

APL **APOLLO**

Q4 **FY20** 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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FY'20 at a glance

Q4 FY'20 at a glance

APL Apollo Overview

Financial Performance

Core Competence

Key Takeaways

FY'20 at a Glance



1.6 Mn ton

Sales volume
22% yoy increase
Highest ever



40%

Market share in structural
steel tube sector
FY19 was 36%



₹ 5.0 Bn

EBITDA
23% yoy increase
Highest ever



₹ 3,058

EBITDA/ ton
1% yoy increase



₹ 2.4 Bn

Net profit
61% yoy increase
Highest ever



₹ 5.1 Bn

Operating cash flow
FY19 was ₹3.6 Bn



20.6%

ROCE
FY19 ROCE was 20.1%



20 Days

Net Working Capital
FY19 was 28 days



2.5 Mn ton

Capacity as on 31st
March 2020



1,500

Product SKUs
Continuous focus on new
product addition



800+ Distributors

Distribution expansion
remains key focus area



Branding

Mass branding kick
started

The Year Gone By: FY'20

Market share expansion

- 22% increase in sales volume in FY20
- FY20 was impacted by challenging macros, slowdown in construction activities, weak market liquidity and final knock with Covid-19
- Company consolidated its leadership position in structural steel tubes with market share improvement to 40% vs 36% in FY19

Solid operating cash flows and debt reduction

- Company further improved working capital cycle which generated strong operating cash flows of Rs5.1bn
- It helped fund capex and two acquisitions worth Rs4.3bn
- Net debt reduction by Rs266m to Rs7.8bn

Aggressive spending on brand promotion

- Company kick started mass branding exercise with TV Commercials, Outdoor Media and other below-the-line activities
- Benefits visible in form of market share gains in FY20
- Expect momentum to continue once sales volume reach normalized levels after COVID-19 disruption

Q4 FY'20 at a Glance



401k ton

Sales Volume
4% yoy decline



₹ 18.9 Bn

Revenue
10% yoy decline



₹ 1.3 Bn

EBITDA
9% yoy decline



₹ 3,200

EBITDA/ ton
5% yoy decline



₹ 241 Mn

Interest Cost
17% yoy decline



₹ 568 Mn

Net profit
8% yoy decline



20.5%

ROE
FY19 was 16.5%



20.6%

ROCE
FY19 ROCE was 20.1%



0.6x

Net Debt/Equity
FY19 was 0.8x



1.6x

Net Debt/EBITDA
FY19 was 2x



₹ 7.8 Bn

Net Debt
FY19 was ₹8.1 Bn



3.8x

Interest Coverage
FY19 was 3x

Q4 FY'20 Highlights

COVID-19 Disruption

- Q4 commenced on a healthy note with Jan-Feb witnessing revival in construction activity
- The company was forecasting double digit sales growth for the quarter before the lockdown
- Covid-19 disrupted supply chain and impacted the demand after 15th March; then there was a complete lockdown post 23rd March

Profitability

- EBITDA/Ton declined 5% yoy to Rs3,200 due to volume loss in March owing to COVID-19 impact
- Interest cost declined 17% yoy backed by debt reduction
 - Depreciation costs increased 48% yoy due to capacity expansion
- Net profit declined 8% yoy to Rs568m

Strong balance sheet

- D/E ratio improved to 0.6x from 0.8x in FY19
- Debt to EBITDA improved to 1.6x from 2x in FY19
- Interest coverage ratio improved to 3.8x from 3x in FY19

APL Apollo at a Glance

1

Core Business

Leading building material structural steel brand

14

Brands

Five Product Categories

40%

Market Share

2.5

Million Ton

Structural Steel Capacity

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%	

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 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 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

