

APL **APOLLO**

Q3 **FY21 Results**

Safe Harbour

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

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Q3 FY'21 at a Glance



486k ton

Sales Volume
1% yoy increase



₹ 26.0 Bn

Revenue
23% yoy increase



₹ 2.3 Bn

EBITDA
45% yoy increase



₹ 4,780

EBITDA/ ton
43% yoy increase



₹ 147 Mn*

Interest Cost
48% yoy decline



₹ 1.3 Bn

Net profit
78% yoy increase



₹ 8.5 Bn

Op. Cash flow
As at 31 Dec 2020



₹ 2 Bn

Net Debt
FY20 was ₹7.9 Bn



24.8%

ROCE (9MFY21)
FY20 was 18%



8 Days

Net Working Capital (9MFY21)
FY20 was 25 Days



0.1x

Net Debt/Equity
FY20 was 0.6x



23.2%

ROE (9MFY21)
FY20 was 21.2%

*Interest cost does not include interest income of Rs64mn

Note: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Q3FY'21 Highlights

Strong Rebound

- Solid pull demand backed by new construction and renovation across markets
- Increased penetration in smaller towns and a higher rural reach
- Market share sustained at 50% due to supply chain disruptions with smaller peers
- Secondary sales rebounded strongly following the easing of lockdown

Emerged Stronger

- Continuous focus on value addition / De-commoditizing of product portfolio
- Investments into backward integration aided margins
- Net working capital cycle further improved to 8days in 9MFY21 vs 25 days in FY20
- Net debt declined to Rs2bn in 9MFY21 from Rs7.9bn in FY20 (D/E at 0.1x now)

Future Ready

- Target to ramp-up capacity utilization as demand scenario further improves in FY22/23
- Given strong rebound in 2Q-3QFY21, Capex at new Raipur facility accelerated
- Color coated tubes and heavy structural tubes would be new addition to product portfolio
- Capex to be funded from internal cash flows

APL Apollo at a Glance

1

Leading structural steel tube brand

Core Business

14

Brands

Five Product Categories

50%

Market Share*

2.6

Million Ton

Structural Steel Capacity

8 Patents

10 Plants

2,124 Employees

800+ Distributors

1,500+ Products

*Market share is for 9MFY21



Our Brands

Product Category*

Apollo Structural

Structural steel construction material:
Residential, Commercial, Infrastructure

Fabritech, Build, DFT, Column, FireReady, Agri

Apollo Z

Galvanized structural steel construction material:
Residential, Commercial, Infrastructure

CoastGuard

Apollo Galv

Galvanized steel tubes:
Residential, Commercial, Agri, Industrial

Green, Bheem, Z+

Apollo Tricoat

Home improvement products

Plank, Signature, Elegant, Chaukhat

75% Building Material

20% Infrastructure

5% Others

*Apollo Structural -Hollow Section & Black Round, Apollo Z- Pre Galvanized (GP), Apollo Galv – Galvanized (GI)

Product Category – Application & Sales Mix*

Product Category	Sales Volume Mix (%)	Applications
Apollo Structural	63%	
Residential Buildings & Independent Homes	25%	Structural, Piling, Sheds, Handrails, Gates, Fencing, Balcony Grills, Staircase, Light Structures
Commercial Buildings, Warehouses & Factories	14%	
Infrastructure	20%	Structural for Metros, Airports, Stadiums, Stations etc
Industrial & agriculture	4%	Heavy Equipment
Apollo Z	18%	
Residential Buildings & Independent Homes	13%	Galvanized structural steel tubes for coastal markets
Commercial Buildings, Warehouses & Factories	5%	
Apollo Tricoat	15%	
Residential Buildings and Independent Homes	12%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	3%	
Apollo Galv	4%	
Commercial Buildings	3%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & agriculture	1%	
Total	100%	

50% Building Material Housing

25% Building Material Commercial

20% Infrastructure

5% Others (Industrial & Agri)

*As per 9MFY21 Sales Volume

PORTER'S 5 FORCES

Porter's Five Forces

Threat of Entry

- Scale of 2.5m ton capacity; wide gap between No. 2 Player
- Vast distribution network (access to 800+ distributors, 50,000 retailers, 2lacs fabricators)
- Technology advantage (DFT, ILG)
- Lowest cost producer (highest profitability in the sector)
- Product range (1,500+ SKUs)
- Lead time to distributors (48hrs delivery)
- Financial strength (doubling capacity every 3rd year without debt)
- Unmatched brand strength

Bargaining power of suppliers

- Company buys 2% of Indian steel consumption and 10% of Indian HR coil consumption
- Amongst Top 3 customers for large steel producers
- Company's steel buying price is minimum in structural steel tubing industry

Industry Rivalry

- APL Apollo 50% market share
- Player 2 - 9% market share (under insolvency)
- Player 3 - 9% market share (focus on water transportation products)
- Player 4 - 7% market share (strong player but small in Parent's overall scheme of things)
- Player 5 - 7% market share (focused in East market; regional player)
- Player 6 - 6% market share (high debt)
- Player 7 - 3% market share (high debt)
- Player 8 - 2% market share (poor profitability)
- Others - 7%

Bargaining power of distributors

- 40% market share in structural steel tubing industry
- Monopoly products (new innovative products)
- APL Apollo distributors can churn capital upto 8x in a year which helps them generate high ROCE

Threat of substitute

- No product can replace structural strength of steel

FINANCIAL PERFORMANCE

De-commoditizing Product Portfolio

Value added products contribute 60% of total sales

Product Category	Application	Q1FY21			Q2FY21			Q3FY21			Annual Capacity (k Ton)
		Mix (%)	Volume (k Ton)	EBITDA/Ton (Rs)	Mix (%)	Volume (k Ton)	EBITDA/Ton (Rs)	Mix (%)	Volume (k Ton)	EBITDA/Ton (Rs)	
Apollo Structural	Heavy Structures	4	9	3,900	4	21	4,200	6	27	5,000	200
	Light Structures	4	8	3,600	13	63	4,000	17	83	5,100	430
	General Structures	50	119	1,147	47	226	1,381	40	194	1,993	1,000
Apollo Z	Rust-proof structures	24	56	4,903	18	85	6,236	17	82	7,654	450
	Rust-proof sheet	0	0	4,556	1	6	4,556	1	6	4,760	50
Apollo Tricoat	Home improvement	13	32	5,795	13	61	6,133	15	73	7,872	350
Apollo Galv	Agri/Industrial	6	13	3,491	4	18	5,655	4	21	7,118	120
Total		100	238	2,982	100	481	3,514	100	486	4,780	2,600

