

Apollo Pipes Ltd

Strong growth trajectory to sustain, maintain BUY!

Result Synopsis

Apollo pipes registered higher quarterly volumes of 18,685Te (2-year CAGR 20%), a growth of 13%YoY & 4%QoQ on account of healthy demand from plumbing segment. The ASP came in at Rs135/Kg as compared to Rs150/Rs131 in Q4FY22/Q3FY23 respectively. With better product mix & no impact of inventory gain/loss, company's EBITDA/Kg stood at Rs16 in Q4FY23 Vs Rs17/Rs9 in Q4FY22/Q3FY23 respectively, hence EBITDA margins came in at 11.7% as against 11.5%/6.8% in Q4FY22/Q3FY23 respectively.

Management has guided for a stellar revenue growth of 35%CAGR over coming 4-years, which will be driven by 28-30% volume growth & 4-5% value growth. Company is focused on expanding their market share across India & hence they are planning a capex of Rs500Bn, wherein Rs1Bn will be for brownfield expansion of 25,000Te (by Q4FY24) & Rs4Bn will be for greenfield expansion in West, South & East for setting-up 125,000Te capacity which will come-up in staggered manner. The capex will be funded via Rs2.60Bn equity infusion & balance via internal accruals.

With healthy industry tailwind & company's aggressive plans to expand market share in West, South & east, we reckon Apollo's volumes to grow by 25%CAGR over FY23-FY25E. Additionally, with focus on increasing contribution of plumbing portfolio, the contribution of value added products should also expand, this should enable company to grow their gross margins. However, owing to incremental plant cost, we believe EBITDA/Kg will be capped at Rs16-16.5/Kg for FY24E/FY25E respectively.

We continue to value the company at P/E(x) of 30x on FY25E EPS of Rs25.2, arriving at a target price of Rs757. Hence, we maintain our BUY rating on the stock.

Result Highlights

- Volumes stood at 18,685Te, a growth of 13%YoY & 4%QoQ (in-line with our estimates). 2-year volume CAGR stood at 20%. FY23 vols stood at 66,567Te, a growth of 24%YoY.
- Revenue stood at Rs2.51Bn, a growth of 2%YoY & 6.4% QoQ. ASP came in at Rs135/Kg as compared to Rs150/Rs131 in Q4FY22/Q3FY23 respectively. For full year, revenue stood at Rs9.14Bn, a growth of 17%YoY. ASP for FY23 came in at Rs137/Kg Vs Rs146 in FY22.
- EBITDA/Kg for the quarter stood at Rs16 Vs Rs17/Rs9 in Q4FY22/Q3FY23 respectively (as compared to our est of Rs14/Kg). Absolute EBITDA came in at Rs295Mn, growth of 4%YoY.

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,519	2,414	2,410	4.4	4.5	Volumes were in-line with estimates, however EBITDA/Kg was higher Vs expectation.
EBITDA	295	266	279	10.7	5.6	
EBITDA Margin (%)	11.7	11.0	11.6	67 bps	11 bps	
Adjusted PAT	151	136	143	11.2	5.7	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 629
Target Price	: Rs 757
Potential Upside	: +20%

Stock data (as on May 9, 2023)

Nifty	18,266
52 Week h/l (Rs)	635 / 402
Market cap (Rs/USD mn)	23538 / 287
Outstanding Shares (mn)	39
6m Avg t/o (Rs mn):	41
Div yield (%):	0.2
Bloomberg code:	APOLP IN
NSE code:	APOLLOPIPE

Stock performance



	1M	3M	1Y
Absolute return	17.1%	26.5%	16.2%

Shareholding pattern (As of March'23 end)

Promoter	52.0%
FII+DII	15.4%
Others	32.1%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	757	600

Δ in earnings estimates

	FY24e	FY25e
EPS (New)	20.0	25.3
EPS (Old)	21.4	-
% change	(6.5)	-

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	9,145	12,065	15,602
YoY Growth	16.6	31.9	29.3
EBITDA	681	1,415	1,768
EBITDA (%)	7.4	11.7	11.3
PAT	241	782	988
YoY Growth	(51.7)	225.1	26.3
ROE	5.6	15.8	13.9
EPS	14.2	20.0	25.2
P/E	35.2	31.5	25.0
BV/Share	116	136	226
P/BV	4.3	4.6	2.8

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- FY23, EBITDA stood at Rs680Mn & full year's EBITDA/Kg came in at Rs10.2 (H1FY23 witnessed massive PVC price correction) Vs Rs17.3 in FY22.
- Net profit stood at Rs151Mn, a decline of 3.2%YoY & as compared to Rs49Mn profit in previous quarter.

Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	y/y (%)	q/q (%)	FY22	FY23	y/y (%)
Revenue	1,376	2,082	1,908	2,475	2,189	2,070	2,367	2,519	1.8	6.4	7,841	9,145	16.6
Expenditure	1,202	1,822	1,692	2,191	1,988	2,045	2,206	2,225	1.6	0.9	6,906	8,464	22.6
- RM	986	1,526	1,392	1,827	1,655	1,668	1,795	1,809	(1.0)	0.8	5,732	6,927	20.9
- Staff Cost	87	101	111	116	120	133	140	124	7.3	(11.6)	414	517	24.9
- Other cost	129	196	188	248	213	244	271	292	17.5	7.4	761	1,020	34.1
Operating Profit	175	260	217	284	201	25	161	295	3.7	83.3	935	681	(27.2)
OPM(%)	12.7	12.5	11.3	11.5	9.2	1.2	6.8	11.7	22 bps	490 bps	11.9	7.4	-447 bps
Other Income	14	1	12	11	8	4	0	7	(33.0)	2,908.5	38	20	(48.2)
Depreciation	57	62	67	71	64	70	74	76	5.7	1.9	257	284	10.5
Interest	11	7	8	18	22	22	21	24	39.4	17.9	43	89	107.3
PBT	121	192	154	206	123	(63)	66	202	(1.9)	205.0	673	328	(51.2)
Tax	33	51	40	49	35	(15)	17	51	2.1	188.9	174	88	(49.8)
PAT	88	141	114	156	88	(48)	49	151	(3.2)	210.8	498	241	(51.7)
Exceptional Loss/(Profit)	-	-	-	26	-	318	-	-	-	-	26	318	1,121.7
Reported PAT	88	141	114	182	89	270	49	151	(16.8)	210.2	525	559	6.5

Source: Company, YES Sec

Exhibit 3: Operational Numbers:

Opearional Highlights	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	y/y (%)	q/q (%)	FY22	FY23	y/y (%)
Volumes (Te)	10,402	14,518	12,520	16,490	14,406	15,465	18,011	18,685	13.3	3.7	53,849	66,567	23.6
Realization (Rs/Kg)	132	143	152	150	152	134	131	135	(10.1)	2.6	146	137	(5.6)
EBITDA/Kg	17	18	17	17	14	2	9	16	(8.5)	76.7	17	10	(41.1)

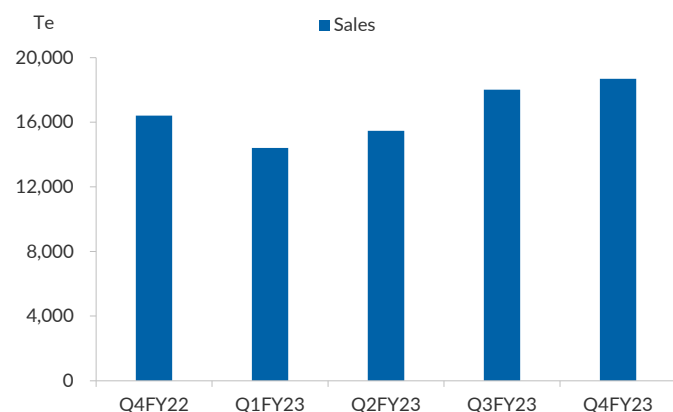
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Company has achieved highest quarterly volumes in Q4FY23. Management is confident of achieving 35%CAGR revenue growth for next 4years wherein volumes should grow by 28-30% & ASP to grow by 4-5% over similar period.
- Apollo Pipes has planned a capex of Rs5Bn, where in Rs1Bn will be for Dadri (greenfield) & Dadri+Tumkur (brownfield). Further Rs4Bn will be spent for adding capacity of 125,000Te in West, South & East (greenfield). Overall post capacity expansion, the total capacity will be 286,000Te in coming 3-4years. At a single location, minimum size of plant will be 30,000-35,000Te.
- In West management plans to set-up plant near Maharashtra & in South the plant will be near Bangalore – Hyderabad.
- Priority is west plant which will come-up by Q2FY25 followed by East & South plant in next 24-26months. Dadri will be operational by Q4FY24.
- Capex will be funded via fund infusion of Rs2.6Bn & balance via internal accruals.
- On working capital- company saw improvement in creditors from 63days in FY22 to 45days in FY23 on account of better buying power due to higher scale. In North company started cash-carry model for large clients. Management aims to maintain WC-Days at 35-40days on sustainable basis.
- Agri constituted 50% of total revenue for the company, post capacity expansion- the agri segment revenue will be ~25% in coming years.
- Current dealer inventory levels are at normalize levels at ~30-60days depending on dealers.
- In current quarter, there were no Inventory gains/losses. On resin prices, management expects prices to remain stable going ahead.
- Management is focused on enhancing contribution from value added products & EBITDA/Kg will be ~Rs16-17/Kg for coming 2-3years, however the same will expand post all new capacities are streamlined. Company eyes Rs0.5-0.7/Kg improvement on annual basis.
- With higher value-added products, ASP should improve by Rs4-5 p.a. This will lead to higher GP margins.
- Advertisement spends for FY23 was Rs160Mn (1.75%), for FY24 the same will be ~1.75%-2.25%.

