



# APL APOLLO TUBES LTD.

Q3 & 9M FY18 Earnings  
Presentation

January 25, 2018

Infrastructure

Construction

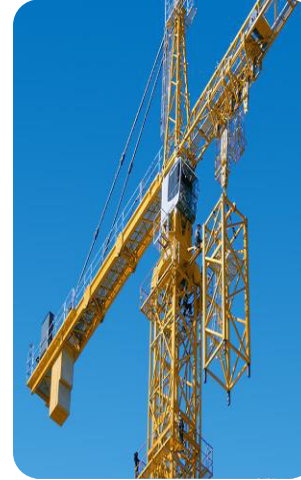
Automobiles

Energy

Agriculture

*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.*

# Operational & Financial Highlights Q3 & 9M FY2018



Infrastructure

Construction

Automobiles

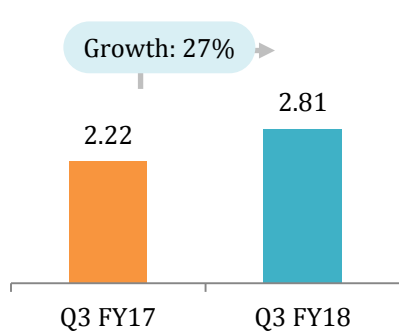
Energy

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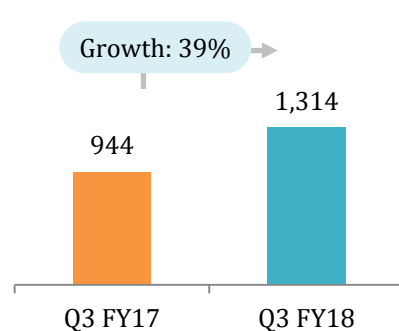
# Q3 FY18 – Performance Highlights



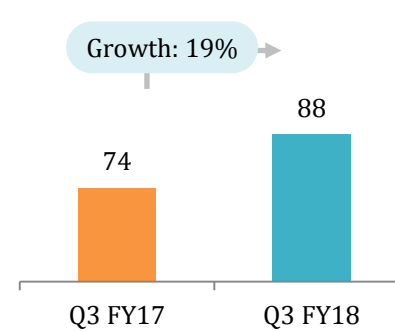
Sales Volume\* (Lakh Ton)



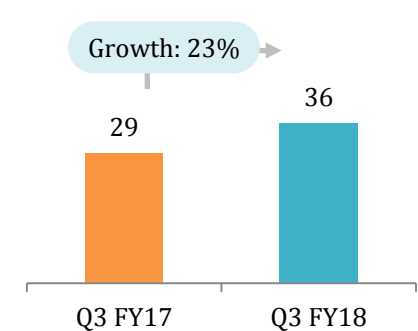
Net Income (Rs. Crore)



EBITDA<sup>1</sup> (Rs. Crore)



PAT (Rs. Crore)



Margins as a % of Income

7.9%      6.7%      3.1%      2.7%

- Sales volume\* stood at 2.8 lakh tons, registering a robust growth of 27% Y-o-Y
  - Strong uptick in the demand environment combined with healthy contribution from OEMs and Exports segment assisted performance
- EBITDA per ton during Q3 FY18 stood at Rs. 3,134 as against Rs. 3,270 in the corresponding period last year
  - Given the Company's focus on volume growth, the EBITDA per ton was within an acceptable range

**Note:**

Net Income includes other operating income, which is a part of regular business income

