

May 21, 2024

RESULT REPORT Q4 FY24 | Sector: Building Materials

Apollo Pipes Ltd.

Expect healthy topline growth but EBITDA/Kg to be capped, assign ADD!

Result Synopsis

Apollo Pipes Ltd registered a benign performance in Q4FY24 wherein volume growth stood at 10%YoY (lower Vs other peers), largely driven by sluggishness in project segment. ASP for the quarter stood at Rs120/Kg Vs Rs117/Kg in previous quarter and EBITDA/Kg came in at Rs12 Vs Rs10.7% in Q3FY24. Working capital days improved significantly to 23-days in FY24 Vs 56-days in FY23. During the quarter, company acquired 54% stake in KISAN MOULDINGS Ltd for a consideration of Rs1.2Bn giving APOLLO PIPES a strong presence in west India. Company has announced its foray into O-PVC and Windows segment for which APOLLO will set-up capacity 11,500Te by FY26E. The Agri-Plumbing mix for Apollo Pipes stood at 45%-55% and B2B constituted 10% of sales.

Management maintained their guidance of 25% volume growth, 25-30% revenue growth, and EBITDA margins of ~10% for next 3-5years for Apollo Pipes (standalone). Incrementally, company expects to achieve a peak revenue of Rs9Bn from KISAN MOULDINGS by FY27E with EBITDA margins of 10%. Management also stated that on long-term company aims to achieve a turnover of Rs30Bn with an EBITDA of 4Bn, post all capex operating at peak utilizations.

We reckon APOLLO PIPES will deliver healthy growth over FY24-FY26E owing to strong industry tailwinds and company's aggressive plans to grow market share. Hence, we maintain our volume growth estimate of 20%CAGR over similar period. Higher discounts to gain market share, incremental capex cost will continue to keep EBITDA/Kg capped at Rs12Kg for next 2-years. At CMP the stock trades at P/E(x) of 30x on FY26E EPS of Rs21.3 (revised downwards by 9%), we continue to value the company at P/E(x) of 35x on FY26E EPS, arriving at a target price of Rs745. Hence, we assign an ADD rating on the stock.

Result Highlights

- Revenue for the quarter stood at Rs2.46Bn (5.5% below est), marginal decline of 2.4%YoY & growth of 11%QoQ.
- EBITDA margins came in at 10.1% (Vs est of 10.2%), as compared to 11.7%/9.1% in Q4FY23/Q3FY24, respectively. Absolute EBITDA stood at Rs249Mn, a degrowth of 15%YoY & a growth of 24%QoQ.
- Net profit declined to Rs66Mn owing to higher tax paid during the quarter.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,458	2,602	2,615	(5.5)	(6.0)	
EBITDA	249	265	278	(5.7)	(10.4)	
EBITDA Margin (%)	10.1	10.2	10.6	-2 bps	-49 bps	Below estimates.
Adjusted PAT	66	140	142	(53.1)	(53.8)	

Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 635
Target Price	: Rs 745
Potential Return	: +17.3%

Stock data (as on May 21, 2024)

Nifty	22,529
52 Week h/l (Rs)	799 / 588
Market cap (Rs/USD mn)	26,050 / 313
Outstanding Shares (mn)	41
6m Avg t/o (Rs mn):	65
Div yield (%):	0.1
Bloomberg code:	APOLP IN
NSE code:	APOLLOPIPE

Stock performance



	1M	3M	1Y
Absolute return	-2.7%	-13.9%	1.6%

Shareholding pattern (As of Mar'24 end)

Promoter	48.3%
FII+DII	18.0%
Others	33.3%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	BUY
Target Price	745	820

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	16.2	21.3
EPS (Old)	18.6	23.4
% change	-13.0%	-9.1%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	9,771	14,083	18,207
YoY Growth	6.8	44.1	29.3
EBIDTA	954	1,308	1,634
EBIDTA (%)	9.8	9.3	9.0
PAT	425	672	887
YoY Growth	76.7	58.2	31.9
ROE	8.2	9.1	9.4
EPS	10.8	16.2	21.3
P/E	63.4	39.2	29.8
BV/Share	146	228	250
P/BV	4.7	2.8	2.5

