

Apollo Pipes

Rs 308
Aiming right

Sensex: 37,020

Nifty: 10,902

FINANCIALS SUMMARY

	NET SALES	OPM (%)	OP	OTHER INCOME	PBIDT	INTEREST	PBDT	DEPRN	PBT	EO	PBT AFTER EO	TOTAL TAX	PAT	EPS (RS)
1803 (12)	284.48	11.6	32.88	8.12	41	2.82	38.18	6.92	31.26	0	31.26	9.2	22.06	16.8
1903 (12)	361.84	10.8	39.15	12.09	51.24	5.94	45.3	9.69	35.61	-1.68	33.93	10	23.93	19.2
2003 (12)	407.96	11.4	46.35	10.13	56.48	6.07	50.42	12.7	37.72	0	37.72	9.19	28.53	21.8
2103 (12P)	401.87	10.8	43.41	10.28	53.7	6.2	47.5	16.03	31.47	0	31.47	8.18	23.29	17.8
2203 (12P)	480.61	11.5	55.27	11.52	66.79	6.94	59.84	18.11	41.73	0	41.73	10.85	30.88	23.6

*Annualised on current equity of Rs 13.11 crore of face value of Rs 10 each.
Figures in crore. Source: Capitaline Database

Apollo Pipes is a leading plastic piping solution providing Company in India. With more than two decades of experience in the Indian Pipe Market, Apollo Pipes holds a strong reputation for high quality products and a an extensive distribution network.

Equipped with state-of-the-art infrastructure, the Company operates manufacturing facilities at Dadri (Uttar Pradesh), Ahmedabad (Gujarat) and Tumkur (Karnataka) with a total capacity of 84,000 metric tonnes per annum (MTPA). The multiple and efficient product profile includes over 1,000 product varieties of cPVC, uPVC, and HDPE pipes, PVC taps and fittings of the highest quality. The products cater to an array of applications such as Agriculture, Water Management, Construction, Infrastructure, and Telecom ducting segments.

The Company's extensive distribution network spreads across 450 dealers / retailers and over 150 distributors. The company has efficiently leveraged the 'APL Apollo' brand reach and recall to drive higher growth.

State of the art manufacturing facilities

The company has the largest manufacturing unit at a single location under one roof in North India. The plants of the company are equipped with the state-of-the-art infrastructure and testing equipment's with 100% power backup. The plants uses flexible manufacturing techniques, greener technologies and modern machinery. The workers perform under highest safety and regulatory standards to produce world class products and now has annual manufacturing capability of approx. 5000 MT of uPVC pipes 4000 MT of HDPE Pipes, 40000 MT of fittings to supplement piping system.

Successful integration of recently acquired 12,000 MTPA manufacturing facility at Tumkur

The Company has successfully integrated the recently acquired manufacturing facility at Tumkur, Bangalore, in its business operations. The plant has started contributing to performance from January 2020 onwards. The Company will also be establishing a manufacturing line for its high-margin 'Fittings' product at this facility. Improved capacity and better utilization at this plant will enable healthy improvement in volume contribution, going forward.

The unit is equipped to manufacture high-value uPVC and cPVC pipes. Moreover, this facility is spread over 7 acres of land which provides adequate space to accommodate



STOCK DATA

BSE Code	:	531761
BSE Group	:	B
NSE Code	:	APOLLOPIPE
Bloomberg	:	APOLP@IN
Reuters	:	AOLL.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 522 / Rs 220
Sector	:	Plastic Pipes

SHAREHOLDING PATTERN *

Category	% of equity
Foreign	: 4.52
Institutions	: 10.15
Govt Holding	: -
Corporate Holding	: -
Promoters	: 52.03
Public & Others	: 33.29

* as on 30/06/2020
Source: Capitaline Databases

future expansion plans. This strategic acquisition allows Apollo Pipes to jump-start its plan to establish a PAN-India presence.

Broad based product base being strengthened through launching of new and high potential products

The multiple and efficient product profile includes over 1,000 product varieties of cPVC, uPVC, and HDPE pipes, PVC taps and fittings of the highest quality. The products cater to an array of applications such as Agriculture, Water Management, Construction, Infrastructure, and Telecom ducting segments.

The company also has the most versatile Products range right from 15mm to 400mm diameter.

CPVC piping solution, Plumbing Piping Solution, SWR, HDPE pipes are being manufactured according to national and International standards & supplied to building & construction sector for sewerage, drainage & potable water conveying.