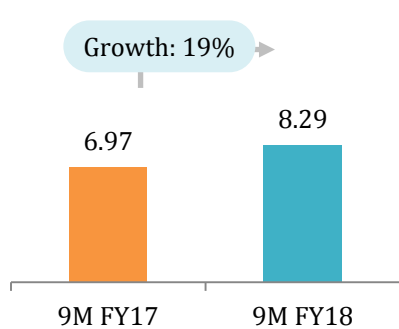
\* Excluding Trading & Scrap

(1) EBITDA without other income

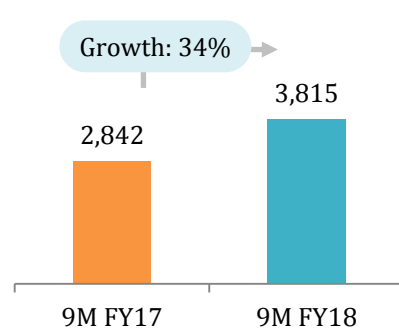
# 9M FY18 – Performance Highlights



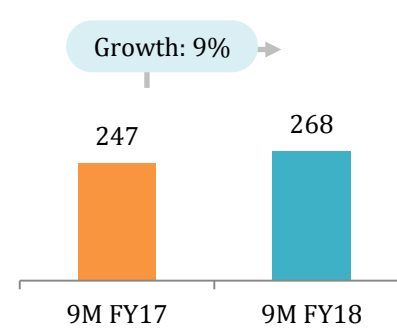
**Sales Volume\* (Lakh Ton)**



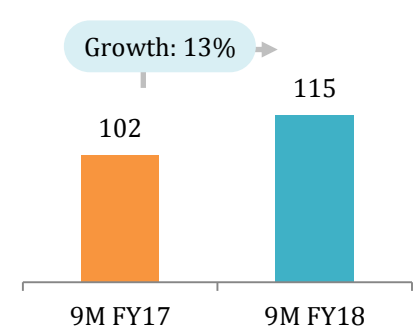
**Net Income (Rs. Crore)**



**EBITDA<sup>1</sup> (Rs. Crore)**



**PAT (Rs. Crore)**



**Margins as a % of Income**

8.7%

7.0%

3.6%

3.0%

- Despite a challenging macro-environment, the Company reported a healthy increase in sales volumes of 19% Y-o-Y to 8.29 lakh tons in 9M FY18
- Net sales (Manufacturing) significantly increased by 35% to Rs. 3,773 crore from Rs. 2,786 crore in 9M FY17
- PAT marked an improvement of 13% to Rs. 115 crore in 9M FY18

**Note:**

Net Income includes other operating income, which is a part of regular business income

\* Excluding Trading & Scrap

(1) EBITDA without other income

# Key Developments



## Robust volume growth of 27% registered in Q3 FY18 despite a challenging macro-environment

- Witnessed moderate demand in October and November – December saw a strong uptick in sales across product categories
- Hollow sections reported a growth of 40% led by commissioning of new DFT lines over the past few quarters
- In a stable raw material scenario, the Company anticipates healthy demand from key sectors of the economy including Infrastructure, Construction, Solar, Automobiles, Telecom, etc going forward
  - This should enable the Company to deliver over 20% CAGR sales volume growth over the next few years

## Commissioned 2 new Direct Forming Technology (DFT) lines at the Murbad facility during the quarter – total 6 DFT lines commercialized till date

- DFT Lines now operationalized at Raipur, Hosur and Murbad facilities – taking the Company's total manufacturing capacity to ~1.75 million MTPA
- DFT products witnessing a successful run across business segments, especially OEMs and Exports markets
- The Company will be commissioning another 2 lines across existing facilities of Secunderabad and Hosur – translating to total installed capacity of 2 million MTPA

# Abridged P&L Statement



Particulars (Rs. crore)	Q3 FY18	Q3 FY17	Y-o-Y Shift	9M FY18	9M FY17	Y-o-Y Shift
<b>Income from Operations</b>						
Net Manufacturing Sales	1,308.8	932.7	40%	3,772.8	2,785.8	35%
Trading Sales	5.6	10.8	-48%	42.6	55.9	-24%
<b>Total Income From Operations (Net)</b>	<b>1,314.4</b>	<b>943.5</b>	<b>39%</b>	<b>3,815.4</b>	<b>2,841.7</b>	<b>34%</b>
<b>Total Expenditure</b>						
Raw Material expenses	1,121.4	774.6	45%	3,219.2	2,318.2	39%
Employee benefits expense	20.0	19.0	5%	62.8	57.7	9%
Other expenses	84.5	75.4	12%	265.0	218.5	21%
<b>EBITDA</b>	<b>88.5</b>	<b>74.5</b>	<b>19%</b>	<b>268.4</b>	<b>247.2</b>	<b>9%</b>
<b>EBITDA margin (%)</b>	<b>6.7%</b>	<b>7.9%</b>	<b>(116 bps)</b>	<b>7.0%</b>	<b>8.7%</b>	<b>(167 bps)</b>
Other Income	2.1	4.8	-57%	6.1	6.8	-10%
Finance Costs	<b>20.2</b>	<b>21.0</b>	<b>-4%</b>	<b>58.7</b>	<b>56.6</b>	<b>4%</b>
Depreciation and Amortization	13.9	10.9	27%	38.5	37.8	2%
<b>PBT</b>	<b>56.4</b>	<b>47.4</b>	<b>19%</b>	<b>177.4</b>	<b>159.7</b>	<b>11%</b>
Tax expense	20.4	18.3	12%	61.9	57.5	8%
<b>PAT</b>	<b>35.9</b>	<b>29.1</b>	<b>23%</b>	<b>115.5</b>	<b>102.2</b>	<b>13%</b>
<b>PAT margin (%)</b>	<b>2.7%</b>	<b>3.1%</b>	<b>(35 bps)</b>	<b>3.0%</b>	<b>3.6%</b>	<b>(57 bps)</b>
<b>Diluted EPS (Not annualized)</b>	<b>14.94</b>	<b>12.15</b>	<b>23%</b>	<b>48.06</b>	<b>42.68</b>	<b>13%</b>

