

Apcotex Industries Ltd.

Strong margin rebound, Growth in sight, Maintain BUY

Apcotex Industries reported better operational performance than estimates because of better volumes supported by uptick in SBR & Nitrile latex. Realizations remained weak, spreads per ton improved by better product mix & operating leverage benefits. Lower cost of raw materials averted grave issues like overcapacity & weak demand. Revenue de-grew by ~7% YoY & ~2% QoQ largely led by lower realizations, despite robust volume support of ~10% YoY from nitrile & SBR latex businesses. During the quarter, demand from paper & carpet segment remained largely muted & we expect normalization in the coming fiscal. The excitement around recent Anti-dumping duty (ADD) in NBR is waning as finance ministry has still not notified to impose despite DGTR confirming for the imposition. We believe NBR margins will remain muted in the medium term unless demand itself picks up materially in absence of ADD. To maintain its volume momentum, the company last quarter announced new brownfield expansion plan to commission 37KT plant of synthetic latex & 14.6KT plant of NBR. The combined investment will be Rs2.1bn & peak utilization would contribute revenues of Rs5.5-6bn (2.5-3x asset turns). Nitrile latex oversupply situation is still persistent, thereby, impacting realizations & margins. Nitrile latex is operating at ~95% utilization as on Q3FY26 & 70-75% YTD thereby contributing significantly to topline. As demand in gloves segment normalizes, we expect substantial EBITDA contribution from nitrile latex business in the coming years. Considering two years down the line, we see higher contribution from synthetic & Nitrile latex backed by expansion, higher export & improvement in demand. The recent expansion will start by early FY28E & we are factoring modest uptick in spreads of nitrile latex for the next 2 years. The stock price has remained rangebound compared to last quarter. Considering strong growth in sight, demand challenges behind, bottoming out cycle & volume momentum in sight, we maintain our target multiple of 25x & roll forward our valuations to March 28E & arrive at target price of Rs 655 per share, upside of ~72%, maintaining our BUY rating on the stock.

Margins better than expectations led by better product mix, new capex to support volume momentum

- Revenue de-grew by ~7% YoY & 2% QoQ basis. Dip is led by lower realizations despite higher volumes in SBR & Nitrile latex. The current capacities are nearing peak utilization levels & management has stated that new capex announced last quarter of Rs2.1bn in synthetic & NBR latex to continue its volume momentum going ahead.
- EBITDA margins expanded by 552bps YoY & 107bps QoQ to 13.1% (vs est. 11.8) during the quarter. Lower raw material cost coupled with product mix benefits supported EBITDA margins despite persistent issues like overcapacity & muted demand. In couple of our last quarter updates, we highlighted that cycle has bottomed out & any improvement in demand will lift the spreads per kg upwards & improve margins for the next 2 years.
- Weakness in demand in some end user industries like carpet & paper coupled with higher competitive intensity from imports led to muted uptick. However, the negatives like US tariff & slower exports have largely been factored in the performance & we expect improvement in demand in the coming years.

Persisted oversupply situation in nitrile latex hampering margins, recovery in sight

- The Nitrile latex capacity of 50,000 tonnes has reached ~90-95% utilization levels & it is nearing peak utilization during the quarter.
- Higher production from global players has persisted the oversupply situation. The cycle has largely bottomed out as inventories globally have started to decline. As per management, visibility is in sight & some customers has started to roll out new orders, although the momentum is slow.
- We expect oversupply to ease & demand to pick up in H1FY27E. Uncertainties largely seems to have been factored in & expect improvement going ahead.

Valuation

- Higher exports, continued volume momentum & improvement in Nitrile latex are in sight but NBR still remains an overhang as ADD has not been notified and finance ministry seems in no mood to impose the duty which is negative. We have slightly improved our estimate for FY27E factoring better spreads of nitrile latex.
- The stock price is range bound compared to last quarter. We maintain our target multiple of 25x. We roll forward our estimates to March 28E & the stock is trading at ~14.5x P/E. We maintain 25x as forward P/E multiple & arrive at target price of Rs 655 per share, upside of ~72% from the current valuations.
- We maintain our **BUY** rating on the stock.