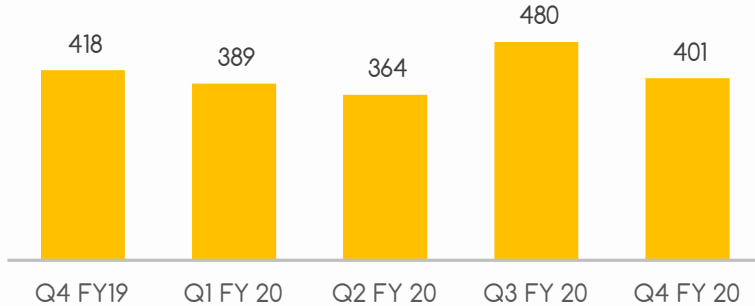
Threat of substitute

- No product can replace structural strength of steel

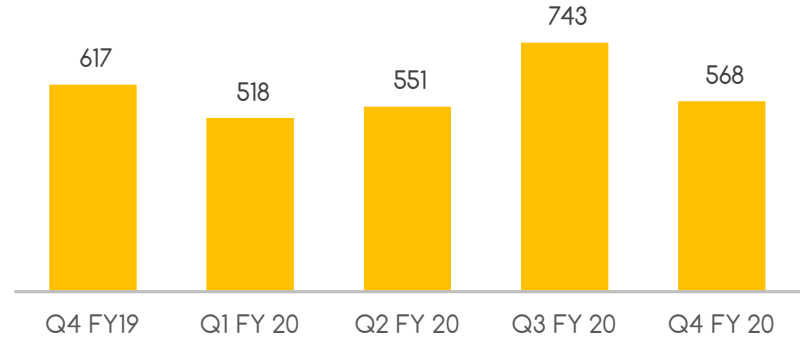
FINANCIAL PERFORMANCE

Growing Strength to Strength

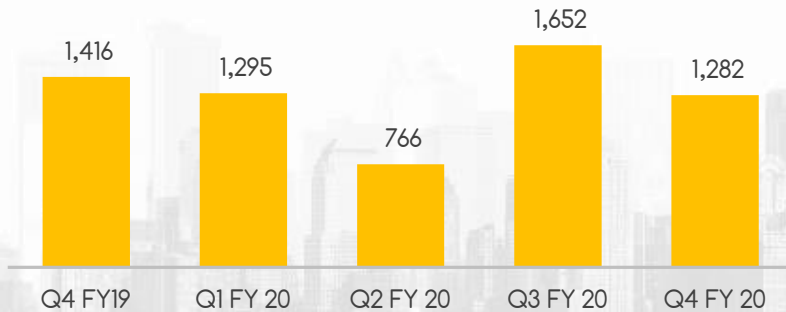
Volume (k ton)



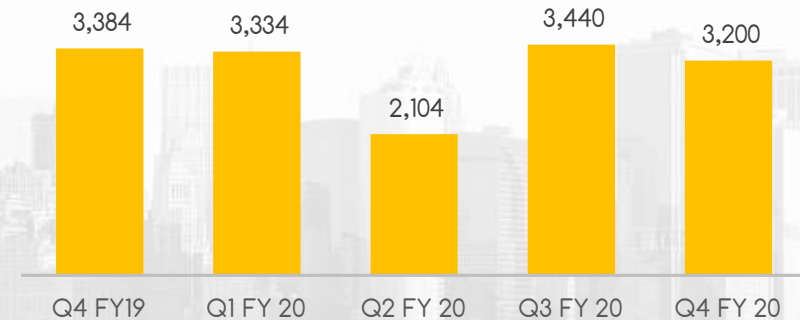
Net Profit (Rsm)



EBIDTA (Rsm)

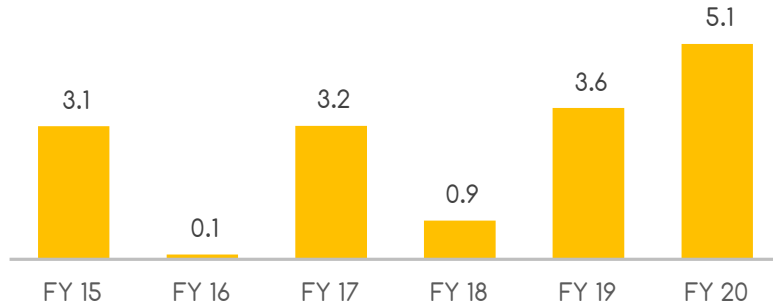


EBITDA/Ton (Rs)

