

# APL APOLLO

January 2021



# Contents

APL Apollo Overview

Covid-19 Action Plan

Porter's Five Forces

Core Competence

Structural Steel Applications

Exciting Future

Financial Priorities & Performance

Key Takeaways

ESG Initiatives

# 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.*

# APL APOLLO OVERVIEW



# 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
<b>Apollo Structural</b>	<b>63%</b>	
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
<b>Apollo Z</b>	<b>18%</b>	
Residential Buildings & Independent Homes	13%	Galvanized structural steel tubes for coastal markets
Commercial Buildings, Warehouses & Factories	5%	
<b>Apollo Tricoat</b>	<b>15%</b>	
Residential Buildings and Independent Homes	12%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	3%	
<b>Apollo Galv</b>	<b>4%</b>	
Commercial Buildings	3%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & agriculture	1%	
<b>Total</b>	<b>100%</b>	

50% Building Material Housing

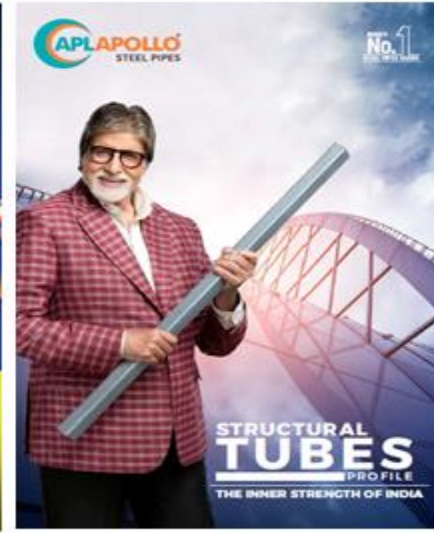
25% Building Material Commercial

20% Infrastructure

5% Others (Industrial & Agri)

\*As per 9MFY21 Sales Volume

# Brand Equity

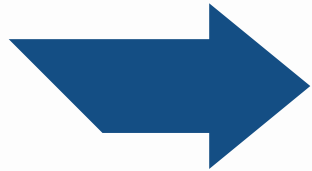




# Brand Equity

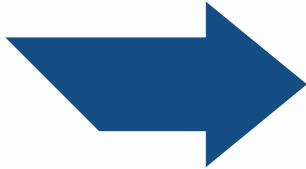


# B2C Channel



## Distributors

800+ Distributors – Solid Relationships, Incentive plans



## Retailers

50,000+ Retailers – Retailer bonding program



## Fabricators, Architects & Structural Engineers

200,000+ Fabricators, Architects, Structural Engineers & Developers – Apollo Connect Programs, Fabricator/Architect meets for Brand promotion



## End Consumer

End Customer Connect – Indian Premier League, Football, Kabaddi League, Amitabh Bachchan Campaign, TV Commercials, Radio, Social Media



# COVID-19 ACTION PLAN

# Covid-19 Action Plan

## Business

**Revenue loss during lockdown**

- Complete shutdown from 24 March
- Raipur Plant started on 22 April
- All 10 plants were operational in Ma with necessary precautions

**Sales ramp-up post relaxation**

- Company improving market share at cost of weak competition
- Replenishment has started at distributor level across India
- Demand in Urban areas catching up
- Supply chain improving day-by-day

**Global Cues**

- Construction activity has picked up significantly
- Construction steel demand has recovered 85% globally

**Employee Safety**

- Social distancing norms being followed as per gov't rules
- Proper hygiene being maintained at plants and offices

**Steel Prices**

- Company working on minimum raw material inventory levels
- Global steel prices remain firm on improving demand scenario

## Financials

**Cash** - Focus on receivable collections and debt reduction

**Preservation**

- Debtors spread across 800+ distributors
- Improvement in cash conversion cycle
- Delayed capex spends

**Fixed costs**

- Minimal branding and marketing expenses
- Lowering interest costs thru refinancing and debt reduction
- Issued commercial paper at 6.6% recently
- Renegotiation of miscellaneous contracts at lower price

**Cash breakeven**

- Lean cost structure
- Cash breakeven below 1/3<sup>rd</sup> capacity utilization

## Outlook

**Demand recovery**

- Target higher market share in FY21
- Aggressive sales strategy to hurt weak competitors
- Building Material companies guiding for 20% volume decline in FY21
- Structural steel Tubes to outperform other Building materials

**Business Plan**

- Long-term business plan remains unchanged
- Short-term focus is lighter balance sheet and lower fixed costs

# PORTER'S FIVE 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

# CORE COMPETENCE

# Our Business Moat...

Highest no. of products with 1,500 SKUs

Highest scale with 10 plants (2.6Mn ton capacity)

Largest sales network (800 distributors)



Lowest cost producer (largest buyer of HR coil)

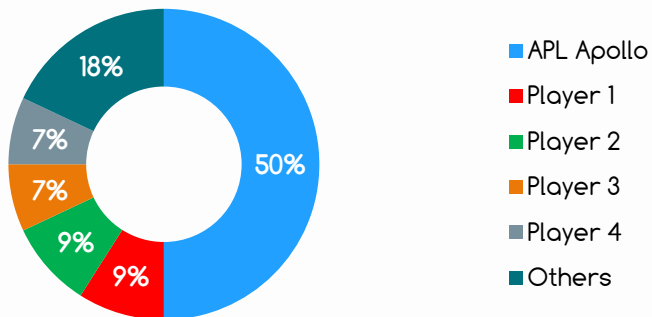
Premium pricing to peers (brand strength)

Technology edge & Innovation

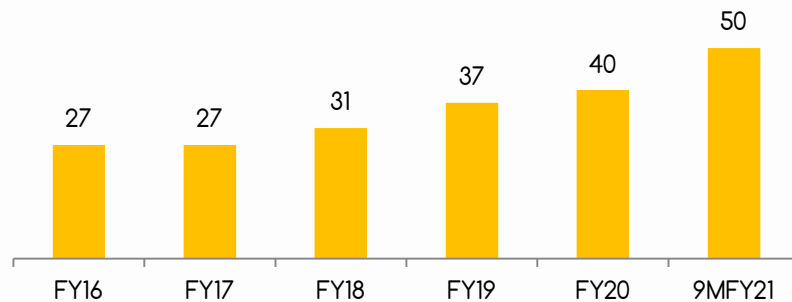


# Dominant Leadership

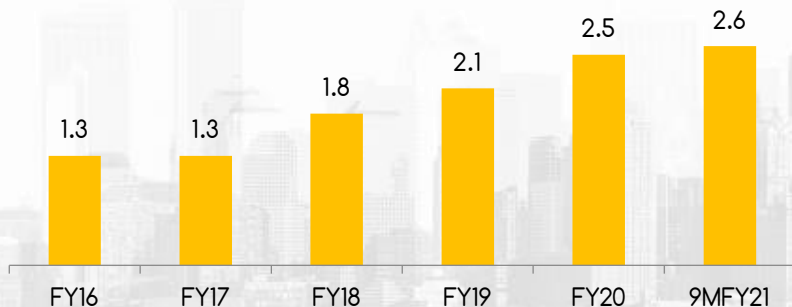
## Peer Market Share FY21



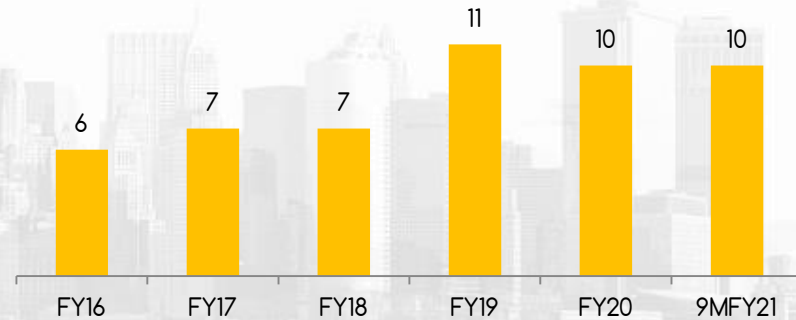
## APL's Market Share (%)