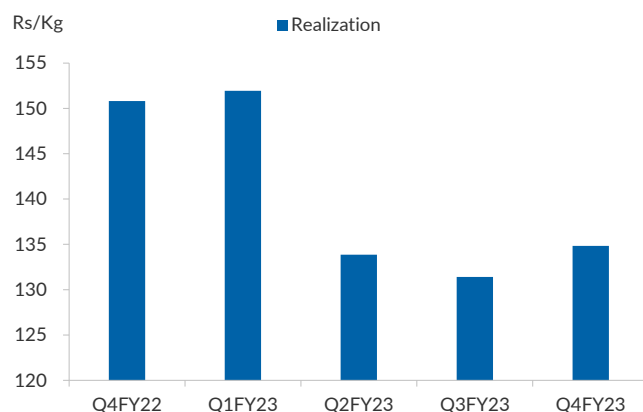
QUARTERLY TRENDS

Exhibit 4: Volume up by 13% YoY ...



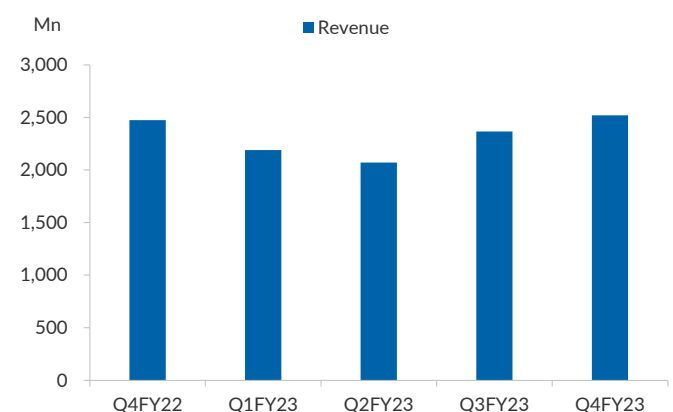
Source: Company, YES Sec

Exhibit 5: ASP came in at Rs135/kg...



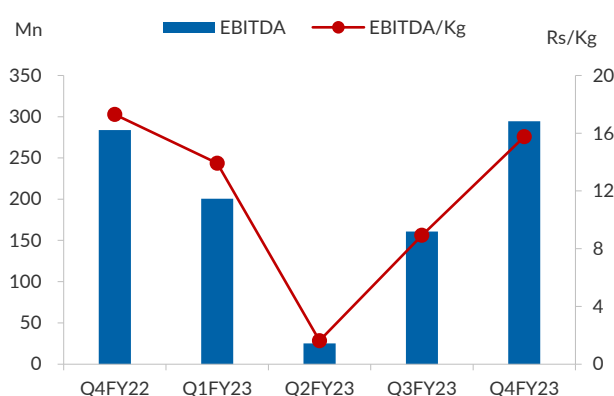
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Exhibit 6: Revenue increased by 6%QoQ...