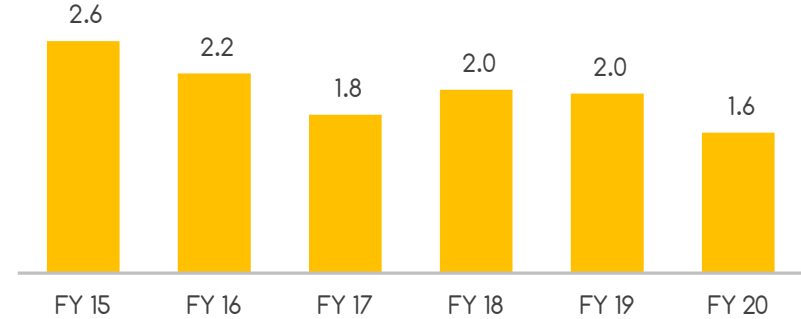


Growing Strength to Strength

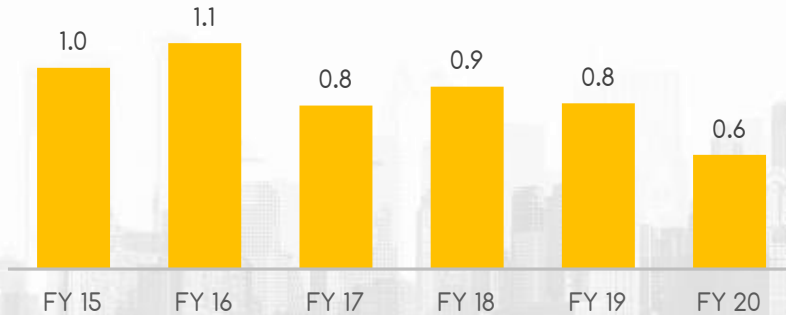
Operating Cash flow (Rs Bn)



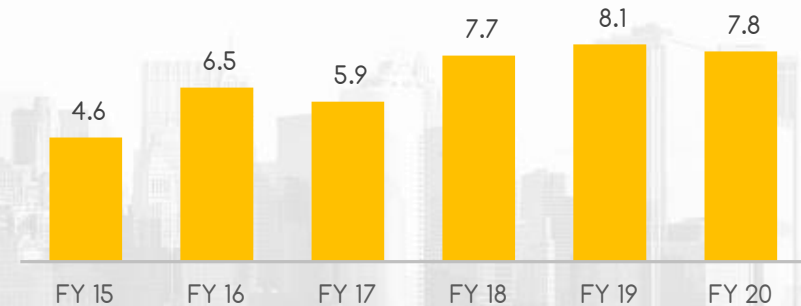
Debt/ EBITDA (x)



Debt/Equity (x)



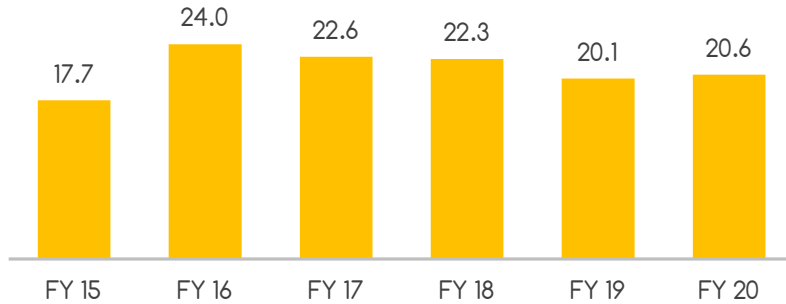
Net Debt (Rs Bn)



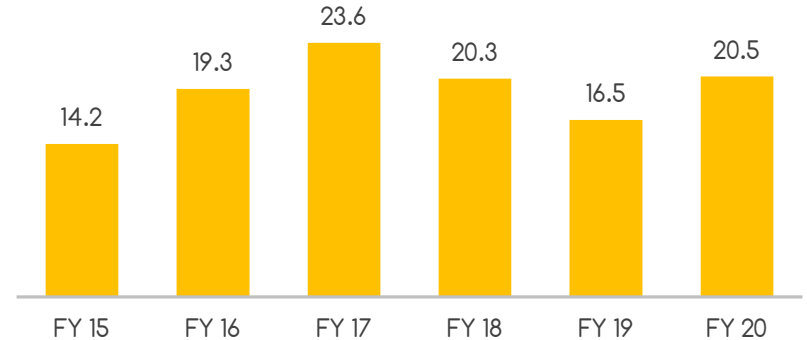
Note: Debt/EBITDA and Debt/Equity ratios are calculated on net debt basis