## Capacity (Mn Tons)



## Number of Plants



# Unique Capabilities



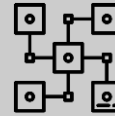
Developed structural steel market in India

First Mover advantage  
No.1 Leader; Focused on steel strength and building material applications



Technology

Direct Forming Technology for big structural products  
In-line Galvanizing to replace traditional products



Distribution network

B2C channel for last mile penetration

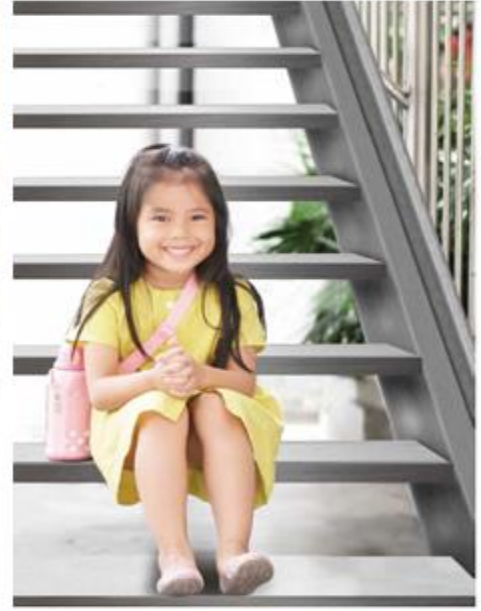


Innovative products

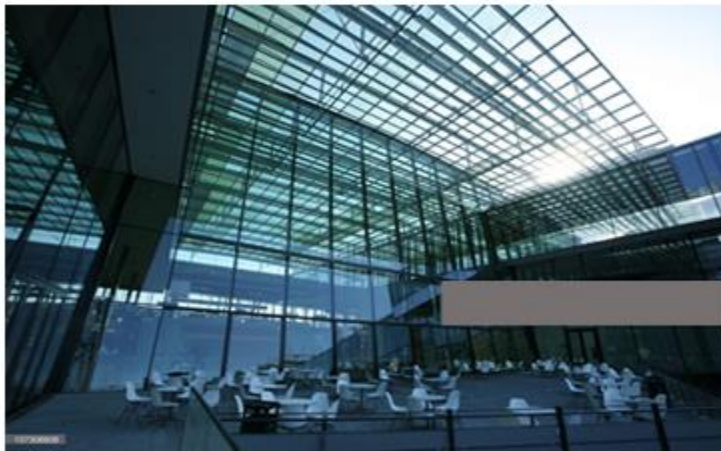
Ground breaking solutions  
Roofing solutions for coastal market, door frame