The company aims to raise product portfolio offerings to 2,000+ products from existing 1000+ products. The company is one of the first companies to launch “Super Lock System” pipes in the country and has been awarded 10 year patent for the innovative product. The company has launched ‘Plastic Faucets, Taps and Showers’ in the domestic market and expects to drive higher brand visibility through New Products.

The company commenced manufacturing of PVC ‘Solvent Cements’ in January 2020 – a superior quality product with excellent installation properties that can be used in various piping applications.

Recently the company has launched “Apollo Life”: a Water Storage Tank as new product, which will strengthen its agricultural product division. It is currently available with capacity of 500 and 2,000 Litres.

In-line with its growth strategy, the Company is focusing towards improving product offerings across the value chain. This will enable enhanced business visibility, improved sales performance and profitability going forward.

Capacity to expand to 90000 tonne per annum by FY2021

The company is expanding manufacturing capacities in a phased manner to meet increasing demand.

At Dadri, the company is expanding by 7,000 MTPA, taking operating capacity at that unit to 60,000 MTPA. At Ahmedabad, the company is adding 5,000 MTPA to existing operations, taking operating capacity at that unit to 15,000 MTPA. In doing so, the company is moving closer to articulated goal of reaching 90,000 MTPA by FY2021 from capacity of 84000 MTPA end March 2020.

The company has primary focus to improve utilization at Dadri, Ahmedabad and Bengaluru. It is also establishing a manufacturing line for the high-margin ‘Fittings’ product at Bengaluru, while undertaking brownfield expansion at Dadri facility to cater to strong demand scenario in North.

Widening distribution network

The Company’s extensive distribution network spreads across 450 dealers / retailers and over 150 distributors. The company has a pan India footprint

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with strong customer hold in Northern India. In order to enhance brand equity to all parts of India, it is constantly expanding distribution & service network throughout India.

Indian PVC pipes and fittings market expected to register 14.7% CAGR during FY18 - FY26

The domestic plastic pipes industry size at Rs 31500 crore with organized players accounting for 60% market share. The Indian PVC pipes and fittings market is expected to register a positive double digit CAGR of around 14.7% by revenue during the period FY'2018 - FY'2026.

The key advantages of plastic pipes against other pipes are lightweight, ease of transportation, longer life span etc. The key growth drivers are government's push for cleanliness and sanitation to boost water management sector, increased building of affordable houses and growing housing demand, requirement for infrastructure for irrigation and water supplies etc.

Increasing implementation and reach of government programs and marketing strategies used by players in the PVC pipes and fittings market are expected to have a positive effect on the overall revenue of the India PVC pipes and fittings market. Schemes and programs such as PMKSY (Pradhan Mantri Krishi Sinchayee Yojana) will increase demand for PVC pipes and keep the industry growth strong over the next five years.

The Government has approved Rs 3.6 lakh crore for the Jal Jivan Mission, which will be majorly driven by the recently proposed "Nal se Jal" scheme, a component of the Jal Jivan Mission, which promises to provide piped drinking water to every household in the country by 2024. The Central Government has given a budgetary allocation of Rs 11500 crore for the year 2020-21 up from Rs 10000 crore in 2019-20. The plastic pipes industry could gain significantly from this initiative with 20-40% of spending can go for plastic pipes.

Healthy performance in FY2020

Apollo Pipes net sales rose 5% to Rs 94.13 crore for quarter ended Mar'20 compared to corresponding previous year period. Operating margins of the company fell 70 bps to 11.1% leading a 1% fall in operating profit to Rs 10.47 crore. Apollo Pipes reported steady volumes at 9,721 MTPA in Q4 FY20 as against 9,613 MTPA in Q4FY19. Volumes for the quarter, especially in the month of March were impacted due to the plant closures and suspension of logistics activities caused by the COVID-19 outbreak.

PBT before EO fell 19% to Rs 7.45 crore. The company had EO nil EO items during the quarter compared to EO expense of Rs 1.68 crore related to loss due to fire at its Dadri plant on November 27, 2017. PBT after EO remained flat at Rs 7.45 crore. Tax expense was down 42% to Rs 1.27 crore. Net profit rose 17% to Rs 6.19 crore.