Growing Strength to Strength4

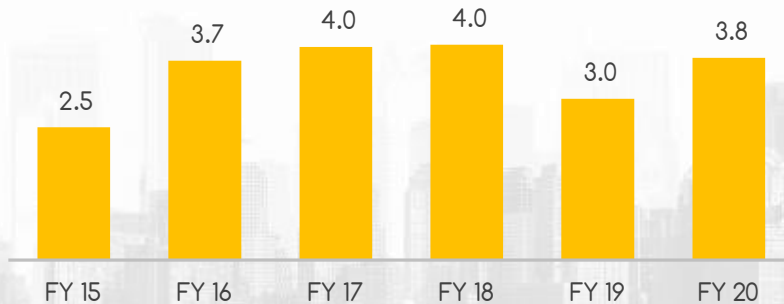
ROCE (%)



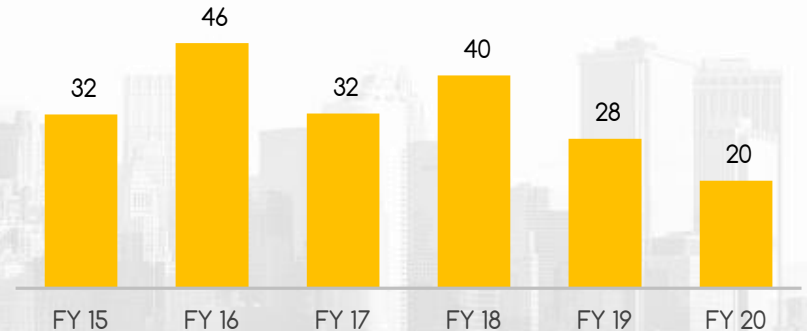
ROE (%)



Interst Coverage (x)



Net Working Capital (Days)



Growing Strength to Strength

Particulars	FY15	FY16	FY17	FY18	FY19	FY20
Apollo Structural						
Volume (k tons)	248	426	475	614	766	870
Revenue (Rsm)	10,541	14,744	17,971	26,380	37,469	36,259
EBITDA (Rsm)	545	1,153	1,368	1,615	1,802	1,884
Apollo Standard						
Volume (k tons)	170	194	151	164	198	216
Revenue (Rsm)	7,115	6,554	5,590	6,925	9,473	8,861
EBITDA (Rsm)	254	349	287	261	271	272
Apollo Z						
Volume (k tons)	148	159	189	241	283	335
Revenue (Rsm)	7,555	6,701	8,727	12,431	16,213	16,744
EBITDA (Rsm)	696	878	1,130	1,371	1,572	1,760
Apollo Build						
Volume (k tons)	91	115	117	111	92	99
Revenue (Rsm)	4,674	4,838	5,393	5,766	5,273	5,032
EBITDA (Rsm)	366	539	605	543	402	411
Apollo Tricoat						
Volume (k tons)						113
Revenue (Rsm)						6,204
EBITDA (Rsm)						668
Trading Revenue (Rsm)	252	9,298	1,557	1,846	3,095	4,134
Total Sales Volume (k tons)	657	894	932	1,130	1,339	1,633
Total Revenue (Rsm)	30,138	42,136	39,239	53,348	71,523	77,232
Total EBITDA (Rsm)	1,862	2,919	3,389	3,791	4,046	4,995
Net Profit (Rsm)	638	1,006	1,521	1,581	1,483	2,380

Particulars	FY18	FY19	FY20
Apollo Structural DFT – Part of Apollo Structural			
Volume (k tons)	153	321	357
Revenue (Rsm)	6,644	15,772	15,041
EBITDA (Rsm)	465	958	952

Note: APL Apollo Tubes acquired Apollo Tricoat during 1QFY20. Therefore 100% financials are not consolidated. Apollo Tricoat reported sales volume of 123k Ton, Revenue Rs 6,633m and EBITDA of Rs 754m in FY20

Trading Revenue includes sale of scrap steel also

Profit & Loss Statement (Consolidated)