# STRUCTURAL **STEEL TUBES** APPLICATIONS



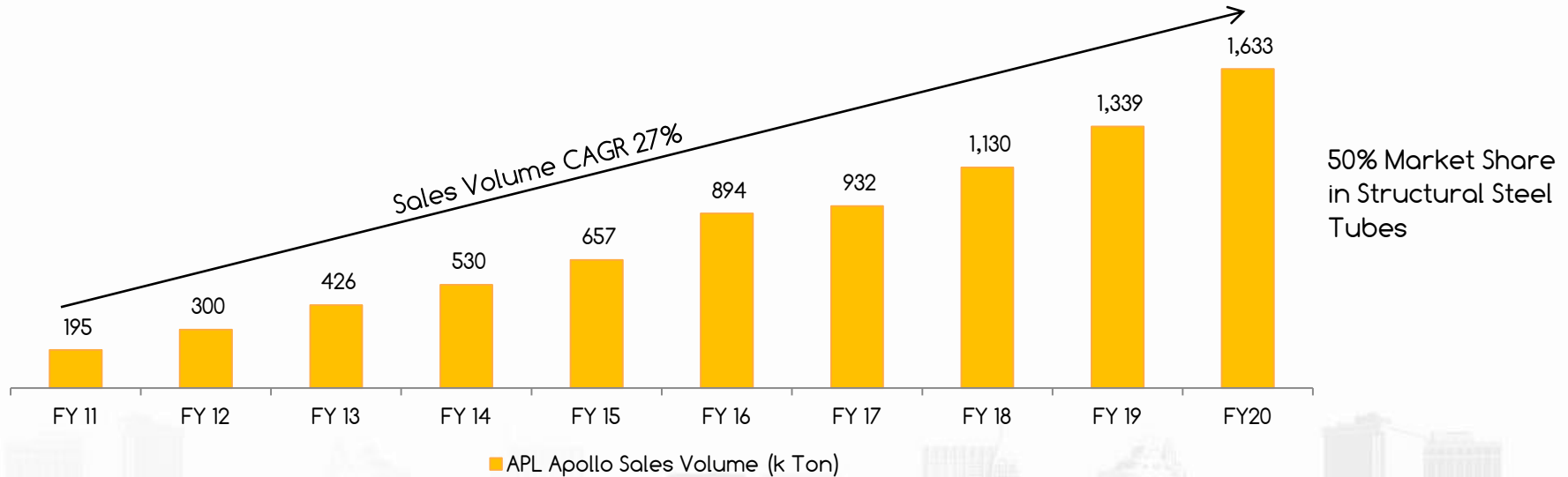


# Structural Steel Tubes Applications



# 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

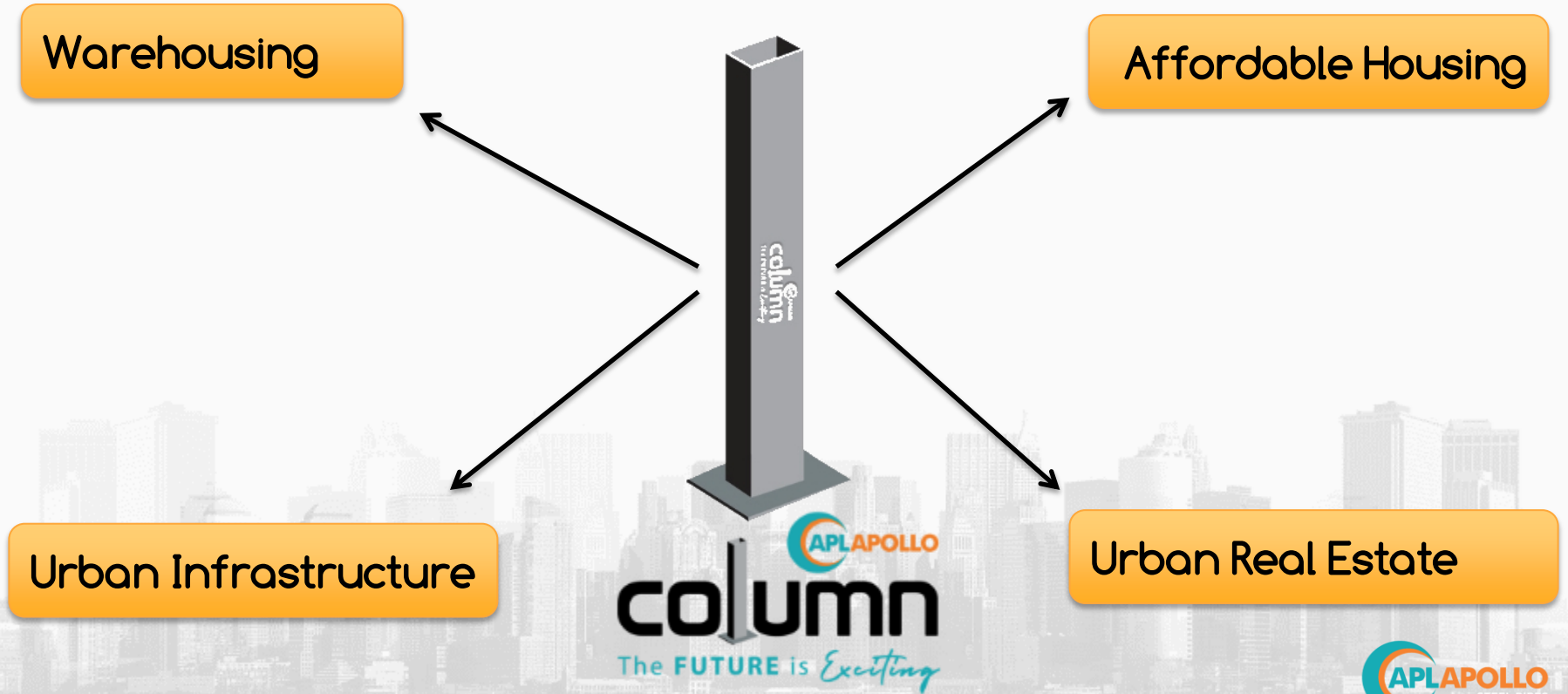


Low Diameter Steel Tubes/Low Load Bearing

High Diameter Steel Tubes/High Load Bearing



# New Opportunities to revolutionise construction industry

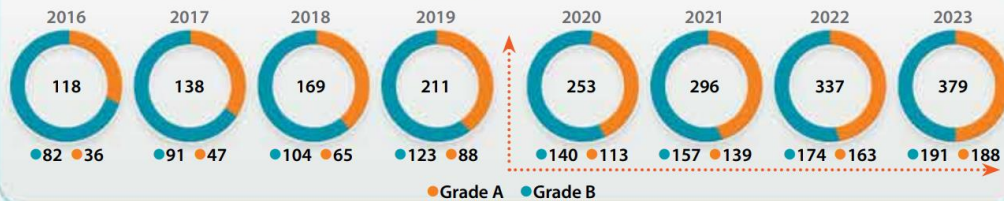


# Structure Steel Tube: Revolutionise the Construction Industry

## 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.

Indian Warehousing stock (in Mn Sqft) - Cumulative supply



India's logistics is highly inefficient - Logistics cost as % of GDP

13-14%  
INDIA

10-11%  
BRIC countries

9.5%  
USA

8%  
GERMANY

Sophisticated warehouses will help India narrow down its logistics cost closer to that of developed nations.

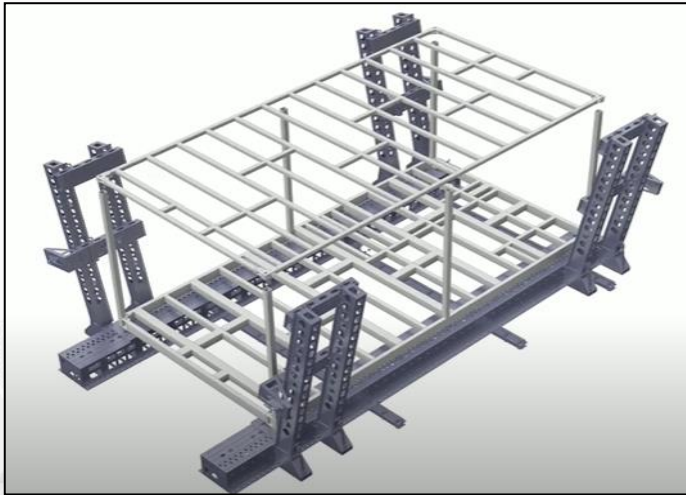
SOURCE: MINISTRY OF ROAD TRANSPORT AND HIGHWAYS



# 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

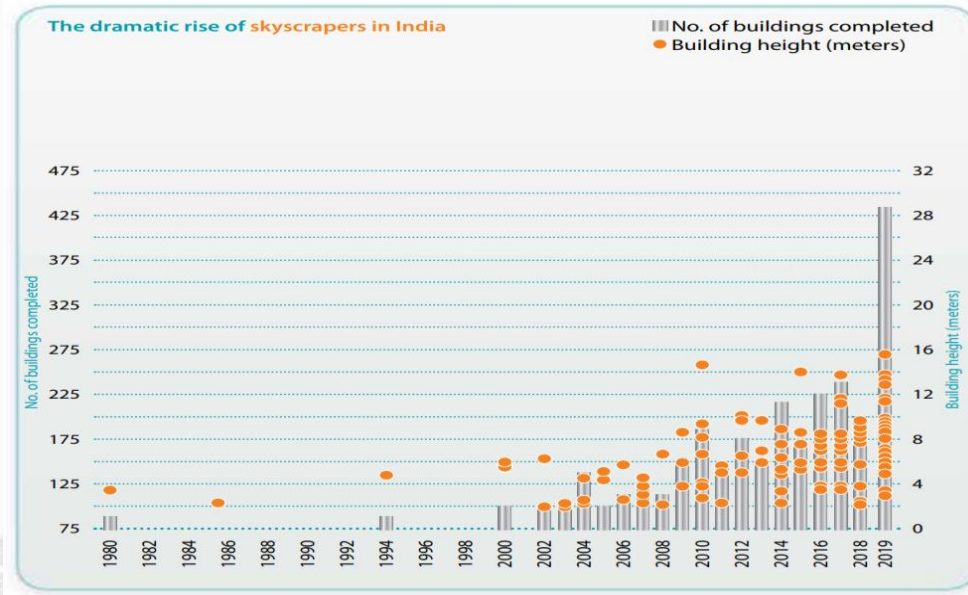
- Govt plans to start 100 additional airports by 2024
- To invest Rs19,000 crore in upgrading airport infrastructure in the country, especially in smaller cities over next three years



