

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
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

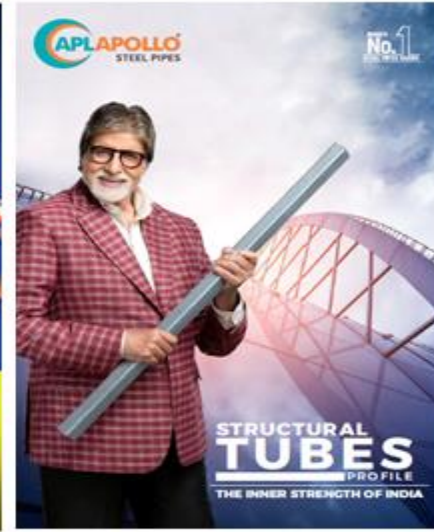
25% Building Material Commercial

20% Infrastructure

5% Others (Industrial & Agri)

*As per 9MFY21 Sales Volume

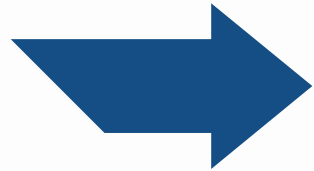
Brand Equity



Brand Equity

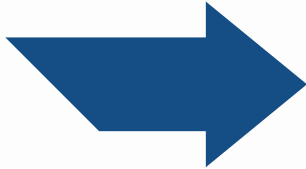


B2C Channel



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 1/3rd 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

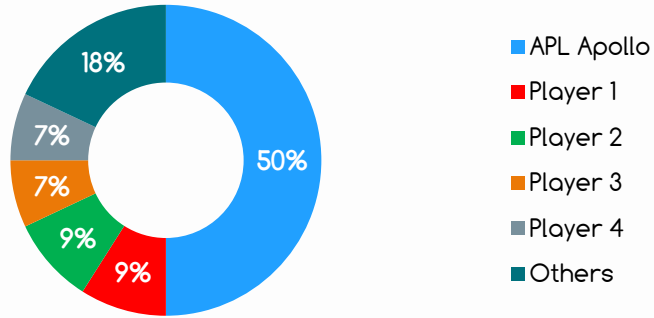
CORE COMPETENCE

Our Business Moat...

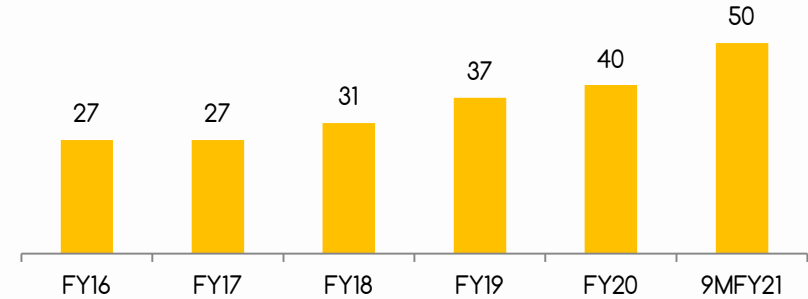


Dominant Leadership

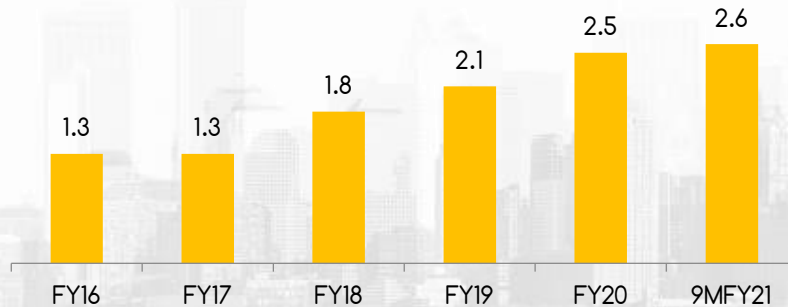
Peer Market Share FY21



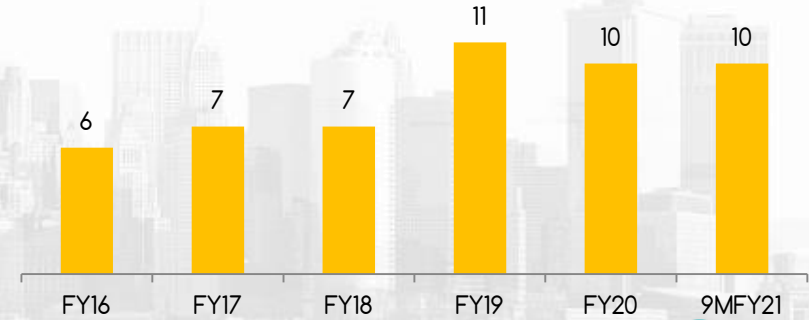
APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



