

HOLD

TP: Rs 260 | ▼ 3%

APOLLO PIPES

| Building Materials

| 31 January 2026

Weak Q3; price erosion weighed on margins

- Weak performance for the 9th consecutive quarter, on intense competition in a tepid demand environment
- Revenue/ EBITDA declined~ 20%/48% YoY respectively, led by ~6%/15% YoY decline in Pipes volumes/ realisations
- Maintain HOLD on weak ROE profile and expensive valuations, ascribing unchanged 25x to arrive at Dec'26 TP of Rs 260

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Sharp Q3 miss on pricing pressure and operating leverage: APOLP's Q3FY26 performance came in well below our estimates, with revenue/EBITDA/APAT missing by 21%/46%/156%, respectively. Revenue declined 19.7% YoY to Rs 2.47 bn, while EBITDA fell 48.4% YoY to Rs 120 mn, with EBITDA margin contracting sharply by 270 bps YoY to 4.9%. The miss was led by a sharp decline in realisations (-14.7% YoY) and weak operating leverage, resulting in a reported loss at the PAT level in Q3FY26.

Weak volumes and pricing pressure weigh on profitability: Consolidated volumes declined 5.9% YoY in Q3FY26, reflecting weak agri demand, channel destocking and intense pricing competition. EBITDA per kg fell sharply to Rs 4.7/kg (vs Rs 8.6/kg in Q3FY25), on lower realisations and fixed-cost leverage. Kisan continued to report losses due to weak utilisation and aggressive pricing, while Apollo standalone margins also stayed under pressure, indicating that earnings weakness is now broad-based vs subsidiary-specific.

Guidance: Management guided for high a single-digit volume growth in FY26, targeting 106-107 kt (vs ~99 kt in FY25), supported by a stronger Q4FY26 volume outlook of 32-35 kt. For FY27, APOLP aims to achieve a high double-digit volume growth, driven by the Varanasi plant, Kisan ramp-up to 35-38 kt, and contribution from new products (including window profiles). Standalone EBITDA is expected to normalise to Rs 9-10k/ton in FY27, while Kisan EBITDA is targeted at Rs 4-5k/ton. Capacity expansion to 286 ktpa over the next two years will be funded without incremental net debt.

Revise estimates, Maintain HOLD: We maintain HOLD rating on the stock due to weak ROE profile (3.1%-7.4% for FY26E-FY28E). APOLP ROE's profile is expected to remain weak over the next 3 years even if we assume healthy volume growth rate (11% CAGR over FY25-FY28E) and margin improvement (from 6.5% in FY26E to 9.6% in FY28E) due to poor capital allocation (return-dilutive Kisan acquisition and operating plant at low rate on a consistent basis). We have cut our TP to Rs 260 (Rs 335 earlier) Our target P/E multiple remains unchanged at 25x on Dec'27 estimates.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	APOLP IN/Rs 268
Market cap	US\$ 128.5mn
Free float	53%
3M ADV	US\$ 0.4mn
52wk high/low	Rs 495/Rs 252
Promoter/FPI/DII	47%/4%/15%

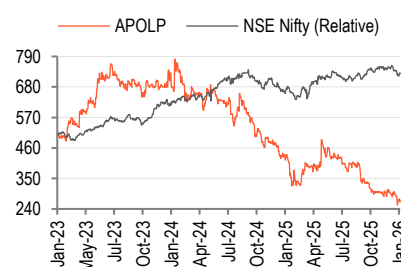
Source: NSE | Price as of 30 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,816	10,600	12,554
EBITDA (Rs mn)	957	693	973
Adj. net profit (Rs mn)	326	129	280
Adj. EPS (Rs)	7.4	2.8	6.1
Consensus EPS (Rs)	7.4	6.1	11.1
Adj. ROAE (%)	4.8	1.5	3.1
Adj. P/E (x)	36.2	96.1	44.1
EV/EBITDA (x)	12.1	16.1	11.7
Adj. EPS growth (%)	(31.6)	(62.3)	118.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly Financial Snapshot – Consolidated

