

Volume-led Growth Strategy Backed by New Capex Plans; Maintain HOLD

Est. Vs. Actual for Q2FY26: Revenue - **MISS**; EBITDA - **Largely INLINE**; PAT - **Largely INLINE**
Change in Estimates Post Q2FY26

FY26E/FY27E: Revenue: -8%/-7%; EBITDA: -6%/-12%; PAT: -4%/-16%

Recommendation Rationale

- **Steady Volume Growth:** The company reported an 11% YoY increase in volumes during Q2FY26, while revenue declined by 4% YoY to Rs 337 Cr, primarily due to lower raw material costs that led to a corresponding reduction in finished goods realisation. EBITDA rose sharply by 48% YoY to Rs 41 Cr, supported by volume growth, improved operating leverage, and better cost efficiencies. Operating margins expanded to 12.1% (vs. 7.8% in Q2FY25 and 10.3% in Q1FY26). Management reaffirmed its focus on a volume-led growth strategy, emphasising enhanced operational efficiency and a growing export contribution to drive sustained margin improvement.
- **Capacity Expansion to Support Medium-Term Growth:** To cater to rising domestic and export demand, the Board approved a new Capex of Rs 210 Cr for capacity augmentation at its Valia, Gujarat facility, with an estimated revenue potential of Rs 550–600 Cr at full utilisation. Capacity additions will be in a phased manner, with initial de-bottlenecking benefits expected by mid-2026, and approximately 80% of the new capacity becoming operational by Q1FY28 (Mar–May'27). Apcotex aims to achieve full utilisation of the incremental capacity within three years after it comes on stream. Management noted that this investment will enable the company to enhance market share, improve profitability, and further strengthen its domestic and export presence.

Sector Outlook: Neutral

Outlook & Guidance: Management expects utilisation levels to improve further in the coming quarters, driven by newly announced capacity and a higher export mix. The strategic focus remains on improving profitability through operational efficiencies and cost optimisation, while navigating external uncertainties such as U.S. tariff risks. The company targets maintaining mid-double-digit margins, excluding the impact of the nitrile latex business.

Current Valuation: 14x Sep'27E (15x FY27E)

Current TP: Rs 420/share (Earlier TP: Rs 415/share)

Recommendation: We maintain our **HOLD** Rating on the stock.

Financial Performance

The company reported revenue of Rs 337 Cr, down 4% YoY and 10% QoQ, missing our estimates by 14%. EBITDA stood at Rs 41 Cr, reflecting a growth of 48% YoY and 5% QoQ, largely in line with our estimates of Rs 42 Cr. EBITDA margins stood at 12.1%, improving 423 bps YoY and 179 bps QoQ. PAT came in at Rs 20 Cr, marking an increase of 78% YoY and 2% QoQ, largely in line with our estimates. Exceptional gains of Rs 5.8 Cr were recorded from the sale of an old office premise.

Valuation & Recommendation: We have rolled forward our valuation base to FY28E and made downward revisions to our FY26–FY27 earnings estimates, reflecting near-optimum utilisation of existing capacity and the deferment of new capacity addition to FY28. At the current price, the stock trades at **14x Sep'27E EPS**, translating to a **revised target price of Rs 420/share** (earlier Rs 415/share), implying ~7% upside potential. We **maintain our HOLD rating**, given the balanced risk-reward profile amid a stable volume outlook and new capacity-led growth visibility.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	337	-10%	-4%	391	-14%
EBITDA	41	5%	48%	42	-3%
EBITDA Margin	12.1%	179bps	423bps	10.7%	136bps
Net Profit	20	2%	78%	20	-3%
EPS (Rs)	4.9	32%	131%	3.9	26%

Source: Company, Axis Securities Research

(CMP as of 6th November, 2025)

CMP (Rs)	391
Upside /Downside (%)	7%
High/Low (Rs)	456/287
Market cap (Cr)	2,027
Avg. daily vol. (1m) Shrs.	16,205
No. of shares (Cr)	5.18

Shareholding (%)

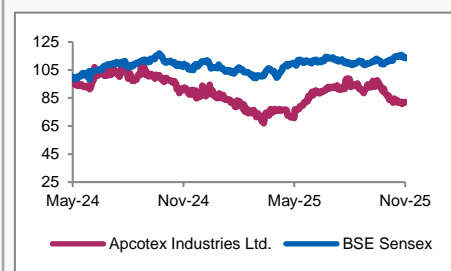
	Mar-25	June-25	Sep-25
Promoter	58.2	58.2	58.2
FII's	0.5	0.5	0.6
Others	41.3	41.3	41.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,392	1,554	1,702
EBITDA	125	168	192
Net Profit	54	99	121
EPS (Rs)	10.4	19.1	23.4
PER (x)	37.6	20.5	16.8
P/BV (x)	3.7	3.3	3.0
EV/EBITDA (x)	17.6	12.6	10.9
ROE (%)	10.8%	16.2%	17.7%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-8%	-7%
EBITDA	-6%	-12%
PAT	-4%	-16%