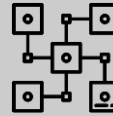
Unique Capabilities



Developed structural
steel
market in India



Technology



Distribution
network



Innovative
products

First Mover advantage

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

Direct Forming Technology
for big structural products

In-line Galvanizing to
replace traditional
products

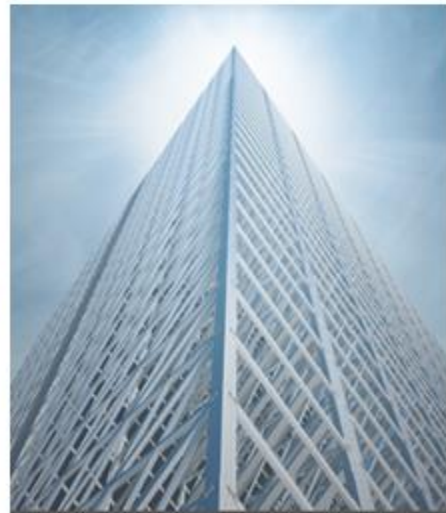
B2C channel for last
mile penetration

Ground breaking
solutions

Roofing solutions for
coastal market, door
frame

STRUCTURAL **STEEL TUBES** APPLICATIONS





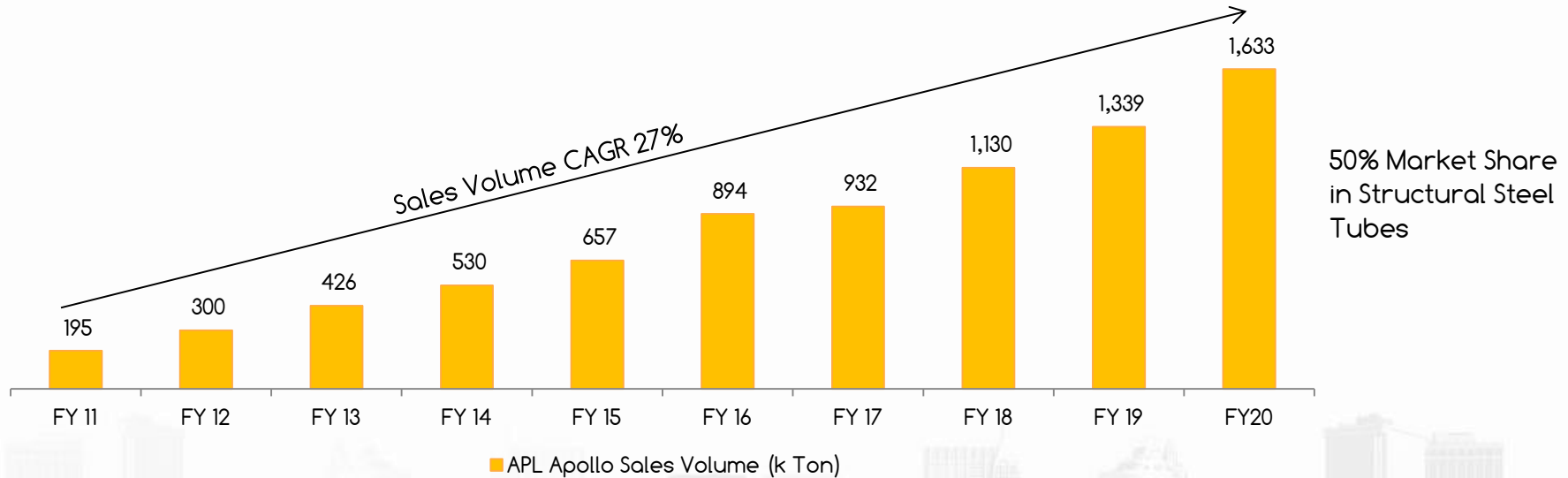
Structural Steel Tubes Applications





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..

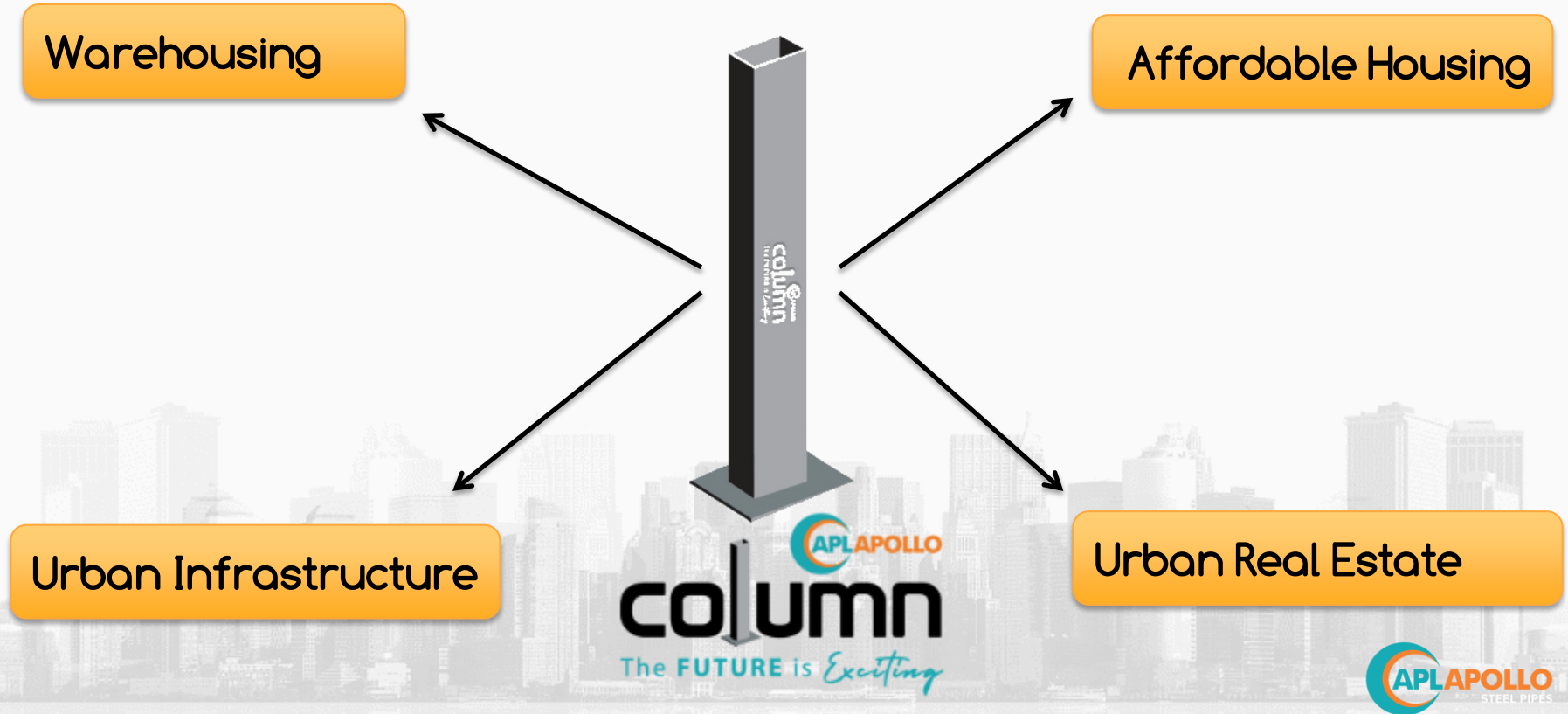
Conventional Construction Products	Applications	Why Structural Steel Tube replaces these products?
Steel Angle/Channels	Structural support, Towers infrastructure	Uniform Strength, Lower steel consumption
Wood	Furniture, Door Frames, Planks	Cost Effective, Termite Proof, Environmental Friendly
Aluminum 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

How to replace the conventional products ??

Low Diameter Steel Tubes/Low Load Bearing

High Diameter Steel Tubes/High Load Bearing

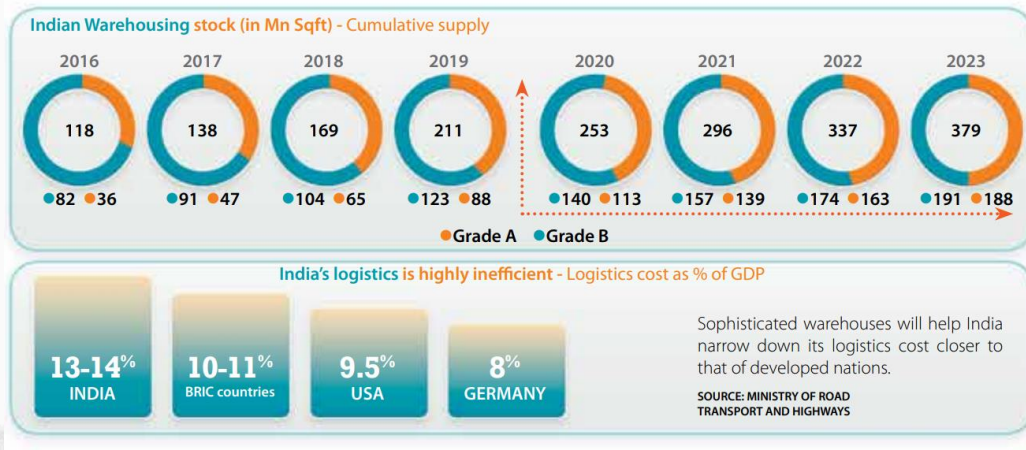
New Opportunities to revolutionise construction industry