Standard products with EBITDA less than Rs 2,000/ Ton

Value added products with EBITDA more than Rs 4,000/Ton

De-commoditizing Product Portfolio

Gradually improved
our value added
product contribution

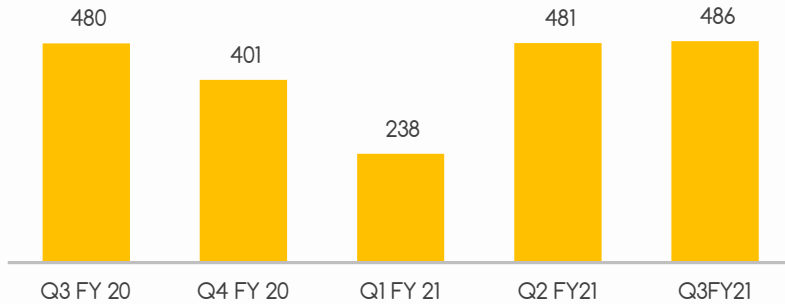
Product Category Application		FY16			FY17			FY18			FY19			FY20		
		Mix	Volume	EBITDA	Mix	Volume	EBITDA	Mix	Volume	EBITDA	Mix	Volume	EBITDA	Mix	Volume	EBITDA
		(%)	(k Ton)	(Rs)	(%)	(k Ton)	(Rs)	(%)	(k Ton)	(Rs)	(%)	(k Ton)	(Rs)	(%)	(k Ton)	(Rs)
Apollo Structural	Heavy Structures	6	52	5,045	5	51	5,268	5	52	4,863	6	80	4,050	6	101	4,394
	Light Structures	3	31	4,793	5	43	4,950	6	70	4,511	8	108	3,837	5	87	4,190
	General Structures	60	536	2,124	57	531	2,313	58	656	1,991	58	777	1,719	55	898	1,501
Apollo Z	Rust-proof structures	18	159	5,280	20	183	5,722	21	241	5,691	21	279	5,569	20	333	5,258
	Rust-proof sheet	0	0	0	1	6	5,000	0	0	5,000	0	3	4,560	0	2	4,444
Apollo Tricoat	Home improvement	0	0	0	0	0	0	0	0	0	0	0	0	7	113	5,928
Apollo Galv	Agri/Industrial	13	115	4,590	13	117	4,925	10	111	4,880	7	92	4,362	6	99	4,137
Total		100	894	3,267	100	932	3,613	100	1,130	3,	100	1,339	3,021	100	1,633	3,058

Standard products with EBITDA
less than Rs 2,000/ Ton

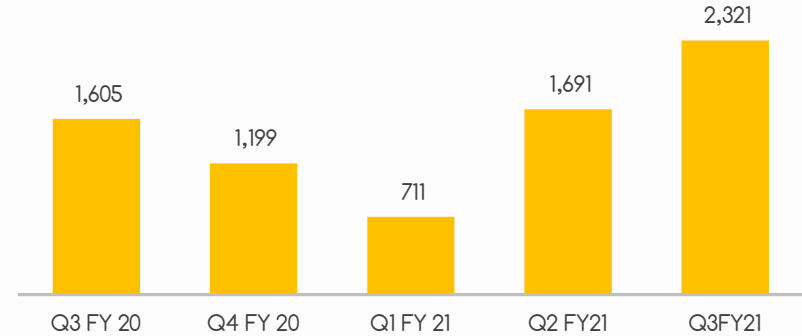
Value added products with
EBITDA more than Rs 4,000/Ton

Growing Strength to Strength

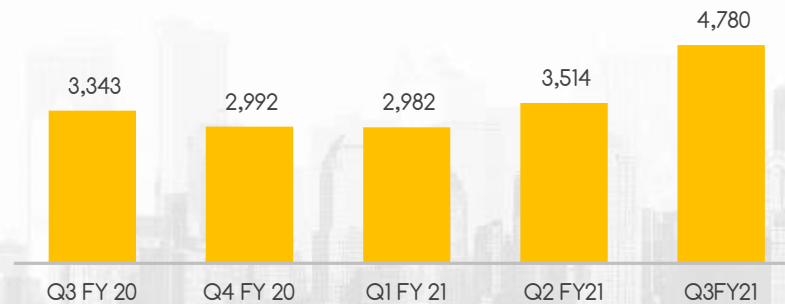
Volume ('000 tons)



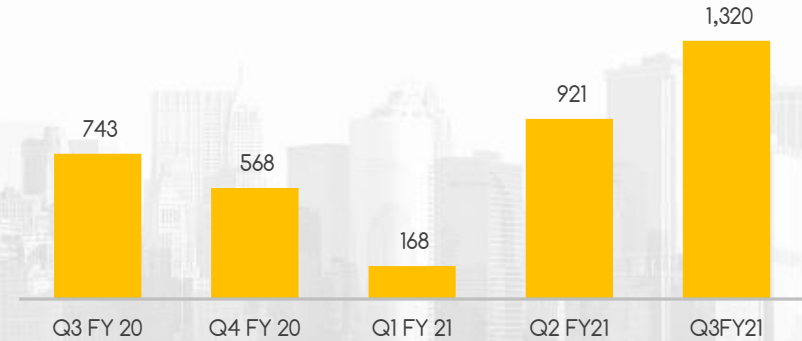
EBITDA (Rsm)



EBITDA/Ton (Rs)



Net Profit (Rsm)



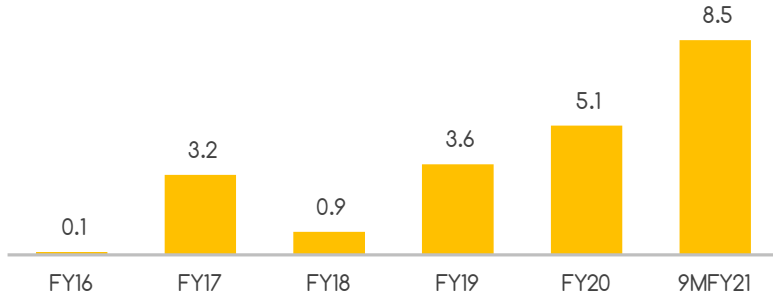
1. Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

2. Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

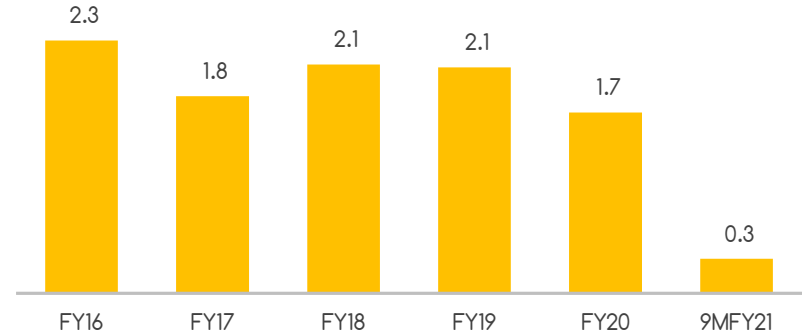
3. EBITDA has been calculated without other income

Growing Strength to Strength

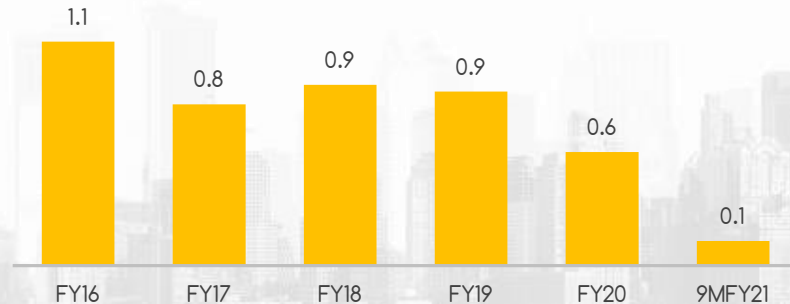
Operating Cash flow (Rs Bn)



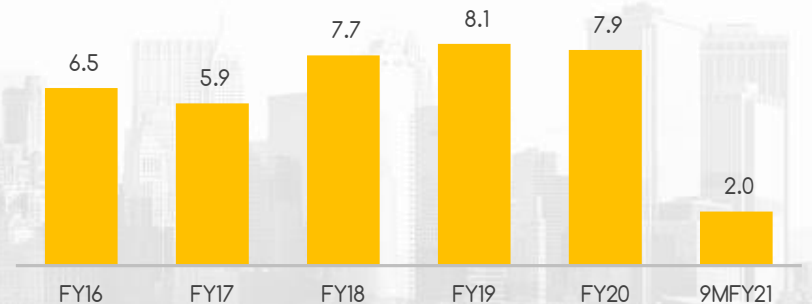
Debt/ EBITDA (x)



Debt/ Equity (x)



Net Debt (Rs Bn)

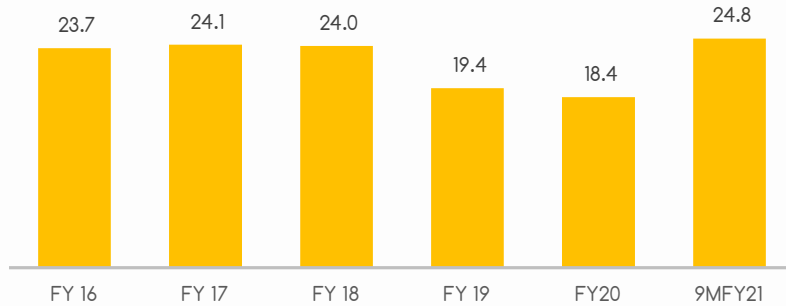


Note : Debt/EBITDA and Debt/Equity ratios are calculated on net debt basis

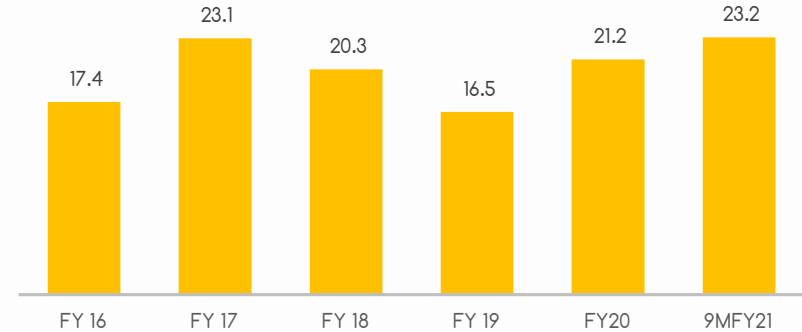
9MFY21 revenue is for period '22 April 2020 to 31 Dec 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

Growing Strength to Strength

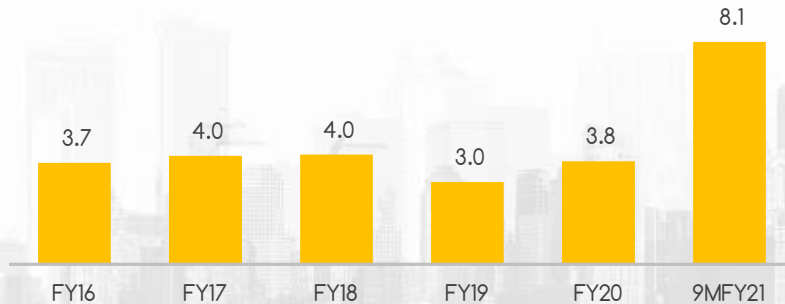
ROCE (%) *



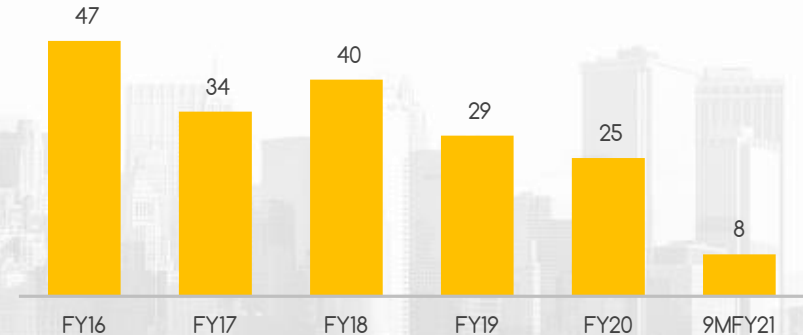
ROE (%) **



Interest Coverage (x)