**Note:**  
Net Income From Operations includes other operating income, which is a part of regular business income

# Key Financial & Operational Parameters



Particulars	Q3 FY18	Q3 FY17	Y-o-Y Shift	9M FY18	9M FY17	Y-o-Y Shift
EBITDA <sup>1</sup> Margin (%)	6.7%	7.9%	(116 bps)	7.0%	8.7%	(167 bps)
Manufacturing EBITDA Margin (%)	6.7%	7.8%	(110 bps)	7.0%	8.8%	(180 bps)
Profit Before Tax (%)	4.3%	5.0%	(73 bps)	4.6%	5.6%	(97 bps)
Net Margin (%)	2.7%	3.1%	(35 bps)	3.0%	3.6%	(57 bps)
Total Expenditure / Total Operating Income (%)	93.3%	92.1%	116 bps	93.0%	91.3%	167 bps
Raw Material Cost / Total Operating Income (%)	85.3%	82.1%	322 bps	84.4%	81.6%	280 bps
Staff Cost / Total Operating Income (%)	1.5%	2.0%	(49 bps)	1.6%	2.0%	(39 bps)
Other Expenditure / Total Operating Income (%)	6.4%	8.0%	(157 bps)	6.9%	7.7%	(74 bps)
Interest & Finance Charges / Sales (%)	1.5%	2.2%	(68 bps)	1.5%	2.0%	(45 bps)
Tax Rate (%)	36.3%	38.5%	(228 bps)	34.9%	36.0%	(110 bps)
Manufacturing EBITDA/ TON (Rs. )	3,134.3	3,270.0	-4%	3,188.6	3,525.5	-10%

**Note:**

(1) EBITDA without other income



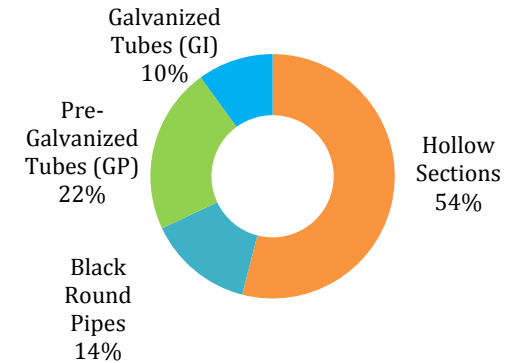
# Key Financial & Operational Parameters