# Structure Steel Tube: Revolutionise the Construction Industry

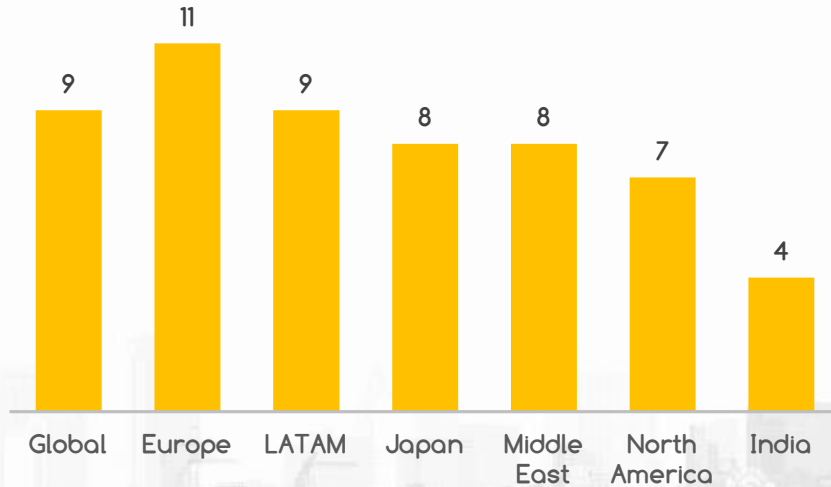
## Urban Real Estate

- 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

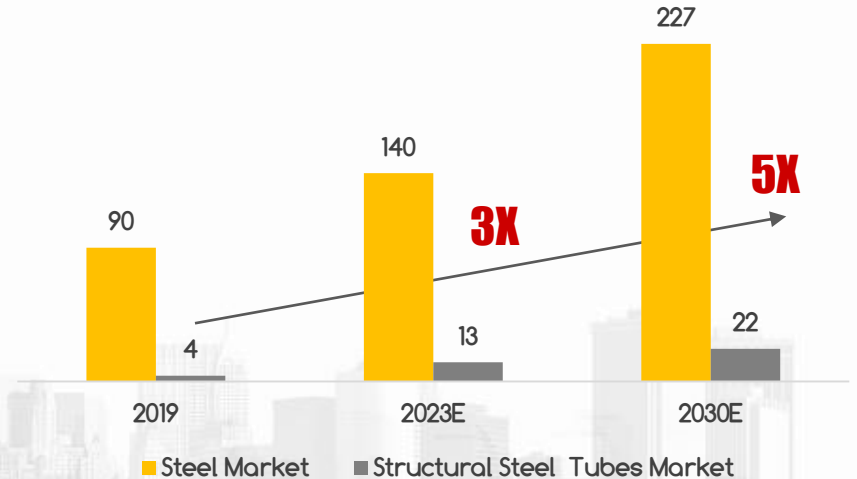


# India at the start of Structural Steel Usage

Structural Steel Tubes Market as % of Steel Market (2019)



Potential Structural Steel Tubes Market in India (Mn Tons)



**India has huge structural steel tubes based construction potential**

Note: Structural Steel Tubes is 4Mn ton market size, out of total ERW market size of 6Mn ton (balance is water transportation)

Source: Company data and Industry research

# Structural Steel Tubes essential for new age construction

## Growth Drivers

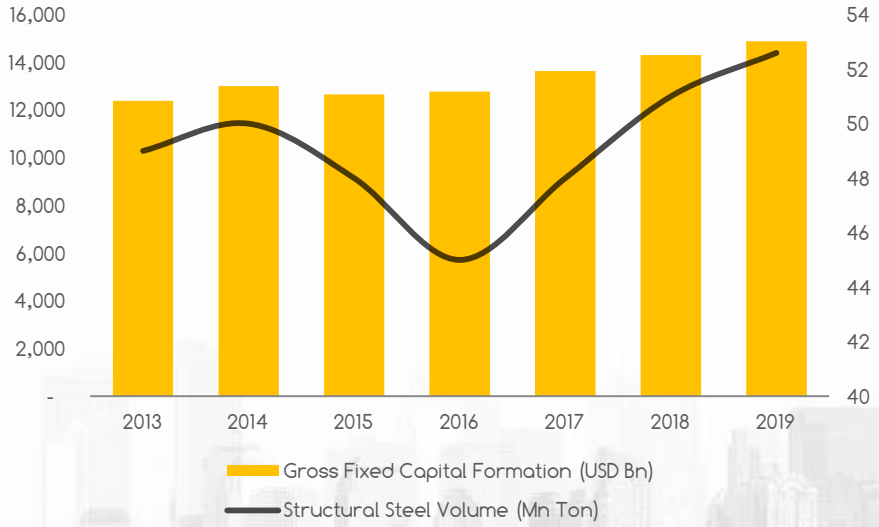
- Growing vertical model of development
  - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
  - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need for housing due to population explosion
- Ability to replace wood gives it an edge

## Benefits

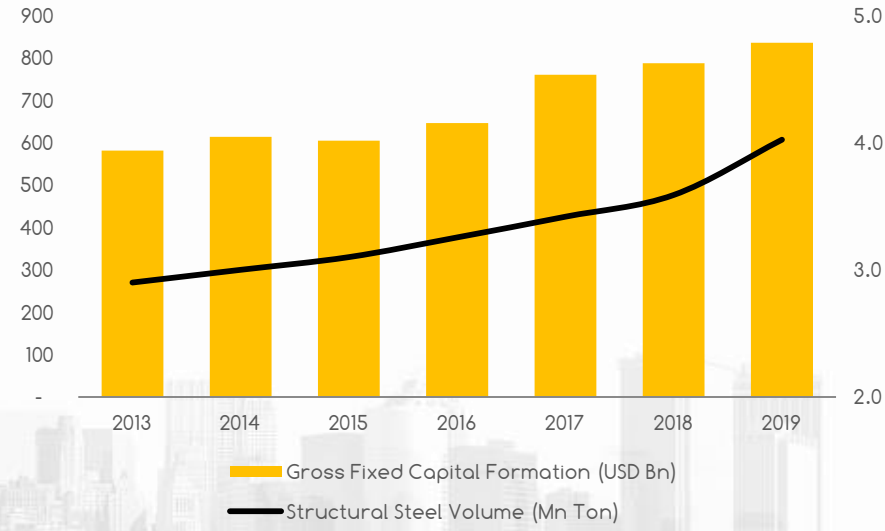
- Environmental friendly
  - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight Ratio
- Light weight

# Structural Steel Tubes Market expansion linked to construction activity

### Global Structural Steel Tubes Market expansion



### Indian Structural Steel Tubes Market expansion

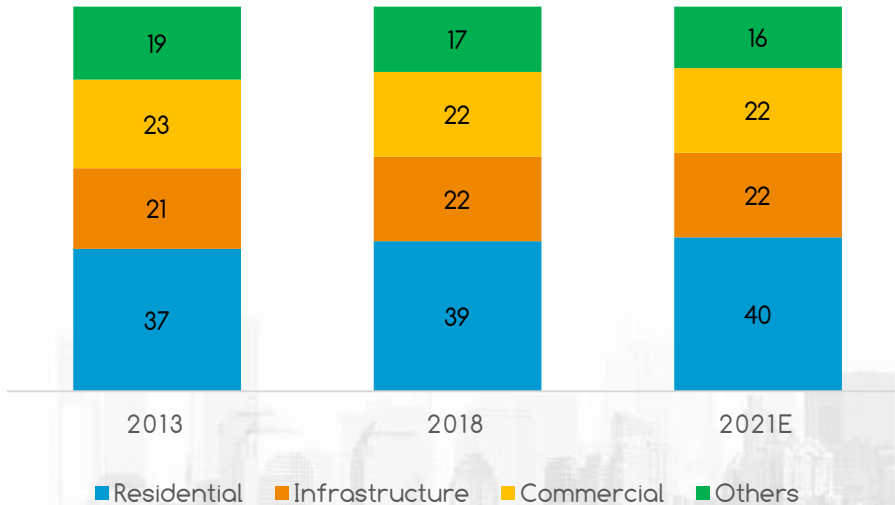


Countries included: USA, Europe, Japan, China  
Source: Company data and Industry research