Structure Steel Tube: Revolutionise the Construction Industry

Warehousing

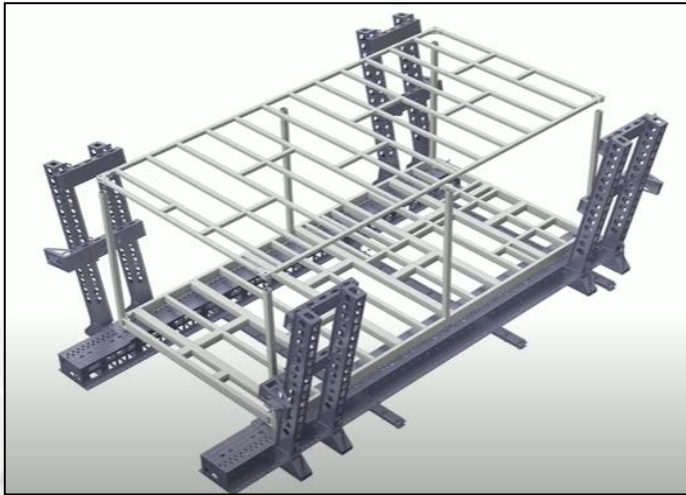
- JLL projects that there will be 344 mn sq. ft of warehousing space in India by 2022
- Logistics, engineering, auto and ancillaries, e-commerce, FMCG, retail and telecom, and white goods have remained the biggest demand drivers.



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

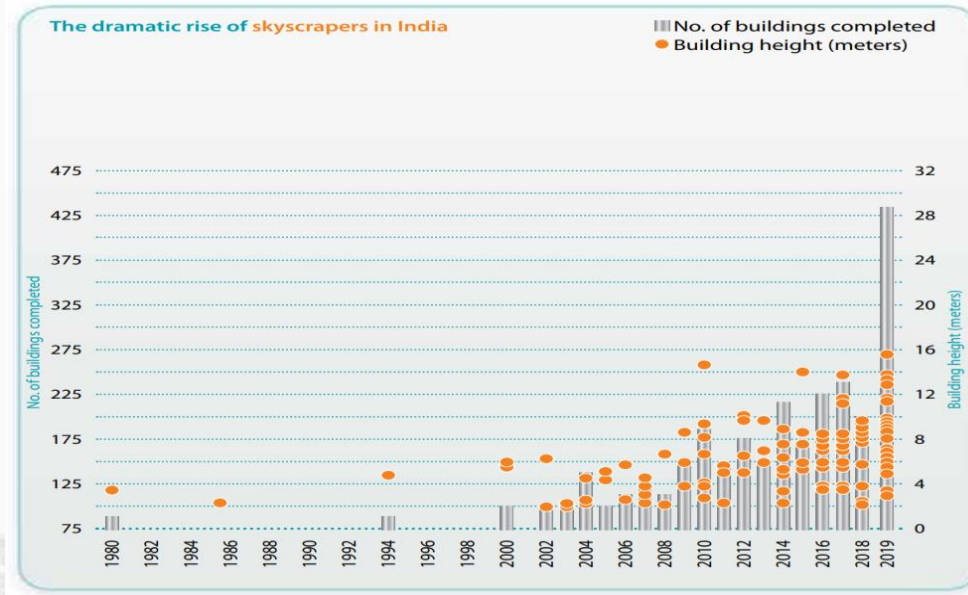
- Govt plans to start 100 additional airports by 2024
- To invest Rs19,000 crore in upgrading airport infrastructure in the country, especially in smaller cities over next three years



