

APL APOLLO

June 2020



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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 building material structural steel brand

Core Business

14 Five Product Categories

Brands

40% Market Share

2.5 Structural Steel Capacity

Million Ton

8 Patents 10 Plants 2,124 Employees 800+ Distributors 1,500+ Products



Our Brands

Product Category*

Apollo Structural

Structural steel construction material:
Residential, Commercial, Infrastructure

Fabritech, Build, DFT

Apollo Z

Galvanized structural steel construction material:
Residential, Commercial, Infrastructure

CoastGuard

Apollo Galv

Galvanized steel tubes:
Residential, Commercial, Agri, Industrial

Green, Bheem, StrenX

Apollo Standard

Construction material, Industrial

FireReady, Agri

Apollo Tricoat

Home improvement products

Tricoat, Plank, Signature, Elegant, Chaukhat

70% Building Material

23% Infrastructure

7% Others

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

Product Category – Application & Sales Mix

Product Category	Sales Volume Mix (%)	Applications
Apollo Structural	53%	
Residential Buildings & Independent Homes	18%	Structural, Piling, Sheds, Handrails, Gates, Fencing, Balcony Grills, Staircase, Light Structures
Commercial Buildings, Warehouses & Factories	9%	
Infrastructure	23%	Structural for Metros, Airports, Stadiums, Stations etc
Industrial	3%	Heavy Equipment
Apollo Z	21%	
Residential Buildings & Independent Homes	17%	Galvanized structural steel tubes for coastal markets
Commercial Buildings, Warehouses & Factories	4%	
Apollo Standard	13%	
Residential Buildings & Independent Homes	5%	Structural, Fencing, Grills, HVAC, Ducting, Firefighting, Plumbing
Commercial Buildings, Warehouses & Factories	5%	
Industrial & Agri	3%	Heavy Equipment
Apollo Tricoat	7%	
Residential Buildings and Independent Homes	5%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	2%	
Apollo Galv	6%	
Commercial Buildings	5%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & Agri	1%	
Total	100%	

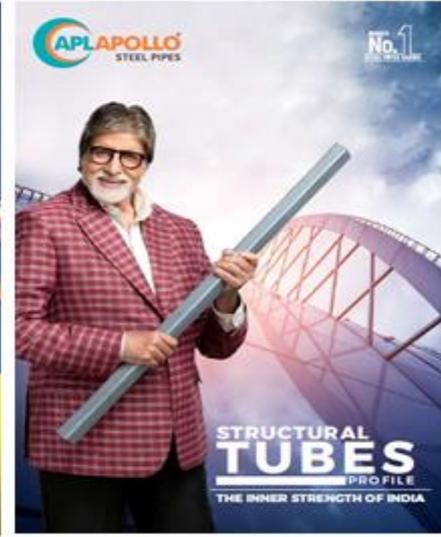
45% Building Material Housing

25% Building Material Commercial

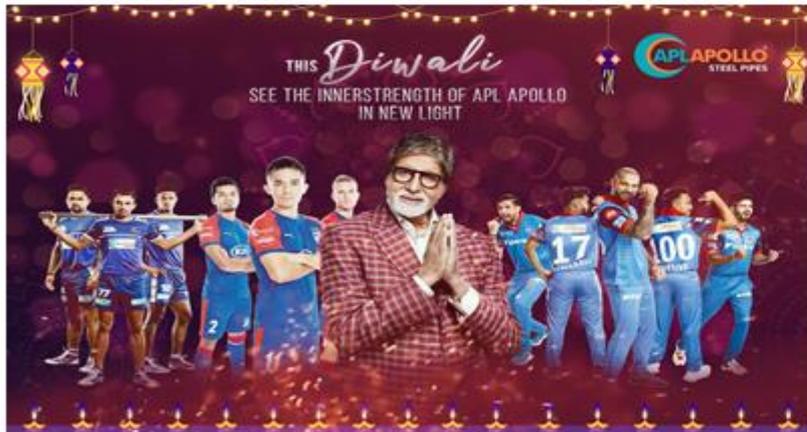
23% Infrastructure

7% Others (Industrial & Agri)

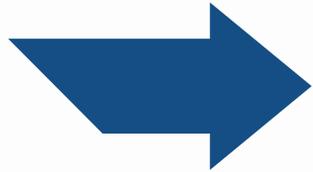
Brand Equity



Brand Equity

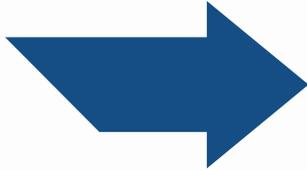


B2C Channel



Distributors

800+ Distributors – Solid Relationships, Incentive plans



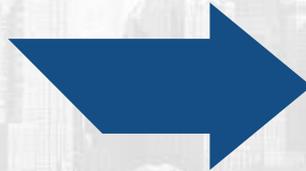
Retailers

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

Sales ramp-up post relaxation

- All 10 plants operational with necessary precautions
- Good Pent-up demand as contractors rushing to resume construction
- Company improving market share at cost of weak competition
- Replenishment has started at distributor level in rural areas
- Demand in Urban areas catching up
- Good sales ramp up in last 7 weeks
- Supply chain improving day-by-day