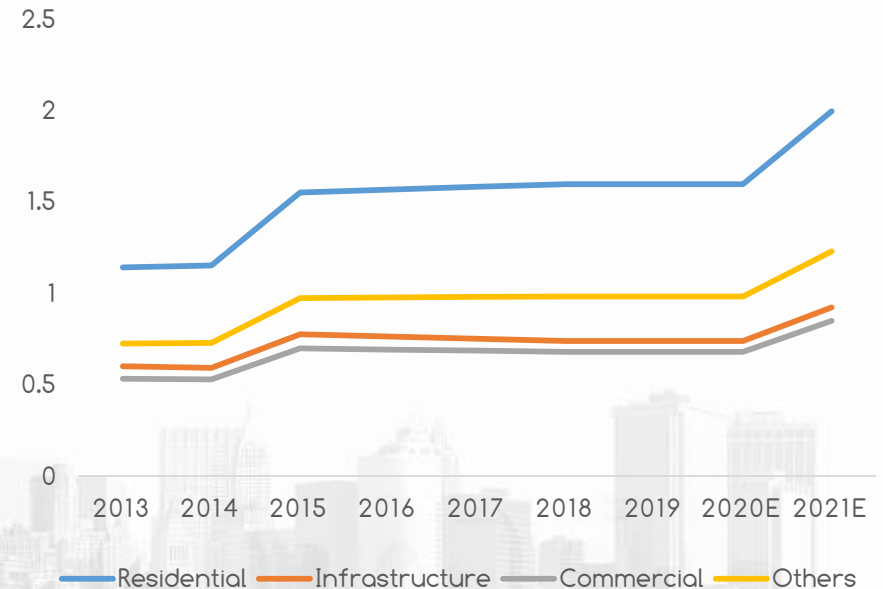


# Structural Steel Tubes Uses

Global Structural Steel Tubes Uses - Segment wise breakup (%)

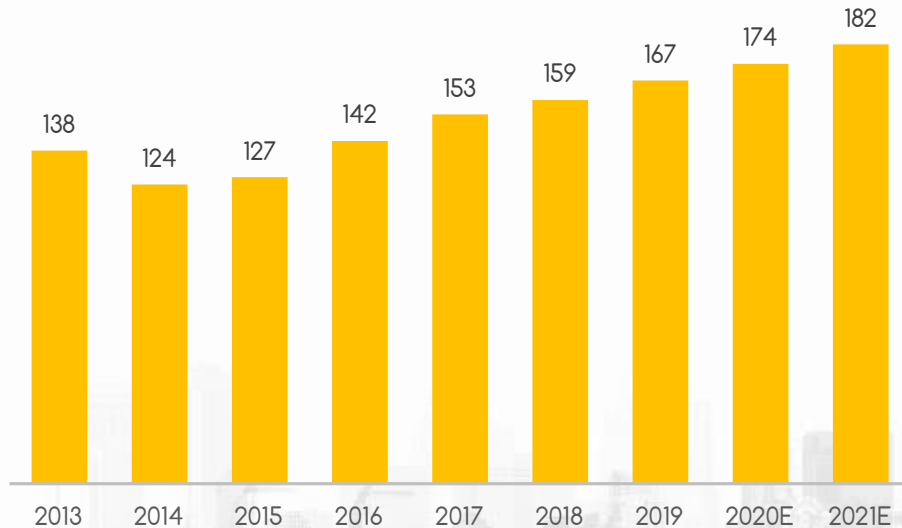


Indian market taking off in all segments (Mn ton)



# Structural Steel Market Expansion

Global Structural Steel Market growth forecasts (Mn Ton)



## Growth Drivers for India

Rising population accompanied with improvement in living standards

Requirement for strong, durable quality of construction for private residences

Increased spending on construction of infrastructure

# Future of Construction



# We are ready..

## Opportunity Size..

Potential structural steel market size of:

- ✓ 13Mn ton by 2023
- ✓ 22Mn by 2030

## Where we are..

- ✓ FY20 sales volume was 1.6Mn ton
- ✓ Current capacity is 2.6Mn ton
- ✓ Future capacity addition linked to market potential

## Our strengths..

- ✓ New innovative products
- ✓ Branding
- ✓ Fixed costs of unutilized capacity factoring in
- ✓ Low gearing
- ✓ Solid FCF generation

# On path of Premiumization..

1

Moving towards solution driven offerings and heavy weight structural steel tubing products for large real estate and infra projects

2

Focusing on products which are aesthetically appealing and command premium

4

Leveraging APL Apollo brand equity

3

Consumer centric approach

5

Innovative sizes/new applications where competition is behind curve

# FINANCIAL PRIORITIES & PERFORMANCE

# Financial Priorities under Strong Governance

## Growth

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



## Earnings

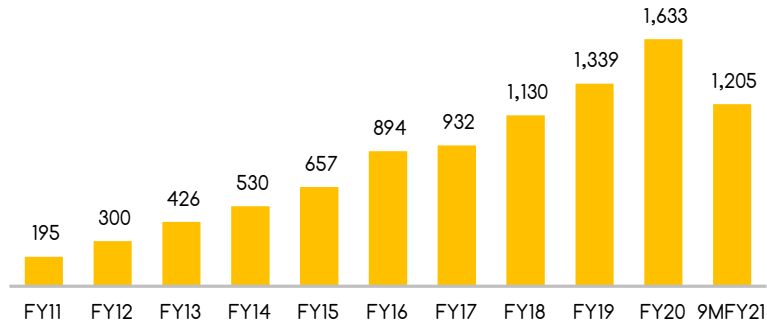
- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- Achieve ROCE  $\geq$  25%

## Capital Allocation

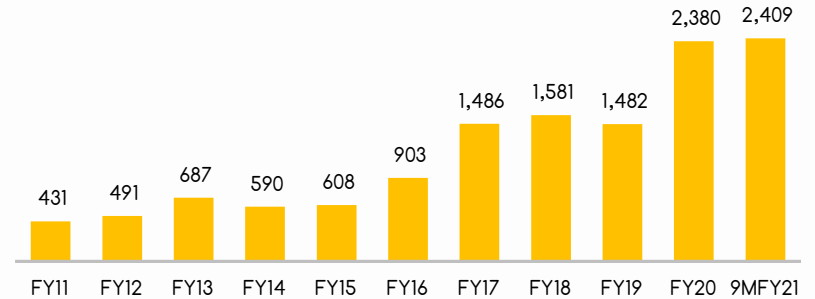
- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

# Growing Strength to Strength

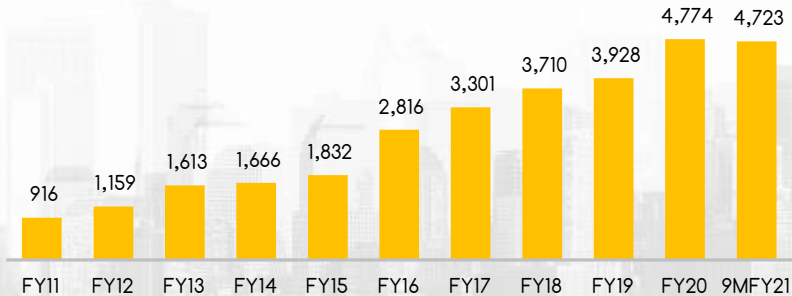
## Volume (k tons)



