



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

APOLLO PIPES LIMITED

WHAT WE LIKE

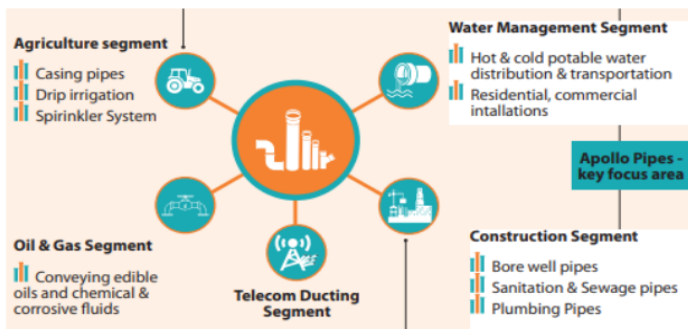
A VERY FAST GROWING FISH IN A FAST GROWING POND

Domestic Plastic pipes Industry = INR 31,500 Cr
Organized Mkt (60% of industry)= INR ~19000 Cr
APL Revenue (FY20)= INR ~400 Cr (2.1% Mkt Share)
Mkt Growth guidance= 15% CAGR for 3-5 years
APL Revenue guidance= 25% CAGR for 3-5 Years
In Last 4 years Growth CAGR, Revenue @ 19%,
EBITDA @ 24%, PAT @ 29%, Volume @ 14%

LEVERAGING APOLLO PARENT BRAND



SECTOR DIVERSIFICATION



EXPANDING INTO PRODUCTS WITH LESS COMPETITION FROM ORGANIZED PLAYERS

Sales to Govt & Contractors form less than 10% of total revenues. APL gets 90% of its sales through dealers & distributors. Faucets was added in the product portfolio when discussions with dealers & distributors provided the insights that this segment was predominantly unorganized and hence less competition from large organized players.

WHAT WE DON'T LIKE

NO FORMAL BRAND AGREEMENT WITH PARENT

There is no formal brand share agreement between the APL Apollo Tubes & Apollo Pipes. And APL leverages the brand value of the parent extensively to grow geographically and product segment wise.

Hence, there is a risk of disagreement on sharing of brand rights in future.

VOLATILITY IN PROMOTER HOLDINGS

Quarter	Shareholding
Dec 2017	54.67%
Mar 2018	37.16%
Dec 2018	42.14%
June 2019	47.11%
June 2020	52.03%

Post selling shares in the company, promoters parked the same money in company's book as loan from promoters. And later converted loan to equity. The only good thing is that promoters bought at the same price at which they sold despite the market price at the time being low.

RAW MATERIAL & FOREX VOLATILITY

APL imports most of its raw material requirements whereas sales are predominantly in domestic currency. That exposes the company to risk from forex volatility.

Moreover, prices of resins, which is their main raw material, are volatile and susceptible to change in global and regional demand-supply equation.

COMPETITION FROM INDUSTRY GIANTS

Volumes of big players like Finolex, Astral, Supreme & Prince are far greater than APL. Currently, the company does not compete directly with these large players. It is capturing market share from unorganized players.

However, We at SSS, believe that as soon as it grows big enough and reaches sizeable volumes, it will face strong competition from the big guys.

VALUATION NOT ATTRACTIVE

As on 6th Nov, 2020, the valuation (close to 30 times TTM earnings) of APL does not appear attractive weighing in all the positives and negatives.

However at lower valuation, it might be worth an investment.