Relative Performance


Source: ACE Equity, Axis Securities Research

Results Gallery

[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
[Q2FY25](#)

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Outlook

Although the industry is still operating below optimal capacity, the demand-supply gap is gradually closing. Apcotex is likely to achieve peak capacity utilisation over the next year and a half. The company is strategically focusing on markets that offer sustainable margins and has initiated cost optimisation measures to enhance efficiency.

Key Highlights

- **Revenue Mix:** Domestic sales accounted for 68–69% of total revenue in Q2FY26, while exports contributed 31–32% (down from 37% in Q1FY26). Management expects the export share to rise beyond 40% over the next few years, driven by increased traction in speciality product segments. The Latex division contributed nearly 70% of Q2FY26 revenue, with the Rubber segment forming the remaining 30%.

Industry-wise revenue segmentation:

Rubber: 30%

Tyre: 10%

Paper: 16-18%

Construction: 16-18%

Carpet and Textile: 11-12%

Nitrile Latex: 15-16%

- **Balance Sheet Strength:** The company turned net cash positive as of 30th September, 2025, highlighting strong cash generation and prudent financial management. It also reduced debt by approximately Rs 53 Cr during H1FY26.

- **Operational Update:**

Nitrile Latex: The Valia-based nitrile latex facility operated at over 80% utilisation during Q2FY26.

Nitrile Rubber (NBR): Operations are running near full capacity for NBR.

Taloja Plant: The Taloja Plant latex unit is operating at over 80% utilisation, with further improvement anticipated.

Anti-Dumping Duty (ADD) on NBR: The anti-dumping investigation initiated by the DGTR in Sep'24 is nearing completion, with final findings expected by the end of December. NBR utilisation remained above 90% in Q2FY26.

- **Capex Update:** The Board has sanctioned a Capex of Rs 210 Cr for capacity expansion at the Valia plant, which includes **37,000 MTPA** of Synthetic Latex and **14,600 MTPA** of Nitrile Rubber and allied products. The combined capacity expansion is expected to generate incremental revenue potential of Rs 550–600 Cr at optimal utilisation.

- ✓ The Synthetic Latex addition will address domestic and export demand across construction, carpet, textile, and paperboard applications.
- ✓ The Nitrile Rubber expansion will cater to specialised rubber product segments such as automotive components, footwear, and rice rolls.
- ✓ The incremental NBR capacity will be housed at Valia, supplementing the existing Taloja operations.
- ✓ The total Capex will be deployed over the next 6–7 quarters, with phased commissioning expected by Q1FY28.

For FY26, the company has budgeted ~Rs 65 Cr in capex, of which Rs 25 Cr will go toward the announced expansion projects and the remainder toward maintenance, solar energy initiatives, and cost-saving upgrades. The bulk of the Rs 210 Cr investment will be incurred in the following financial years.

- **NBR:** While NBR is already operating at near-maximum levels, management noted that current latex capacity is adequate for the next year. Short-term outsourcing arrangements may be used to avoid any production gaps before new capacities come online.
- **Margin Outlook:** Management aims to maintain mid-double-digit EBITDA margins, excluding temporary headwinds from Nitrile Latex. As utilisation levels rise and the Nitrile Latex market environment improves, operating leverage is expected to support healthy margin performance going forward.
- **Awards & Recognition:** The company received the prestigious ICC Acharya P.C. Ray Award for excellence in developing indigenous technology, underscoring its R&D strength and innovation capabilities.

Key Risks to Our Estimates and TP

- Prolonged weakness in Latex and other product margins, forcing the company to switch to other products/reduced utilisation levels.
- Imposition of anti-dumping duties (ADD), improving competitive position.
- Faster-than-expected ramp-up in utilisation level in new plants.