For year ended Mar'20, net sales rose 13% to Rs 407.96 crore compared to corresponding previous year period. Operating margins of the company rose 60 bps to 11.4% leading a 18% increase in operating profit to Rs 46.35 crore. In FY20, volumes stood at 44,692 MTPA, delivering a steady growth of 12% YoY

The company has primary focus to improve utilization at Dadri, Ahmedabad and Bengaluru. It is also establishing a manufacturing line for the high-margin 'Fittings' product at Bengaluru, while undertaking brownfield expansion at Dadri

Apollo Pipes registered sales volume of 10,633 tonne in Q1FY21 (76% of Q1FY20 volume and 109% of Q4FY20 volume). This has been achieved in spite of Covid-related lock-down of manufacturing and sales channels fully in April and partly in May

PBT before EO as a result rose 6% to Rs 37.72 crore. The company had nil EO items during the quarter compared to EO expense of Rs 1.68 in the corresponding previous year period related to loss due to fire at its Dadri plant on November 27, 2017. PBT after EO was up 11% to Rs 37.72 crore. Tax expense was down 8% to Rs 9.19 crore. Net profit rose 19% to Rs 28.53 crore.

Mr. Sameer Gupta, Managing Director, Apollo Pipes said, "In the months of January and February, we witnessed healthy demand across our product categories and reported a steady growth in volumes. However, a country-wide lockdown from mid-March onwards disrupted movement of goods, distribution, production and impacted demand in March. In the near-term, our focus is towards synchronizing the ramp-up in production capacities and stabilizing supply chains, once the macro-situation normalizes. We have also instituted many cost rationalization initiatives and optimum working capital measures to conserve cash flows and ensure steady profitability during this challenging period. We believe there should be a gradual bounce back in consumer sentiment driven by steady restoration of the economy and normalcy in daily day-to-day activities. As an organization, Apollo Pipes remains solid with a strong cash position. Over the longer term, our growth strategy continues to be towards driving volumes by ramping-up utilization at new and existing facilities, increasing contribution from value-added products, and improving our distribution network to emerge as a PAN-India player."

Decent Q1FY21 sales volumes

Apollo Pipes registered sales volume of 10,633 tonne in Q1FY21 (76% of Q1FY20 volume and 109% of Q4FY20 volume). This has been achieved in spite of Covid-related lock-down of manufacturing and sales channels fully in April and partly in May.

Outlook

The company targets to achieve 25%+ sales volume growth CAGR over next three years. Value-added product categories to provide impetus to volumes and profitability of the company.

Agri-pipes are seeing good traction. About 45% of plastic pipes demand comes from irrigation sector. Around 38% of demand comes from plumbing segment, significant part of it comes from urban and rural housing.

In Plastic Pipes, around 35-40% is accounted for by unorganized segment. The key issues currently faced by the unorganized sector are challenges in collections leading to liquidity constraints, rising risk aversion among banks to lending and low cash conservation levels to cope with challenges. If this continues, it could create an opportunity for organized players to win market share.

The company plans to penetrate and establish footprint into markets in Central and Eastern India, besides strengthening its presence in North and Western India, through brand building and expanding distribution network.

Valuation

In FY 2021 we expect the company to register sales and net profit of Rs 401.87 crore and Rs 23.29 crore respectively. The sales and net profit are expected to increase to Rs 480.61 crore and Rs 30.88 crore in FY2022. EPS works out to Rs 23.6 for FY2022, up from Rs 17.8 expected for FY21. The scrip trades around Rs 308. P/E on FY 2022 projected EPS works out to 13 times.

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APOLLO PIPES: RESULTS

	2003(03)	1903 (03)	VAR %	2003 (12)	1903 (12)	VAR. (%)
Sales	378.99	457.50	-17	1507.26	1589.61	-5
OPM (%)	18.6	18.4		18.1	18.8	
OP	70.63	83.98	-16	273.15	298.12	-8
Other inc.	1.73	0.05	999	3.70	2.26	64
PBIDT	72.36	84.03	-14	276.85	300.38	-8
Interest	13.70	12.64	8	52.42	58.43	-10
PBDT	58.66	71.39	-18	224.43	241.95	-7
Dep.	20.94	23.23	-10	82.46	92.88	-11
PBT before EO	37.72	48.16	-22	141.97	149.07	-5
EO	0.00	0.00	0	15.40	0.00	0
PBT after EO	37.72	48.16	-22	126.57	149.07	-15
Total Tax(including MAT)	13.25	14.82	-11	42.14	46.01	-8
PAT	24.47	33.34	-27	84.43	103.06	-18
EPS (Rs) *	#	#		7.7	8.4	

*Annualised on current equity of Rs 24.66 crore: Face value of Rs 2 each. EO: Extraordinary items. EPS excludes EO and relevant tax. Figures in crore. *Source Capitaline Database*