Particulars (Rsm)	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Change yoy (%)	FY 20	FY 19	Change yoy (%)
Sales Volume (k Ton)	418	389	364	480	401	-4	1,633	1,339	22
Net Revenue	20,941	20,716	16,473	21,159	18,885	-10	77,232	71,523	8
Other Income	28	46	46	47	83	193	222	117	89
Total Revenue	20,970	20,762	16,519	21,205	18,968	-10	77,454	71,640	8
Raw Material Costs	18,182	17,951	14,334	17,633	15,867	-13	65,786	63,077	4
Employee Costs	286	301	354	381	386	35	1,422	1,079	32
Other expenses	1,085	1,214	1,065	1,539	1,433	32	5,251	3,439	53
EBITDA	1,416	1,295	766	1,652	1,282	-9	4,995	4,046	23
EBITDA/ton (Rs)	3,384	3,334	2,104	3,440	3,200	-5	3,058	3,021	1
Interest Cost	289	283	269	280	241	-17	1,073	1,133	-5
Depreciation	172	202	240	262	255	48	959	643	49
Tax	337	289	-341	277	178	-47	403	787	-49
Net Profit	617	521	598	832	608	-1	2,560	1,483	73
Minority Interest (MI)	-	4	47	90	40		180	-	
Net Profit (after MI)	617	518	551	743	568	-8	2,380	1,483	61
ROCE (%)							20.6	20.1	0.5
ROE (%)							20.5	16.5	4.1

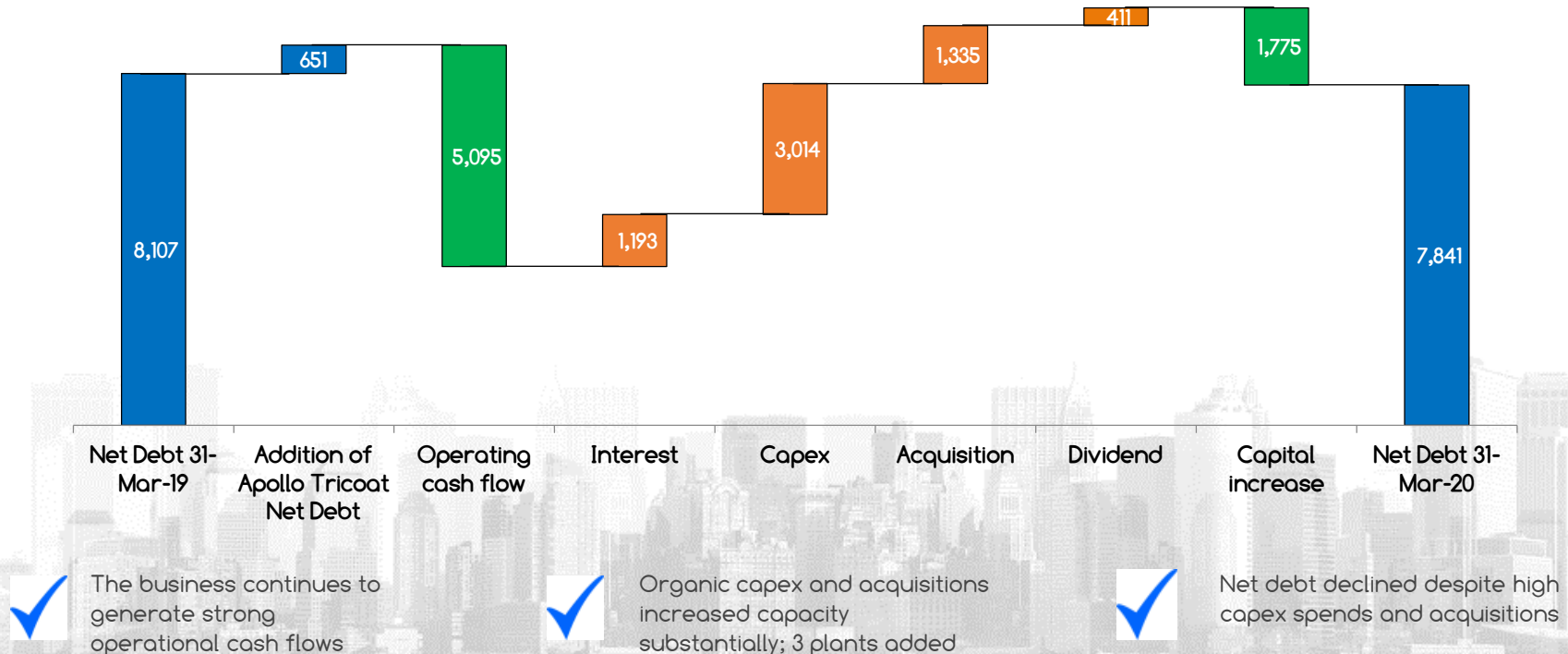
Balance Sheet & Cash Flow Statement (Consolidated)