Structure Steel Tube: Revolutionise the Construction Industry

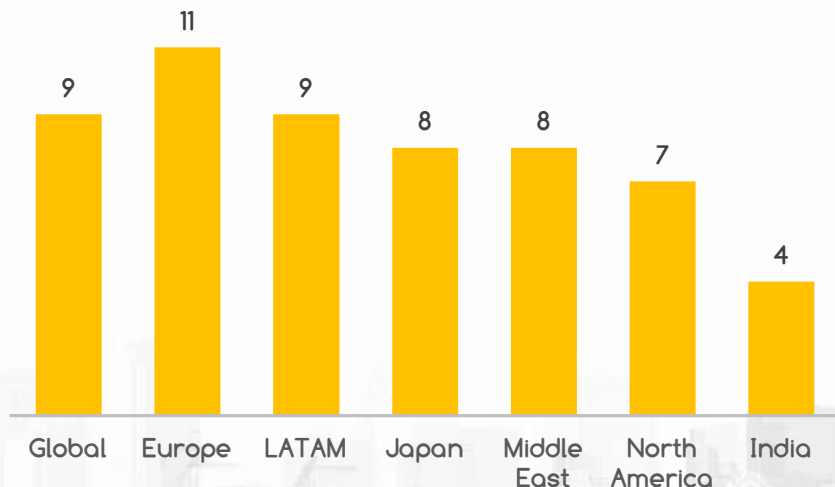
Urban Real Estate

- 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

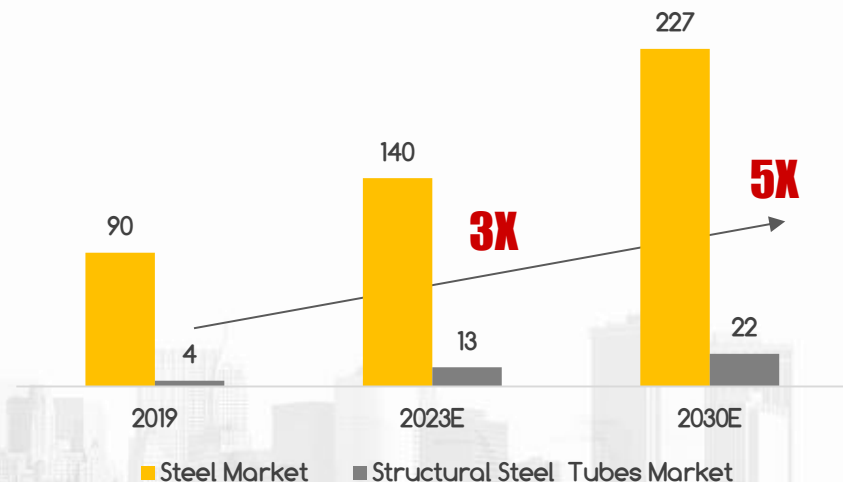


India at the start of Structural Steel Usage

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

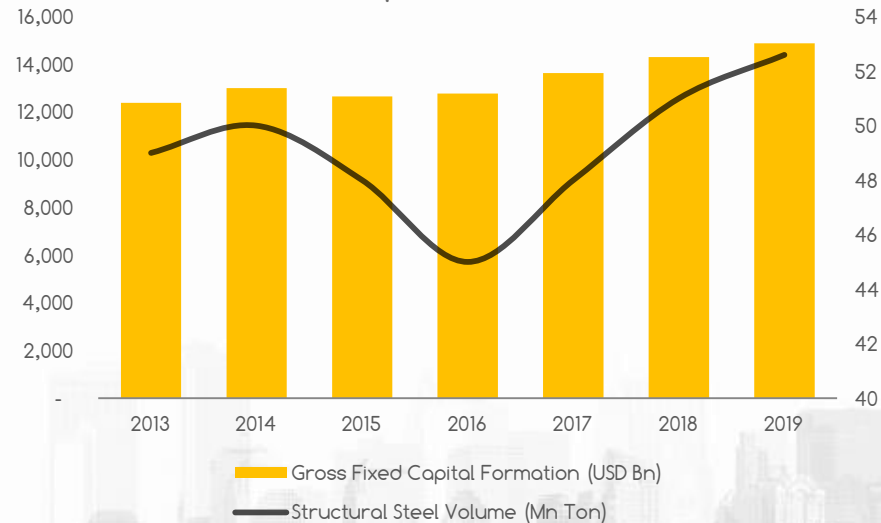
- Growing vertical model of development
 - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
 - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need for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

Benefits

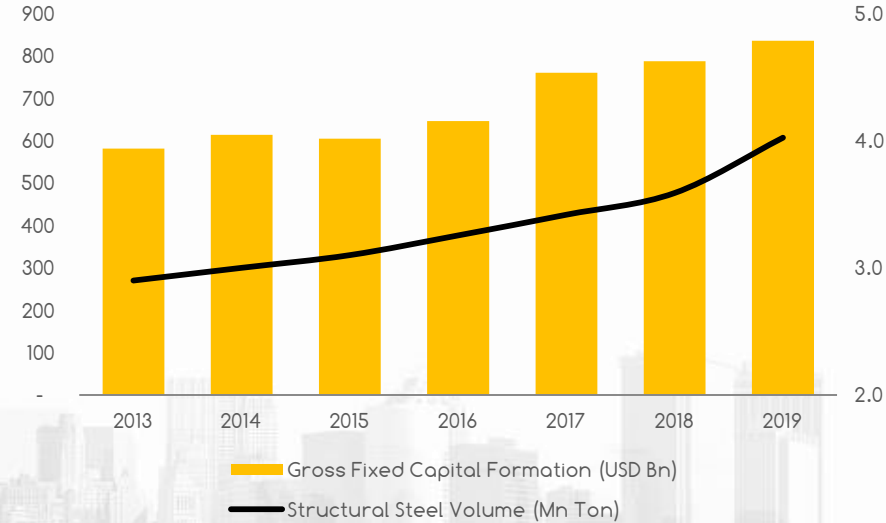
- Environmental friendly
 - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