Change in Estimates

	Revised		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	1,554	1,702	1,681	1,827	-8%	-7%
EBITDA	168	192	178	217	-6%	-12%
PAT	99	121	104	144	-4%	-16%

Results Review

(Rs Cr)	Q2FY25	Q1FY26	Q2FY26 Axis Est	Q2FY26 Actual	YoY (%)	QoQ (%)	Axis Var %
Revenue	351	376	391	337	-4%	-10%	-14%
Net Raw Material consumed	266	277	288	233	-12%	-16%	
Employee	18	19	21	21	12%	7%	
Other Expenses	39	41	41	42	6%	3%	
Total Expenditure	324	337	350	296	-8%	-12%	
EBITDA (core)	27	39	42	41	48%	5%	-3%
EBITDAM	7.8%	10.3%	10.7%	12.1%	423bps	179bps	136bps
Add: Other income	3	3	2	5	68%	74%	
EBITDA	30	41	44	45	50%	10%	
Less: Depreciation	11	11	12	12	13%	7%	
EBIT	20	30	33	33	69%	11%	
Less: Net Interest	4	4	5	3	-32%	-19%	
Profit Before Extraordinary Items and Tax	15	26	28	30	98%	15%	
Less: Extraordinary Expense (net)		-	-	-			
Profit Before Tax	15	26	28	30	98%	15%	
Less: Total Tax	4	7	8	11	148%	49%	
Profit After Tax	11	19	20	20	78%	2%	-2.7%
Reported EPS (Rs)	2.1	3.7	3.9	4.9	131%	32%	26.0%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,125	1,392	1,554	1,702	2,283
COGS	778	1,030	1,136	1,239	1,648
Staff costs	65	75	82	90	119
Other Expenditure	168	163	168	180	242
Total Expenditure	1,011	1,268	1,386	1,509	2,009
EBITDA	114	125	168	192	274
EBITDA Margin %	10.1%	9.0%	10.8%	11.3%	12.0%
Depreciation	31.5	41.6	41.6	44.2	47.0
EBIT	82	83	126	148	227
EBIT Margin %	7.3%	6.0%	8.1%	8.7%	9.9%
Interest	16	17	13	10	8
Other Income	8	10	16	26	34
PBT	75	76	135	164	253
Tax	21	22	36	43	65
<i>Tax Rate %</i>	<i>27.7%</i>	<i>29.1%</i>	<i>26.5%</i>	<i>26.0%</i>	<i>25.5%</i>
PAT	54	54	99	121	189
EPS	10.4	10.4	19.1	23.4	36.4

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	10	10	10	10	10
Reserves & Surplus	511	543	602	675	788
Net Worth	522	553	613	685	799
Short-Term Borrowings	89	122	69	39	19
Trade Payables	135	188	192	210	281
Other Current Liability	12	14	15	17	22
Total Current Liability	272	351	303	293	350
Long-Term Borrowings	94	62	62	62	62
Deferred Tax Liability (Net)	20	21	21	21	21
Total Non-Current Liability	128	95	95	95	95
Total Liabilities	400	446	398	388	445
Total Equity + Liabilities	922	999	1,011	1,073	1,243
Assets					
Net Block	384	384	408	433	461
Financial Assets: Investments	89	83	83	83	83
Total Non-Current Assets	496	490	514	540	568
Inventories	125	138	149	163	219
Trade Receivable	203	254	213	233	313
Investments	22	23	23	23	23
Cash and Cash Equivalents	15	27	41	39	30
Other Current Assets	35	37	41	45	60
Total Current Assets	426	508	497	533	676
Total Assets	922	999	1,011	1,073	1,243

Source: Company, Axis Securities Research

Cash Flows
(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
PBT	75	76	135	164	253
Depreciation & Amortization	32	42	42	44	47
Provision for Taxes	16	17	13	10	8
Change in Deferred tax	-2	-1	0	0	0
Change in Working Capital	-63	-31	31	-19	-74
Direct tax paid	-16	-19	-36	-43	-65
Cash flow from operations	40	85	185	157	170
Change in Gross Block	-28	-50	-65	-70	-75
Change in Investments	-18	-30	0	0	0
Change in WIP	27	51	0	0	0
Cash flow from investing	-20	-29	-65	-70	-75
Proceeds / (Repayment) of Short-Term Borrowings (Net)	0	-31	0	0	0
Repayment of Long-Term Borrowings	31	33	-53	-30	-20
Finance Cost paid	-15	-17	-13	-10	-8
Dividends paid	-28	-28	-40	-48	-75
Cash flow from financing	-13	-44	-106	-88	-103
Change in cash	8	11	14	-2	-8
Cash at start	30	38	49	41	39
Cash at the end	38	49	41	39	30