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

Consolidated Debt Profile & Cash Flows (Rsm)



Profit & Loss Statement (Without Tricoat)

Particulars (Rsm)	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Change yoy (%)	FY 20	FY 19	Change yoy (%)
Sales Volume (k Ton)	418	389	336	433	363	-13	1,521	1,339	14
Net Revenue	20,941	20,599	14,936	18,869	16,625	-21	71,028	71,523	-1
Other Income	28	45	43	46	78	174	212	117	82
Total Revenue	20,970	20,644	14,980	18,915	16,703	-20	71,241	71,640	-1
Raw Material Costs	18,182	17,853	13,037	15,829	14,010	-23	60,729	63,077	-4
Employee Costs	286	299	334	336	341	19	1,310	1,079	21
Other expenses	1,085	1,209	1,000	1,382	1,284	18	4,875	3,439	42
EBITDA	1,416	1,283	609	1,368	1,068	-25	4,327	4,046	7
EBITDA/Ton (Rs)	3,384	3,302	1,809	3,158	2,945	-13	2,846	3,021	-6
Interest	289	282	263	258	209	-28	1,013	1,133	-11
Depreciation	172	200	218	235	214	24	867	643	35
Tax	337	287	-376	222	122	-64	254	787	-68
Net Profit	617	514	504	652	522	-15	2,193	1,483	48

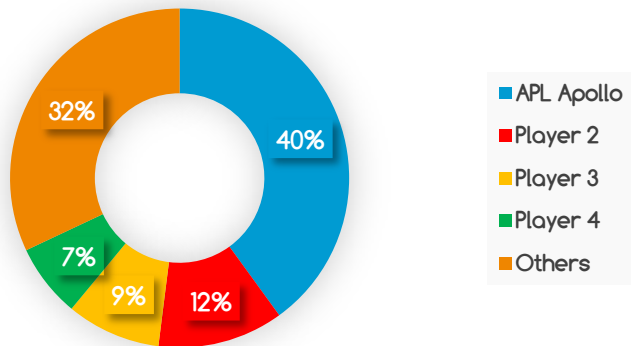
CORE COMPETENCE

Our Business Moat...

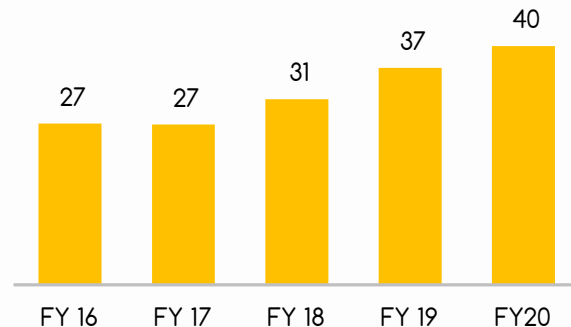


Dominant Leadership

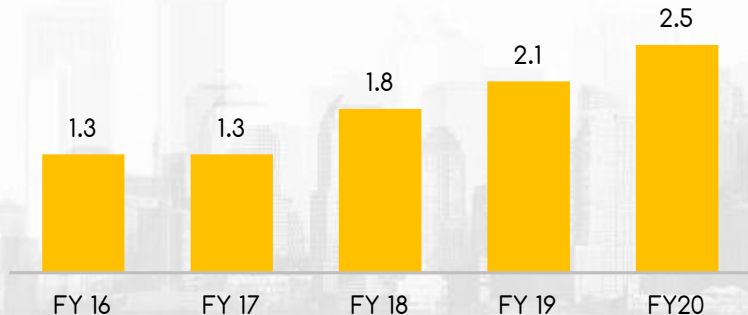
Peer Market Share FY20



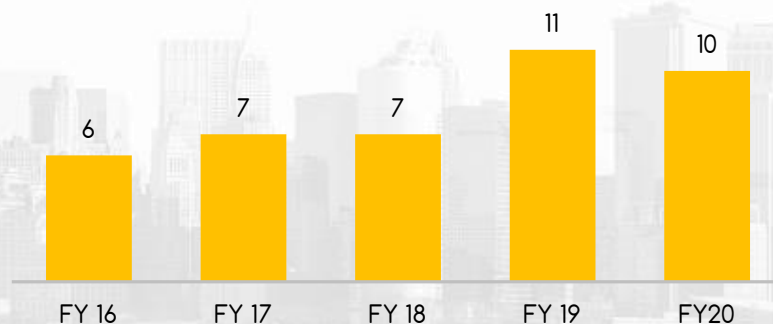
APL's Market Share (%)