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Operational Highlights for Q4FY24

- Volumes for the quarter stood at 20,550Te a growth of 10%YoY & 9%QoQ. (2-year volumes CAGR stood at 12%)
- ASP stood at Rs120/kg as compared to Rs135/Rs117 in Q4FY23/Q3FY24, respectively.
- EBITDA/Kg came in at Rs12 Vs Rs16/Rs11 in Q4FY23/Q3FY24 respectively.
- New unit: Company has decided to set-up new manufacturing unit at MIRZAPUR with an initial capacity of 30,000Te p.a. and investment of Rs1.2Bn & this capacity is expected to get operational in next 1-year.
- New line of biz: Management has finalized to launch new biz of UPVC Doors & Windows Profiles, which is an extension of product range in the PVC segment.
- The Company has acquired 53.57% controlling stake in Kisan Mouldings Limited (KML) for a total sum of Rs.1.18Bn consequently, KML has become the subsidiary of the Company.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
Revenue	2,367	2,519	2,603	2,495	2,216	2,458	(2.4)	10.9	9,145	9,771	6.8
Expenditure	2,206	2,225	2,342	2,253	2,014	2,208	(0.7)	9.6	8,464	8,817	4.2
- RM	1,795	1,809	1,904	1,782	1,569	1,796	(0.8)	14.5	6,927	7,051	1.8
- Staff Cost	140	124	152	164	154	142	14.4	(8.2)	517	613	18.4
- Other cost	271	292	285	306	291	271	(7.0)	(7.0)	1,020	1,154	13.2
Operating Profit	161	295	262	242	201	249	(15.3)	23.9	681	954	40.1
OPM(%)	6.8	11.7	10.1	9.7	9.1	10.1	-260 bps	-97 bps	7.4	9.8	232 bps
Other Income	0	7	12	13	11	3	(54.9)	(70.6)	20	39	99.5
Depreciation	74	76	67	72	75	83	10.5	11.2	284	297	4.8
Interest	21	24	15	7	14	15	(39.8)	6.0	89	51	(42.9)
PBT	66	202	192	175	123	155	(23.4)	25.3	328	645	96.6
Tax	17	51	53	46	33	89	76.1	173.7	88	220	151.3
PAT	49	151	139	129	91	66	(56.6)	(27.8)	241	425	76.7

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Particulars	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	% yoy	% qoq	FY23	FY24	% yoy
Volumes (Te)	18,011	18,685	21,219	19,803	18,868	20,550	10.0	8.9	66,567	80,440	20.8
Realization (Rs/Kg)	131	135	123	126	117	120	(11.3)	1.9	137	121	(11.6)
EBITDA/Kg	8.9	15.8	12.3	12.2	10.7	12.1	(23.0)	13.7	10	12	16.0