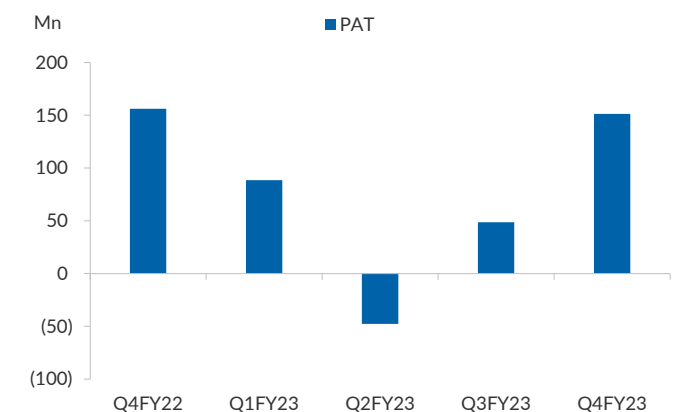
Source: Company, YES Sec

Exhibit 7: EBITDA/Kg improved to Rs16...



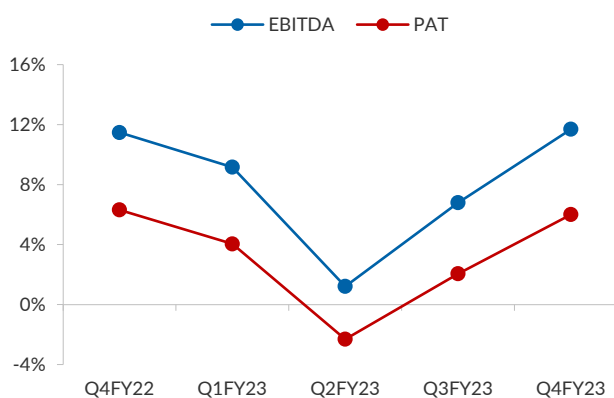
Source: Company, YES Sec

Exhibit 8: PAT stood at Rs151Mn...



Source: Company, YES Sec

Exhibit 9: Margins improved sequentially...



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E
Sales	7,841	9,145	12,065	15,602
COGS	5,732	6,927	8,960	11,974
COGS %sales	73.1	75.7	74.3	76.7
GP	2,109	2,218	3,105	3,628
GP%	26.9	24.3	25.7	23.3
EBITDA	934	681	1,415	1,768
EBITDA%	11.9	7.4	11.7	11.3
Depreciation	257	284	356	461
Finance Cost	43	89	66	66
Other Income	38	20	37	58
PBT	672	328	1,029	1,300
Tax	174	88	247	312
PAT	498	241	782	988
PAT%	6.3	2.6	6.5	6.3

Source: Company, YES Sec

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E
Share Capital	393	393	393	393
Reserves	3,660	4,179	4,961	5,949
Equity	4,053	4,572	5,355	6,342
Payables	550	1,179	1,525	2,037
Provisions	4	5	5	5
Other current Liab	415	364	364	364
Total Equity & Liab	5,438	6,619	7,748	11,798
Gross Block	3,017	3,746	4,746	6,246
Acc Dep	956	1,240	1,596	2,057
Net Block	2,061	2,506	3,150	4,189
CWIP	71	56	56	56
Other Noncurrent	154	453	453	453
Inventory	1,316	1,708	2,209	2,951
Investments	2	-	-	-
Receivables	705	658	867	1,122
Cash & Bank	418	348	121	2,136
Loans	57	38	38	38
Other	352	553	553	553
Total Assets	5,438	6,619	7,748	11,798

Source: Company, YES Sec

Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E
PBT	672	327	1,029	1,300
Depreciation & Amortization	257	284	356	461
Finance cost	43	89	66	66
(Incr)/Decr in Working Capital	(417)	146	(365)	(484)
Taxes	(158)	(143)	(247)	(312)
Cash from ops.	364	687	839	1,030
(Incr)/ Decr in PP&E	(423)	(728)	(1,000)	(1,500)
Cash Flow from Investing	(368)	(680)	(1,000)	(1,500)
(Decr)/Incr in Borrowings	(256)	51	0	-
Finance cost	(44)	(89)	(66)	(66)
Cash Flow from Financing	(300)	(78)	(66)	2,484
Incr/(Decr) in cash	(304)	(70)	(227)	2,015
Cash and cash equivalents at beginning of year	722	418	348	121
Cash and cash equivalents at end of year	418	348	121	2,136