Y/E Mar (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Var. (%)
Revenue	3,315	3,553	-6.7	3,367	-1.6	3,300	0.4
Operating cost	2,879	3,282	-12.3	2,961	-2.8		
EBITDA	435	271	60.9	406	7.2	390	11.6
EBITDA margin (%)	13.1	7.6	552 bps	12.1	107 bps	11.8	132 bps
Depreciation	123	107	15.1	120	2.1		
Interest	22	47	-52.7	30	-25.6		
Other Income	33	47	-29.9	46	-28.9		
Exceptional items	-48	0	NA	58	-183.2		
PBT	275	164	67.8	360	-23.4		
Taxes paid	53	49	9.7	107	-50.1		
Reported PAT	222	116	92.3	253	-12.2		
Adjusted PAT	258	116	123.3	210	23.0	185	39.5

Source: Company, SMIFS Research

Rating: BUY	Return: ~72%
Current Price: Rs 380	Target Price: Rs 655

|Earlier recommendation

Previous Rating:	BUY
Previous Target Price:	564

Source: SMIFS Research

|Market data

Bloomberg:	APCO: IN
52-week H/L (Rs):	443/287
Mcap (Rs bn/USD bn):	18.1/0.2
Shares outstanding (mn):	51.9
Free float:	41.8%
Daily vol. (3M Avg.):	0.02mn
Face Value (Rs):	2

|Shareholding pattern (%)

	Dec-25	Sep-25	Jun-25	Mar-25
Promoter	58.2	58.2	58.2	58.2
FII	0.6	0.6	0.5	0.5
DII	2.2	2.2	1.0	0.7
Public/others	39.0	39.0	40.3	40.6

|Pro. Pledging

Pledging	0.0	0.0	0.0	0.0
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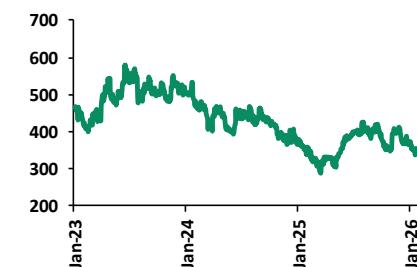
Source: BSE

|Price performance (%) *

	1M	3M	12M	36M
NIFTY 50	-2.0	-2.4	9.7	44.4
NIFTY 500	-2.3	-3.4	8.9	55.5
Apcotex Ind.	-4.2	-0.6	2.9	-18.8

