

"APL Apollo Tubes Limited Q1 FY'26 Earnings Conference Call"

July 24, 2025







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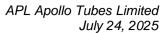
APL APOLLO TUBES LIMITED

MR. CHETAN KHANDELWAL - CHIEF FINANCIAL

OFFICER, APL APOLLO TUBES LIMITED

MODERATOR: MR. AMIT LAHOTI - EMKAY GLOBAL FINANCIAL

SERVICES





Moderator:

Ladies and gentlemen, good day and welcome to APL Apollo Tubes Earnings Conference Call hosted by Emkay Global Financial Services.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"and "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Lahoti – Emkay Global Financial Services. Thank you and over to you, sir.

Amit Lahoti:

Thanks, Avirat. Good evening, everyone. I would like to welcome the Management of APL Apollo and thank them for this opportunity. We have with us today Mr. Sanjay Gupta – Chairman and MD, Deepak Goyal – Director (Operations), Anubhav Gupta – Chief Strategy Officer and Chetan Khandelwal – Chief Financial Officer.

I shall now hand over the call to the Management for the opening remarks. Over to you.

Anubhav Gupta:

Thanks, Amit. Thanks, Emkay Global for hosting APL Apollo for its Quarter 1 FY'26 Earnings Call. I welcome all the participants and thanks to all the participants for dropping by.

One performance for APL Apollo Tubes was definitely below our expectations. The sales volume should have been higher by at least 5%, but there were various reasons why we could not achieve the target set by ourselves.

Number one reason is the continued slowdown in the macro environment, which is evident from the weak industrial production data from the government side. As we know, for April and May, the IAP growth was mere 2% to 3% and the expectations for Q1 FY'26 GDP growth is also a bit on the softer side.

Reason number two, which resulted in loss of volume was the elevated geopolitical tensions which hit our volumes in two ways. Number one, India-Pakistan war, which impacted northern state volumes for almost one week and then in the last 20 days of July, the Middle Eastern war between Israel and Iran, it led to lower volumes in the Middle Eastern market, and it hit our export volumes also from Indian mills.

Third reason is the early onset of monsoon, wherein the construction activity got halted. Whether it were ongoing projects or the commencement of new projects, everything gets slowed down because no one was expecting that the monsoon should start or would hit the country within June month itself.

Lastly, what we are witnessing is the softer money supply in the system, which is leading to the reduction in the buying power of our dealers and stockiest, because their money is also stuck



with the agencies and EPC contractors who are working on the government projects. So, what we are seeing is that the buying power of our channel partners has gone down a bit.

Coming to the EBITDA spreads for Quarter 1:

Of course, they are up YOY significantly, but on QOQ basis, they are down by like Rs. 250. The reason for that is, of course, lower volume, which led to negative operating leverage and Rs. 100 per ton is impacted from the one-time notional expense led to ESOP, which increased our employee cost.

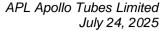
Coming to the ongoing quarter:

Things remain sluggish as compared to Quarter 1, but we do believe that the second half of FY'26 should be pretty promising. By that time, the monsoons will get over and the government spends would also turn into the actual money supply into the system, which will increase the buying power of our channel partners. At the start of the year, during Q4 FY'25 earnings call, we had guided for 15%-20% volume growth for FY'26. However, we believe this is slightly unlikely given the softer start to the first half. So, we believe that the sales volume for full year should increase between 10%-15%, assuming the macro environment does not worsen from the current levels.

As you know that APL Apollo started its brand premium strategy in January of 2025, wherein we are focusing on maintaining EBITDA spreads. So, what we believe is that once the demand environment comes back or it recovers, APL Apollo is ready with its capacity, its product line, its distribution network, its brand pool. So, volumes will come on its own. There is no point chasing volume at the cost of EBITDA spreads.

So, that's why we are not into push strategy as of now. Our focus is to continue to generate higher EBITDA spreads and elevate our APL Apollo brand in the customer's mind. And thankfully, we are pretty successful. Now it's been seven months we started this, we implemented this strategy and it is going fine so far. For the full year, we are hopeful, we are confident that EBITDA spreads should be between Rs. 4,600 to Rs. 5,000 per ton, which is significantly higher than FY'25 EBITDA spreads of below Rs. 4,000 a ton. In the midst of this economic slowdown, we continue to focus on our long-term capacity expansion plans and fill in the gaps where we believe that we can take our capacity from Rs. 4.5 million-Rs. 5 million ton to Rs. 7 million ton in the next two to three years. So, there are like four areas where we are working. Number one is expansion in the newer markets, which are Eastern India and Dubai market. So, in Eastern India, we are putting up two plants with capacity of 500,000 tons. In Dubai, we are expanding capacity by further 200,000 tons. In South India also, we are coming up with 400,000 tons of newer plants where existing products are fully utilized and the capacity.