Global Cues

- Construction activity in China has picked up significantly
- Construction steel demand has recovered 85% in China in last 2 months

Employee Safety

- Social distancing norms being followed as per gov't rules
- Proper hygiene being maintained at plants and offices
- No plant in Red Zone

Steel Prices

- Do not expect steep decline in 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
- Evaluating channel financing options to further minimize debtors
- 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 25-30% volume decline
- 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 40% market share
- Player 2 - 12% 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)

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...

Most products with 1,500+ SKUs (Shapes & Sizes)

Highest scale with 10 plants (2.5Mn ton capacity)

Largest sales network (800+ distributors)



Lowest cost producer (largest buyer of HR coil)

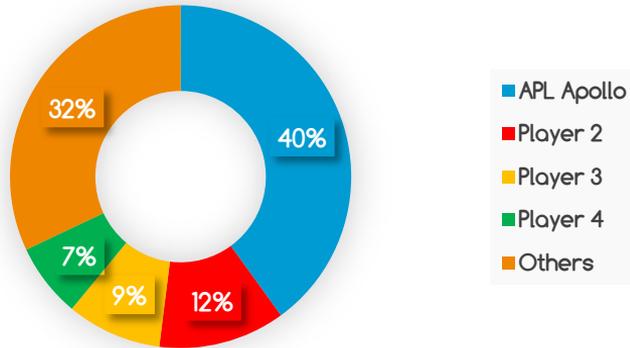
Premium pricing to peers (brand strength)

Technology edge & Innovation

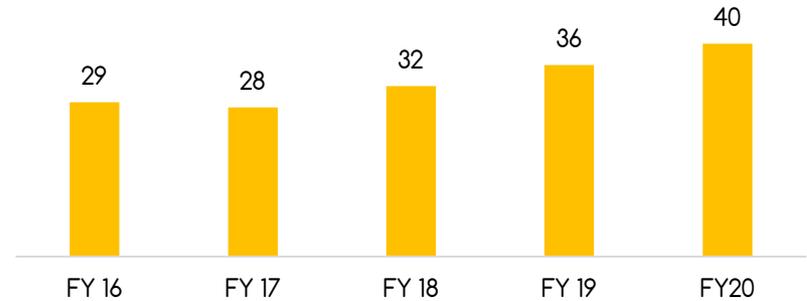
Lowest lead time to Distributors

Dominant Leadership

Peer Market Share FY19



APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



Unique Capabilities



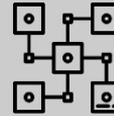
Developed structural steel market in India