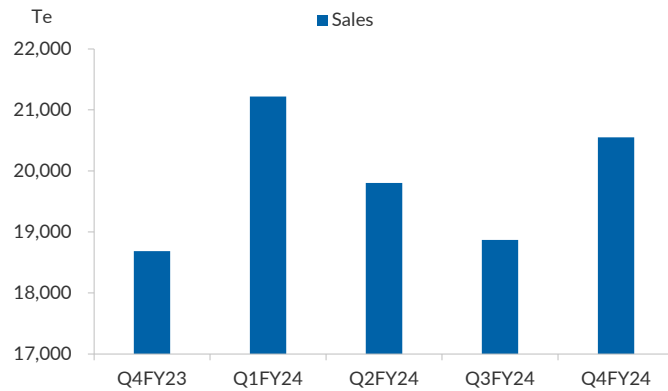
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Guidance:** Management maintained the volume growth guidance of 25% (Apollo standalone) and Revenue growth guidance of 30% over next 3-5years. On EBITDA margins, management expects to maintain 10% margins.
- Q4FY24 volumes growth was lower Vs expectations due to lower demand from project biz.
- **Kisan acquisition:** For FY24, only 7-days were consolidated which lead to Rs100Mn addition to topline & Rs36lakh to net profit. For Kisan, company expects to achieve peak revenue of 9Bn by FY27E with EBITDA margins of 10%. Management aims to achieve volumes of 30,000Te/50,000Te in FY25E/FY26E, respectively from this biz. Currently Kisan has 70% contribution from Agri, which will contract with higher growth from plumbing. Kisan currently has 200+ dealers.
- Capacity including Kisan acquisition stood at 216,000Te as on FY24 which will increase to 286,000Te in next 2-years.
- For Varanasi plant, company will spend Rs1.2Bn for capacity of 30,000Te by FY26E.
- Company announced its foray into O-PVC pipes and Window & Door profile which will have a capacity of 11,500Te by FY26E. The total EBITDA for these products will be Rs1Bn at peak, of which Rs0.6Bn will be contributed by O-PVC pipes & balance by window & doors.
- **Capex:** In FY24 company spent Rs1.35Bn & Rs1.2Bn on Kisan acquisition. Company has projected Rs2Bn capex in FY25E & Rs0.6Bn in FY26E.
- Total advertisement spends for the year was 1.5-2% of topline which will be increase to 2-2.5% in FY25E.
- Apollo's Agri-Plumbing mix stood at 45%-55% & B2B mix stood at 10%.Management aims to expand plumbing mix to 70%.
- 57% new dealers were added in FY24. In FY25E, company plans to add ~50-100 dealers for Apollo Pipes and ~100dealers for Kisan.
- For Kisan Mouldings, company will continue with "KISAN" brand, however for plumbing biz the plans are still under consideration.

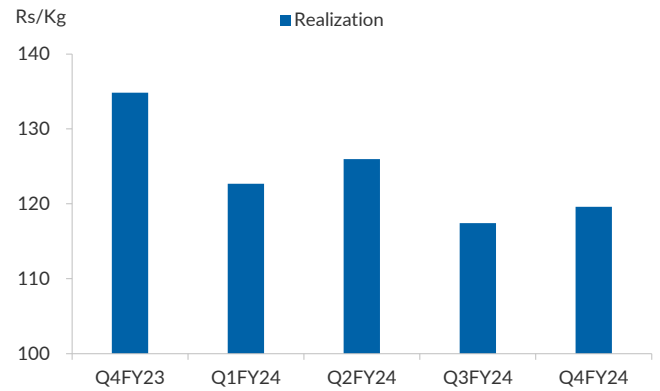
QUARTERLY TRENDS

Exhibit 4: Pipes volumes grew by 10% YoY...



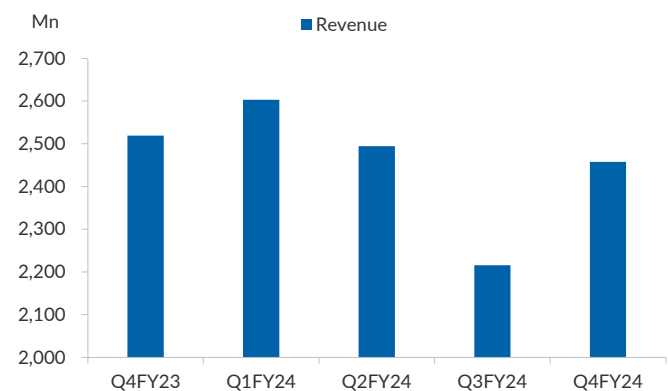
Source: Company, YES Sec

Exhibit 5: Realization came in at Rs120/kg...



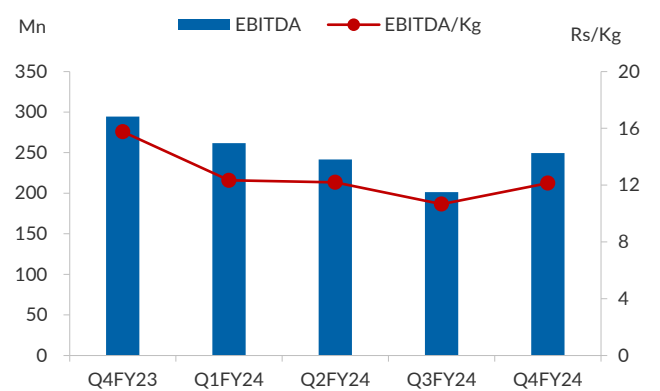
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Exhibit 6: Revenue declined by 2.4%YoY...