*as on 29th Jan 26; Source: Ace Equity, SMIFS Research

|3 Year Price Performance Chart



Source: NSE

Aditya Khetan

Sector Lead- Chemicals
+91 9004126470 / 022-4200 5512
aditya.khetan@smifs.co.in

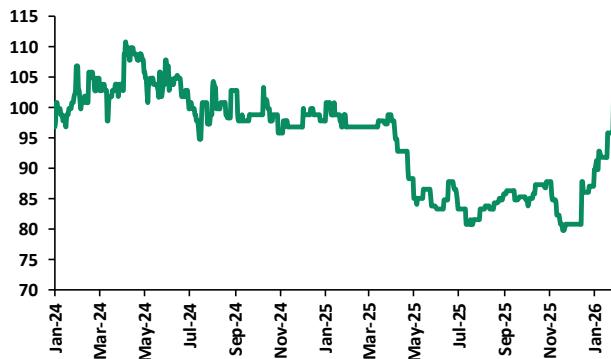
Satyajit Mahato

Research Associate
+91 7977943769 / 022-4200 5513
satyajit.mahato@smifs.co.in

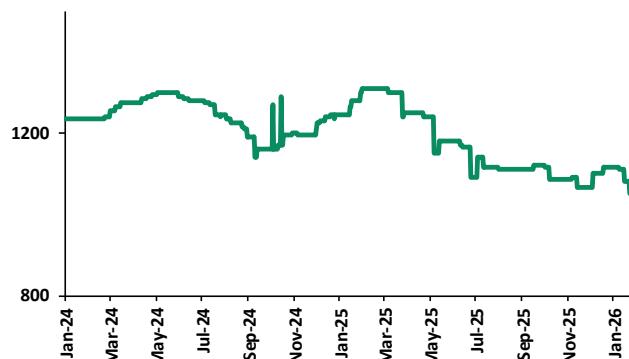
Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E(x)	EV/EBITDA (x)
FY24	11,246	4.1	1,139	10.1	539	-50.1	10.4	10.8	9.1	48.6	23.7
FY25	13,924	23.8	1,248	9.0	541	0.3	10.4	10.1	9.1	38.7	17.4
FY26E	13,869	-0.4	1,697	12.2	917	69.6	17.7	15.6	12.3	21.5	11.4
FY27E	16,906	21.9	2,166	12.8	1,171	27.7	22.6	17.6	14.4	16.8	9.3
FY28E	19,645	16.2	2,563	13.0	1,359	16.0	26.2	17.9	14.9	14.5	7.7

Source: Company, SMIFS Research Estimates

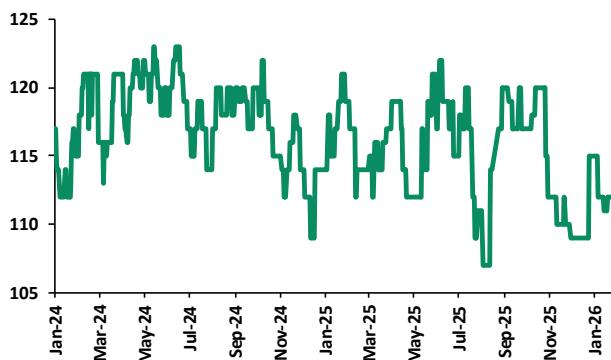
Story in Charts

Fig 1: Styrene Prices
(Rs per kg)


Source: Industry, SMIFS Research

Fig 2: SE Asia Acrylonitrile Prices
(in \$ per ton)


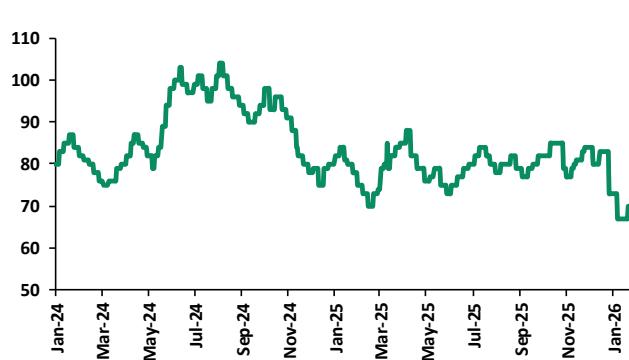
Source: Industry, SMIFS Research

Fig 3: Indian Synthetic Latex Prices
(Rs per kg)


Source: Industry, SMIFS Research

Fig 5: Butadiene Prices
(USD per MT)


Source: Industry, SMIFS Research

Fig 4: Indian Styrene Acrylic Latex Prices
(Rs Per kg)


Source: Industry, SMIFS Research

Fig 6: Segment wise Client List
PAPER

- ▶ ITC Ltd
- ▶ JK PAPER
- ▶ BILT
- ▶ NR Group

AUTO & INDUSTRIAL

- ▶ Unique Auto Rub Udyog Pvt Ltd
- ▶ Varroc Elast
- ▶ G.B. Rubber
- ▶ Jayashree Polymers