Net Working Capital (Days)



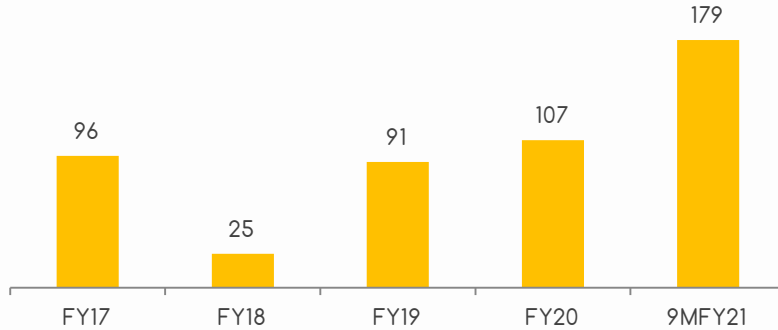
*ROCE calculated on capital employed as Total Assets less Current Liabilities less Surplus Cash

**ROE calculated on Net Profit before Minority Interest

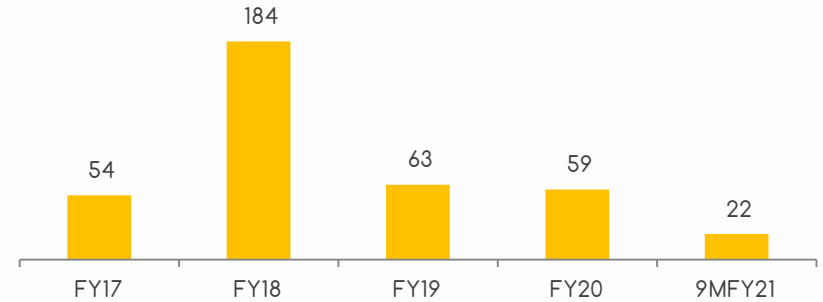
***Net Working Cycle has been calculated including Other Current Assets & Liabilities

Growing Strength to Strength

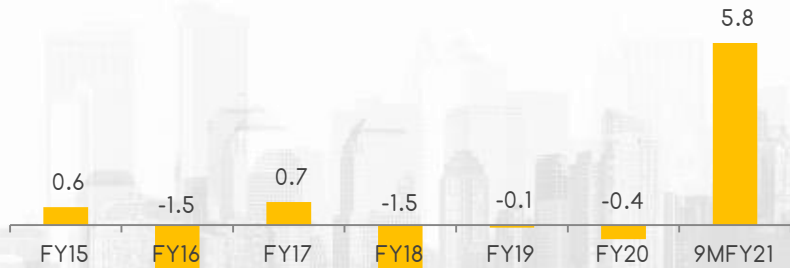
Operating cash flow to EBITDA (%)



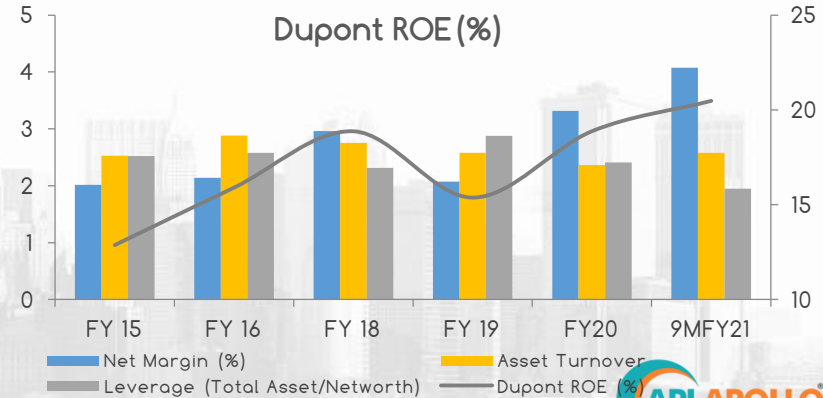
Capex to operating cash flow (%)



Free cash flow (Rs Bn)



Dupont ROE (%)



Profit & Loss Statement (Consolidated)

Particulars (Rsm)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY 20	Q1 FY21	Q2 FY21	Q3 FY21	9MFY21
Sales Volume (k Ton)	389	364	480	401	1,633	238	481	486	1,205
Net Revenue	20,716	16,473	21,159	18,885	77,232	11,098	22,021	26,009	59,128
Raw Material Costs	17,951	14,334	17,633	15,867	65,785	9,308	18,477	21,871	49,656
Employee Costs	301	354	382	386	1,422	287	334	358	979
Other expenses	1,214	1,065	1,539	1,433	5,251	793	1,518	1,459	3,770
EBITDA	1,250	720	1,605	1,199	4,774	711	1,691	2,321	4,723
EBITDA/ton (Rs)	3,217	1,978	3,343	2,992	2,923	2,982	3,514	4,780	3,921
Other Income	46	46	47	83	222	49	101	83	233
Interest Cost	283	269	280	241	1,073	212	159	147	518
Depreciation	202	240	262	255	959	239	251	262	752
Tax	289	-341	277	178	403	90	356	507	953
Net Profit	521	598	833	608	2,560	219	1,026	1,488	2,733
Minority Interest (MI)	0	51	90	40	180	51	105	167	323
Net Profit (after MI)	521	547	743	568	2,380	168	921	1,320	2,409

Note 1: The Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Balance Sheet & Cash Flow Statement (Consolidated)

Balance Sheet - Assets (Rsm)	9MFY21	FY20
Cash & Bank Balance	3,309	456
Receivables	910	4,764
Inventories	5,714	7,842
Other current assets	1,561	1,422
Fixed assets (net)	15,355	14,839
Right to use Assets	956	971
Investments	14	15
Other assets/goodwill	2,830	2,352
Total Assets	30,649	32,660
Balance Sheet - Liabilities (Rsm)	9MFY21	FY20
Trade payables	5,897	7,644
Other current liabilities	433	309
Debt	5,288	8,338
Others	2,108	1,854
Minority Interest/Provision	1,232	954
Shareholders' funds	15,691	13,562
Total Equity & Liabilities	30,649	32,660