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 APPLICATIONS



Structural Steel Applications



Structural Steel Applications

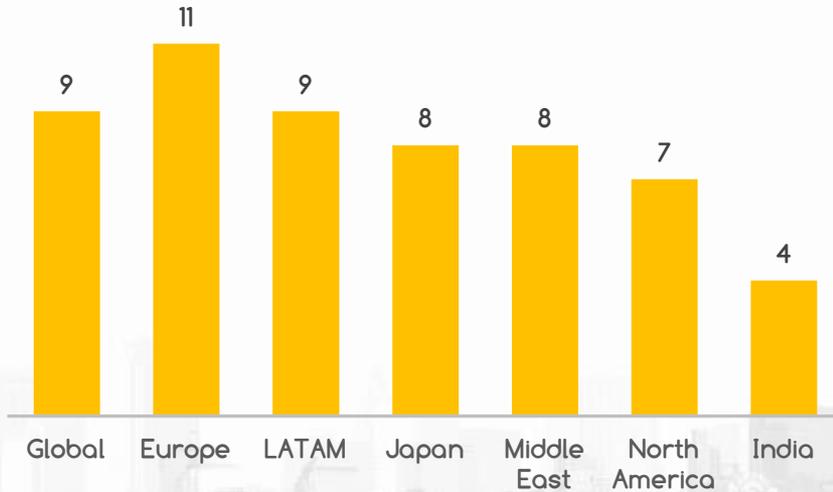


EXCITING FUTURE

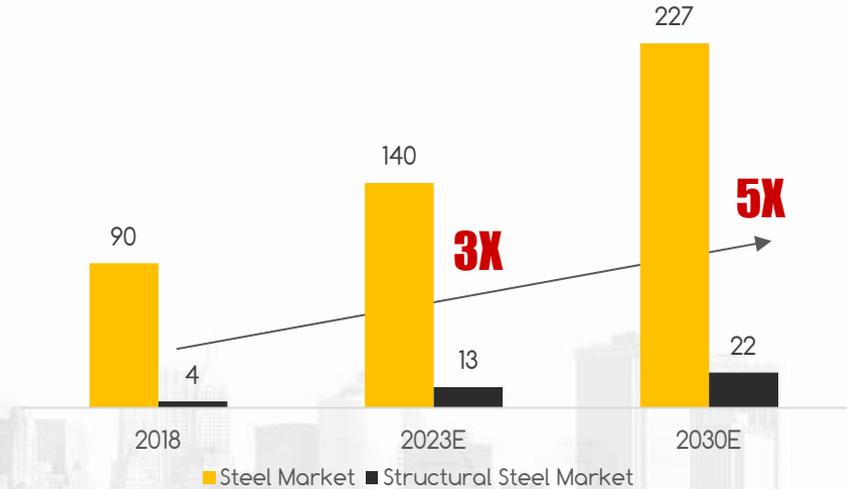


India at the start of Structural Steel Usage

Structural Steel Market as % of Steel Market (2018)



Potential Structural Steel Market in India (Mn Tons)



India has huge structural steel based construction potential

Note: Structural Steel 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 essential for new age construction

Growth Drivers

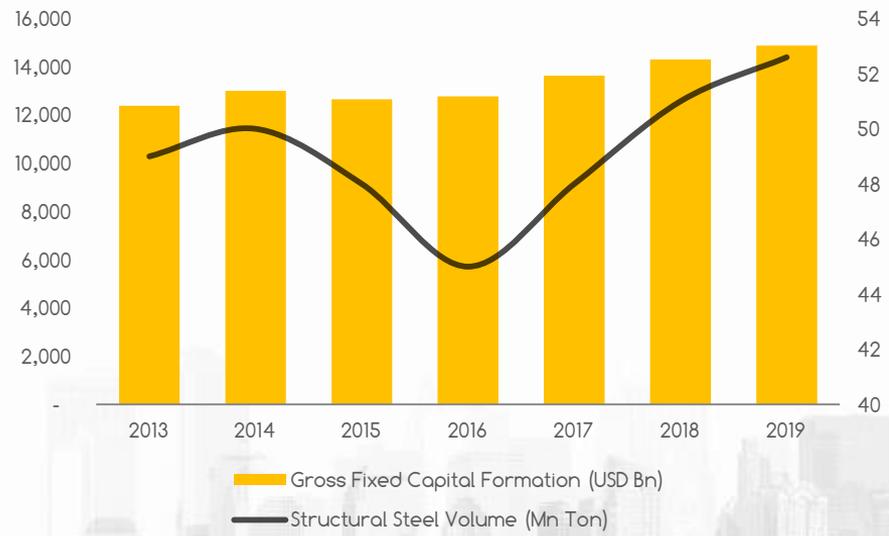
- Growing vertical model of development
 - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
 - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need for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

Benefits

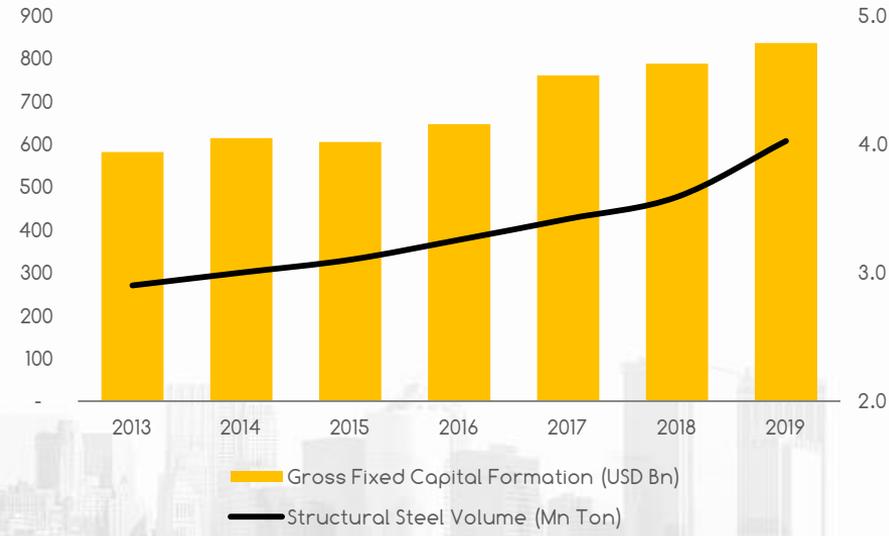
- Environmental friendly
 - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