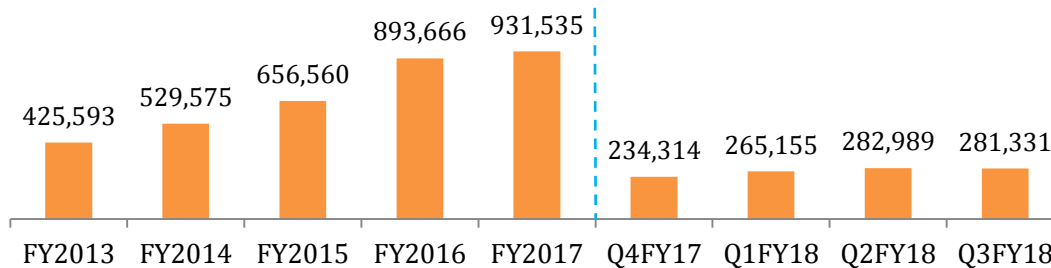
## Sales Volume Break-up

Particulars (Tons)	Q3 FY18	Q3 FY17	Y-o-Y Shift	9M FY18	9M FY17	Y-o-Y Shift
Hollow Sections	157,318	112,708	40%	449,578	353,141	27%
Black Round Pipes	38,537	33,945	14%	116,680	114,443	2%
Pre-Galvanized Tubes (GP)	58,939	46,197	28%	178,594	140,965	27%
Galvanized Tubes (GI)	26,537	29,491	-10%	84,623	88,672	-5%
<b>Finished products</b>	<b>281,331</b>	<b>222,341</b>	<b>27%</b>	<b>829,475</b>	<b>697,221</b>	<b>19%</b>
Others*	13,214	12,982	2%	40,280	35,208	14%
<b>Total</b>	<b>294,545</b>	<b>235,323</b>	<b>25%</b>	<b>869,755</b>	<b>732,429</b>	<b>19%</b>

## Sales Volume (excluding Trading & Scrap) Break-up – 9M FY18



## Sales Volume (Tons) (excluding Trading & Scrap)



- In 9M FY18, sales volume (excluding Trading & Scrap) stood at 829,475 tons compared to 697,221, up 19% Y-o-Y
- Higher focus towards value-added products, Exports, OEM and new markets enhanced overall volume growth
- In-sync with strategy, the Company reported robust sales volume growth in hollow sections and GP pipes

Note:

\*Trading & Scrap

# Key Financial & Operational Parameters

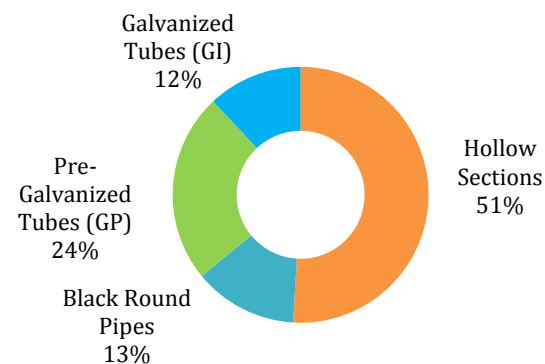
## Realizations (after adjusting inter-company)

Particulars (Rs. / Ton)	Q3 FY18	Q3 FY17	Y-o-Y Shift	9M FY18	9M FY17	Y-o-Y Shift
Hollow Sections	42,817	38,053	13%	41,731	36,353	15%
Black Round Pipes	42,053	37,341	13%	40,898	35,678	15%
Pre-Galvanized Tubes (GP)	51,563	46,368	11%	50,310	44,759	12%
Galvanized Tubes (GI)	51,777	45,993	13%	50,519	44,284	14%
Others*	24,115	20,955	15%	23,200	19,919	16%

## Product-wise Revenue Break-up

Particulars (Rs. crore)	Q3 FY18	Q3 FY17	Y-o-Y Shift	9M FY18	9M FY17	Y-o-Y Shift
Hollow Sections	673.6	428.9	57%	1,876.1	1,283.8	46%
Black Round Pipes	162.1	126.8	28%	477.2	408.3	17%
Pre-Galvanized Tubes (GP)	303.9	214.2	42%	898.5	630.9	42%
Galvanized Tubes (GI)	137.4	135.6	1%	427.5	392.7	9%
Others*	31.9	27.2	17%	93.4	70.1	33%
<b>Total</b>	<b>1,308.8</b>	<b>932.7</b>	<b>40%</b>	<b>3,772.8</b>	<b>2,785.8</b>	<b>35%</b>