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	BOBCAPS Q3FY26E	Variance (%)
Operating income	2,472	3,079	(19.7)	2,357	4.9	7,579	8,669	(12.6)	3,130	(21.0)
Raw-Material expense	1,716	2,152	(20.3)	1,590	7.9	5,234	6,004	(12.8)		
Gross Profit	756	927	(18.4)	767	(1.4)	2,345	2,665	(12.0)		
Employee expense	262	245	7.1	240	9.2	738	707	4.5		
Other expense	374	449	(16.8)	369	1.3	1,122	1,242	(9.7)		
EBITDA	120	233	(48.4)	158	(23.8)	485	716	(32.4)	220	(45.5)
D&A	152	118	29.1	145	5.0	418	323	29.6		
EBIT	(32)	115	(127.9)	13	(351.9)	66	393	(83.2)		
Interest cost	24	31	(22.3)	25	(3.2)	74	90	(18.5)		
Other income	6	3	104.6	54	(89.4)	89	19	368.2		
PBT	(51)	86	(158.6)	41	(223.1)	82	322	(74.6)		
Tax	(3)	23	(113.6)	27	(111.2)	34	80	(57.6)		
Reported PAT	(48)	64	(174.5)	14	(443.0)	48	242	(80.2)		
Minority Interest	(15)	2	-	(2)	537.4	(17)	13	-		
PAT after Minority Interest	(33)	62	(152.6)	16	(301.4)	65	229	(71.6)		
Adjusted PAT	(33)	62	(152.6)	16	(301.4)	65	229	(71.6)	59	(155.6)
As % of net revenues			chg (bps)		chg (bps)			chg (bps)		
Gross margin	30.6	30.1	49	32.5	(195)	30.9	30.7	19		
Employee cost	10.6	8.0	266	10.2	42	9.7	8.2	159		
Other cost	15.1	14.6	53	15.7	(53)	14.8	14.3	47		
EBITDA margin	4.9	7.6	(270)	6.7	(183)	6.4	8.3	(187)		
Tax rate	6.0	26.1	(2005)	66.3	(6025)	41.4	24.8	1661		
APAT margin	(1.3)	2.0	(334)	0.7	(201)	0.9	2.6	(178)		

Source: Company, BOBCAPS Research

Fig 2 – Per unit analysis

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales Volumes (KTPA)	25.4	27.0	(5.9)	21.7	17.1	72	74	(1.8)
Realization	97.4	114.1	(14.7)	108.7	(10.4)	104.7	117.6	(11.0)
Raw-Material	67.6	79.8	(15.3)	73.3	(7.8)	72.3	81.4	(11.2)
Gross Profit	29.8	34.4	(13.3)	35.4	(15.8)	32.4	36.2	(10.4)
Employee	10.3	9.1	13.8	11.1	(6.8)	10.2	9.6	6.4
Others	14.7	16.7	(11.6)	17.0	(13.5)	15.5	16.8	(8.0)
EBITDA per unit (Rs/kg)	4.7	8.6	(45.1)	7.3	(34.9)	6.7	9.7	(31.1)