Structural Steel Market expansion linked to construction activity

Global Structural Steel Market expansion



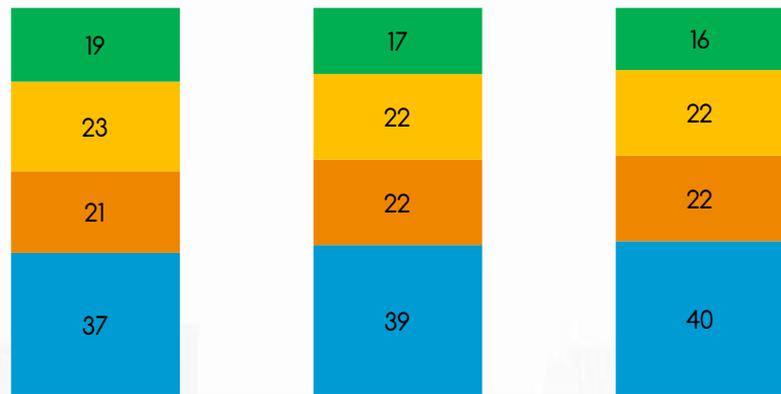
Indian Structural Steel Market expansion



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

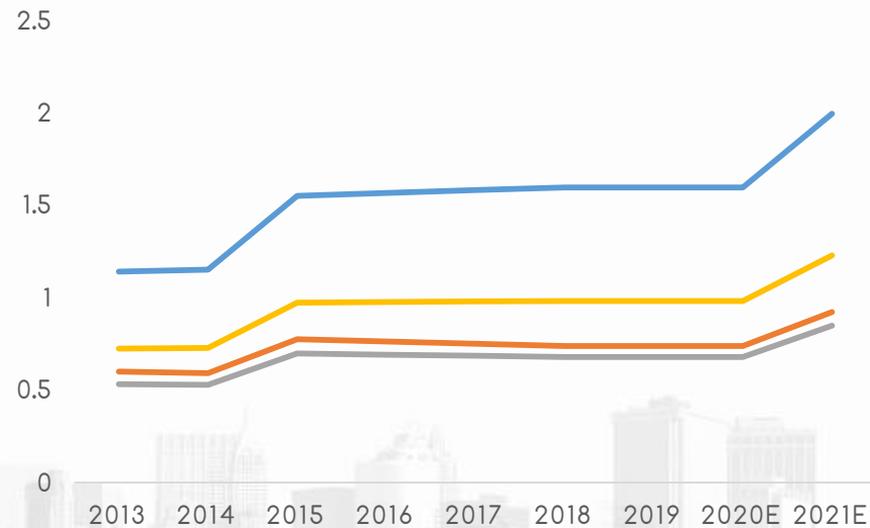
Structural Steel Uses

Global Structural Steel Uses - Segment wise breakup (%)



■ Residential ■ Infrastructure ■ Commercial ■ Others

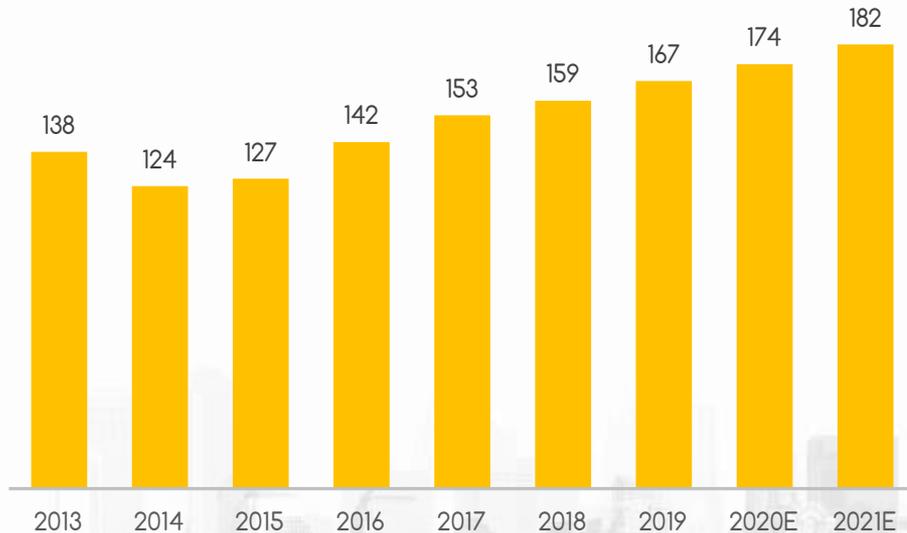
Indian market taking off in all segments (Mn ton)



— Residential — Infrastructure — Commercial — Others

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 2.5Mn 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