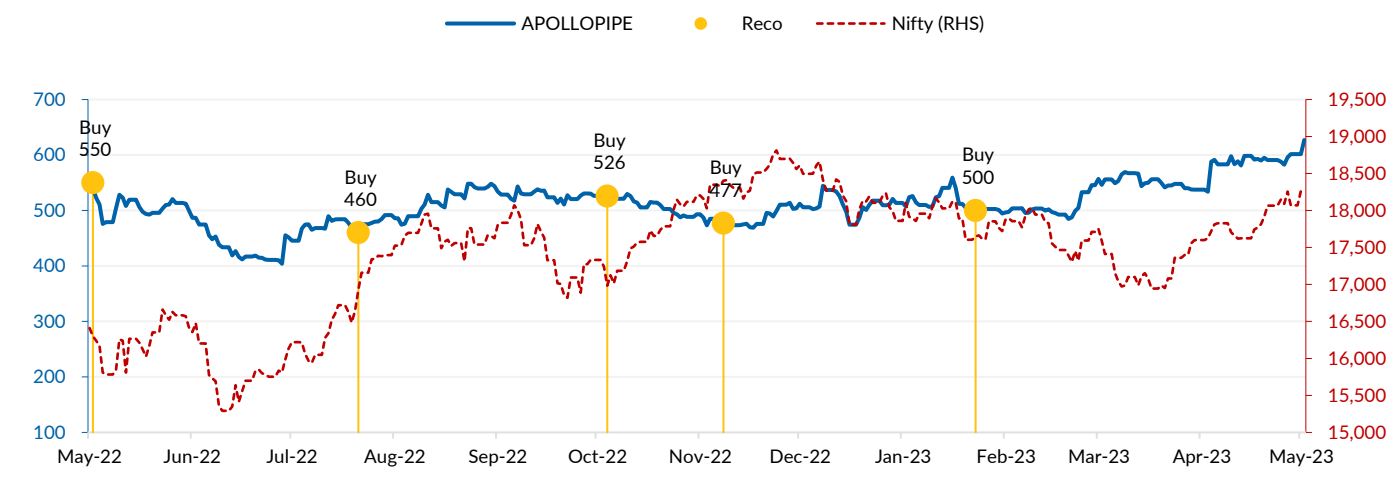
Source: Company, YES Sec

Exhibit 13: Ratios

Key Ratios	FY22	FY23	FY24E	FY25E
Growth (%)				
Total Sales	51.3	16.6	31.9	29.3
EBIDTA	25.8	(27.1)	107.8	25.0
EBIT	9.9	(41.7)	162.8	24.7
PAT	11.9	(51.7)	225.1	26.3
Profitability (%)				
GP Margins	26.9	24.3	25.7	23.3
EBIDTA Margins	11.9	7.4	11.7	11.3
EBIT Margins	9.1	4.6	9.1	8.8
PAT Margins	6.3	2.6	6.5	6.3
ROCE	18.1	9.5	21.8	19.0
ROE	13.2	5.6	15.8	13.9
Per Share Data (Rs)				
EPS	12.7	14.2	20.0	25.2
CEPS	19.2	13.3	28.9	36.8
BVPS	103.1	116.3	136.1	226.1
Valuations (x)				
P/E (x)	38.0	35.2	31.5	25.0
P/BV (x)	4.7	4.3	4.6	2.8
EV/EBIDTA	20.2	29.0	17.7	13.1
Market cap/sales	2.4	2.2	2.1	1.6
Gearing Ratios				
Debt/Equity	0.1	0.1	0.1	0.0
Net Debt/Equity	(0.0)	0.0	0.1	(0.2)
Net Debt/EBIDTA	(0.0)	0.1	0.2	(1.0)
Int Coverage	16.7	4.7	16.7	20.8
WCC Days				
Debtors	33	26	26	26
Inventory	84	90	90	90
Creditors	35	62	62	62

Source: Company, YES Sec

Recommendation Tracker



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