Then, the second area we are focusing on is the expansion of new products, wherein we are adding 500,000 ton of coated capacity and 100,000 ton of heavy structural tubes. The third area





Moderator:

Amit Dixit:

Anubhav Gupta:

which we are focusing is on export sales from Indian mills. So, that's why we are planning to set up a plant in Bhuj, Gujarat area. And the plant will be majorly focused towards export sales and then it will also feed the Gujarat market for localization. And lastly, we are also working on putting up capacity for Specialty Tubes, wherein we believe that 300,000-400,000 ton of multiple product categories can be created over the next two to three years in non-structural space.

On balance sheet front:

We are net cash and our working capital days remain prudent in single digit. By end of FY'26, we shall be sitting on much larger cash surplus what you see today. And lastly, proud to tell you that our plants have achieved 72% of power consumption based on renewable energy, which states our heavy commitment to our ESG goals. And we target to take this contribution from renewable energy to 80%-85% over the next two to three years. And this not only helps us in meeting our ESG targets, but also reduces the overall power cost for the company, which right now is 0.8% of the product value. It continues to go down and it gets aligned with our cost optimization strategy.

Amit, that's all from our side. We are open to take questions now.

Thank you very much. We will now begin the question-and-answer session. The first question

is from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Good evening, everyone and thanks for the opportunity. Just a couple of questions from my side. The first one is regarding the slowdown that you mentioned in your opening remarks appears to be transient. But how is the competition brewing up, particularly from your peers and in the general structure category, if you can highlight that? And do you see this payables build up largely because, possibly because of your cash strain on your dealers, essentially? So, do you

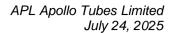
So, see, I mean, if you look at our general category, okay, we mentioned the general category

see it going away in H2? So, just wanted your thoughts around the same.

because earlier we were making EBITDA spreads below Rs. 2,000 a ton, right? Now, it's been two quarters that the EBITDA spreads are near about Rs. 2,800 a ton, right? So, we are able to increase our margins by almost Rs. 1000 a ton in last six months. So, it's no more commodity, right? And you can see that the volume also, it has not declined in last six months. So, the market has absorbed this price hike, right? And in next few quarters, you will see that this general doesn't remain general, okay, because everything is making superior margins. So, this suggests that there is no competition in this space, even when we have increased our pricing. And this general also takes account of products manufactured in Dubai, right, because this is as per the sizes, correct? And in Dubai, at the same size, you also make Rs. 4,000-Rs. 5,000 per ton EBITDA spread,

right? So, I think, as a strategy of de-commoditization, we are pretty much on track and whatever we are producing in range of 50 mm x 50 mm to 100 mm x 100 mm range, APR Apollo has created its own niche, own brand in this segment. The competition is playing almost now Rs.

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3,000 per ton below pricing levels, right? So, we don't feel the heat from the competitors at this price point. And on second question, you talked about payable days, right?

Amit Dixit: Yes.

Anubhav Gupta: So, payable days are not related to the stress at the dealer level. If you see our receivable days,

it remains unchanged quarter-on-quarter basis. Creditors, of course, have come down because we generated cash, right? So, we just paid 2 steel mills in advance, right? And we did get some

benefit also on cash purchases.

Amit Dixit: Okay, fine. The second question is essentially on the employee cost. So, you mentioned that

there was a one-time impact of ESOP so is it possible to quantify that? And what could be the

sustainable employee cost also? Is there any element of dealer incentives in the other expenses?

Anubhav Gupta: Right. So, that notional ESOP cost was Rs. 6 crore, right? So, going forward, you can assume

Rs. 88 crores, Rs. 87 crores-Rs. 88 crores to be the sustainable quarterly employee cost. It should come around eventually Rs. 600 to Rs. 700 per ton, right? Right now, you would see it at Rs. 800-Rs. 900 a ton. But the absolute employee cost will not go up from current level. And it will

settle around Rs. 600-Rs. 700 a ton.

Amit Dixit: Okay. And dealer incentives, any element in this quarter?

Anubhav Gupta: No. So, no discounting, nothing.

Amit Dixit: Okay. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Vikas Singh from ICICI Securities. Please go

ahead.

Vikas Singh: Thank you for the opportunity. So, my first question regarding your 10%-15% volume guidance.

Even if you look at currently, since the last three years, second half was heavy. Our asking rate is still closer to 900 KT or more. So, and you talked about the slowdown which usually takes time to reverse. So, just wanted to understand then which are the pockets from where we are

generating this confidence of meeting that certain kind of the volume guidance?

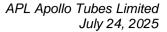
Anubhav Gupta: So, there are two-three areas, right, from where we will get the volume. Number one is our

right? So, that volume will recover in Quarter 2. We have already started seeing that from July, right? That is one big pocket where we are getting incremental volumes. Number two is our two new product lines got started, right, which will contribute in the next seven to eight months.

exports and Middle East, right, which actually got impacted in month of July due to the war,

Number one is the 1000 x 1000 heavy structural tube, right, with capacity of almost 100,000 tons. And second, in rust-proof tubes, right, that also 300,000 ton of capacity has come up. That

will give incremental volume because we are already running short of capacities in that segment.