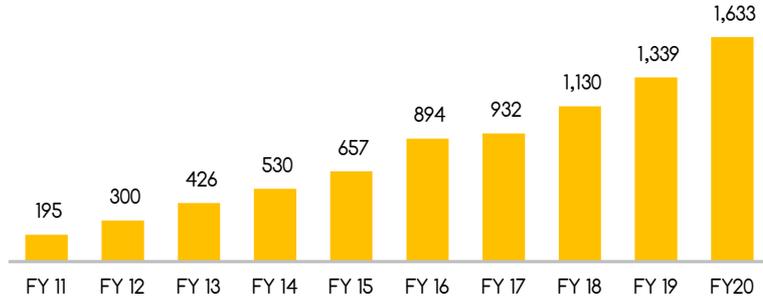
- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- Achieve ROCE \geq 25%

Capital Allocation

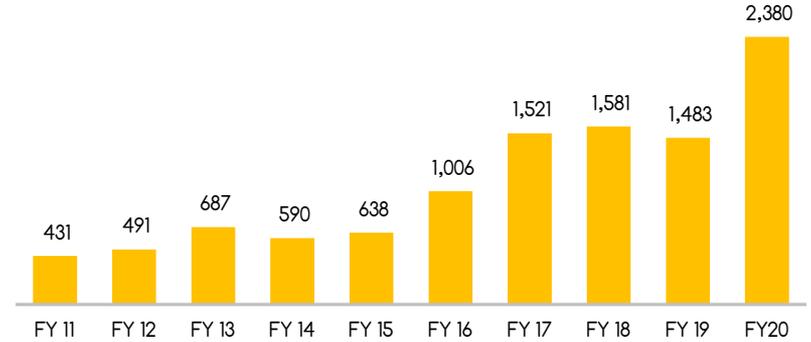
- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

Growing Strength to Strength

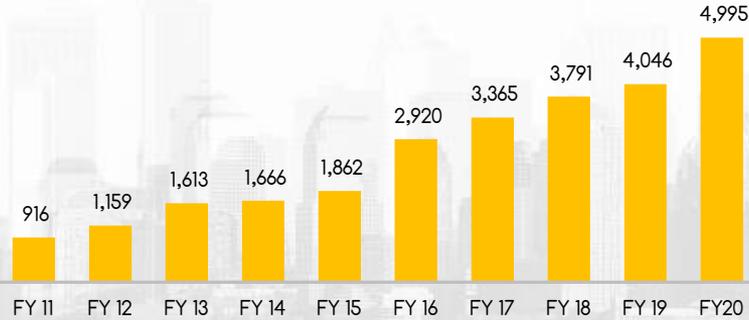
Volume (k Ton)



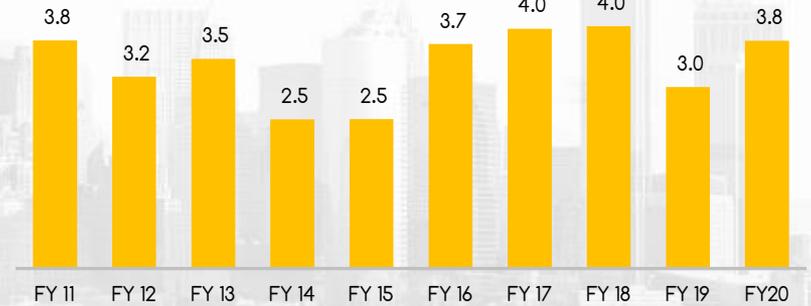
Net Profit (Rsm)



EBITDA (Rsm)

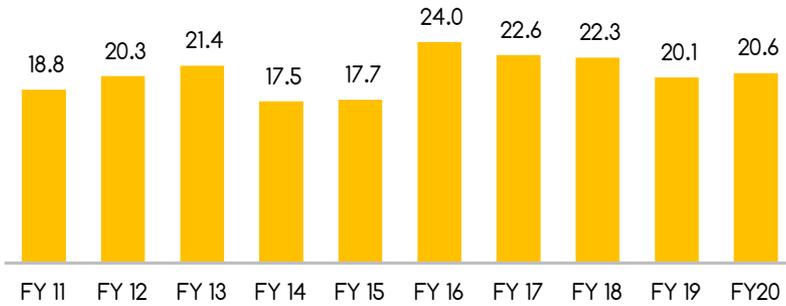


Interest Coverage (x)