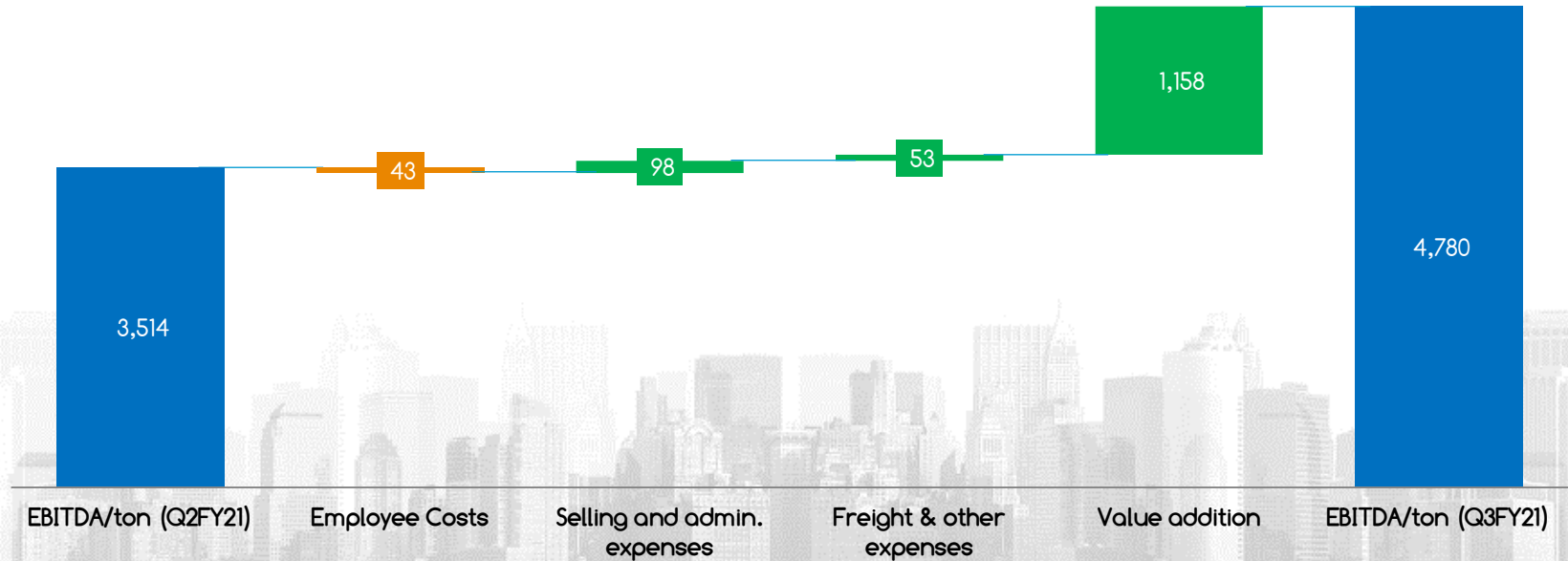
Cash Flow Statement (Rsm)	9MFY21	FY20
EBITDA	4,723	4,783
Accounts receivables	3,853	847
Inventory	2,123	284
Other WC changes	-1,773	-215
Tax	-696	-816
Other Income	234	212
Operating cash flow	8,465	5,095
Capex	-1,827	-3,014
Investments	-341	-1,335
Interest	-517	-1,193
Free cash flow	5,779	-447
Dividend payments	0	-411
Capital increase*	124	1,775
Tricoat Consolidation	0	-695
Net change in cash flow	5,902	222
Net debt beginning	-7,881	-8,104
Net debt end	-1,979	-7,881

9MFY21 revenue is for period '22 April 2020 to 31 Dec 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

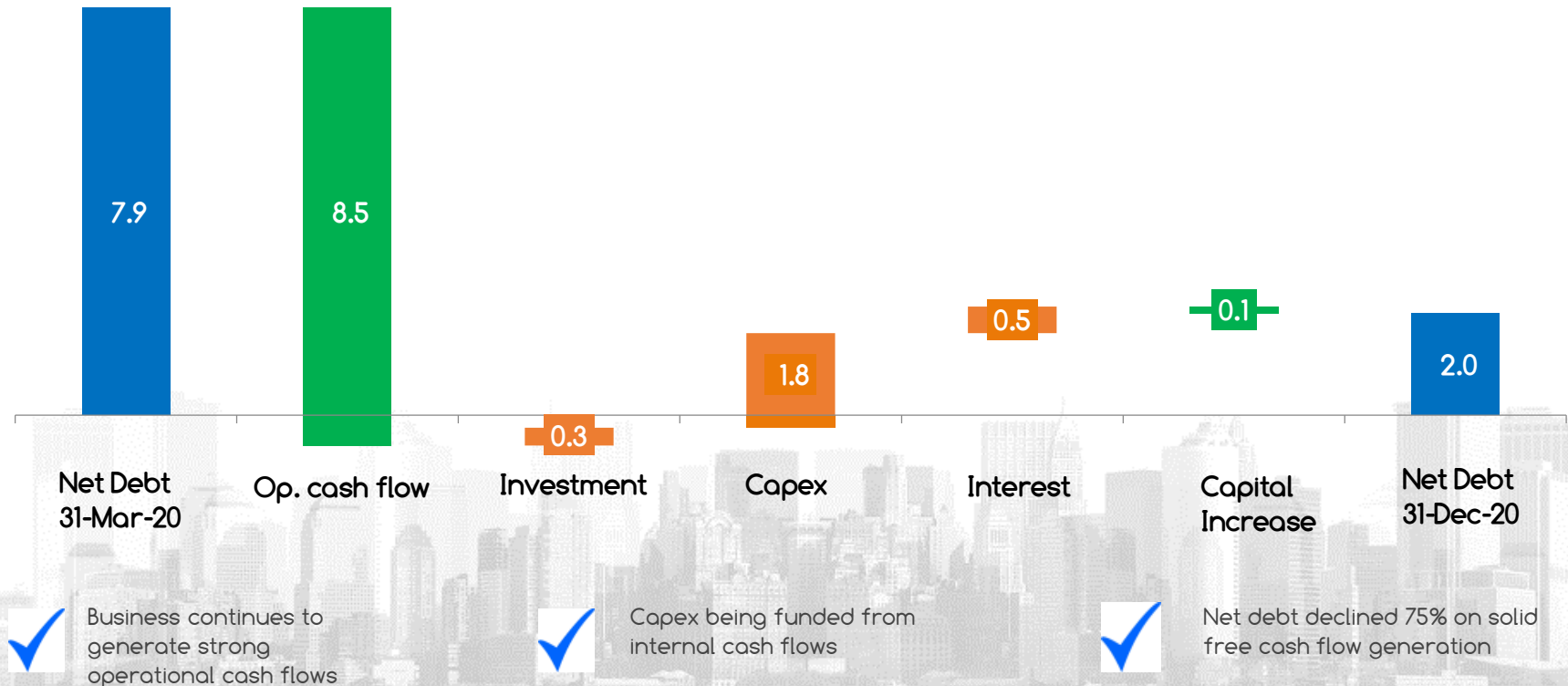
*Employee Stock Option Plan

Quarterly EBITDA Bridge (Rs/ton)