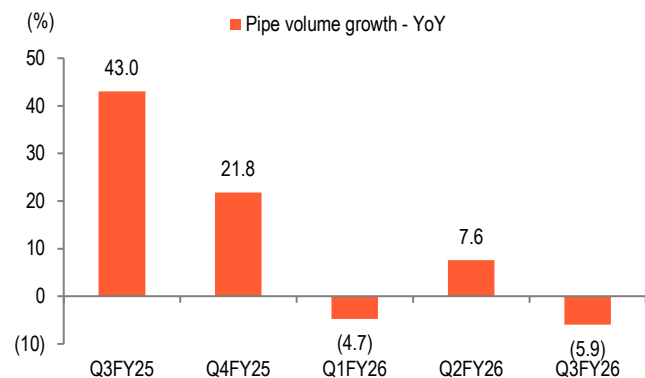
Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Pipe demand scenario:** 9MFY26 was challenging for the Indian PVC pipe industry amid weak end-user demand, driven by slowdown in private real estate and government infrastructure spending, high raw material price volatility, oversupply, and intense price competition. Plumbing demand remained under pressure due to excess capacity and muted construction activity, while prolonged weakness in government capex over the last ~24 months led to sustained channel destocking. Management observed early signs of demand recovery, with sales momentum improving from Dec'25 and carrying into Jan'26, ~25% volume growth seen on a bi-weekly run-rate, supported by seasonality-linked construction activity ahead of Mar'26 completions and a pickup in agri demand during Jan'26–Apr/May'26.
- **PVC Resin:** PVC prices were extremely volatile in Q3FY26, falling from ~Rs 72/kg to ~Rs 61/kg before rebounding to ~Rs 68–69/kg in Jan'26. Management refrained from directional calls, highlighting unpredictability and rapid swings. Imported PVC prices recovered to ~USD 650-700/ton, which management views as a near-term ceiling, given China's large surplus capacity.
- **Competitive Intensity:** Competitive pressure remains elevated amid oversupply and weak demand, with aggressive price-led market share strategies, particularly from smaller players. Management was explicit that pricing wars will persist unless macro demand revives, and APOLP has also adopted more aggressive pricing in Q3FY26 to protect and expand market share, with benefits expected to flow through volumes in Q4FY26.
- **Guidance:** Management guided for high single-digit volume growth in FY26, with volumes of 106-107kt for FY26, supported by Q4FY26 volumes of 32-35kt. For FY27, management targets high double-digit volume growth, driven by Varanasi plant commissioning, Kisan ramp-up to 35-38kt from ~21-22kt annualised, and contribution from new products including window profiles. Management expects APOLP standalone EBITDA normalization to Rs 9-10/kt in FY27, with Kisan EBITDA is targeted at Rs 4-5/kt for FY27 with volume recovery.
- **Product mix (standalone):** Housing plumbing continues to outperform, with >10% YoY growth in 9MFY26, while fittings grew ~10% and water tanks recorded high double-digit growth; agri and SDP pipes declined, resulting in flattish overall volumes. Management aims to increase housing plumbing mix to 70–75% over the next two years from ~60% currently. CPVC remains a focus area, contributes 15% of volumes currently, supported by the Lubrizol tie-up, while window profiles and value-added products are expected to contribute incrementally from FY27.
- **Capex:** The company incurred Rs 1.25bn capex in 9MFY26, with Rs 1.5bn expected for FY26. FY27 capex is guided at ~Rs 1bn, including land acquisition for a South India plant (~Rs 0.25-0.3bn), brownfield expansions (~Rs 0.5bn), and potential Kisan upgrades. Importantly, capacity expansion to 286 ktpa over two years is planned without adding net debt.
- **Channel inventory:** Channel partners continued cautious stocking amid frequent PVC price fluctuations, with limited restocking observed during Dec'25–Jan'26.
- **Inventory loss:** The company has booked Rs 50 mn inventory loss in Q3FY26.

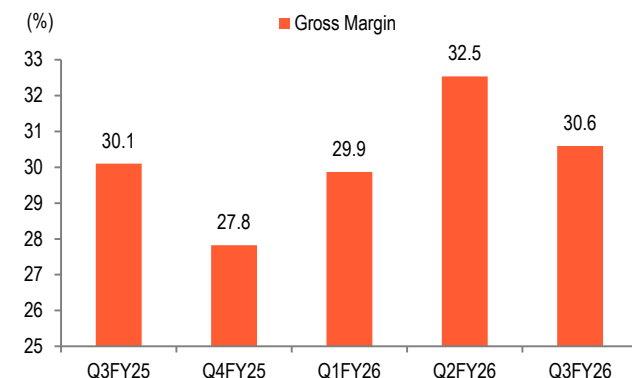
- **Net cash:** APOLP net cash position has gone down from Rs 80mn in Sep'25 to Rs 28mn in Dec'25. The company has issued warrants to Kitara Capital (Oman-based fund) for a total investment of Rs 1.1bn, with 25% amount received in Q1FY26 and the remaining 75% expected by Oct'26. Management confirmed no promoter warrants outstanding and stated that investors remain fully committed to conversion at Rs 550/share.