And thirdly, see, I mean, second half normally is always skewed over H1 for the construction material sector. Assuming that we are over with monsoon by August-September, right, it will give a very good runway for projects to take off in the third quarter. And in Q4, the focus areas from the government side, whether it is Indian Railways, where a lot of our product is going, or whether it is aviation, again, a lot of our products go there, right, healthcare infrastructure, and then private infrastructure, which comprises of warehousing, new factories from the corporates, right. So, we expect a lot of activity within the economy to pick up, right, and we are present in all these segments. And lastly, which has not done well for last two years now, Vikas, is the retail side, right, which comprises almost 50%-60% of our sales. I am talking about independent homes, right. Now, with inflation coming down and interest rates coming down, at some point, discretionary spending will also pick up, right, and people will go for home renovation, home improvement, right, and our distribution network, our product portfolio, our innovation, our innovative products, everything will fall into place, we see pick-up in that segment also. So, I guess there are multiple levers, Vikas, which can give this asking run rate over the next three quarters. Of course, second quarter will remain soft, right, as far as July is concerned, but yes, lot of skewness will come in the last six months of the financial year assuming macro does not worsen from here, right, macro does not worsen from here.

Vikas Singh:

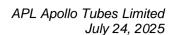
Noted. My second question pertains to our capital allocation. This has come in the past as well. Our CAPEX requirement and working capital requirement is far below than the cash we are generating. So, how should we look at the excess cash in terms of dividends you would distribute or what would we do with that cash? If you could just throw some light on the CAPEX, capital allocation.

Anubhav Gupta:

So, Amit, so there are two things, right. One is that if I generate \$100 of EBITDA, okay, my operating cash flow will be similar, right, \$9,500. So, we have created four buckets, okay, of \$25 each. Number one will go for serving tax, which will go to the government, first bucket. Second bucket will go into CAPEX. We are a growth-oriented company, right. We are looking for newer geographies, newer areas, newer products. So, 20%-25% of our cash flow we want to spend on CAPEX. Third bucket of 25% is shareholder reward in form of dividend or buyback, right. It will depend on the board and shareholder approvals, right. But yes, we do want to distribute more dividend or go for buyback, right. And the last bucket, which is 25%, that is, we are keeping as a buffer, which gets added onto our balance sheet and we repay our liabilities, right. So, if you see that in Q1 also, our current liabilities, which are payables, creditors, are reduced by almost Rs. 400 crores-Rs. 500 crores. So, as we generate more cash, we want to have our balance sheet as totally liability-free. We are debt-free today, but we want to be liability-free. And maybe we buy steel on cash and look for some discounts from the steel mills.

Vikas Singh:

Understood. If I may just ask one more question, see, our sequential, if you see, our value-added product sales has jumped 3 percentage points and general has also relatively done pretty well. Still, our EBITDA per ton was on the lower side. In fact, we have maintained that we have a low





fixed cost kind of a thing, we are lean production. So, what else we are missing, basically? If you could just give us some more color on that.

Anubhav Gupta: So, Vikas, I mean, the quarter-on-quarter EBITDA decline was Rs. 180 per ton. Now, out of

this, employee cost is almost higher by Rs. 300 a ton on QOQ basis. So, actually, because of better value-added mix, our EBITDA spread increased by Rs. 100 a ton. If you look at my gross spreads, they also increased by Rs. 400 a ton. So, if you deduct this Rs. 100 per ton of ESOP expense, which is notional one time, and also the reversal in the employee cost, which happened in Q4, so my improving gross spreads, they are because of my improving product mix and our

strategy of de-quantization coming into play.

Vikas Singh: Noted, sir. Thank you for answering this question and all the best for future.

Moderator: Thank you. The next question is from the line of Muskan from B&K Securities. Please go ahead.

Muskan: Hi, sir. Thank you for the opportunity. So, my first question is, in Middle East, your sales were

at an average of Rs. 17,000 per metric ton last quarter. So, what is the monthly average sales

from Dubai plants now? And how is the demand and pricing situation in Dubai?

Anubhav Gupta: So, the mix, I mean, the run rate was same, right? It was supposed to go up in July, but because

of the tension, which came from the geopolitical war, right, the run rate got a bit disturbed. So,

overall, Dubai contributed 6% to our overall volumes.

Muskan: Okay. And how is the demand and pricing situation in Dubai?

Anubhav Gupta: Now, it's back on track. Things are pretty stable now and the utilization rates are going up.

Muskan: Okay, sir. So, there has been some delays in commissioning of the HRC capacities in India,

which is one of the reasons that is keeping the spreads higher. And when do you expect this to

ease out?

Anubhav Gupta: I didn't get your question. Come again.

Muskan: There has been some delays in commissioning of the HRC capacities in India, which is one of

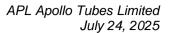
the reasons that is keeping the spreads higher between HRC and Patra. So, when do you expect

this to ease out?