- 
1. Value Addition
 2. Pull Demand
 3. No Sales Discounts
 4. Cost Control
 5. Brand Premium

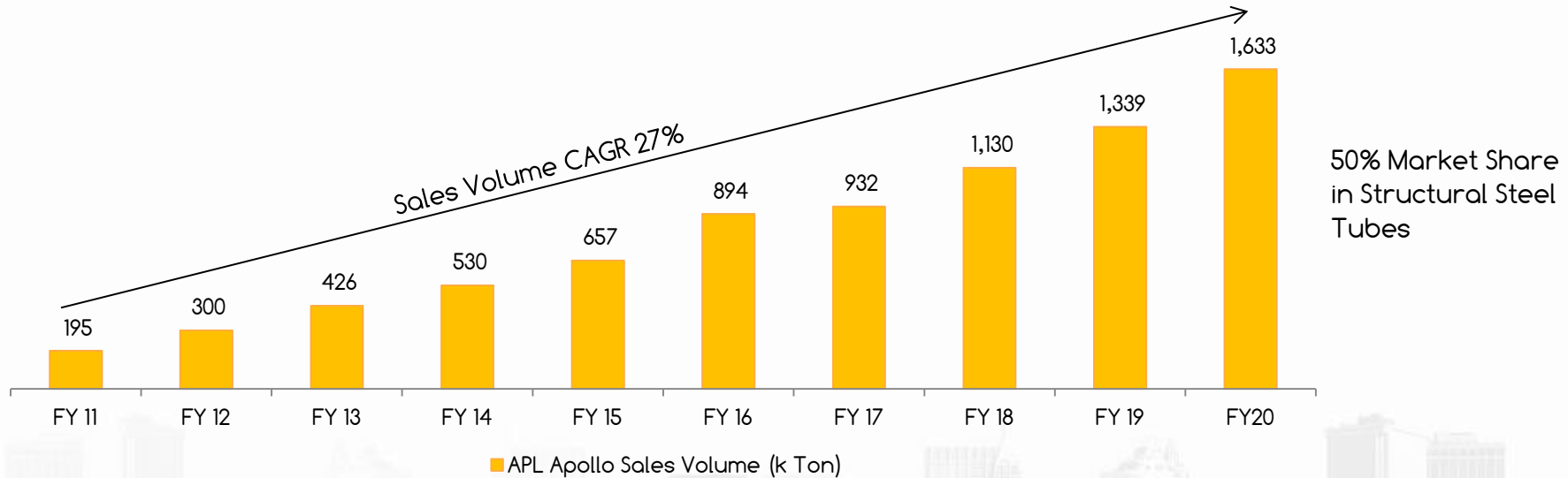


Consolidated Cash Flow Bridge (Rs Bn)



Market Creation

Growing Strength to Strength



- Developed Structural steel tube market in India
- Focused on steel strength and building material application
- Innovation of new sizes and shapes
- Introduction of new applications

How have we created market..

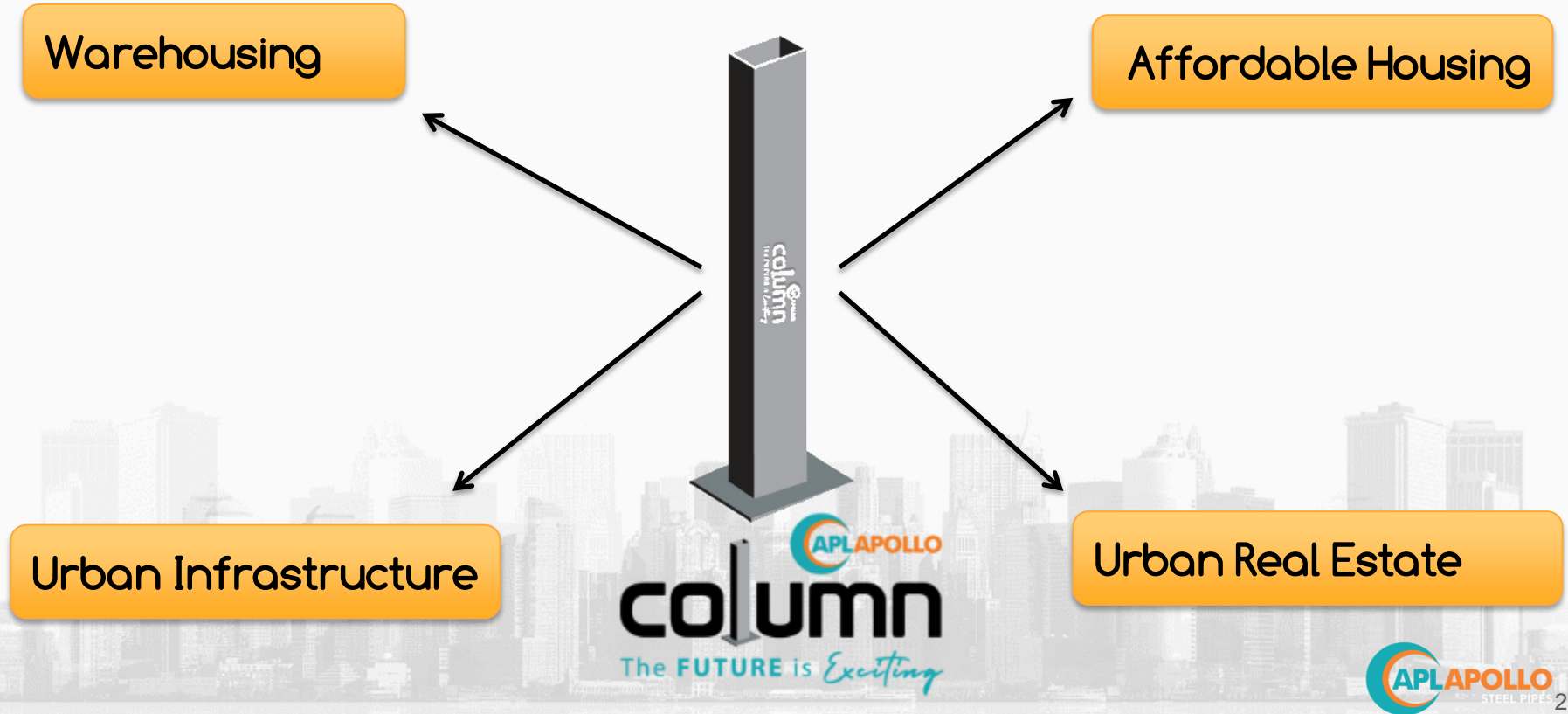
Conventional Construction Products	Applications	Why Structural Steel Tube replaces these products?
Steel Angle/Channels	Structural support, Towers infrastructure	Uniform Strength, Lower steel consumption
Wood	Furniture, Door Frames, Planks	Cost Effective, Termite Proof, Environmental Friendly
Aluminum Profiles	Facades & Glazing	Cost Effective, Higher Strength
Reinforced Cement Concrete	Construction of Buildings	Faster Construction Environmental Friendly
Fabricated Metal Sheet	Pre-Engineered Steel Buildings	Lower steel consumption Reduces overall project cost