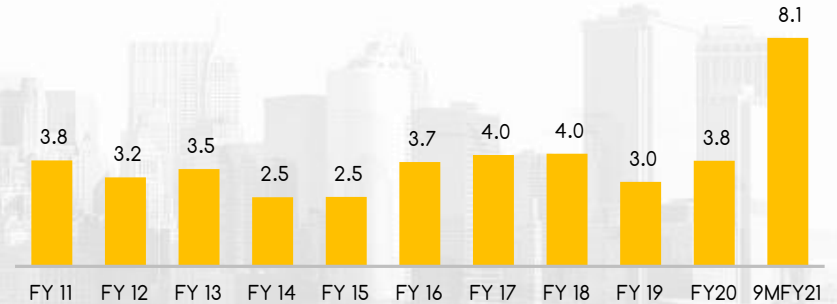
## Net Profit (Rsm)



## EBITDA (Rsm)



## Interest Coverage Ratio (x)



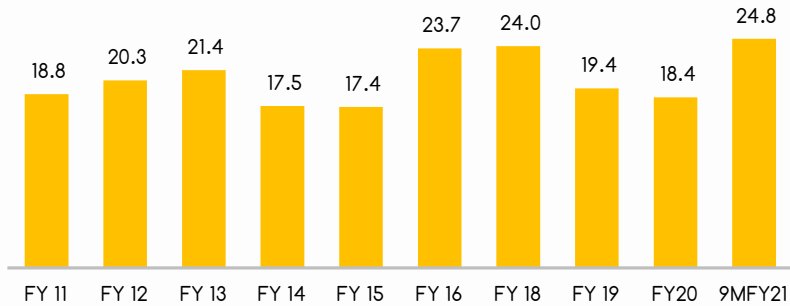
Note 1: This data is based on the Consolidated Financial data of the Company; Interest coverage is calculated on EBIT

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

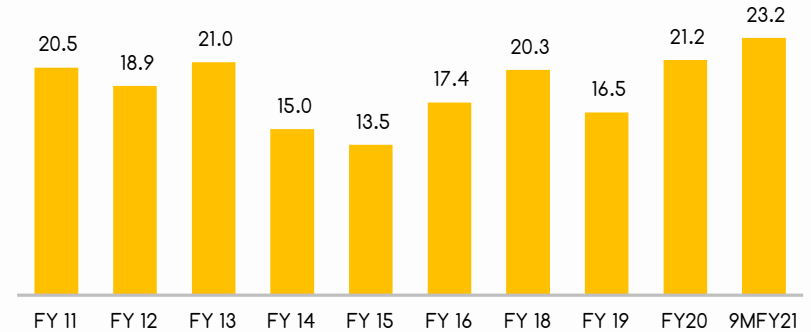


# Growing Strength to Strength

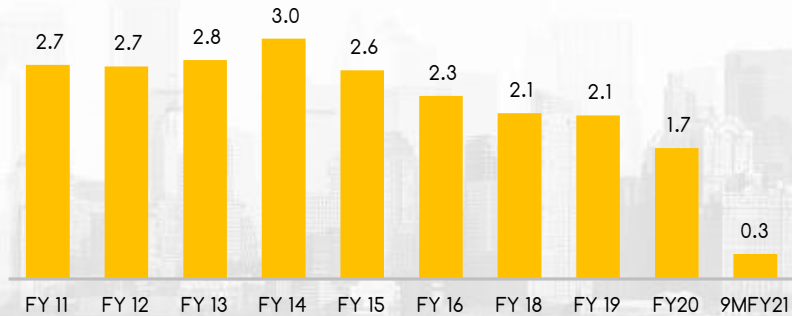
## ROCE (%)



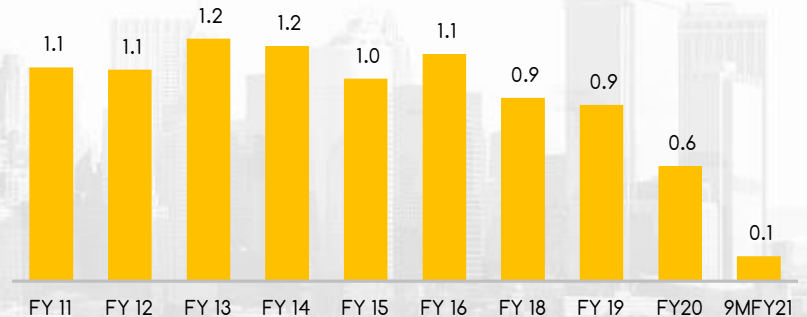
## ROE (%)



## Net Debt/EBITDA (x)

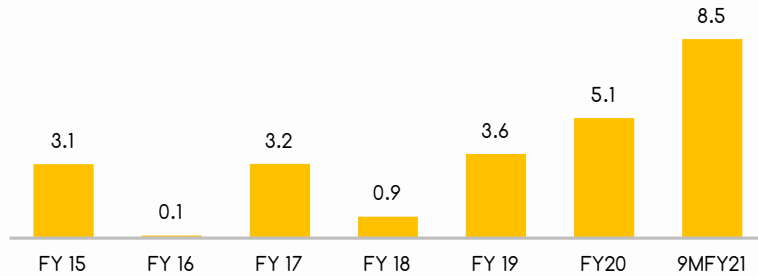


## Net Debt/Equity (x)

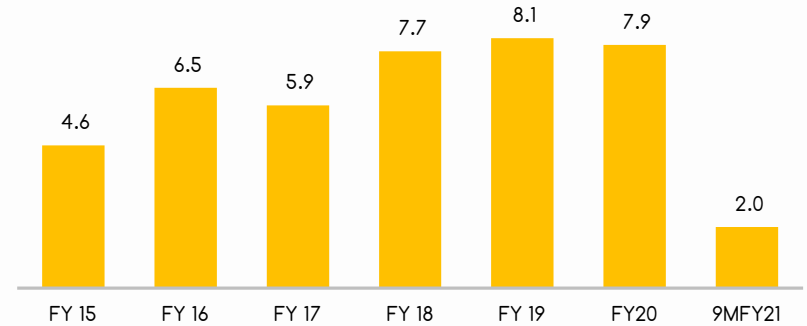


# Growing Strength to Strength

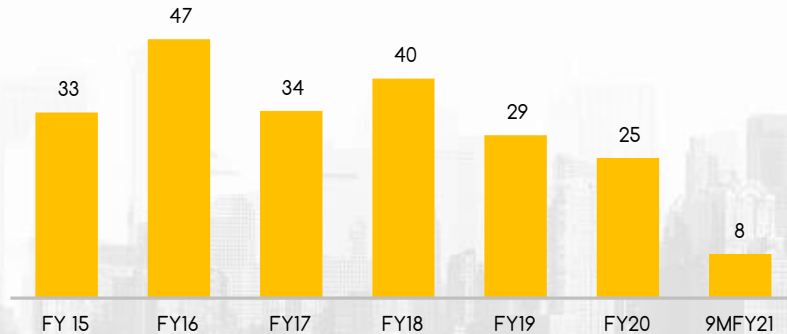
## Operating Cash Flow (Rs Bn)