CARPET

- ▶ Obeeteer Industries
- ▶ Standard
- ▶ ABC Industries
- ▶ Mac

HOSES & LPG

- ▶ Vansh Industries
- ▶ Super Hoze
- ▶ Jugaltara
- ▶ Parker Hannifin India

RUBBER

- ▶ Paragon Footwear
- ▶ Lunars Footwear
- ▶ Josco
- ▶ Distributors all over India

RICE ROLLS

- ▶ Shaktiman
- ▶ Hindustan Rubber Industries (RR)
- ▶ Golden Rolls Pvt Ltd/Cable Corp

CONSTRUCTION

- ▶ Pidilite Industries
- ▶ Sika
- ▶ Fosroc
- ▶ Asian Paints
- ▶ Ultratech Cements

GLOVES

- ▶ Top Glove
- ▶ Brightway
- ▶ SRI Trang
- ▶ PT Shamrock

Source: Industry, SMIFS Research

Analyst Call Highlights

- **Demand outlook:** The company's major end user industries are footwear, tyres, paper & paper board, carpet, gloves, tyre cord, construction etc. Paper & carpet, textiles, tyres segment is still muted. US tariff sanctions impacted textile segment. Paper segment still witnessed cheaper imports but the absolute or quantum has reduced & anticipate uptick in domestic production in coming quarters. Other end user industries like construction, automotive and infra sector is performing good. The growth remains mixed across end user industries.
- **Production volume:** The company reported overall volume growth of 10% YoY & export volumes grew by 21% YoY. Higher volumes are because of higher utilization from Nitrile & SBR latex business. Nitrile latex business operated at ~95% utilization nearly full utilization levels.
- **No notification by finance ministry on Anti-Dumping Duty (ADD) in NBR is negative:** The DGTR in its 3rd Oct 2025 document concluded that imports from China, EU & Korea & Russia were being dumped into the Indian market at prices below the normal value, causing material injury to the domestic industry. DGTR has proposed ADD on NBR at USD 291 per metric ton for China, USD 205 per metric ton for the EU, USD 420 per metric ton for Korea, and USD 606 per metric ton for Russia. But the final call remains with the finance ministry for final imposition or not. As per management, there is no notification from the finance ministry on the rule, however, in lieu of this we expect medium term could remain subdued & margins may hover at bottom levels.
- **Capex plans:** Since existing businesses are nearing peak utilization levels, the company has outlined new capex of Rs2.1bn in setting up brownfield expansion in synthetic latex & NBR to commission 37KT plant of synthetic latex & 14.6KT plant of NBR. The combined investment will be Rs2.1bn & peak utilization would contribute revenues of Rs5.5-6bn (2.5-3x asset turns). Maintenance capex is Rs200-250mn per annum. The company is also looking at other capex projects like solar project & cost savings.
- **Nitrile Latex witnessing signs of pickup:** The company was facing challenges to make margins in this business because of depressed demand and higher supply. As per management commentary, oversupply situation has persisted & likely lowered margins during the quarter for the company. Despite some near-term issues, management seems confident about growth in nitrile latex as the global market size is quite large and the company's current expansion is very small which should not pose a big challenge.
- **Exports Market:** The company reported export volume growth of 15% YoY in 9MFY26 because of additional volumes from nitrile latex which is particularly an export business. Exports contributed ~33-34% of sales in Q3FY26 vs ~31-32% in Q2FY26 vs 31% in Q1FY26 because of tariff related uncertainty but is expected to remain transitory in nature, hence, exports will witness healthy growth and is expected to be at 40-45% of sales in the coming years.
- The company reduced Rs940mn in debt during the quarter.
- Almost 25% of the business is on formula pricing and remaining 75% on spot basis.
- The company continues to focus on market share gains and designing quality products which would strengthen its position in the domestic market. In nearly 40-45% of its product segments there is no competition which is a clear competitive edge and very difficult to replicate by its competitors. Also, the company is focussing on increasing or diversifying its customer base which can give higher margins & better business prospects.