Anubhav Gupta: See, I mean, commissioning a steel plant is 5 to 6 years process, right? I mean, delay of 6 months,

1 year is very normal when projects at such large magnitude come online, right? So, we expect that in second half, steel supply should increase, right? And then, depending on like what's the pricing strategy from the steel mills, we'll see how spreads behave. But, I mean, when APL

Apollo decided to change its strategy to elevate its brand in January 2025, so, we were pretty





sure that, I mean, our general segment should not fight with Patra, right? And we are confident that within the same segment, we can demonstrate the desired volume growth.

Muskan:

Okay, sir. Sir, in the last call, you mentioned you are charging some premium over general products. So, what is the current premium that you are charging over Patra players in general products? And if there is continued increase in spreads between HRC and Patra, and also introduction of SG brand, do you expect the EBITDA per metric and for general products to sustain?

Anubhav Gupta:

Okay. So, coming to first question that earlier when we increased our prices, before that, we were selling or I would say our competitors who make HR coil based structural steel tubes, they were selling Rs. 1,000 to Rs. 1,500 per ton below APL Apollo pricing. Now, the gap is Rs. 3,000 after we increase our pricing by Rs. 1,000 to Rs. 1,500 a ton. Adding to this, that HR coil tube pricing and Patra pricing will always, like, right now the gap is Rs. 8,000 to Rs. 10,000 a ton. And with us, with Apollo increasing its selling price by 1,500 to 2,000, so, that is Rs. 10,000 per ton and with competition against Patra could be Rs. 8000 a ton. So, again, as a strategy, whether to add products, whether to utilize capacities, our business model is to switch away from that general sales, which can impact volume or which suffers because of this gap, which is between Patra and HR coil. So, we want to move our business model away from this and be consistent with the construction activity in the country.

Muskan:

Okay, sir. One last question. SG Mart has won orders of solar module mounting structures under APL Apollo SunSteel. How is this product different from the products that Apollo is trying to cater to solar industry? Could you please talk about the order wins in solar?

Anubhav Gupta:

So, they are very different. What Apollo does for solar sector is the manufacturing of top tubes. For our flat steel, which goes into, into, into, into solar mounted structures. That's like pure manufacturing. What SG Mart is doing is mild profiling of solar structures. So, both are very, very different products and have very different applications.

Muskan:

Okay. Thank you so much.

Moderator:

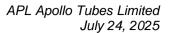
Thank you. The next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal:

Good evening, sir. So, with HRC prices softening a little from the month of June, so do we expect any destocking at the distributor level?

Anubhav Gupta:

Pallav, it's been almost 1.5 years that dealers have been destocking only. From October 2023, when we started seeing the decline in steel prices in India, except that Rs. 2,000-Rs. 3,000 per ton uptick which came in March-April 2025, after the tariffs were imposed. Dealers have been treating light only, like since October 2023. So, it's not that now that steel prices are again





coming off to Rs. 3,000 a ton, that we will see massive destocking, because dealers are anyway sitting light on inventory for last 18 months now, consistently.

Pallav Agarwal:

Also, you mentioned this payables we've reduced. So, how does the pricing work with these major steel mills? Like, do they give some credit period or they insist on upfront cash payments? So, if you could just explain that broadly?

Anubhav Gupta:

Pallav, this is a bit sensitive matter, but what I can tell you is that we have been getting credit from our suppliers. As you would see, creditor days of 25-30 days throughout in our balance sheet. Now, with surplus cash coming in our books, we want to reduce some current liabilities and see if we can get some extra discounts, which we are. But quantum is a bit sensitive to discuss.

Pallav Agarwal:

Okay, thank you.

Moderator:

Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja:

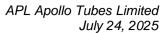
Good evening, sir. And thanks a lot for the opportunity. Just a couple of questions from my end. We, of course, hinted to H2 demand revival and we always do that in the building materials space. But what's the real change that we're expecting and how confident are we for that demand pickup, especially on the infrastructure part as well?

Anubhav Gupta:

So, Sneha, two, three factors which give us confidence. Number one is like the critical infrastructure from the government side, whether it is railways, aviation. These two sectors have not seen any slowdown in the funding. Roadways, of course, but we don't supply to roadways except some foot over bridges where our products go for NHAI projects. But the critical infrastructure remains the focus area for the government. So, that gives us a lot of confidence. Then second, private infrastructure, whether it is warehousing and corporate expanding which are putting up factories. So, our structural steel tubes go in both the segments. Then another category in private infrastructure is commercial, whether it is like large developers, organized developers adding more A grade, B grade office space, data centers which are coming up. It requires a lot of steel, structural steel tubes. Then the third segment, which we see as a sunlight area is solar. So, whether it is top tubes or our flat steel, which is going in this segment, we are getting good traction from here as well. So, yes, mix of these segments, Sneha, we believe that second half should be significantly better than first half.

Sneha Talreja:

Understood. So, secondly, on the primary and the secondary steel gap, I clearly recall that, you were telling that, things actually worsen when gap hits Rs. 10 odd until Rs. 8 odd probably, you were safe. We are almost at that level now. Are you seeing demand moving back on the general structure side to Patra players? If yes, what is the structural way of dealing with this volatility? Because whenever we see a gap reducing, we, of course, see a great amount of volume uptick for your company. But then it always reverses whenever the gap extends. What is the structural way of looking at this gap?