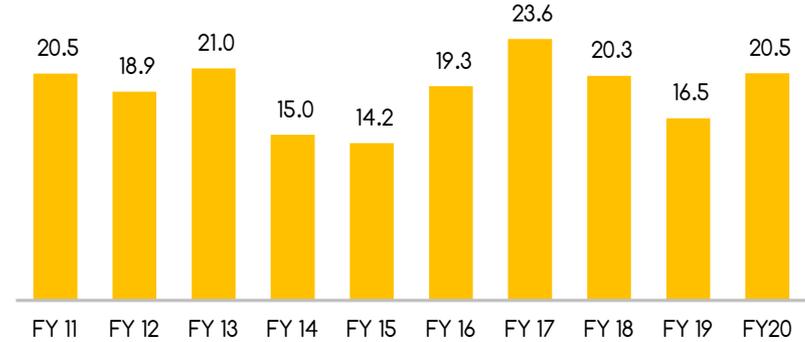


Growing Strength to Strength

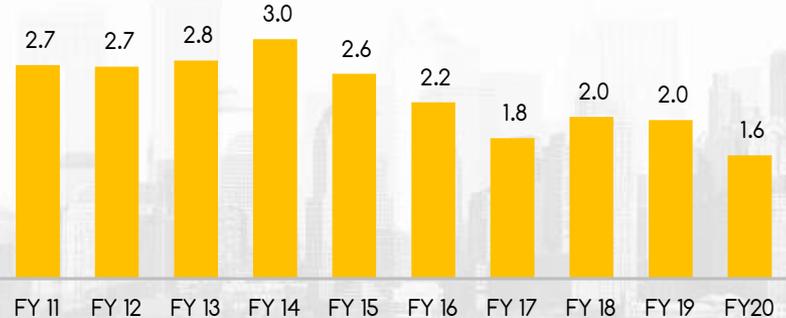
ROCE (%)



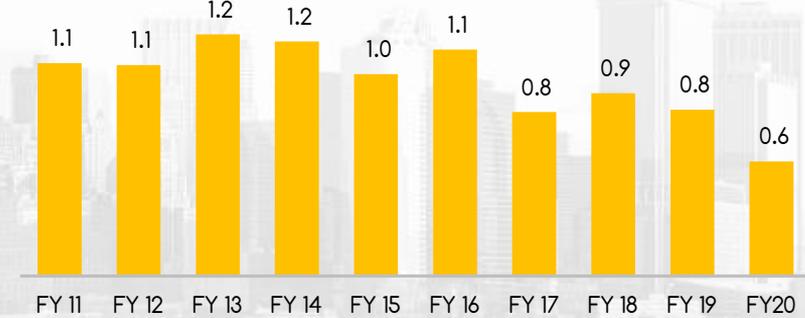
ROE (%)



Net Debt/EBITDA (x)

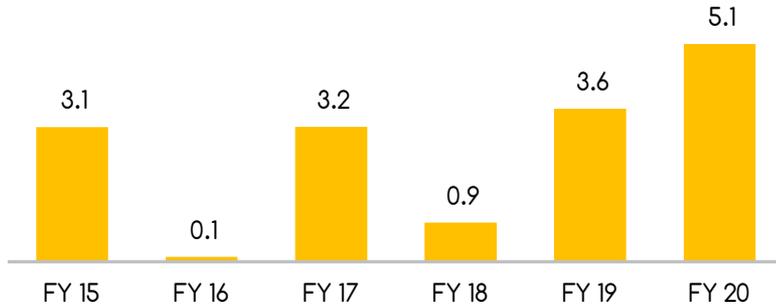


Net Debt/Equity (x)

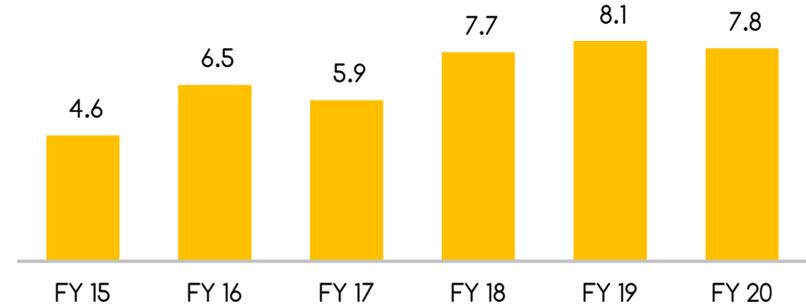


Growing Strength to Strength

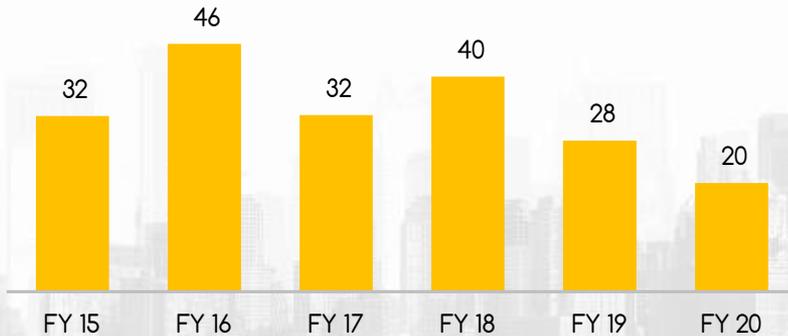
Operating Cash flow (Rs Bn)