Fig 3 – APOLP's pipe volumes degrew by 5.9% YoY in Q3FY26



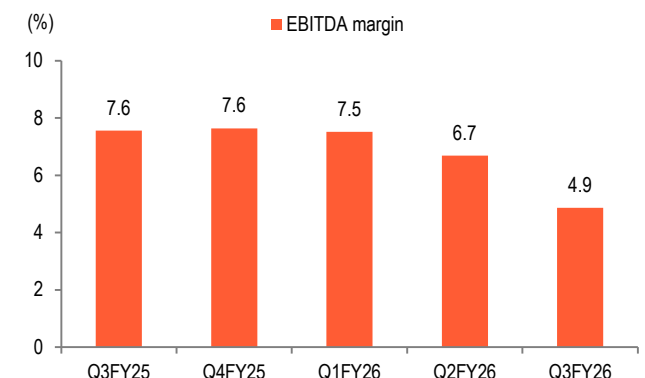
Source: Company, BOBCAPS Research

Fig 4 – Gross margin relatively stable at 30.6% on YoY basis in Q3FY26



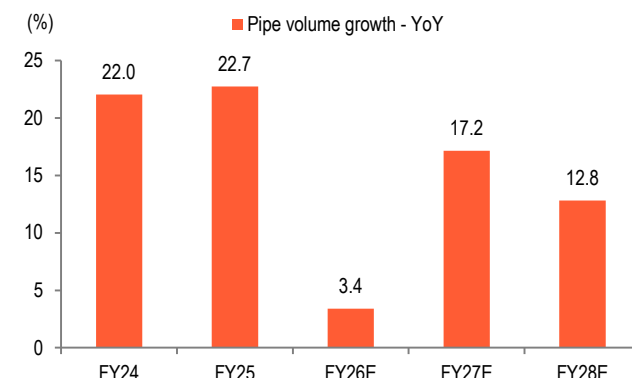
Source: Company, BOBCAPS Research

Fig 5 – EBITDA margin was down 270bps to 4.9% in Q3FY26



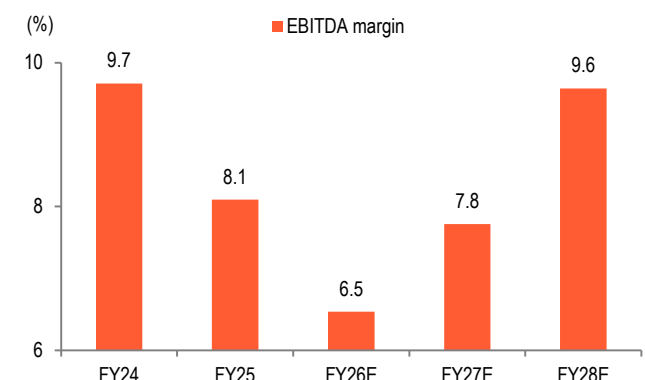
Source: Company, BOBCAPS Research

Fig 6 – Despite our assumption of a healthy pipe volume CAGR of 11.0% over FY25-FY28E...



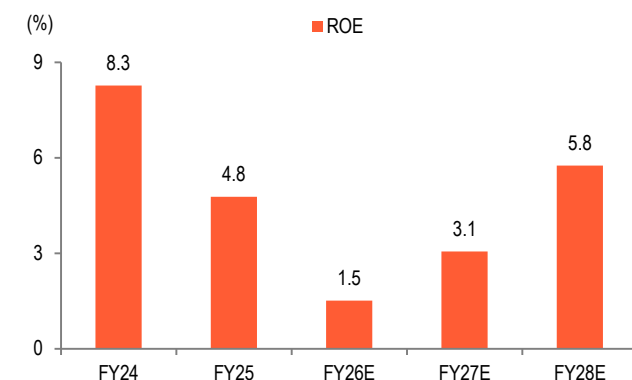
Source: Company, BOBCAPS Research

Fig 7 – ...and EBITDA margin projected to improve over the next two years



Source: Company, BOBCAPS Research

Fig 8 – APOLP's ROE profile is forecast to remain weak over FY26E-FY28E due to poor capital allocation policy