Anubhav Gupta:

So, Sneha, addressing the second part first, right? As a strategy, we are de-commoditizing our portfolio. So, that means we add products such as heavy structural tubes, light structural tubes, coated products, pre-galv rust-proof products and galvanized products. So, these are all which don't get impacted from whatever is happening between primary and secondary because the inability of secondary steel to produce such products. Second, moving or increasing sales in Dubai and export markets, right? There also you don't get impacted from primary, secondary. Sanjay, you want to add to this?

Sanjay Gupta:

Sneha, you have to see that there are two types of markets in India. One is the primary steel tubes market in India and number two, the secondary steel market of India. When the gap is more, what we are doing in our primary, we are doing well. We keep doing our thing and the system goes on. But when the gap is narrow, then we enter the secondary market also. We have another advantage. Then we talk about 20%-30%-40%, we can take any type of growth. But if there is a gap between the secondary and primary is too much, then our growth is restricted to near about 15% depending on the market.

Sneha Talreja:

Understood. So, I think the change in strategy as per the gap changes, I think that's likely to continue even ahead.

Sanjay Gupta:

Yes, when the gap is narrow, then again, we go for killing the Patra material. But when the gap is too much, our margin is 3,000, if I finish the margin of 3,000 and work, then also I can't reduce its volume. But when the gap is near down by 4,000-5,000, which is always there almost, this time comes very less. I have been running this time for the last 1-2 years. So, when that time comes, then we are going to enter the Patra market again.

Sneha Talreja:

Understood, sir. That was quite helpful. Thanks a lot team and all the best.

Moderator:

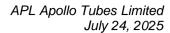
Thank you. The next question is from the line of Anupam Gupta from IIFL Capital. Please go ahead.

Anupam Gupta:

Yes, thanks for the opportunity sir. First question is on the sale in Shankara which you have done in the quarter. Can you just give your thoughts on why that sale happened?

Anubhav Gupta:

So, Anupam, when we invested in Shankara in March-April of 2022, the idea was to have a small stake to ensure that Shankara starts selling more of APL Apollo products. At that point of time, our market share on Shankara counter was like 20%-25%, whereas all our distributors of large size were selling 80%-90% of Apollo products. So, we wanted Shankara to sell more of APL Apollo products. And we identified that the company needed some capital which we infused. And there was this understanding that with this infusion of capital, Shankara will start selling more of APL Apollo products. So, in last 3 years now, 3-3.5 years, the sales on Shankara counter has quadrupled. Now that we have achieved this target, there is no point of holding Shankara shares. Anyway, stake was below 10%. So, we sold whole 4.5% last year and the balance shares we sold in last quarter. So, yes, now the dependence between Shankara and





Apollo is high on both of the sides. So, there is no benefit or advantage of Apollo holding shares of Shankara.

Anupam Gupta:

I understand. Second question is on the general structures profitability. You mentioned that this 2,700-2,800 which you are achieving also has the benefits from Dubai which if we assume Dubai is selling almost entirety of general structures, it is a meaningful contribution coming from there. If we exclude that, the India profitability of general structures would not be 2,800, it would be closer to 2,200-2,300 if my calculation is correct.

Anubhav Gupta:

No, Anupam, it will be Rs. 2,400-Rs. 2,500 a ton.

Anupam Gupta:

Okay. So, are you comfortable with that level or that again come at risk as this gap is increasing?

Anubhav Gupta:

No, idea is to take it above Rs. 3,000 a ton.

Anupam Gupta:

And will that be doable if let's say this the gap versus Patra continues to expand which you said is right now at Rs. 10 a kg?

Anubhav Gupta:

So, Anupam, that's what Sanjayji explained that the primary steel market is different, which is like 5 million tons and secondary steel market is another 5 million tons. So, 5 million tons market will out of that say the general segment is 40% out of that 5 million tons. So, that will continue to grow at 5%-10%. If the gap reduces, then the 5 million tons from secondary will come to primary. And that's where we will get our incremental volume. But since we don't know when this is going to happen, so there is no point building a business model around it. What we focus is on the primary structural steel to market which right now is 5 million tons. And out of that, almost like 3 million tons is commodity, general. And 2-2.5 million ton is value-added. So, yes, I mean that's how we build our sales strategy.

Anupam Gupta:

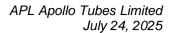
I understand. And one last question on the profitability guidance that you gave, 4,600 to 5,000. Last time you had said it is somewhere around 4,900 or so achievable with 20% volume growth. So, 4,500 is understandable, you have increased the range because of lower volume growth. But does this include the benefits which you are trying to accrue by having lower payable days because lower payable days also impact your ROE in that sense? Does this range include the benefits from better margins due to lower payable days?

Anubhav Gupta:

Of course, yes. But it was just like in the last month of July only. We could have such cash to lower our payable days. So, yes, we are talking to our suppliers. And if we see the benefit, then yes, we will continue with the strategy. If we don't see the benefit, then the surplus funds will generate 6%-7% of fixed deposit rate.