Structural Steel Tubes Market expansion linked to construction activity

Global Structural Steel Tubes Market expansion

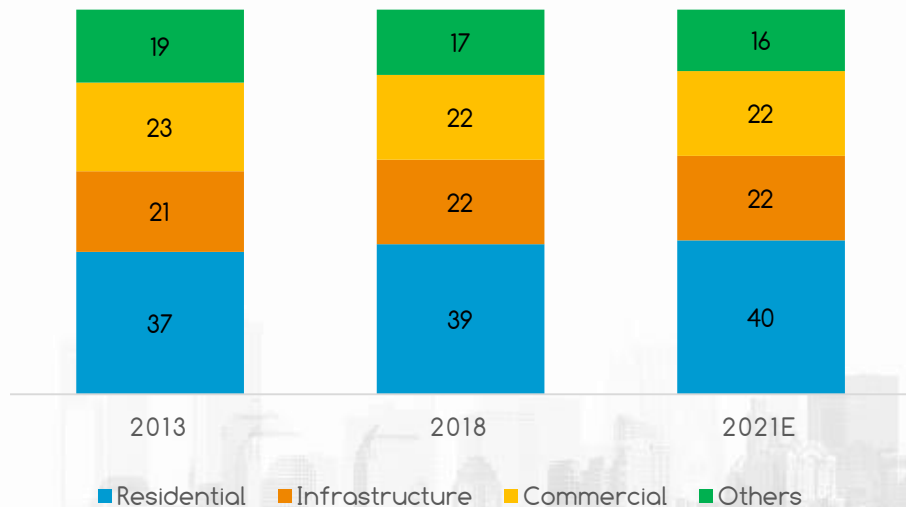


Indian Structural Steel Tubes Market expansion

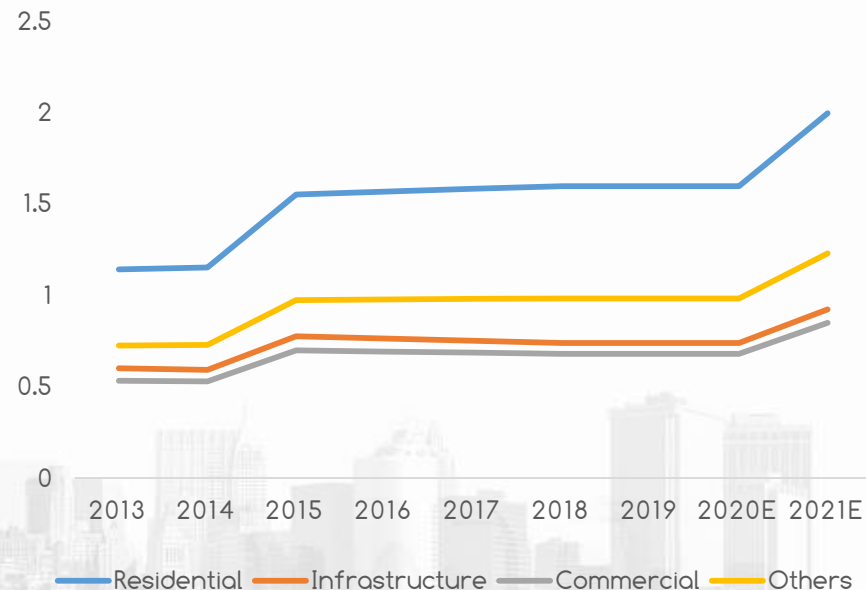


Structural Steel Tubes Uses

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

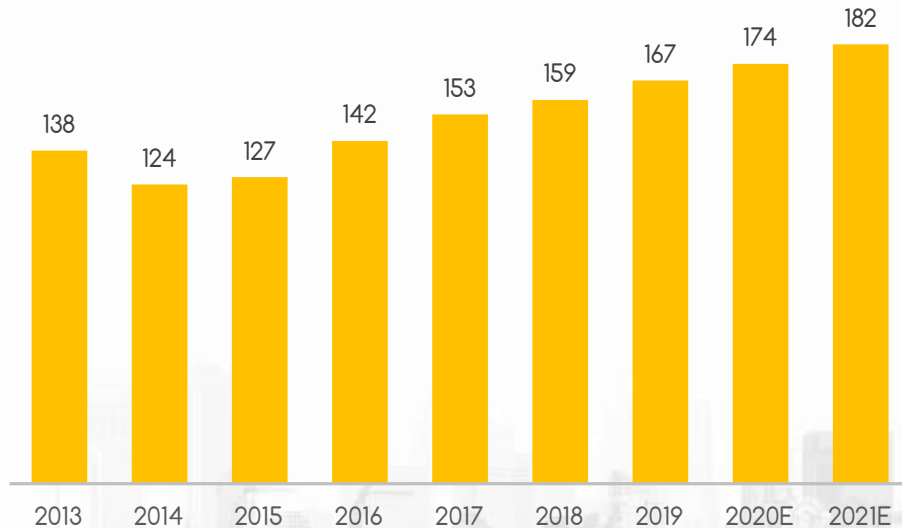


Indian market taking off in all segments (Mn ton)



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

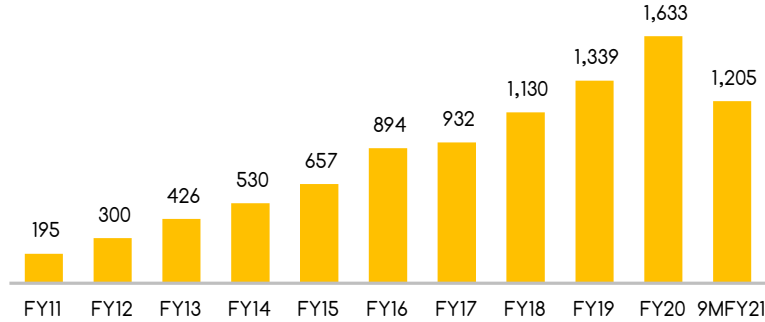
- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- Achieve ROCE \geq 25%

Capital Allocation

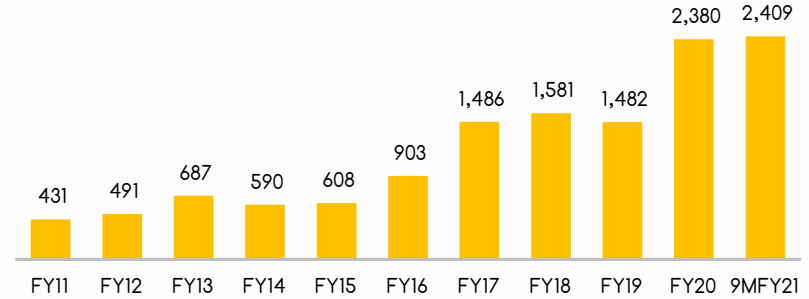
- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

Growing Strength to Strength

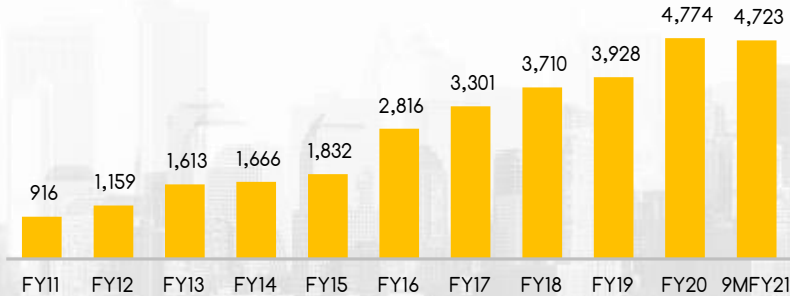
Volume (k tons)



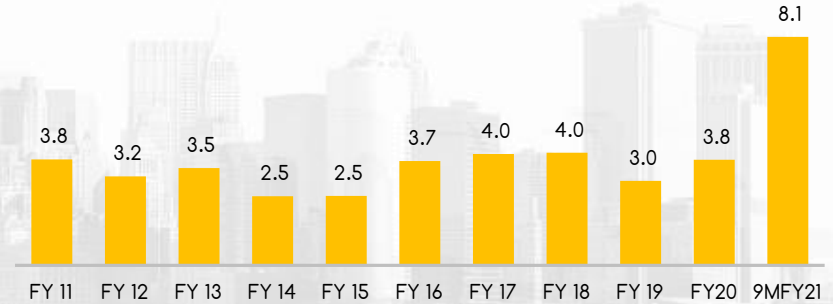
Net Profit (Rsm)



EBITDA (Rsm)



Interest Coverage Ratio (x)

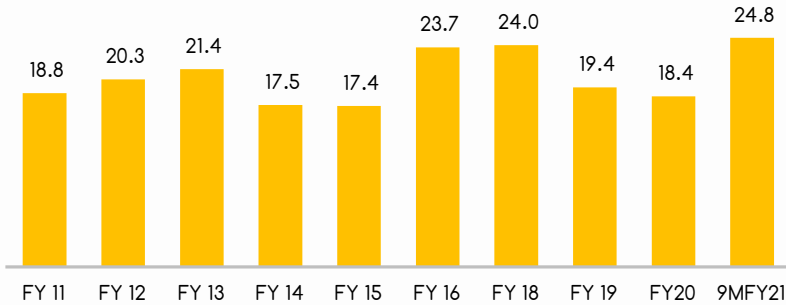


Note 1: This data is based on the Consolidated Financial data of the Company; Interest coverage is calculated on EBIT

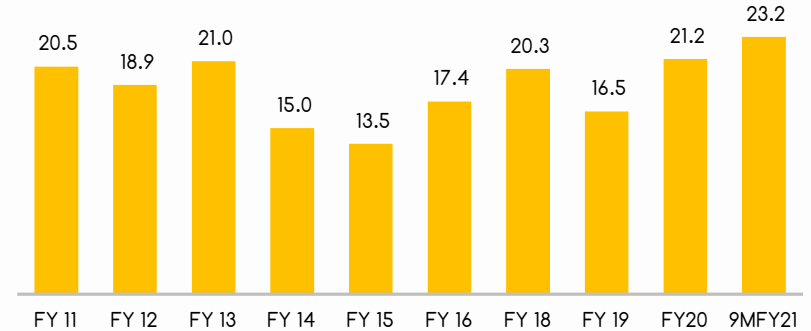
Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Growing Strength to Strength