Valuation and Recommendations

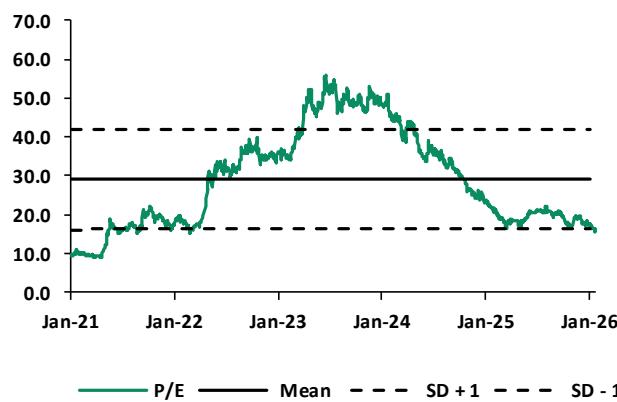
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The stock price is range bound compared to last quarter. We maintain our target multiple of 25x. We roll forward our estimates to March 28E & the stock is trading at ~14.5x P/E. We maintain 25x as forward P/E multiple & arrive at target price of Rs 655 per share, upside of ~72% from the current valuations.

Hence, we maintain our **BUY** rating on the stock.

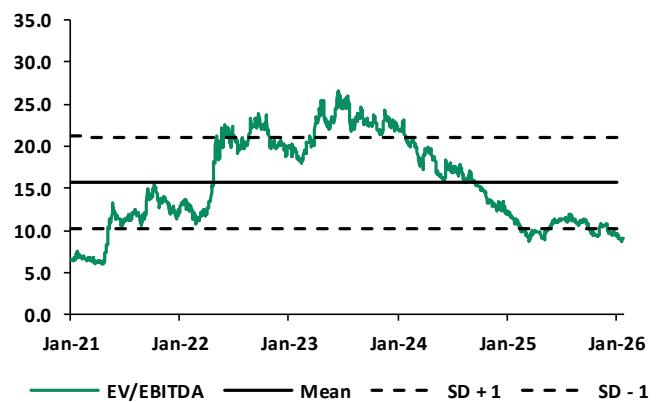
Risk to our call is significant decline in demand and sharp decline in operating spread.

Fig 7: 1-Year Forward PE



Source: Company, SMIFS Research

Fig 8: 1-Year Forward EV/EBITDA



Source: Company, SMIFS Research

Fig 9: Changes in Estimate

	New Estimates			Old Estimates			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	13869	16906	19645	14416	17347	20862	-3.8%	-2.5%	-5.8%
EBITDA	1697	2166	2563	1542	2040	2422	10.0%	6.1%	5.8%
EBITDA Margin (%)	12.2%	12.8%	13.0%	10.7%	11.8%	11.6%	154 bps	105 bps	144 bps
PAT	917	1171	1359	762	1063	1278	20.3%	10.1%	6.3%
EPS (Rs)	17.7	22.6	26.2	14.7	20.5	24.6	20.3%	10.1%	6.3%

Source: Company, SMIFS Research Estimates

- We have slightly upped our EBITDA spreads per kg estimate for FY27E/28E.

