA stood at INR 132.9 Mn, declining -15.7% QoQ and -43.1% YoY (-23.4% compared to our estimates). EBITDA margins were 5.38%, compared to 6.7% QoQ and 7.6% YoY (against our estimate of 6.8%). Loss after tax came in at INR 47.57 Mn, Adjusted Loss after tax came in at INR 34.82 Mn shrinking by -351.1% QoQ and by -154.5% YoY (-261.7.2% compared to our estimates). Adj PAT margins were -1.39%, compared to 0.58% QoQ and 2.07% YoY (against our estimate of 0.85%).

Capacity and integration-led growth: Incremental volume growth will be driven largely by higher utilisation and targeted brownfield upgrades alongside integration of recent acquisitions of kisan moulding. Focused investments and plant modernisation aim to lift operating efficiency and expand the share of higher-value products, supporting a constructive medium-term supply profile without aggressive leverage.

Industry demand recovery and PVC price stabilisation: Early signs of demand improvement, combined with stabilising PVC prices, are encouraging channel partners to resume inventory refilling after a prolonged period of destocking. Reduced price volatility lowers the risk of holding stock, supporting healthier dealer behaviour and smoother order flows. This environment also increases the probability of inventory gains, aiding near-term earnings normalization.

Product mix upgrade: Company continues to push a higher share of value-added and housing-focused products, which offer relatively better pricing stability and customer stickiness. As this mix improves, earnings quality is expected to strengthen with lower volatility versus commoditised segments. This strategy also aligns with long-term housing and sanitation demand trends.

Outlook: The company is well positioned to benefit from an improving demand environment, supported by higher utilisation levels and the gradual integration of recent acquisitions. Stabilising PVC prices are expected to encourage channel inventory refilling, improving order visibility and supporting near-term earnings normalisation. A continued shift toward value-added, housing-focused products should enhance pricing stability and reduce earnings volatility over time. Targeted investments and plant modernisation are likely to lift operating efficiency without stretching the balance sheet. **We maintain our BUY rating and revise our target price to INR 379.**

Financials

March (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	9,145	9,869	11,816	10,914	13,096	15,061
Net profit	239	422	317	109	288	452
EPS (Rs)	6.1	10.7	7.2	2.5	6.5	10.3
PE (x)	43.9	24.9	37.1	108	41	26
EVEBITDA (x)	15.0	11.5	10.3	14.0	9.6	8.3
Dividend (%)	0.2	0.4	0.5	0.6	0.6	0.6
Debt/equity (x)	0.1	0	-0	-0	-0	-0

Apollo Pipes Q3FY26 Concall Highlights

- Company's housing pipes, fittings, water tanks and CPVC each grew ~10%+ YoY (housing is ~60% of sales today).
- SDP and agri segments underperformed and were the main reason overall volumes looked flattish despite housing strength.
- Company expects a strong Q4: targeting ~32–35,000 tonnes in Q4; if achieved, FY26 volumes should close marginally above FY25's ~99,000 tonnes.
- Management adopted aggressive market-share pricing from Dec; December + January traction underpins the Q4 confidence, though some of this includes restocking/seasonality.
- PVC/resin prices were very volatile in Q3: fell from ~INR 72/kg to ~INR 61/kg (Oct–Dec) and recovered to ~INR 68–69/kg in January; management keeps low inventories because of these swings.
- The anti-dumping investigation was not concluded and was effectively withdrawn; a fresh probe would take ~6–9 months to restart.
- Inventories were elevated (~80 days) at end-Dec-2025; target is to reduce to ~60 days as Q4 sales pick up
- Inventory write-down in the quarter was ~INR 50 Mn and as prices improve Inventory gain is expected in the next quarter.
- Capex and capacity plan: ~INR 1250 Mn spent in 9M FY26 (expect ~INR 1500 Mn FY26); FY27 budget ~INR 750-1000 Mn (land for South plant ~INR 250-300 Mn + ~INR 500 Mn for lines/brownfield); target to expand installed capacity to ~286,000 tonnes over next two years without additional debt.
- Kisan (acquisition) update: plant capacity ~50–60k t; current run-rate ~21–22k t (~40% utilization); target to reach ~70% (35–38k t) in ~2 years and planned modernization spend of ~INR 300-400 Mn to lift capacity.
- Margin / EBITDA per tonne: Apollo's longer-run EBITDA per ton is ~INR 9.5-10.5k; Q3 fell to ~INR 6–6.5k/ton due to inventory losses and provisions; management expects a return to ~INR 9.5-10.5k/ton in FY27. Kisan target EBITDA spread is ~INR 4.5-5.5k/ton in FY27–28.
- Labour-law related provision (~INR 12 Mn) was booked in employee cost; other income run-rate ~INR 5-6 Mn/quarter.
- North India remains core (60–65% revenue); Tarapur (west) and the upcoming Varanasi (east) plant are expected to materially lift West/East contributions; Varanasi expected to start in the next 1–2 months.
- Accelerating CPVC (currently ~15% of volumes, tie-up with Lubrizol), plus new categories (PLB ducts, TWC/PE gas pipes, UPVC doors/windows, water tanks) with a stated goal to raise housing/plumbing mix to ~70–75% over the next 2 years.
- Management reiterated that demand weakness was broad-based across the industry and not company-specific; competitive intensity remained very high with several players prioritising volume over margins.
- Price-led growth strategy in Q4 is expected to temporarily cap margin expansion, but management believes it is necessary to defend and gain market share in a weak demand environment.
- Dealer and distributor sentiment started improving from January as channel inventories normalised and price volatility in PVC resin reduced.
- No major capacity bottlenecks were highlighted at existing plants; incremental volume growth in FY27 will largely come from higher utilisation rather than heavy capex.

- Organised players are gaining share from unorganised players due to compliance costs, GST discipline, and quality consistency, though benefits are gradual.
- Export contribution remains insignificant, and the company remains focused on domestic demand recovery rather than chasing overseas volumes.
- Management reiterated its long-term confidence in structural demand from housing, sanitation, irrigation and infrastructure, despite near-term cyclicality.

Outlook: Our view remains cautiously optimistic as industry demand shows early signs of stabilisation after a prolonged period of pressure. The company expects a meaningful pickup in volumes driven by improving channel sentiment, normalising inventories and a sharper focus on core housing and plumbing segments. While competitive intensity and pricing pressure may persist in the near term, management believes market-share gains and operating leverage should support profitability as utilisation improves. Margin recovery is expected to be gradual, aided by better mix, stable raw material trends and disciplined cost control. Over the medium term, expansion into new products and stronger regional presence are expected to underpin sustainable growth and cash flow generation. **We have a Buy rating on the stock with target price of INR 379.**

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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