How to replace the conventional products ??

Light Structures/Low Load Bearing

Heavy Structures/High Load Bearing

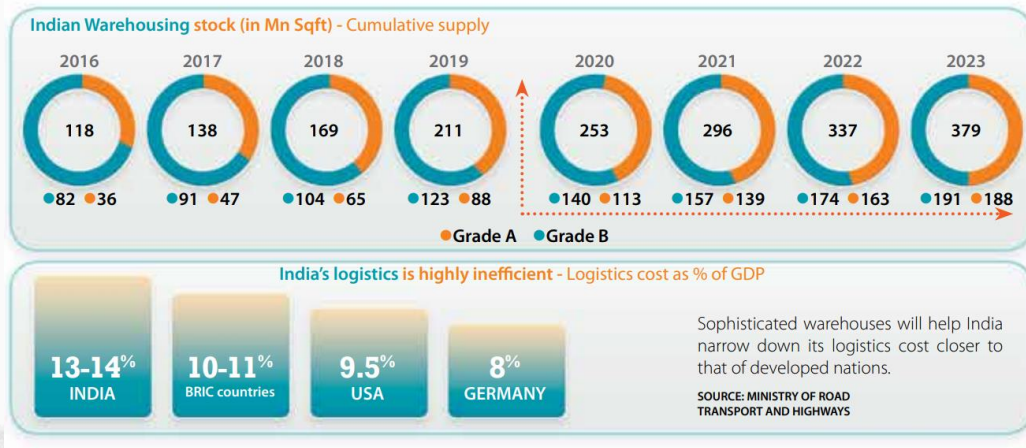
New Opportunities to revolutionise construction industry



Structure Steel Tube: Revolutionise the Construction Industry

Warehousing

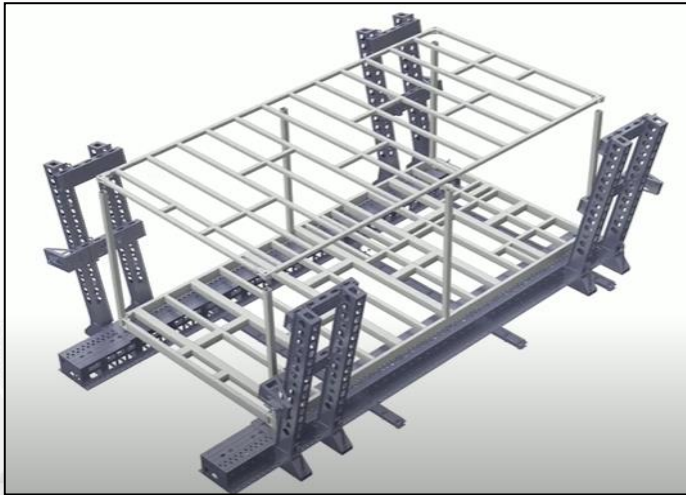
- JLL projects that there will be 344 mn sq. ft of warehousing space in India by 2022
- Logistics, engineering, auto and ancillaries, e-commerce, FMCG, retail and telecom, and white goods have remained the biggest demand drivers.



Structure Steel Tube: Revolutionise the Construction Industry

Affordable Housing

- Trends for affordable housing with low cost & faster completion is picking in India
- Modular Building will be the future construction methodology
- Modular steel structures are constructed in-house with final assembly occurring on-site, where the steel modules are stacked and connected together



Modular Building Concept

Structure Steel Tube: Revolutionise the Construction Industry

Urban Infrastructure

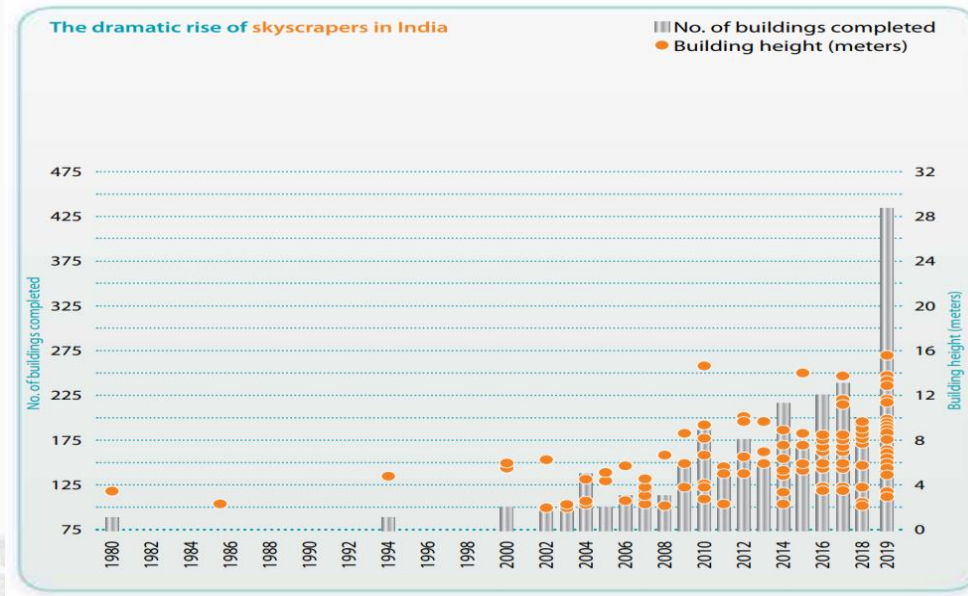
- Govt plans to start 100 additional airports by 2024
- To invest Rs19,000 crore in upgrading airport infrastructure in the country, especially in smaller cities over next three years