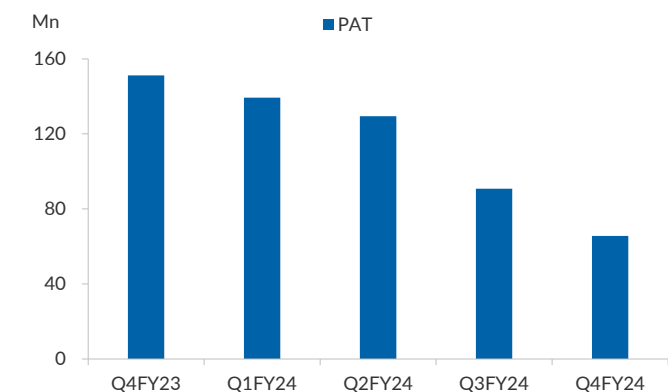
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Exhibit 7: EBITDA/kg stood at Rs12...



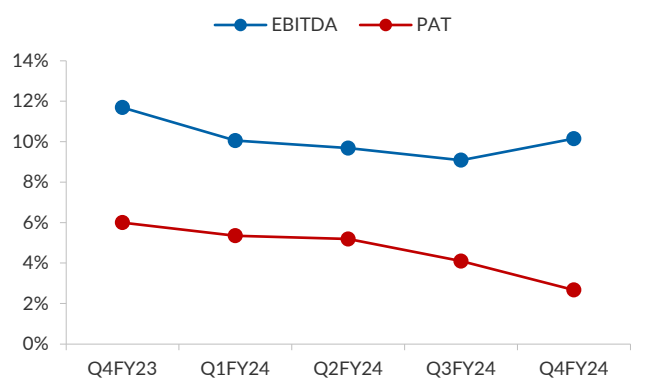
Source: Company, YES Sec

Exhibit 8: Net Profit decreased to Rs66Mn...



Source: Company, YES Sec

Exhibit 9: OPM & NPM came in at 10% & 3%...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Sales	7,841	9,145	9,771	14,083	18,207
COGS	5,732	6,927	7,051	10,478	13,588
COGS %sales	73.1	75.7	72.2	74.4	74.6
GP	2,109	2,218	2,720	3,605	4,620
GP%	26.9	24.3	27.8	25.6	25.4
EBITDA	934	681	954	1,308	1,634
EBITDA%	11.9	7.4	9.8	9.3	9.0
Depreciation	257	284	297	429	513
Finance Cost	43	89	51	63	63
Other Income	38	20	39	69	110
PBT	672	328	645	885	1,167
Tax	174	88	220	212	280
PAT	498	241	425	672	887
PAT%	6.3	2.6	4.4	4.8	4.9

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	393	393	394	394	394
Reserves	3,660	4,179	5,347	6,019	6,907
Equity	4,053	4,572	5,740	6,413	7,300
Payables	550	1,179	1,669	2,481	3,217
Provisions	4	5	79	79	79
Other current Liab	415	364	881	881	881
Total Equity & Liab	5,438	6,619	10,106	14,140	15,763
Gross Block	3,017	3,746	6,104	8,104	8,904
Acc Dep	956	1,240	1,537	1,966	2,480
Net Block	2,061	2,506	4,567	6,138	6,424
CWIP	71	56	84	84	84
Other Noncurrent	154	453	1,344	1,344	1,344
Inventory	1,316	1,708	1,987	2,953	3,829
Investments	2	-	-	-	-
Receivables	705	658	796	1,147	1,482
Cash & Bank	418	348	560	1,706	1,831
Loans	57	38	36	36	36
Other	352	553	331	331	331
Total Assets	5,438	6,619	10,106	14,140	15,763