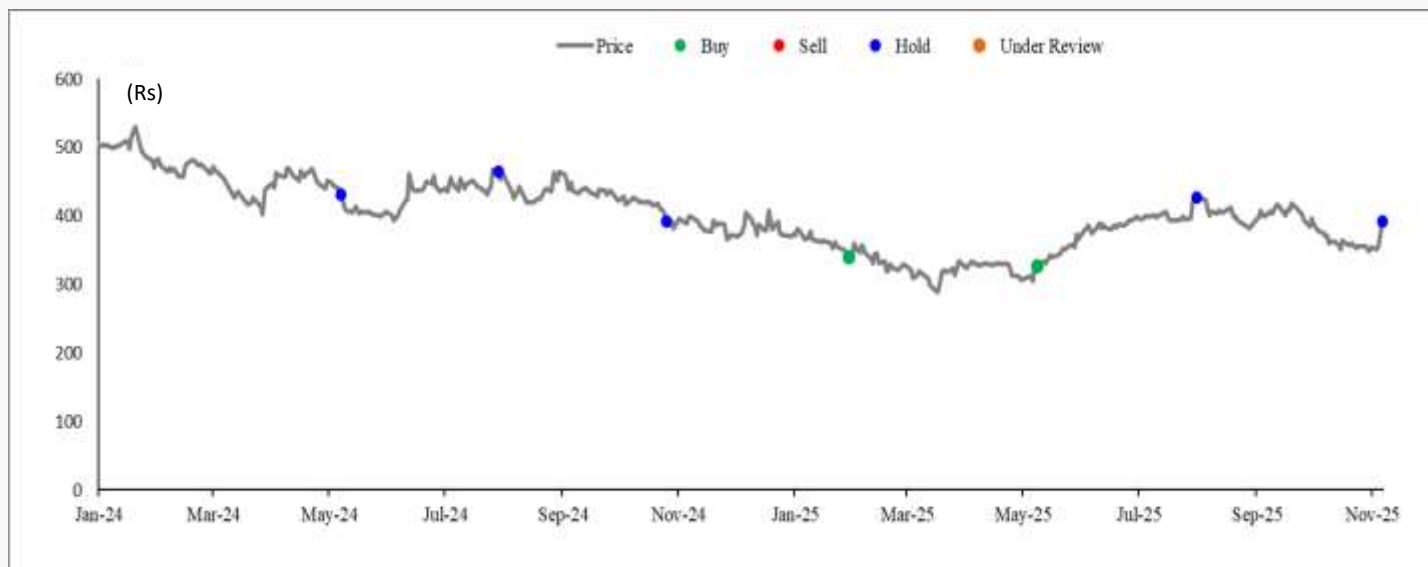
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	4.1%	23.8%	11.6%	9.5%	34.2%
EBITDA	-28.1%	9.5%	34.7%	14.4%	42.5%
APAT	-50.1%	0.3%	83.3%	22.2%	55.8%
Per Share Data (Rs)					
Adj. EPS	10.4	10.4	19.1	23.4	36.4
BVPS	100.6	106.7	118.2	132.2	154.0
DPS	5.7	4.5	7.6	9.3	14.6
Profitability (%)					
EBITDA Margin	10.1%	9.0%	10.8%	11.3%	12.0%
Adj. PAT Margin	6.6%	4.3%	6.4%	7.1%	8.3%
ROCE	8.9%	8.3%	12.5%	13.8%	18.3%
ROE	14.2%	10.8%	16.2%	17.7%	23.6%
ROIC	10.2%	9.5%	14.4%	15.7%	20.3%
Valuations (X)					
PER	37.7	37.6	20.5	16.8	10.8
P/BV	3.9	3.7	3.3	3.0	2.5
EV / EBITDA	19.3	17.6	12.6	10.9	7.6
EV / Net Sales	2.0	1.6	1.4	1.2	0.9
Turnover Days					
Asset Turnover	2	3	3	3	3
Inventory days	37	34	35	35	35
Debtors' days	55	60	50	50	50
Creditors' days	38	42	45	45	45
Working Capital Days	54	52	40	40	40
Gearing Ratio					
Total Debt to Equity (x)	0.3	0.3	0.1	0.1	0.1

Source: Company, Axis Securities Research

Apcotex Industries Price Chart and Recommendation History



Date	Reco	TP	Research
08-May-24	HOLD	450	Result Update
30-Jul-24	HOLD	451	Result Update
28-Oct-24	HOLD	413	Result Update
30-Jan-25	BUY	380	Result Update
09-May-25	BUY	380	Result Update
01-Aug-25	HOLD	415	Result Update
07-Nov-25	HOLD	420	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
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