

CMP: INR 300

Rating: BUY

Target Price: INR 520

Stock Info

BSE	531761
NSE	APOLLOPIPE
Bloomberg	APOLP:IN
Sector	Plastic Products
Face Value (INR)	10
Mkt Cap (INR Mn)	13,790
52w H/L (INR)	550/298
Avg Yearly Volume (in 000')	132.27

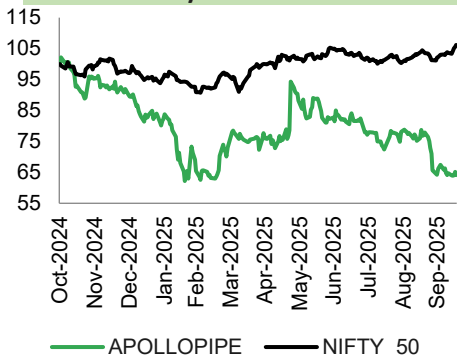
Shareholding Pattern %

(As on Sept, 2025)

Promoters	46.84%
Public & Others	53.16%

Stock Performance (%)	1m	6m	12m
APOLP	-10.2	-24.1	-42.4
Nifty 50	+5.1	+6.3	+6.3

APOLP Vs Nifty 50



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Apollo Pipes reported weak numbers for Q2FY26 (consolidated). Revenue came in at INR 2.36 Bn, shrinking by -14.3% QoQ and by -5.9% YoY (-3.8% compared to our estimates). Gross Margin stood at 32.54% as compared to 29.87% QoQ and 32.53% Yoy (against our estimate of 30.05%). EBITDA stood at INR 157.7 Mn, declining -23.7% QoQ and -18.7% YoY (-12.6% compared to our estimates). EBITDA margins were 6.7%, compared to 7.5% QoQ and 7.7% YoY (against our estimate of 7.4%). PAT came in at INR 13.87 Mn, shrinking by -83% QoQ and by -64.9% YoY (-69.2% compared to our estimates). PAT margins were 0.6%, compared to 2.9% QoQ and 1.6% YoY (against our estimate of 1.8%).

Strategic Portfolio Diversification into High-Margin Adjacent Categories: Apollo Pipes is systematically transitioning from commodity-like PVC pipe business into a diversified portfolio of high-margin products including CPVC, OPVC, window profiles, and gas piping. The company leverages its established distribution network and Apollo brand trust to cross-sell these products, each commanding premium pricing and superior margins. With the Lubriol CPVC partnership ensuring quality parity with competitors while unlocking institutional/contract sales previously inaccessible, management targets 3,000 crore revenue over the next 5-10 years.

Inflection Point in H2 FY26 Driven by Anti-Dumping Duty & Government Infrastructure Spend Ramp-up: The industry has faced severe headwinds through H1 FY26 with weak private real estate, monsoon disruptions, and depressed government infrastructure spending constraining demand. However, management remains confident of achieving 100,000 tonnes annual volume guidance as the macro tailwinds shift: anticipated anti-dumping duty imposition in November 2025 will stabilize volatile PVC resin prices, triggering massive channel restocking after months of light inventory holding. Simultaneously, festive season recovery post October and increased government spending on water infrastructure projects should accelerate construction activity. H2 volumes of 26,000+ tonnes per quarter would drive significant operating leverage and margin recovery.

Outlook: Apollo Pipes is positioned for a near-term inflection in H2 FY26 driven by anticipated anti-dumping duty stabilizing raw material volatility and accelerating government infrastructure spending. The medium-term story is driven by transformational portfolio diversification into high-margin products. Long-term revenue will be supported by a full product portfolio spanning window profiles, gas piping, and DWC products, all funded through debt-free capital deployment. **We maintain our BUY rating and revise our target price to INR 520.**

INR Mn	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	4,080	5,181	7,841	9,145	9,869	11,816	12,010	15,060	17,394
Net profit	285	445	498	239	428	341	325	600	900
EPS	7	11	13	6	11	8	7	14	20
PE (x)	43	27	24	49	28	39	38	22	14
Dividend yield (%)	-	-	0.1	0.1	0.1	0.2	0.2	0.3	0.3
Net debt/equity (x)	-0.2	-	-	-0.1	-	-	-	-	-