Anupam Gupta:

And one last question. On employee cost, you said the ESOP cost is notional. But your note says that no ESOP was granted so far. So, has this ESOP, which you have approved in today's board





meeting, the notional cost for that has been booked entirely or will it recur in the following quarter?

Anubhav Gupta: No, so today's board meeting approval is separate. This was for the previous ESOP which were

issued like a year back, year and a half back. They got accrued and they are getting converted.

So, that's why this notional expense.

Anupam Gupta: So, what you have announced today, that will have additional cost in the following quarter?

Anubhav Gupta: This is just an approval. We have not decided how much, what ESOP will be given. I don't think

in next 12 months, we will be issuing any ESOPs. In next 12 months, the ESOP will be issued.

So, there is no cost which is expected in next 1-2 years.

Anupam Gupta: Okay. Thanks a lot.

Anubhav Gupta: And yes, Anupam, just to add to your previous question on the return profile, like you said that

if creditor days come down, right, payables go down, so our ROCE, our return profile will look low, right? So, I think that is the strength of our business model, right? That if we generate cash and we are able to lower our payables and since we churn our inventory 15 times in a year, right, with 20-25 days of inventory, that means I am churning my inventory 15 times in a year. And whatever cash discount we get from our suppliers, so it should give, we are sure that it will give more return compared to the money lying in the fixed deposit. So, we are a very ROCE-focused company, Anupam, right? So, whatever we will do, we will ensure that it is ROCE-accretive, right? Optically, it may look a bit low, right, if you include cash, but if you look at the gross ROC where you take working capital as inventory plus debtors and you remove creditors, right,

so that is how we look at our business model.

Anupam Gupta: Sure. That's it. Thank you.

Moderator: Thank you. The next question is from the line of Akshay from AK Investment. Please go ahead.

Akshay: Thank you, sir. Sir, my first question is there are lots of traction in sectors like data centers, solar,

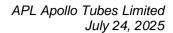
electronics manufacturing, consumer durables, and these players are doing very heavy CAPEX. So, do we supply in any of these sectors and over the next two to three years, how much volume

growth do we see from these emerging sectors?

Anubhav Gupta: So, if you talk to the large fabrication companies in India, some are listed also, right? These

companies are called pre-engineered building companies, PEB companies, who take contracts from all these corporates who are expanding massively, right? And why only such companies, even APL Apollo is putting up core plants, right? So, yes, Indian corporate is expanding and they're putting up a lot of new facilities, new plants. So, yes, so these large PEB companies, they do take a lot of hollow steel sections, a lot of structural steel tubes from APL Apollo. And our

market share is 60%-70% in this segment. We expect growth to be 20%-25% for the next three,





four years, particularly for this segment. And that's why on this conviction, we introduced 1,000 mm x 1,000 mm diameter pipe, which obviously we are first in India and second in the world to be able to produce such an SPU.

Akshay: Okay, sir. And sir, what is the current capacity utilization in our Raipur and Dubai plant?

Anubhav Gupta: So, Dubai plant is around 60% plus, and Raipur is tad below 60%.

Akshay: Okay. And sir, earlier we said that we are supplying our steel tube to Indian Railways. So, which

are the use cases in Indian Railways? Can you please justify?

Anubhav Gupta: Indian Railways, all the modernization of railway station which is taking place, maximum

railway stations are coming on steel and that's where we are supplying. We have given list in our presentation also, almost 20-30 railway stations where we are supplying our products, which

are under modernization.

Akshay: Okay, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Hardik from White Whale. Please go ahead.

Hardik: Hi, thank you for taking my question. First question is, why is EBITDA per ton lower in this

quarter compared to last quarter? And the second question is, last quarter you had mentioned that you want to reach ROIC of 35% next quarter next year and 45% the next year. Will it be

achievable seeing the trade payables increase? Thank you.

Anubhav Gupta: So, EBITDA spread decline on QOQ basis is mainly because of increase in the employee cost

per ton by Rs. 300 per ton. Okay. So, employee costs go up as the volume decline. in Q4, we did 850,000 tons. In Q1, we did 794,000 tons. So, employee costs go up, which is negative operating leverage. And second was, like I mentioned, was the ESOP expense, which is notional and one time. So, if you exclude that, we will be at similar EBITDA spread what we achieved in Q4. Coming to the second question, I mean, payable days. See, I think as in, I mean, at least as businessmen, what we believe is the real ROCE, which is based on gross working capital because creditors also be considered as liability, which we have to repay. Like you have liability in form of borrowing from bank, same way we consider current liabilities, something which you have to pay to our suppliers, no matter what. So, yes, I mean, optically, 35% will not look on paper if we reduce our payable to zero. But like I said, that will depend on like how much discounts we are getting in cash payments. It's too early to comment on that. And if at all, our investors, shareholders board suggest that no ROCE should be 35%. So, we can always go back to taking credit again from the steel suppliers. So, I think it's something which the shareholders and board have to take decision along with the management, like what is good for the company, whether to show optically 35% ROCE or to generate more cash if we are able to churn my our inventory

by 15 times in a year and generate more return than a fixed deposit return of 6%-7%.