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



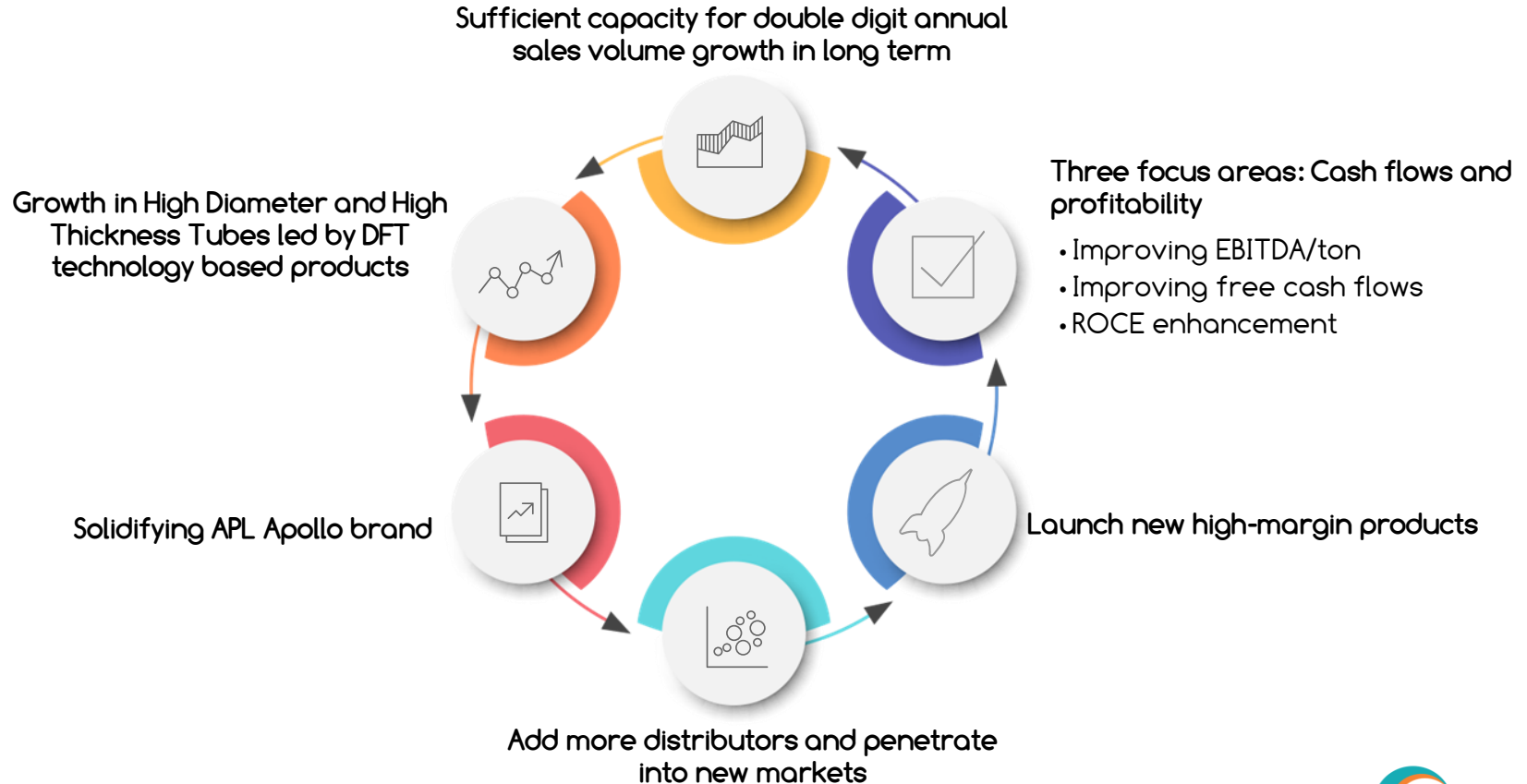
Earnings

- 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

Solid Future Outlook



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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