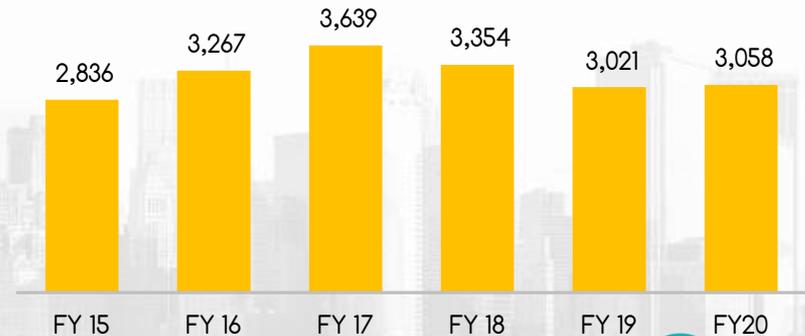
Net Debt (Rs Bn)



Net Working Capital (Days)



EBITDA/Ton (Rs)



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

Growing Strength to Strength

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	Growth Y-o-Y (%)	CAGR (%) (FY15-20)
Sales Volume (k tons)	657	894	932	1,130	1,339	1,633	22	20
Apollo Structural	248	426	475	614	766	870		
Apollo Z	148	159	189	241	283	335		
Apollo Tricoat						113		
Apollo Build	91	115	117	111	92	99		
Apollo Standard	170	194	151	164	198	216		
EBITDA (Rsm)	1,862	2,919	3,389	3,791	4,046	4,995	23	22
EBITDA (Rs/ton)	2,836	3,267	3,639	3,354	3,021	3,058		
Net Profit (Rsm)	638	1,006	1,521	1,581	1,483	2,380	61	30
Network expansion								
No of Distributors	375	600	600	650	790	800+		
No of Plants	6	6	7	7	11	10		

Note: 1) Apollo Structural -Hollow Section, Apollo Z- Pre Galvanized (GP), Apollo Build – Galvanized (GI), Apollo Standard – Black Pipes
 2) This data is based on the Consolidated Financial data of the Company

Financial Performance

P&L Statement (Rsm)	FY20	FY19
Sales Volume (k Ton)	1,633	1,339
Revenue	77,232	71,523
Other Income	222	117
Total Revenue	77,454	71,640
Raw Material Costs	65,786	63,077
Employee Costs	1,422	1,079
Other expenses	5,251	3,439
EBITDA	4,995	4,046
EBITDA/ton (Rs)	3,058	3,021
Interest Cost	1,073	1,133
Depreciation	959	643
Tax	403	787
Net Profit	2,560	1,483
Minority Interest (MI)	180	0
Net Profit (after MI)	2,380	1,483

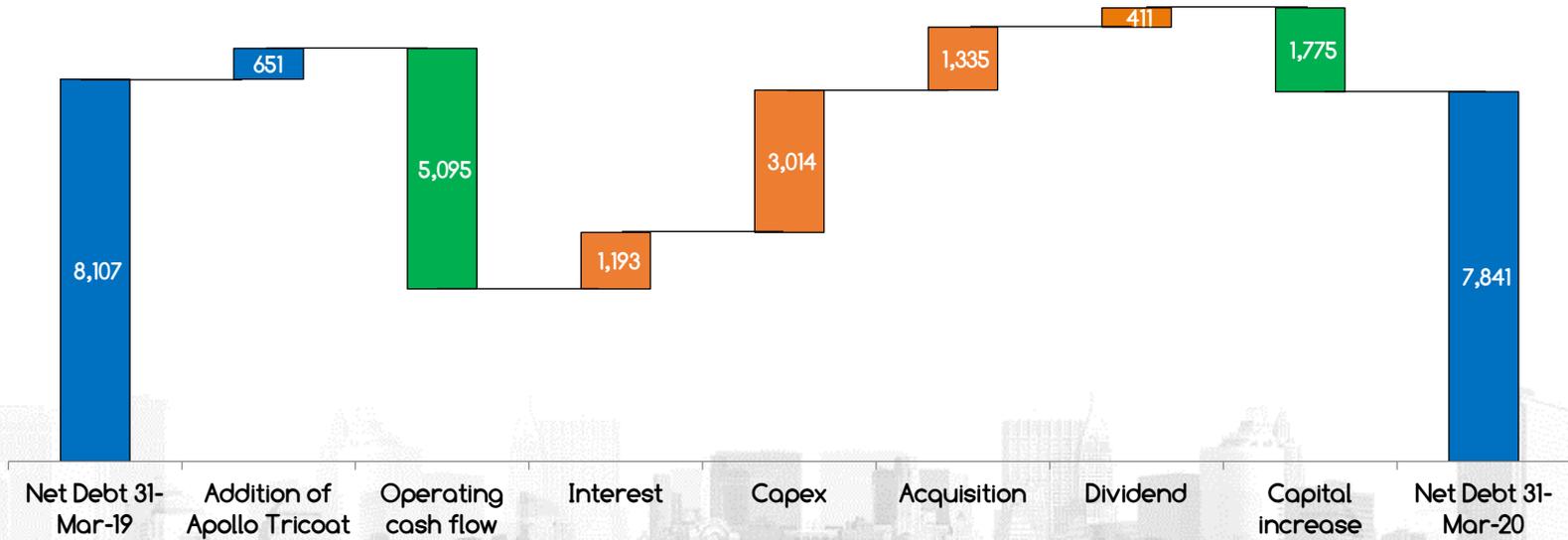
Balance Sheet - Assets (Rsm)	FY20	FY19
Cash & Bank Balance	456	478
Receivables	4,764	5,433
Inventories	7,842	7,835
Other current assets	1,422	1,039
Fixed assets (net)	15,709	10,106
Investments	15	494
Capital work in progress	101	275
Other assets/goodwill	2,352	2,079
Total Assets	32,660	27,739