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	672	327	648	885	1,167
Depreciation & Amortization	257	284	299	429	513
Finance cost	43	89	51	63	63
(Incr)/Decr in Working Capital	(417)	146	444	(506)	(476)
Taxes	(158)	(143)	(180)	(212)	(280)
Cash from ops.	364	687	1,247	659	988
(Incr)/ Decr in PP&E	(423)	(728)	(957)	(2,000)	(800)
Cash Flow from Investing	(368)	(680)	(2,140)	(2,000)	(800)
(Decr)/Incr in Borrowings	(256)	51	(1,222)	-	-
Finance cost	(44)	(89)	(51)	(63)	(63)
Cash Flow from Financing	(300)	(78)	(637)	2,487	(63)
Incr/(Decr) in cash	(304)	(70)	(1,530)	1,146	125
Cash and cash equivalents at beginning of year	722	418	2,076	560	1,706
Cash and cash equivalents at end of year	418	348	546	1,706	1,831

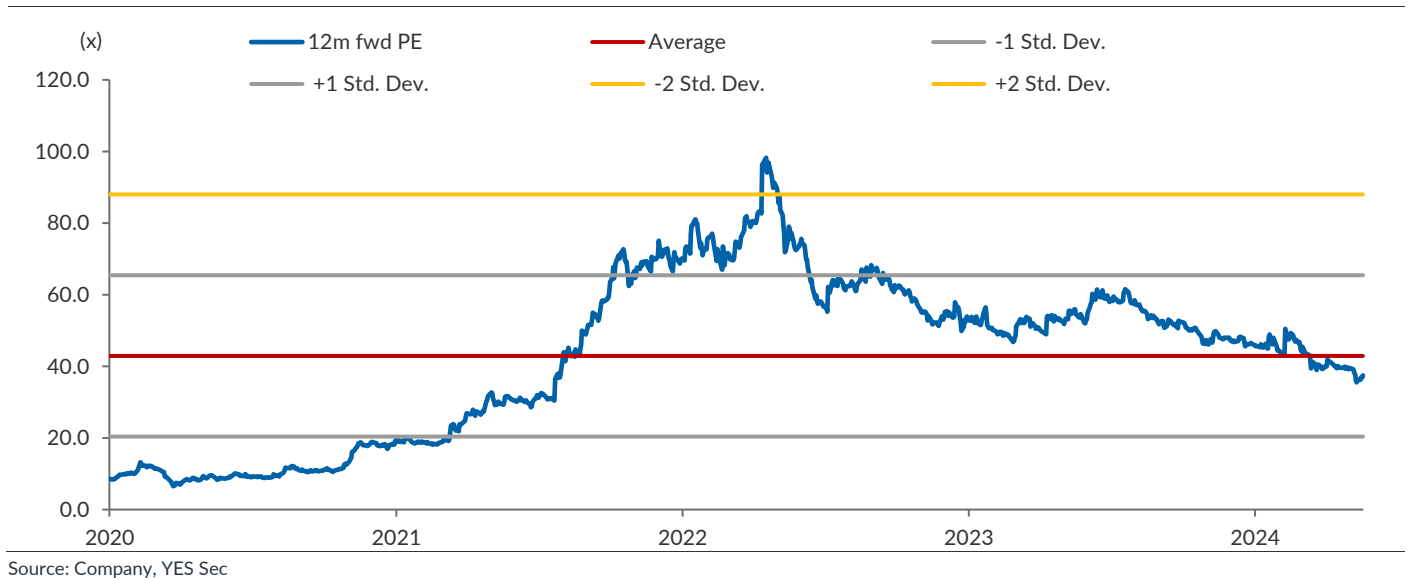
Source: Company, YES Sec

Exhibit 13: Ratios

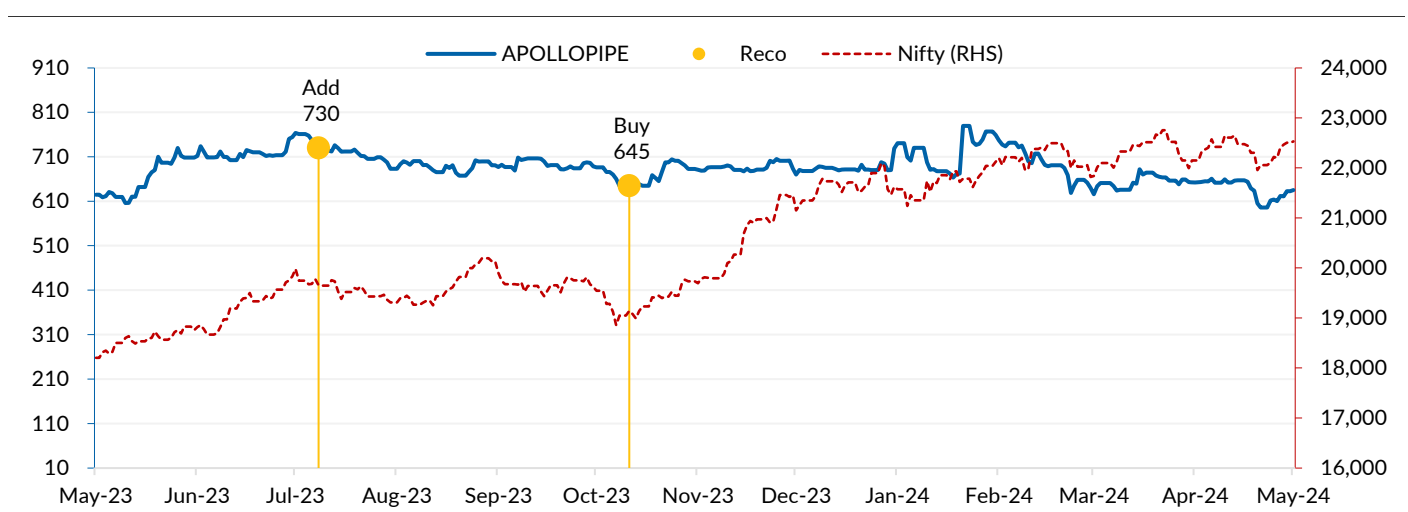
Key Ratios	FY22	FY23	FY24	FY25E	FY26E
Growth Matrix (%)					
Revenue growth	51.3	16.6	6.8	44.1	29.3
EBITDA growth	25.8	(27.1)	40.1	37.2	24.9
EBIT growth	9.9	(41.7)	66.9	36.3	29.8
PAT growth	11.9	(51.7)	76.7	58.2	31.9