## Product-wise Revenue (excluding Trading & Scrap) Break-up - 9M FY18



# Financial Overview and Discussion (YoY)



- **Total Net Income during 9M FY18 stood at Rs. 3,815.4 crore, registering an increase of 34% Y-o-Y; Q3 FY18 Net Income higher by 39% to Rs. 1,314.4 crore**
  - A positive pick-up in the domestic consumption trend coupled with healthy contribution from value-added segments, Exports, and OEMs resulted in a robust volume growth of 27% in Q3 FY18
  - The period saw increased realizations across product categories led by higher steel prices – as a policy any change in steel prices is directly passed onto the customers by the Company
- **EBITDA during 9M FY18 at Rs. 268.4 crore, up by 9% YoY; Q3 FY18 EBITDA higher by 19% Y-o-Y at Rs. 88.5 crore**
  - EBITDA per ton during 9M FY18 stood at Rs. 3,188.6 as against Rs. 3,525.5 in the corresponding period last year
  - The Company expect the EBITDA per ton to remain within an acceptable range
    - Near-term strategy is to primarily focus on volume growth. However, increasing contribution from higher margin value-added branded products and better utilization levels should help report better EBITDA per ton performance
- **Depreciation stood at Rs. 38.5 crore in 9M FY18, higher by 2% Y-o-Y; Depreciation costs increased by 27% to Rs. 13.9 crore in Q3 FY18**
  - Anticipate a marginal increase in depreciation as additional capacities are scheduled to go on-line in the coming quarters
  - However, as utilization levels at new capacities improve and efficiency measures start contributing to performance, Company expects much better absorption of operational costs, in the quarters ahead



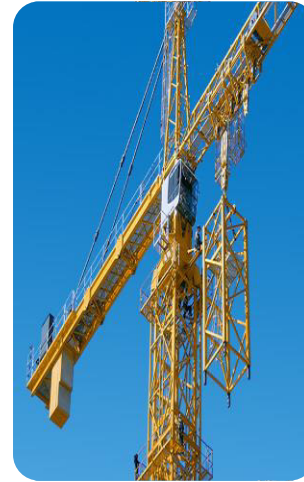
## Commenting on the Company's performance for Q3 & 9M FY2018, Mr. Sanjay Gupta, Chairman, APL Apollo said,

*"We are pleased to report a healthy operational and financial performance during the period under review, especially given the recovering external environment. We delivered a healthy volume growth of 27% YoY during Q3 FY18, primarily led by a strong uptick in sales in the month of December. In addition, healthy business gains across the Exports and OEMs segments also supported our overall result performance during the period under review.*

*On the operational front, we have commissioned a total of six DFT lines across our existing facilities of Raipur, Hosur and Murbad during the 9M period. The initial response from customers for these products has been highly encouraging and we look forward to further enhancing the DFT Capacity across existing facilities in the next few months. We are also happy to share that our recent brand launches – Apollo Coastguard and Apollo Fabritech have been very well-received in the targeted geographies. Along with this, we are also on track to launching more new brand launches in the coming quarters, thereby building stronger outreach across newer clients and geographies.*

*On the whole, we remain optimistic of maintaining business momentum against a backdrop of our strategic initiatives, improving macros and a healthy balance sheet profile. Given our leadership position in the sector, we are well poised to leverage on a host of opportunities across key industries, which should enable us to deliver performance in line with our expectations."*

# Annexure



Infrastructure

Construction

Automobiles

Energy

Agriculture

## APL Apollo Tubes Limited (APL Apollo) Q3 & 9M FY18 Earnings Conference Call

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**Time** • 11:00 am IST on Tuesday, January 30, 2018

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**Local dial-in numbers** • Primary number: +91 22 3938 1071

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**International Toll Free Number**

- Hong Kong: 800 964 448
- Singapore: 800 101 2045
- UK: 0 808 101 1573
- USA: 1 866 746 2133

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**APL Apollo Tubes Limited (APL Apollo) [BSE: 533758, NSE: APLAPOLLO]** is one of India's leading branded steel products manufacturers. Headquartered at Delhi NCR, the Company operates six manufacturing facilities with a total capacity of 1.3 Million MTPA. It has a PAN-Indian presence with units strategically located in Sikandarabad (3 units), Bangalore, Hosur and Murbad. APL Apollo's multi-product offerings include over 400 varieties of MS Black pipes, Galvanized Tubes, Pre-Galvanized Tubes, Structural ERW Steel tubes and Hollow Sections.

With state-of-the-art-manufacturing facilities, APL Apollo serves as a 'one-stop shop' for a wide spectrum of steel products, catering to an array of industry applications such as urban infrastructures, housing, irrigation, solar plants, greenhouses and engineering. The Company's vast 3-tier distribution network of over 600 dealers is spread all across India, with warehouses cum- branch offices in over 20 cities

## **For further information, please contact:**

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Thank You