Balance Sheet - Liabilities (Rsm)	FY20	FY19
Trade payables	7,644	6,989
Other current liabilities	349	745
Debt	8,297	8,581
Others	1,854	1,783
Minority Interest/Provision	954	-
Shareholders' funds	13,561	9,641
Total Equity & Liabilities	32,660	27,739

Cash Flow Statement (Rsm)	FY20	FY19
EBITDA	4,995	4,046
Receivables	847	-1,123
Inventory	284	-1,922
Other WC changes	-215	3,249
Tax	-816	-673
Operating cash flow	5,095	3,576
Fixed assets	-3,014	-2,261
Investments	-1,335	-378
Interest	-1,193	-1,014
Free cash flow	-447	-77
Dividend payments	-411	-403
Capital increase	1,775	56
Net change in cash flow	916	-424
Net debt beginning	-8,107	-7,683
Addition of Apollo Tricoat Net Debt	-651	0
Net debt end	-7,841	-8,107

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

Consolidated Debt Profile & Cash Flows (Rsm)



The business continues to generate strong operational cash flows



Organic capex and acquisitions increased capacity substantially; 3 plants added



Net debt declined despite high capex spends and acquisitions

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

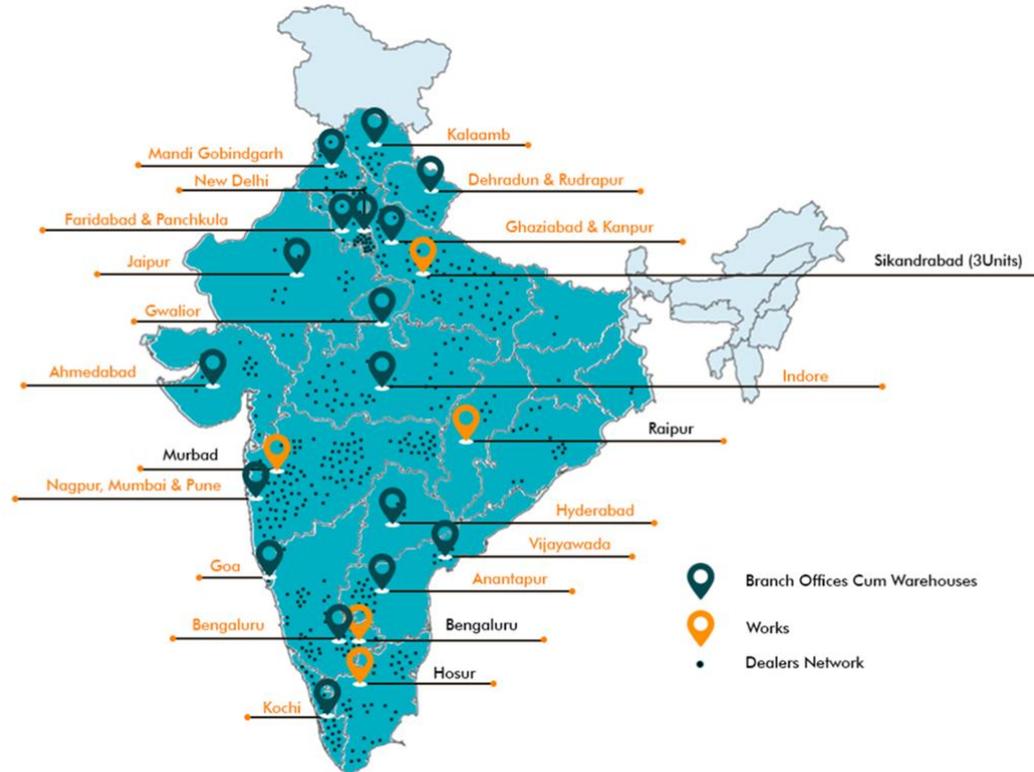
Solidifying APL Apollo brand

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

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