Quarterly financials, operating metrics and key performance indicators

Fig 10: Quarterly Financials

Y/E March (Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Sales	3106	3366	3511	3553	3494	3758	3367	3315
Raw Materials	2164	2467	2658	2742	2435	2771	2335	2283
Employee Costs	172	165	183	189	208	193	206	200
Other Expenditure	456	417	395	351	466	408	420	396
EBITDA	313	318	275	271	385	386	406	435
Depreciation	81	98	106	107	105	113	120	123
Interest	39	39	43	47	44	37	30	22
Other Income	21	20	27	47	9	26	46	33
Exceptional Items	0	0	0	0	0	0	58	-48
PBT	214	201	153	164	245	263	360	275
Tax	61	53	43	49	77	72	107	53
<i>Tax rate (%)</i>	28	26	28	30	32	27	30	19
Reported PAT	153	148	110	116	168	192	253	222
Adjusted PAT	153	148	110	116	168	192	210	258
YoY Growth (%)								
<i>Revenue</i>	21.3	21.2	25.7	38.2	12.5	11.6	-4.1	-6.7
<i>EBITDA</i>	-8.1	24.6	-13.2	6.2	22.8	21.6	47.7	60.9
<i>Adj PAT</i>	-34.0	22.1	-28.5	3.8	9.4	29.4	91.6	123.3
QoQ Growth (%)								
<i>Revenue</i>	20.9	8.4	4.3	1.2	-1.7	7.5	-10.4	-1.6
<i>EBITDA</i>	22.9	1.4	-13.5	-1.5	42.1	0.4	5.2	7.2
<i>Adj. PAT</i>	37.6	-3.3	-26.0	5.5	45.0	14.4	9.5	23.0
Margin (%)								
<i>Gross Profit</i>	30.3	26.7	24.3	22.8	30.3	26.2	30.7	31.1
<i>EBITDA</i>	10.1	9.4	7.8	7.6	11.0	10.3	12.1	13.1
<i>Adj PAT</i>	4.9	4.4	3.1	3.3	4.8	5.1	6.2	7.8
<i>Employee cost as % of sales</i>	5.6	4.9	5.2	5.3	6.0	5.1	6.1	6.0
<i>Other expenses as % of sales</i>	14.7	12.4	11.2	9.9	13.3	10.8	12.5	12.0

Source: Company, SMIFS Research

Financial Statements

Income Statement

YE March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenues	11,246	13,924	13,869	16,906	19,645
Raw Materials	7,775	10,301	9,698	11,769	13,503
% of sales	69.1	74.0	69.9	69.6	68.7
Employee	653	745	800	923	1,143
% of sales	5.8	5.4	5.8	5.5	5.8
Other Expenses	1,678	1,629	1,673	2,049	2,436
% of sales	14.9	11.7	12.1	12.1	12.4
EBITDA	1,139	1,248	1,697	2,166	2,563
Other Income	77	104	136	108	120
Depreciation &	315	416	480	504	633
EBIT	901	936	1,352	1,769	2051
Finance cost	156	173	107	165	182
Core PBT	668	659	1,110	1,497	1,749
PBT	745	762	1,246	1,605	1,869
Tax-Total	206	222	328	434	510
Tax Rate (%) - Total	27.7	29.1	26.4	27.0	27.3
Reported PAT	539	541	917	1,171	1,359
Adjusted PAT	539	541	917	1,171	1,359