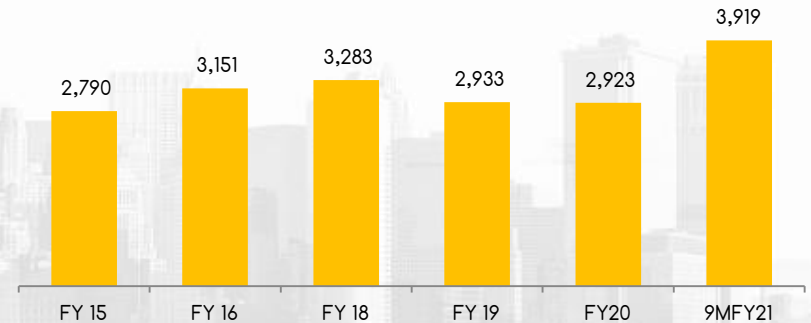
## Net Debt (Rs Bn)



## Net Working Capital (Days)



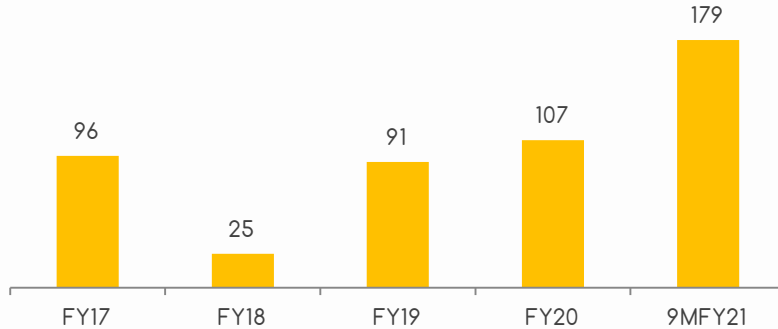
## EBITDA/Ton (Rs)



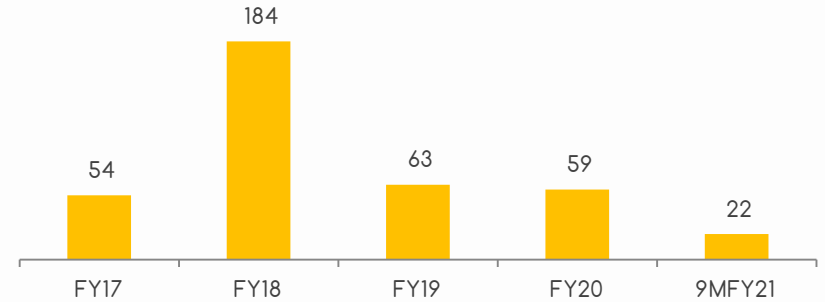
Note: This data is based on the Consolidated Financial data of the Company

# Growing Strength to Strength

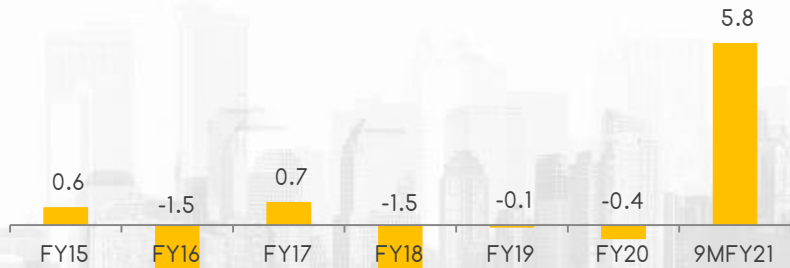
Operating cash flow to EBITDA (%)



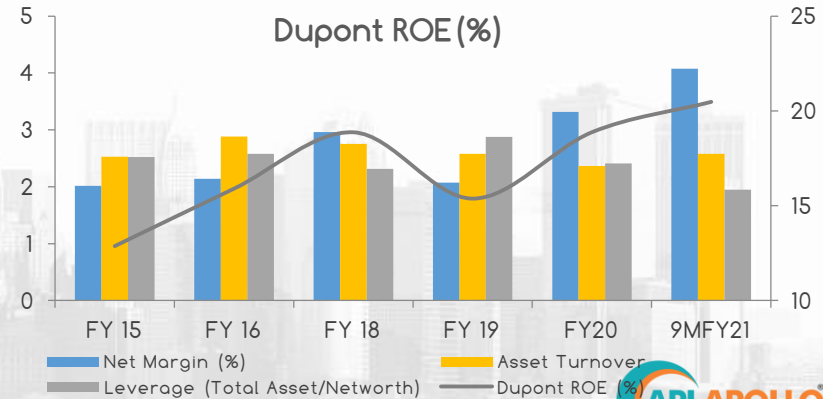
Capex to operating cash flow (%)



Free cash flow (Rs Bn)



Dupont ROE (%)



# 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	1,143	47	226	1,382	40	194	1,993	1,000
Apollo Z	Rust-proof structures	24	56	5,300	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	6,950	120
<b>Total</b>		<b>100</b>	<b>238</b>	<b>2,979</b>	<b>100</b>	<b>481</b>	<b>3,515</b>	<b>100</b>	<b>486</b>	<b>4,780</b>	<b>2,600</b>

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	3,900	5	51	3,900	5	52	3,900	6	80	3,900	6	101	4,000
	Light Structures	3	31	3,500	5	43	3,800	6	70	3,800	8	108	3,800	5	87	3,800
	General Structures	60	536	2,117	57	531	2,310	58	656	2,147	58	777	1,735	55	898	1,361
Apollo Z	Rust-proof structures	18	159	5,280	20	183	5,722	21	241	5,691	21	279	5,564	20	333	5,021
	Rust-proof sheet	0	0	0	1	6	5,000	0	0	5,000	0	3	5,000	0	2	5,000
Apollo Tricoat	Home improvement	0	0	0	0	0	0	0	0	0	0	0	0	7	113	6,589
Apollo Galv	Agri/Industrial	13	115	4,590	13	117	4,925	10	111	4,880	7	92	4,362	6	99	3,952
<b>Total</b>		<b>100</b>	<b>894</b>	<b>3,151</b>	<b>100</b>	<b>932</b>	<b>3,482</b>	<b>100</b>	<b>1,130</b>	<b>3,355</b>	<b>100</b>	<b>1,339</b>	<b>3,018</b>	<b>100</b>	<b>1,633</b>	<b>2,923</b>