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Hardik: Instead of the fixed deposit, which you had mentioned, you always have the opportunity to re-

invest back in the business. So, how is that not a case.

Anubhav Gupta: So, 25% of our cash flow, we are investing in adding capacities anyway, and if there is more

opportunity, so yes, I mean, we will spend on increasing capacities, or it could be some inorganic

growth opportunities whatever comes our way.

Hardik: Okay, thank you.

Moderator: Thank you. The next question is from the line of Neel Shah from Punartha Investment Advisors

Pvt. Ltd. Please go ahead.

Neel Shah: Thank you for the opportunity. So, I would just like to repeat on one of the previous questions.

Can I just know the EBITDA spread guidance and the volume growth guidance for this year?

Anubhav Gupta: Volume growth guidance is 10%-15% for the full year and EBITDA spread guidance is Rs.

4,600-Rs. 5,000 per ton for the full year.

Neel Shah: Okay. Thank you. And what about the topline? How do you expect the prices to move?

Anubhav Gupta: That's difficult to answer because that's not in our control. So, we don't work on how prices

move. What we want to protect is our EBITDA spread no matter how steel prices behave.

Neel Shah: Alright. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Andrey Purushottam from Cogito Advisors.

Please go ahead.

Andrey Purushottam: Yes. I noted that your value-added products were about 61% versus 56% or 58% the previous

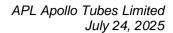
quarter. What I wanted to know is that, let's say if you make a constant volume projection, what is the sensitivity to every percentage increase of value-added product to your EBITDA per ton? So, let's say if it goes from 61% to 62%, what is the incremental EBITDA per ton that you get?

And is there any outlook that you have for your value-added mix proportion?

Anubhav Gupta: So, Andrey, I guess if you want to see the real benefit of improving sales mix, you should look

at the gross spreads. Now in Q1, our mix improved versus Q4 last year. And you can see that our gross spreads also improved by Rs. 400 per ton. But it did not translate into EBITDA spread improvement because my volumes were lower. So, there was negative operating leverage came into play. And secondly, this ESOP cost which was notional. Now if I remove that, then EBITDA should have been much higher compared to Q4 last year. Now coming to the sensitivity, it is tough to say because APL Apollo has like 5,000 plus SKUs. Out of those, 60% are value-added. Now within value-added also, we have products which generate Rs. 4,000 per ton and then we

have products which may generate Rs. 15,000 per ton EBITDA also. So, depending on which





segment does well in which quarter, that's how these spreads will improve. But one thing I can tell you is as our sales mix continues to improve, our spreads will also improve in the similar pace.

Andrey Purushottam: So, would you be able to guide us what this 61% could do for the entire year?

Anubhav Gupta: I think it should remain at similar levels. Our ultimate goal with 7 million ton capacity which

will be live by FY'28, we will be 70%-75% value-added.

Andrey Purushottam: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Shweta Dikshit from Systematix. Please go

ahead.

Shweta Dikshit: Hi, thank you for the opportunity. I joined a little late, so not sure if you addressed this before I

joined. But volume guidance for the year is now 10%-15%, which was 20% last quarter. So, any

reason behind this revision?

Anubhav Gupta: Shweta, yes, the earlier guidance was 15%-20% growth for the full year. Now it is 10%-15%.

The reason for downward revision are like number one, slow offtake in H1, because of macro slowdown. If you look at the government data like index of industrial production, GDP growth projections, everything is like kind of on softer side, which is also impacted demand for our product. Second, monsoons which came a bit early in the month of June, so June month got hit badly. Then third was the geopolitical tension which we saw in April when India-Pak war was there and then in June, Iran-Israel war started. So, that also led to some volume loss. And also if you look at the money supply in the system, that's also a bit slow. So, our dealers, stockists, channel partners, they don't have too much of money rotation going on. And this is not only for our sector, you look at the other construction material, other consumer related channel partners, they will have the same issues. So, that's why we kind of revised down our guidance from 15%-

20% to 10%-15% because of the slower offtake in H1.

Shweta Dikshit: Understood. And any potential revision, if we see a second half to be stronger than we expect,

then or is this the final guidance that we could get at least as of now seeing?

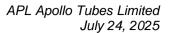
Anubhav Gupta: No, why not Shweta?

Shweta Dikshit: Are you also including your view that second half should be better? So, does this include your

view on the second half being stronger or there could be an upside to this number?

Anubhav Gupta: I mean, we would love to have upside to this number. As far as we are concerned, we are ready

with our capacity, we are ready with our product line, we are ready with our distribution network, we are ready with all the working capital which is required to fund this growth. Our brand pool is there in the market. It's just that some external pull comes in. And then, yes, I mean, if





environment supports, the growth can be better than 10%-15% for the full year. Nothing stops us from achieving higher growth.

Shweta Dikshit:

Understood. One last question, if I could squeeze in one more. You said that by 2028, you will be ready with a 6.8 million ton of production capacity. But the sales number could likely be 5.8 million tons?