Structure Steel Tube: Revolutionise the Construction Industry

Urban Real Estate

- India's vertical growth pushed high-rises buildings with G+20 floors or more to record highs in 2019
- Government has formed a panel to look into the upward revision of FSI norms in all major cities



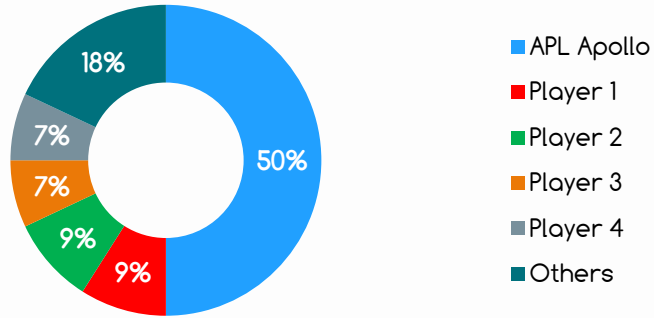
CORE COMPETENCE

Our Business Moat...

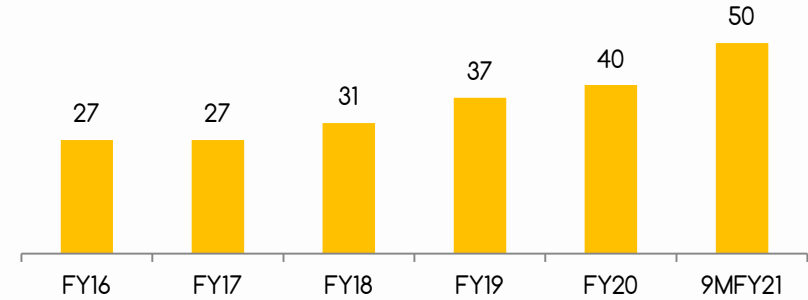


Dominant Leadership

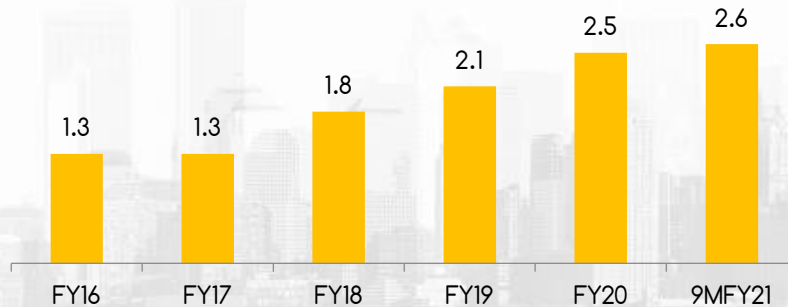
Peer Market Share FY21



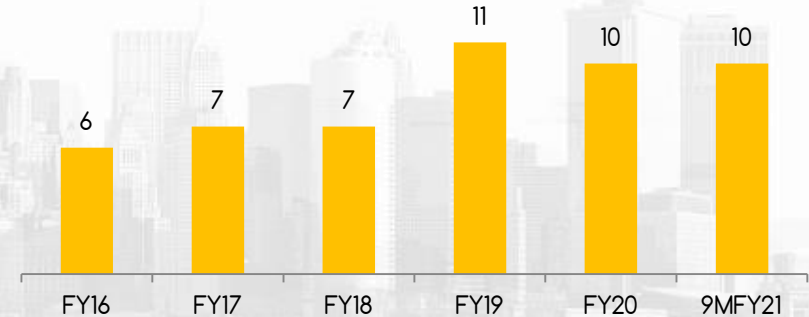
APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



KEY TAKEAWAYS

Financial Priorities under Strong Governance

Growth

- Profitable Organic Growth
- Commitment to R&D and Talent
- Innovate products to replace conventional construction methods



Earnings

- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- ROCE \geq 25%

Capital Allocation

- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

ESG Initiatives

Environment

- ✓ Mapping energy consumption trends to achieve energy optimisation benchmark
- ✓ Target to equip all the units and buildings with rooftop solar panels
- ✓ Achieved 20% reduction in wastages through operational efficiency
- ✓ Water recycling already in practice
- ✓ Increasing the greenery cover around all plants
- ✓ Coil stacking system to enhance safety guidelines and flexibility of operations
- ✓ Installed effluent treatment plants for the prevention of water pollution

Social

- ✓ Committed to impart skill development and employment
- ✓ Recruitment of rural youth for local sales operations
- ✓ Funds for education, healthcare and community infrastructure development projects for marginalized communities
- ✓ Association in compliance to the provisions of Companies Act, 2013 relating to Corporate Social Responsibility

Governance

- ✓ No pledge of promoter shares
- ✓ Deloitte for statutory audit and Ernst & Young for internal audit
- ✓ 5 independent board members out of 9

Strong Management

Directors (Non Executive)

Neeru Abrol

Director at TCNS Clothing Co Limited & others | Awarded best achiever by ICAI | 26 Yr experience in SAIL

Abhilash Lal

3 decades of professional experience in senior roles across financial services including banking, PE & others

Anil Kumar Bansal

Director of NABARD, Rockland Finesto Ltd & others
4 decades of experience in banking industry

Virendra Singh Jain

Board member of Dalmia Bharat Ltd |
Ex-Chairman of SAIL | Ex-Executive Director at IOC

Ashok Kumar Gupta

Steel industry veteran with 4 decades of experience
Worked as MD in APL Apollo in the past

Executive Team

Sanjay Gupta

Chairman & Managing Director

Vinay Gupta

Director

Romi Sehgal

Director

Ashok Khushu

Head – New Projects

Arun Agrawal

Chief Operating Officer

Deepak Goyal

Chief Finance Officer

Anubhav Gupta

Chief Strategy Officer

Ravindra Tiwari

Head-Sales & Marketing

Thank You

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