Source: Company, SMIFS Research Estimates

Key Ratios

YE March	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratio (%)					
Revenue	4.1	23.8	-0.4	21.9	16.2
EBITDA	-28.1	9.5	36.0	27.6	18.4
Adjusted PAT	-50.1	0.3	69.6	27.7	16.0
Margin Ratios (%)					
Gross Profit	30.9	26.0	30.1	30.4	31.3
EBITDA	10.1	9.0	12.2	12.8	13.0
EBIT	8.0	6.7	9.8	10.5	10.4
Core PBT	5.9	4.7	8.0	8.9	8.9
Adjusted PAT	4.8	3.9	6.6	6.9	6.9
Return Ratios (%)					
ROE	10.8	10.1	15.6	17.6	17.9
ROCE	9.1	9.1	12.3	14.4	14.9
Turnover Ratios (days)					
Gross Block Turnover (x)	2.3	2.7	2.5	2.7	2.3
Adj OCF/Adj PAT (%)	46.2	124.7	186.9	97.6	133.8
Inventory	40.6	36.1	36.0	38.0	40.0
Debtors	65.9	66.6	55.0	60.0	60.0
Creditors	43.7	49.2	40.0	45.0	50.0
Cash conversion cycle	62.7	53.5	51.0	53.0	50.0
Solvency Ratio (x)					
Debt-equity	0.4	0.4	0.3	0.3	0.3
Net debt-equity	0.2	0.1	-0.1	0.1	0.0
Gross Debt/EBITDA	1.9	1.8	1.0	1.0	0.9
Current Ratio	1.6	1.4	1.8	1.7	1.8
Interest coverage ratio	5.8	5.4	12.7	10.8	11.3
Dividend					
DPS	5.5	5.5	7.0	7.0	7.0
Dividend Yield (%)	1.1	1.4	1.8	1.8	1.8
Dividend Payout (%)	52.9	52.7	39.6	31.0	26.7
Per share Ratios (Rs)					
Basic EPS (reported)	10.4	10.4	17.7	22.6	26.2
Adjusted EPS	10.4	10.4	17.7	22.6	26.2
CEPS	16.5	18.4	27.0	32.3	38.4
BV	100.6	106.7	120.0	136.9	156.6
Valuation (x)					
Adj P/E	48.6	38.7	21.5	16.8	14.5
P/BV	5.0	3.8	3.2	2.8	2.4
EV/EBITDA	23.7	17.4	11.4	9.3	7.7
EV/Sales	2.4	1.6	1.4	1.2	1.0
Adj Market Cap /Core PBT	37.2	29.6	16.0	12.1	9.9
Adj Market Cap /Adj OCF	99.9	28.9	10.4	15.8	9.5

Source: Company, SMIFS Research Estimates

Balance Sheet

YE March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Source of funds					
Share Capital	104	104	104	104	104
Reserves & Surplus	5114	5428	6117	6995	8014
Shareholders' Funds	5217	5532	6221	7099	8118
Total Loan Funds	2196	2206	1618	2176	2396
Other Liabilities	300	291	329	406	481
Total Liabilities	7713	8028	8168	9681	10995
Application of funds					
Gross Block	4994	5319	5629	5989	8499
Net Block	3843	3846	3666	3511	5379
Capital WIP	79	119	297	1687	176
Quasi cash investments	887	834	666	710	758
Other Investments	15	14	14	14	14
Other Non-Current Assets	135	91	62	62	62
Inventories	1250	1378	1368	1760	2153
Sundry Debtors	2030	2540	2090	2779	3229
Cash and bank balances	242	390	1055	720	1362
Current Investments	225	226	226	226	226
Other current assets	515	549	495	592	669
Total Current Assets	4263	5084	5234	6077	7639
Sundry Creditors	1348	1876	1520	2084	2691
Other current liabilities	159	84	251	297	343
Total Current Liabilities	1507	1960	1771	2382	3034
Net Current Assets	2755	3124	3463	3696	4606
Total Assets	7713	8028	8168	9681	10995

Source: Company, SMIFS Research Estimates

Cash Flow

YE March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Operating profit before WC changes	1,197	1,346	1,833	2,274	2,683
Net chg in working capital	-630	-306	317	-533	-173
Tax paid	-165	-193	-328	-434	-510
Cash flow from operating activities (a)	402	847	1,821	1,307	2,000
Adj OCF	249	674	1,714	1,143	1,818
Capital expenditure	-278	-500	-477	-1,740	-989
Adj FCF	-29	175	1,237	-598	829
Cash flow from investing activities (b)	-196	-287	-309	-1,785	-1,037
Debt	305	9	-513	600	200
Interest & lease	-282	-282	-229	-293	-340
Dividend	-153	-173	-107	-165	-182
Cash flow from financing activities (c)	-130	-445	-849	143	-321
Net chg in cash (a+b+c)	76	115	663	-335	642

Source: Company, SMIFS Research Estimates

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Tamari Chatterjee,

SF Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5414 / +91 33 6634 5414

Email Id.: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5466, (B) +91 33 4011 5466

Email Id: smifs.institutional@smifs.com