Apollo Pipes Q2FY26 Concall Highlights

- The PVC pipe industry continues to face significant headwinds with weak end-user demand stemming from slowdowns in both private real estate and government infrastructure spending, compounded by volatile raw material prices.
- Apollo achieved 8% consolidated volume growth year-on-year in Q2, though this was against a very weak base from Q2 FY25, with margins pressured by low capacity utilization and intense competition.
- Management is executing a focused strategy encompassing product portfolio expansion, improving product mix toward higher-margin segments, ramping up the West India plant, and establishing presence in Eastern India.
- The company has recently launched PLB ducts, DWC pipes, PE gas pipes, and PVCO pipes in the piping segment, along with foraying into UPVC doors and windows to strengthen its building materials portfolio.
- Apollo is aggressively pushing CPVC pipes (currently 15% of volumes) through a strategic tie-up with Lubrizol for the Temprite brand, targeting to increase CPVC mix beyond 25% over the next 2-3 years to enhance margins.
- The new Eastern India manufacturing facility in Varanasi is on track to commence operations in the coming months, significantly strengthening Apollo's presence in this underserved market.
- The company remains committed to expanding total installed capacity to 286,000 tons over the next two years without taking on any debt, funded through equity infusion and internal cash flows.
- Apollo invested INR 920 Mn in capex during H1 FY26, following INR 1,660 Mn spent in FY25, with full-year FY26 target at INR 1500 Mn and normalization to INR 400-500 Mn annually thereafter.
- Management anticipates anti-dumping duty (ADD) on PVC resin imports likely in November 2025, which should lead to 7-8% price increases and trigger substantial restocking across the value chain.
- The trade channel is maintaining extremely lean inventory levels due to prolonged uncertainty around ADD implementation and volatile raw material pricing, with repeated false starts causing losses.
- Management remains confident that the last five months of FY26 should be significantly stronger than the first seven months, driven by post-monsoon construction activity revival and increased government infrastructure spending.
- While earlier guidance targeted 10%+ volume growth, management now expects to achieve approximately 100,000 tons consolidated volume for FY26, down from the initial 105,000-110,000 ton target.
- Kisan moulding operated at break-even EBITDA levels in Q2 with 4-5% EBITDA margins, dragging down consolidated performance despite operating for over a year post-acquisition.
- West India witnessed disproportionately heavy rainfall affecting Kisan's performance more severely, with the region's 40% exposure to agri/water infrastructure (versus Apollo's 60% housing/plumbing mix) amplifying the impact.
- Apollo's current capacity utilization stands at approximately 43%, with management targeting quarterly volumes of 30,000-35,000 tons before considering the next phase of greenfield expansion.
- While overall pipe volumes appear stagnant, the 80-90% collapse in HDP sales to APL Apollo masks strong growth in trade segment UPVC and CPVC categories.
- The high-margin OPVC pipe segment remains subdued due to delayed government fund releases to contractors, though 3-4 new states including Bihar, Rajasthan, and Haryana are in advanced tender stages.

- Lubrizol plans to commence local CPVC resin production in India by Q1 FY27, which will improve competitiveness and help Apollo penetrate the institutional and contractor segments where quality perception currently favors established players.
- Management projects achieving low double-digit EBITDA margins over the next 2-3 years through operating leverage from higher volumes, improved product mix favoring housing/plumbing (75% target), and CPVC contribution scaling up.
- Apollo has introduced a mobile application targeting connectivity with 25,000-30,000 retail outlets by end of FY26 to enable direct communication and more efficient secondary sales monitoring across its distribution network.

Outlook: Apollo Pipes faces a cyclical demand trough in the near term, with the PVC pipe industry grappling with weak end-user sentiment and subdued government infrastructure spending. However, the company's strategic pivot toward higher-margin CPVC products (targeting 25%+ mix) and East-West geographic expansion presents meaningful medium-term growth catalysts. The anticipated anti-dumping duty on PVC resin imports in November 2025 could act as an inflection point, driving supply-side restocking and price normalization that would unlock pent-up demand. Management's conservative stance on capital allocation and disciplined approach to the loss-making Kisan acquisition integration reflects prudent financial stewardship. **We maintain our BUY rating and revise our target to INR 520,** betting on operational leverage and margin recovery in FY27-FY28 as sector normalization unfolds, though visibility remains limited until macro tailwinds materialize.

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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%

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