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

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

# Financial Performance

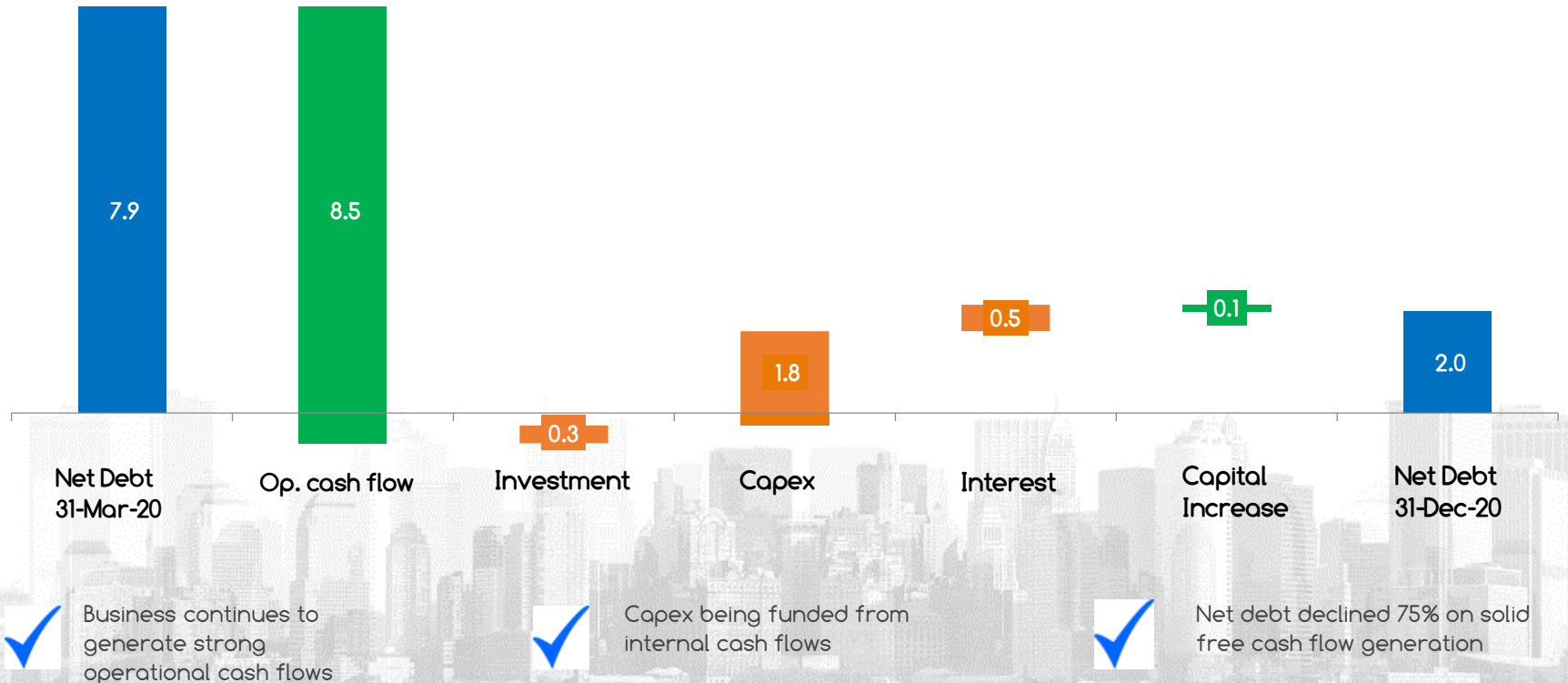
P&L Statement (Rsm)	9MFY21	FY20
Sales Volume (k Ton)	1,205	1,633
<b>Net Revenue</b>	<b>59,128</b>	<b>77,232</b>
Raw Material Costs	49,656	65,785
Employee Costs	979	1,422
Other expenses	3,770	5,251
<b>EBITDA</b>	<b>4,723</b>	<b>4,774</b>
EBITDA/ton (Rs)	3,921	2,923
Other Income	233	222
Interest Cost	518	1,073
Depreciation	752	959
<b>Tax</b>	<b>953</b>	<b>403</b>
Net Profit	2,733	2,560
Minority Interest (MI)	323	180
<b>Net Profit (after MI)</b>	<b>2,409</b>	<b>2,380</b>

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
<b>Total Assets</b>	<b>30,649</b>	<b>32,660</b>
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
<b>Total Equity &amp; Liabilities</b>	<b>30,649</b>	<b>32,660</b>

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
<b>Operating cash flow</b>	<b>8,465</b>	<b>5,095</b>
Capex	-1,827	-3,014
Investments	-341	-1,335
Interest	-517	-1,193
<b>Free cash flow</b>	<b>5,779</b>	<b>-447</b>
Dividend payments	0	-411
Capital increase*	124	1,775
Tricoat Consolidation	0	-695
<b>Net change in cash flow</b>	<b>5,902</b>	<b>222</b>
Net debt beginning	-7,881	-8,104
<b>Net debt end</b>	<b>-1,979</b>	<b>-7,881</b>

Note: This data is based on the Consolidated Financial data of the Company

# Consolidated Cash Flow Bridge (Rs Bn)



# KEY TAKEAWAYS



# Solid Future Outlook

Sufficient capacity for double digit annual sales volume growth in long term

Growth in High Diameter and High Thickness Tubes led by DFT technology based products

Three focus areas: Cash flows and profitability

- Improving EBITDA/ton
- Improving free cash flows
- ROCE enhancement

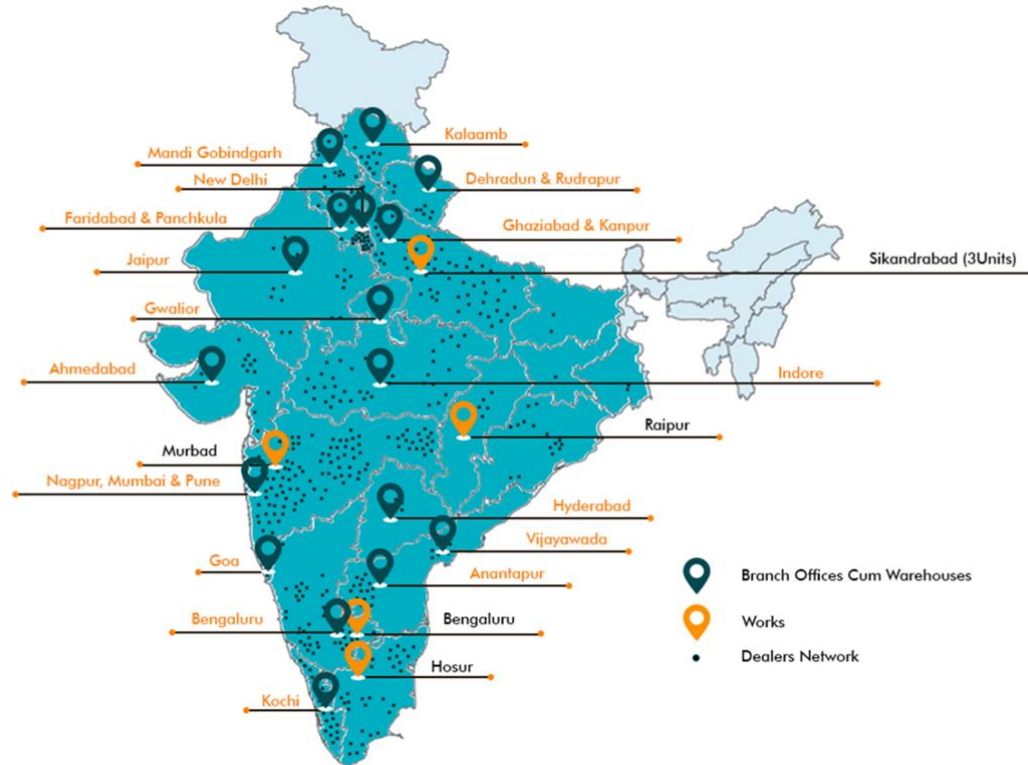
Solidifying APL Apollo brand

Launch new high-margin products

Add more distributors and penetrate into new markets

# Enhancing Presence and Unlocking Opportunities

Local Market Presence aided by 3-tier Distribution and Solid Supply Chain Mechanism



800+

Distributors

50,000+

Retailers and Fabricators

300

Towns and Cities

# ESG Initiatives

## Environment

- ✓ Mapping energy consumption trends to achieve energy optimisation benchmark
- ✓ Using wind and solar energy to reduce carbon emissions
- ✓ 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
- ✓ Focused to reduce overall water consumption and pollutants
- ✓ 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
- ✓ Regular quarterly analyst calls post results
- ✓ 6 non-executive board members out of 8
- ✓ Remuneration of promoter was 2% of the net profit in FY19 (below the threshold of 10%)
- ✓ No treasury operations

# 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

For further information, please contact:

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