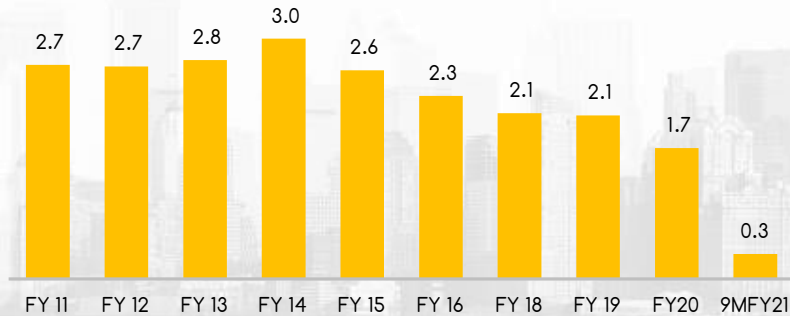
ROCE (%)



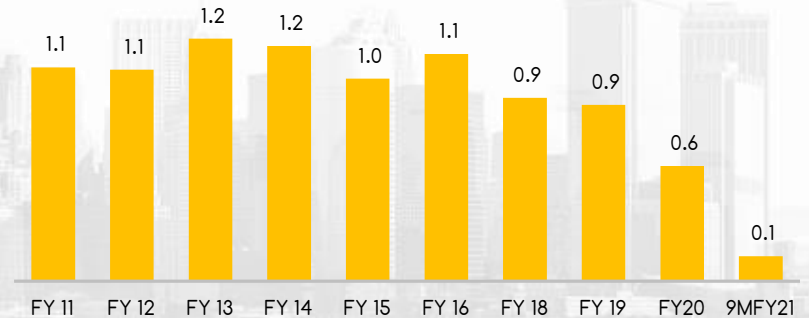
ROE (%)



Net Debt/EBITDA (x)

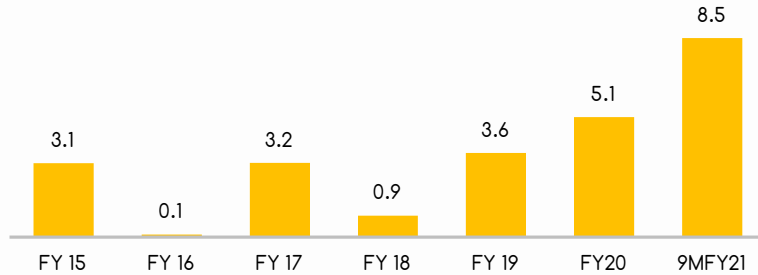


Net Debt/Equity (x)

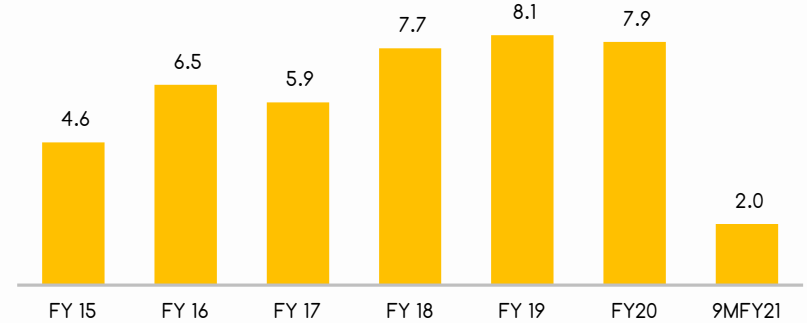


Growing Strength to Strength

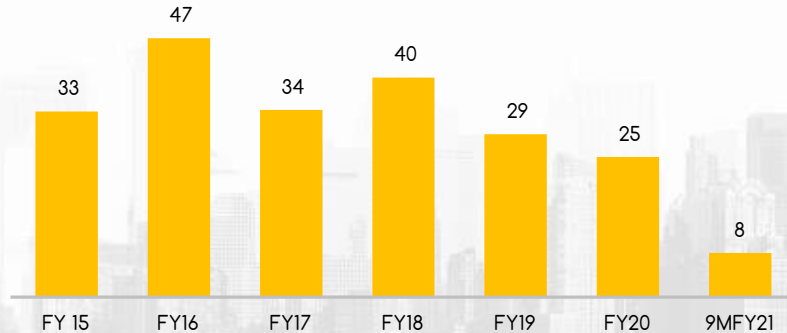
Operating Cash Flow (Rs Bn)



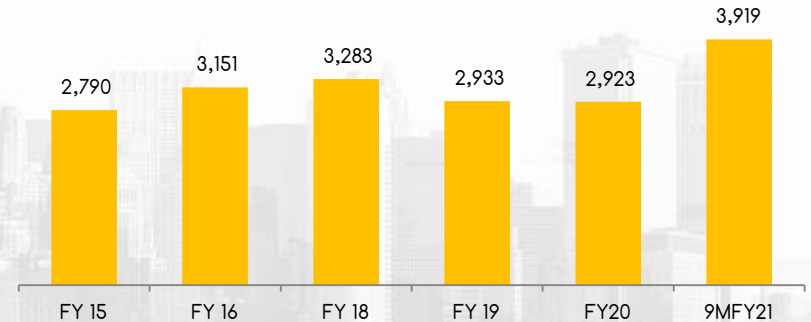
Net Debt (Rs Bn)



Net Working Capital (Days)



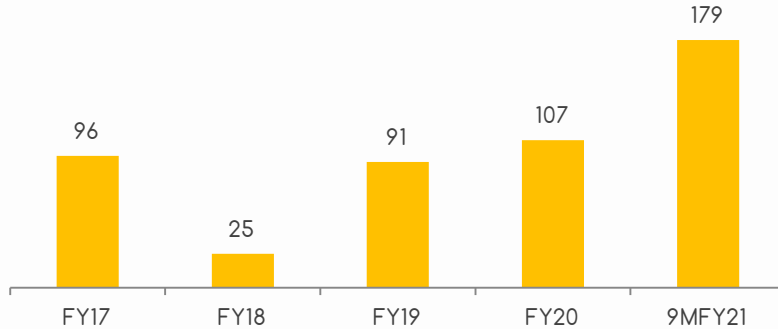
EBITDA/Ton (Rs)