Anubhav Gupta:

So, it will depend on what is the volume growth we actually achieve in FY'26 and then FY'27, FY'28, how they pan out. When we say 6.8 million ton capacity, that is sellable capacity. That means we can produce and sell that 6.8 million tons from our plants. So, this is a sellable capacity.

Shweta Dikshit:

Okay, I'll take other questions offline. Thank you.

Moderator:

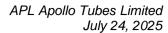
Thank you. The next question is from the line of Sneha Talreja from Nuvama Wealth. Please go ahead

Sneha Talreja:

Hi team, thanks a lot for the follow-up. Just two questions from my end. One is you said you are open to inorganic opportunity. If that would be the case, what sort of opportunity and in which area that would be? Can we see anything on the secondary pipes also to target that particular market specifically? That's one. Secondly, could you speak on more export opportunities leaving apart the Dubai part of it which you are already doing and which all geographies can be viable for us?

Sanjay Gupta::

Hi Sneha. Good evening. We are not going for the secondary any type of acquisition because secondary still is no future because their quality is very bad. Number two, their cost of production is very high. But in India, there is still scarcity so they are surviving. So, I have not a reason we are going for the secondary steel because then we demolish our brand also. That will destroy our hard work and brand. Or the secondary business is not in their own hand. When the HR coil and the secondary price go to narrow then the secondary business is wipe off. If you see the last 30-40 years history, secondary steel is not in demand other than India. In India steel is less, that is the reason they are surviving. As the steel capacity increases, I don't think this is a good future. So, we are not going for the secondary at all. I am very clear in the two things. We are not going for steel making. We are not going for secondary. Number two, the export opportunity. Yes, there is a very good chances for us in increasing the exports. We have a very good order book in Dubai plant. Now we are also putting a plant in Bhuj for only on focusing export. To and fro freight is very less from there. Right now if you see in the last 10 days there is a big change in the Indian steel industry. Today India is lower than the Chinese steel prices. China is almost increased by steel in the last 10 days 12%-13%. India has decreased almost to Rs. 1,500 per ton this month. So, India I am very bullish that our export will increase more and primary steel will come back someday if not tomorrow. India will get all the market. 7 million-8 million-10 million is my focus. But right now the things are not good for us. We are maintaining our margin going for a little bit 10%-15% growth that will come, we are concentrating on that. But we don't want





growth compromising the margins because geopolitics or economics is not doing well. So, we may face an accident if we go too fast. We are very confident. When the time is right, we back on track in the aggressive mode 20%-30% whatever volume growth because we are ready with every sense. So, export we have no doubt we are a big vision. In the future, in the 7 million ton capacity we are targeting to take the Dubai to 1 million ton. And India also we are planning 0.5 million ton in Bhuj in the future. Export we are very okay. And secondly there is no question. There is not a question of discussion also in our organization because we know this is not a future.

Sneha Talreja:

That was really, really helpful. So, thanks a lot. And all the best once again.

Moderator:

Thank you. The next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar:

Yes, thanks for the opportunity. Just focusing on FY'27. So, if we just keep aside the factors which are not in our control like geopolitical scenario and all. So, you have guided previously that we will grow by 15%-20% again in FY'27 over FY'26. So, are we putting any kind of market penetration or SKU addition, new product development which gives us some visibility over that growth in FY'27?

Anubhav Gupta:

Yes, of course. See, I mean assuming we close FY'26 at 10%-15% and everything in terms of macro, in terms of geopolitical, in terms of global trade war, all these things settle down along with Indian consumption starts to revive, then FY'27 growth could be much higher than 15%-20% because of the low base of FY'26. And like we said that in terms of capacity, in terms of distribution network, in terms of new products which we launched in last one to two years, the new product pipeline which is there in next 2 years, the new segments like renewable energy, like heavy construction where we are adding more products and we are becoming more aggressive, we are penetrating deeper into these industries. So, yes, I mean FY'27 could be much higher than 15%-20%.

Aditya Welekar:

And EBITDA per ton trajectory in that financial year, can we assume it will be north of Rs. 5,000 per ton? See, our ultimate goal is to achieve Rs. 5,500-Rs. 6,000 per ton and on the business model what we have built for 7 million ton capacity and sales volume eventually, this pretty much fits into it. Now the question is that FY'26, we are saying between Rs. 4,600-Rs. 5,000, let's see how second half pans out, right? If volumes grow faster than what we expect because of operating leverage benefits, it could be near about Rs. 5,000 also, but very difficult to say right now because of the uncertainty what we have seen in the first four months of the current financial year. Next year, FY'27 will definitely be better than whatever we close in FY'26.

Aditya Welekar:

Fair enough, sir. Thank you. Thanks a lot.



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Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for the day.

I now hand the conference over to the management for closing comments.

Anubhav Gupta: Thank you everyone for joining by. I look forward to see you over the next results earnings call.

Thank you so much.

Moderator: Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank

you for joining us and you may now disconnect the lines.