Source: Company, BOBCAPS Research

Valuation Methodology

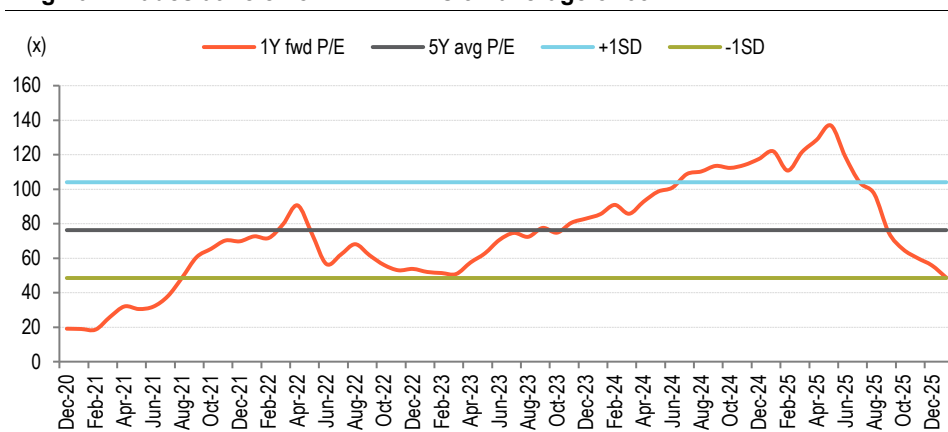
We maintain HOLD rating on the stock due to weak ROE profile (3.1%-7.4% for FY26E-FY28E). APOLP ROE's profile is expected to remain weak over the next 3 years even if we assume healthy volume growth rate (11% CAGR over FY25-FY28E) and margin improvement (from 6.5% in FY26E to 9.6% in FY28E) due to poor capital allocation (return-dilutive Kisan acquisition and operating plant at low rate on a consistent basis). We have cut our TP to Rs 260 (Rs 335 earlier) Our target P/E multiple remains unchanged at 25x on Dec'27 estimates.

Fig 9 – Revised estimates

Consolidated (Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Operating income	10,600	12,554	14,673	11,421	13,465	15,921	(7.2)	(6.8)	(7.8)
EBITDA	693	973	1,415	922	1,020	1,463	(24.8)	(4.6)	(3.3)
EBITDA Margin	6.5	7.8	9.6	8.1	7.6	9.2	(153)	18	45
Adjusted PAT	129	280	547	346	298	559	(62.9)	(5.9)	(2.1)
EPS	2.8	6.1	11.9	7.5	6.5	12.1	(62.9)	(5.9)	(2.1)

Source: BOBCAPS Research

Fig 10 – Trades at 48.8x on 1YF P/E vs 5Y average of 63.2x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales Volume growth	22.0	22.7	3.4	17.2	12.8
Realization growth	(11.6)	(2.5)	(13.3)	1.1	3.6
EBITDA per unit (Rs/kg)	11.8	9.6	6.7	8.1	10.4
Pre-tax ROCE	11.6	6.7	1.5	3.7	7.1
Pre-tax ROIC	14.0	8.8	2.1	4.8	8.4

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	9,869	11,816	10,600	12,554	14,673
EBITDA	958	957	693	973	1,415
Depreciation	299	445	554	602	671
EBIT	660	511	139	371	744
Net interest inc./(exp.)	(51)	(110)	(98)	(97)	(97)
Other inc./(exp.)	39	53	105	78	123
Exceptional items	0	0	0	0	0
EBT	648	454	146	352	769
Income taxes	220	113	50	88	194
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(2)	(14)	32	17	(29)
Reported net profit	426	326	129	280	547
Adjustments	0	0	0	0	0
Adjusted net profit	426	326	129	280	547

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,669	1,744	1,565	1,853	2,166
Other current liabilities	881	513	513	513	513
Provisions	79	121	109	129	150
Debt funds	632	918	866	949	1,040
Other liabilities	1,104	1,069	1,069	1,069	1,069
Equity capital	394	440	460	460	460
Reserves & surplus	5,347	7,487	8,627	8,815	9,270
Shareholders' fund	5,740	7,928	9,087	9,275	9,730
Total liab. and equities	10,106	12,293	13,208	13,789	14,668
Cash and cash eq.	560	1,378	1,791	885	334
Accounts receivables	796	950	852	1,009	1,179
Inventories	1,987	2,130	1,825	2,189	2,547
Other current assets	367	449	406	474	548
Investments	516	649	649	649	649
Net fixed assets	4,567	5,150	6,097	6,994	7,823
CWIP	84	373	373	373	373
Intangible assets	401	400	400	400	400
Deferred tax assets, net	396	390	390	390	390
Other assets	432	426	426	426	426
Total assets	10,106	12,293	13,208	13,789	14,668

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	1,892	192	895	605	954
Capital expenditures	(2,488)	(1,316)	(1,500)	(1,500)	(1,500)
Change in investments	(115)	(133)	0	0	0
Other investing cash flows	39	53	105	78	123
Cash flow from investing	(2,564)	(1,396)	(1,395)	(1,422)	(1,377)
Equities issued/Others	0	47	20	0	0
Debt raised/repaid	195	286	(52)	84	91
Interest expenses	(51)	(110)	(98)	(97)	(97)
Dividends paid	(39)	(31)	(69)	(92)	(92)
Other financing cash flows	783	1,830	1,112	17	(29)
Cash flow from financing	888	2,022	913	(88)	(127)
Chg in cash & cash eq.	216	817	413	(906)	(551)
Closing cash & cash eq.	564	1,381	1,795	889	338