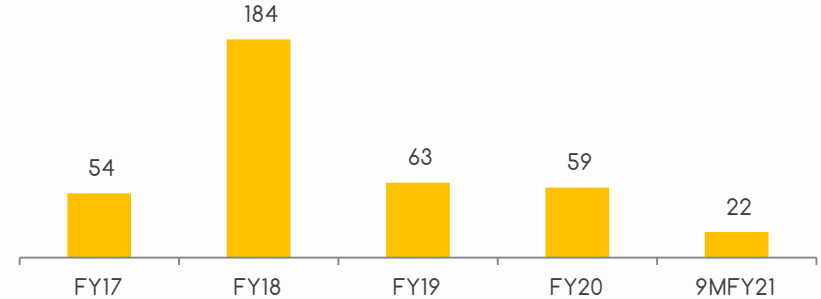
Note: This data is based on the Consolidated Financial data of the Company

Growing Strength to Strength

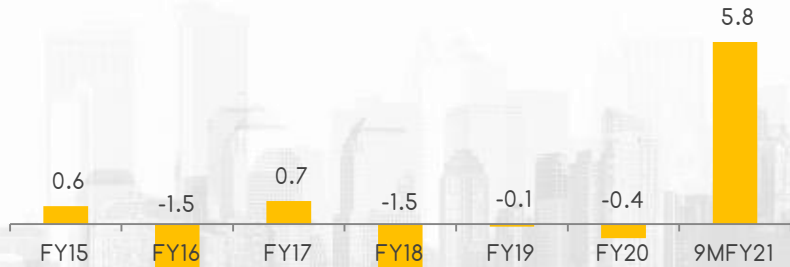
Operating cash flow to EBITDA (%)



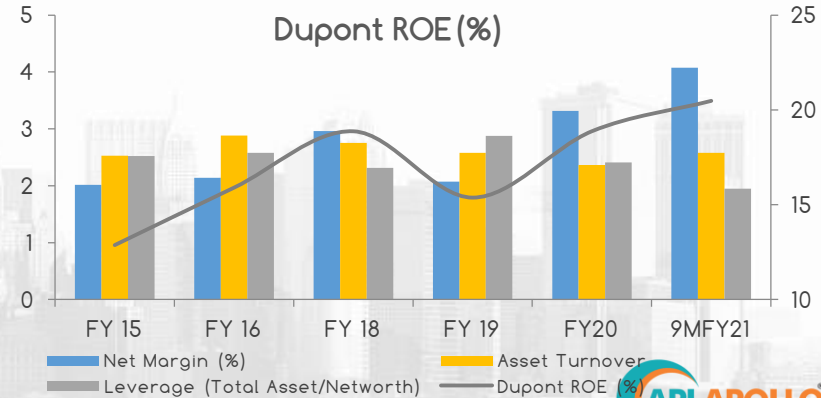
Capex to operating cash flow (%)



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	1,147	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