Profitability ratios (%)					
GP margin	26.9	24.3	27.8	25.6	25.4
EBITDA margin	11.9	7.4	9.8	9.3	9.0
EBIT margin	9.1	4.6	7.1	6.7	6.8
PAT margin	6.3	2.6	4.4	4.8	4.9
RoCE	18.1	9.5	12.1	11.2	11.7
RoE	13.2	5.6	8.2	9.1	9.4
Per share values					
EPS	12.7	6.1	10.8	16.2	21.3
CEPS	19.2	13.3	18.4	28.0	35.6
BVPS	103.1	116.3	145.9	227.8	250.3
Valuation ratios (x)					
P/E	38.0	81.7	63.4	39.2	29.8
P/B	4.7	4.3	4.7	2.8	2.5
EV/EBITDA	20.2	29.0	28.3	18.3	14.6
Leverage ratios (x)					
Debt/ Equity	0.1	0.1	0.1	0.1	0.1
Net debt/Equity	(0.0)	0.0	0.0	(0.1)	(0.1)
Net debt/EBITDA	(0.0)	0.1	0.1	(0.8)	(0.7)
Int coverage	16.7	4.7	13.8	15.0	19.5
NWC days					
Receivables	33	26	30	30	30
Inventory	84	90	103	103	103
Payables	35	62	86	86	86

Source: Company, YES Sec

Exhibit 14: 1-year forward P/E (x) chart



Recommendation Tracker



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Name of the Research Analyst : Udit Gajiwala, Shalin Damani

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YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.