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.8	7.4	2.8	6.1	11.9
Adjusted EPS	10.8	7.4	2.8	6.1	11.9
Dividend per share	1.0	0.7	1.5	2.0	2.0
Book value per share	145.9	180.0	197.3	201.4	211.3

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.2	1.0	1.0	0.9	0.8
EV/EBITDA	12.4	12.1	16.1	11.7	8.6
Adjusted P/E	24.8	36.2	96.1	44.1	22.6
P/BV	1.8	1.5	1.4	1.3	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	65.8	71.9	87.9	79.7	71.1
Interest burden (PBT/EBIT)	98.2	88.8	104.9	94.7	103.4
EBIT margin (EBIT/Revenue)	6.7	4.3	1.3	3.0	5.1
Asset turnover (Rev./Avg TA)	97.7	96.1	80.2	91.0	100.0
Leverage (Avg TA/Avg Equity)	2.0	1.8	1.6	1.5	1.5
Adjusted ROAE	8.3	4.8	1.5	3.1	5.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	7.9	19.7	(10.3)	18.4	16.9
EBITDA	40.9	(0.2)	(27.6)	40.5	45.3
Adjusted EPS	78.1	(31.6)	(62.3)	118.0	95.2
Profitability & Return ratios (%)					
EBITDA margin	9.7	8.1	6.5	7.8	9.6
EBIT margin	6.7	4.3	1.3	3.0	5.1
Adjusted profit margin	4.3	2.8	1.2	2.2	3.7
Adjusted ROAE	8.3	4.8	1.5	3.1	5.8
ROCE	11.0	6.4	2.5	4.4	8.0
Working capital days (days)					
Receivables	29	29	29	29	29
Inventory	73	66	63	64	63
Payables	62	54	54	54	54
Ratios (x)					
Gross asset turnover	1.9	1.6	1.2	1.3	1.3
Current ratio	1.1	1.7	1.8	1.5	1.3
Net interest coverage ratio	13.0	4.7	1.4	3.8	7.7
Adjusted debt/equity	0.0	(0.1)	(0.1)	0.0	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

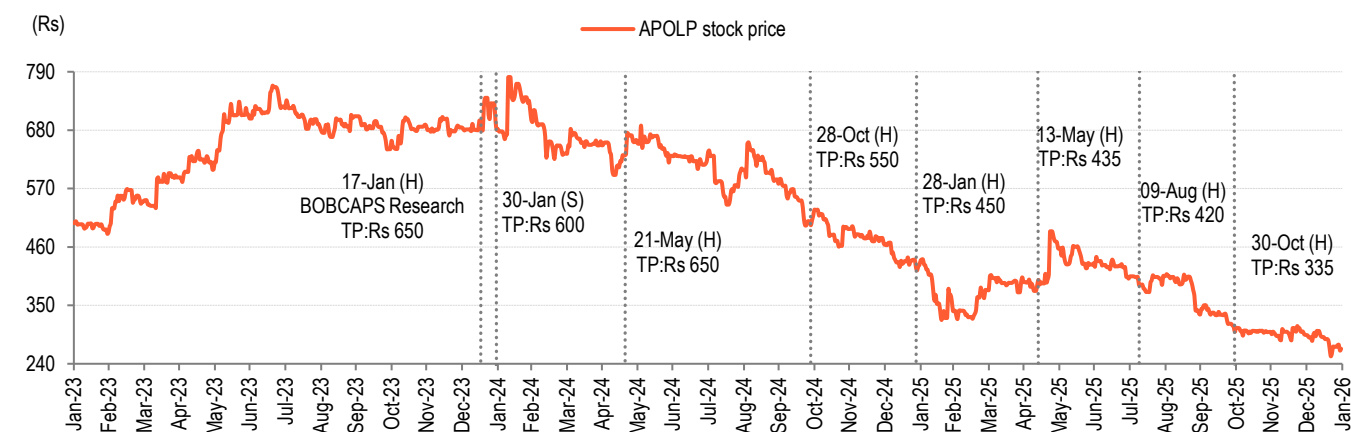
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): APOLLO PIPES (APOLP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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