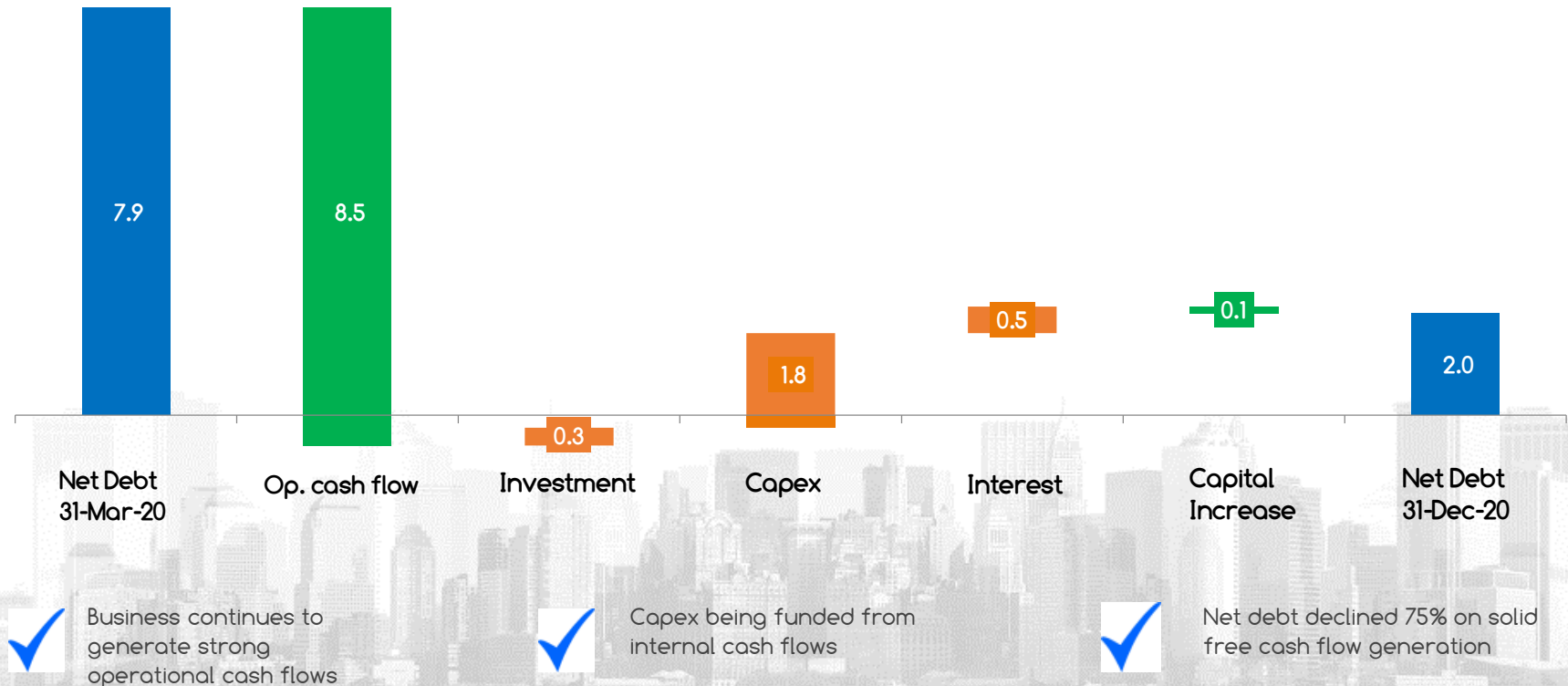
Financial Performance

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

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

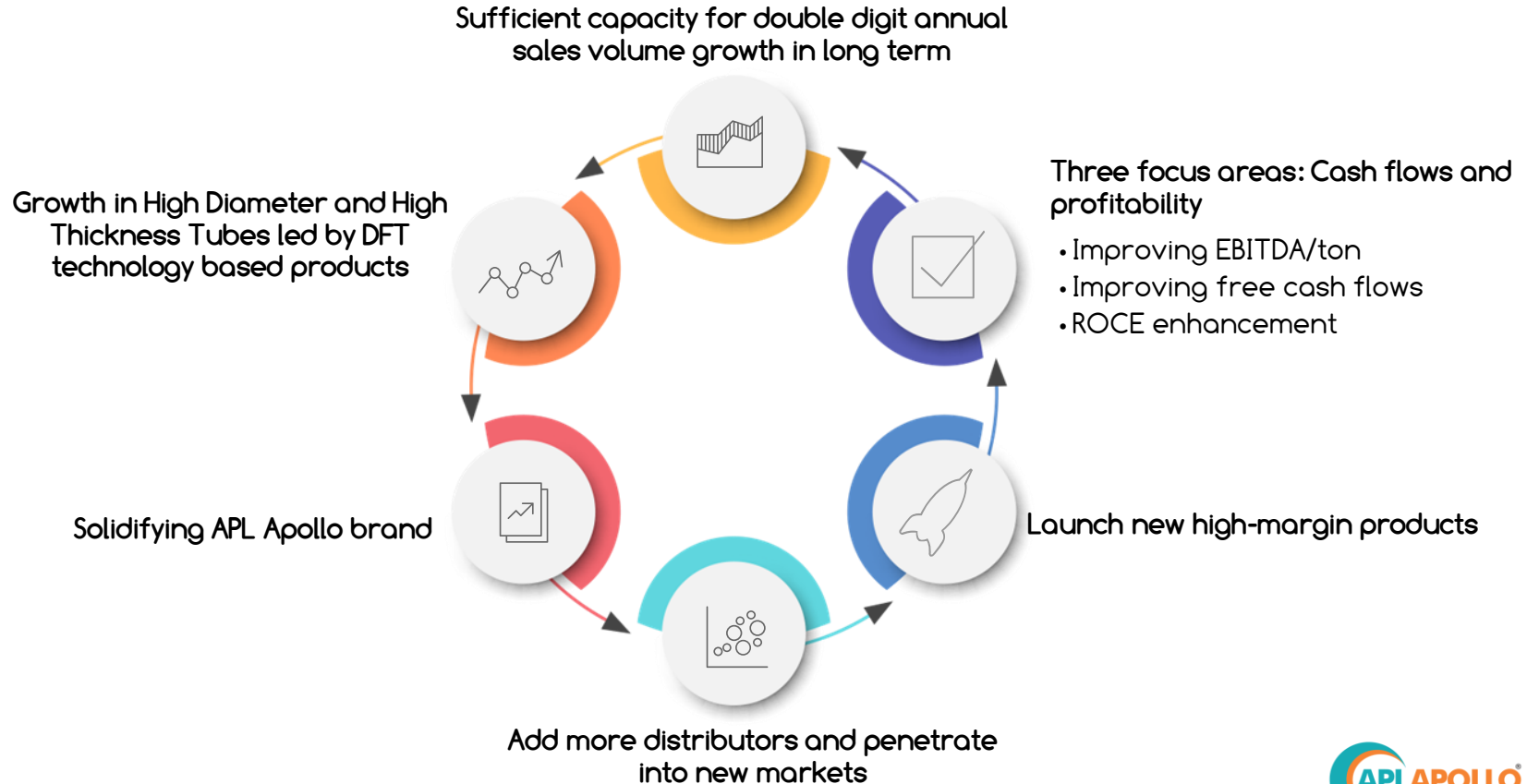
Cash Flow Statement (Rsm)	9MFY21	FY20
EBITDA	4,723	4,783
Accounts receivables	3,853	847
Inventory	2,123	284
Other WC changes	-1,773	-215
Tax	-696	-816
Other Income	234	212
Operating cash flow	8,465	5,095
Capex	-1,827	-3,014
Investments	-341	-1,335
Interest	-517	-1,193
Free cash flow	5,779	-447
Dividend 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

Consolidated Cash Flow Bridge (Rs Bn)



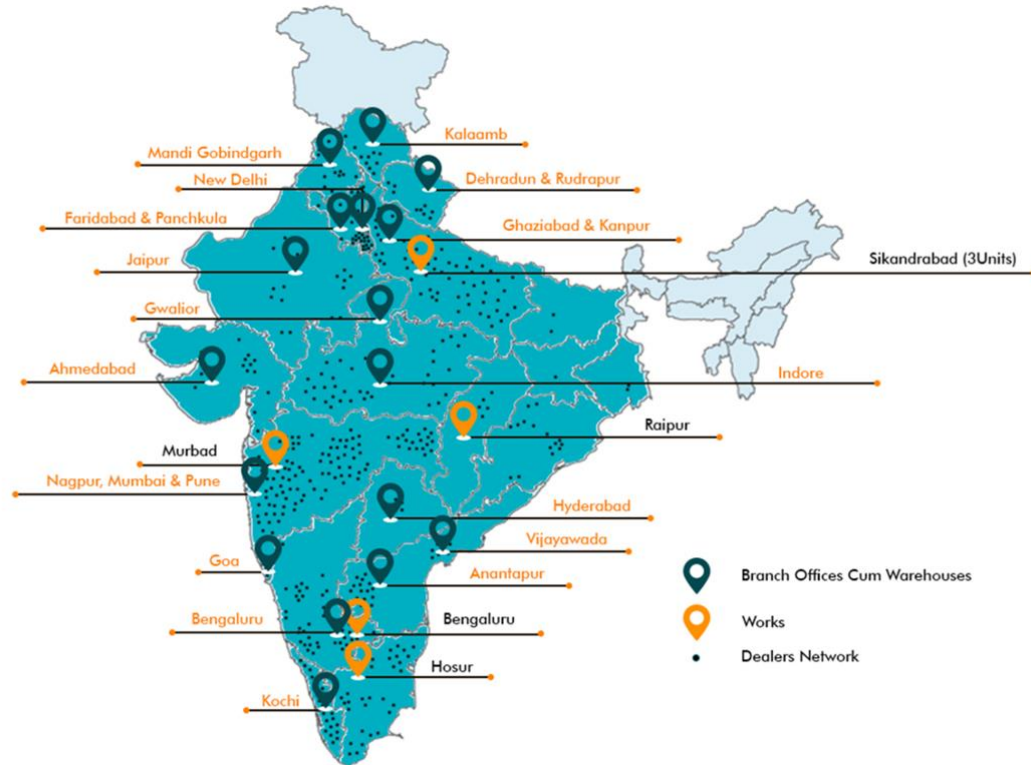
KEY TAKEAWAYS

Solid Future Outlook



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:

Deepak Goyal

APL Apollo Tubes Ltd

Tel: +91 120 404 1400

Email: deepakgoyal@aplapollo.com

Anubhav Gupta

APL Apollo Tubes Ltd

Tel: +91 120 404 1452

Email: anubhav@aplapollo.com