

# APL APOLLO

November 2019



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APL Apollo Overview

Structural Steel Applications

Core Competence

Exciting Future

Financial Priorities & Performance

Key Takeaways

# 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

Brands

Five Product Categories

40%

Market Share

2.5

Million Ton

Structural Steel Capacity

8 Patents

11 Plants

2,079 Employees

790 Distributors

1,100+ 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

CostGuard

## Apollo Build

Galvanized structural steel construction material:  
Residential, Commercial, Infrastructure

Green, Bheem, StrenX

## Apollo Standard

Construction material, Industrial

FireReady, Agri

## Apollo Tricoat

Home improvement applications

Tricoat, Plank, Signature, Elegant, Chaukhat

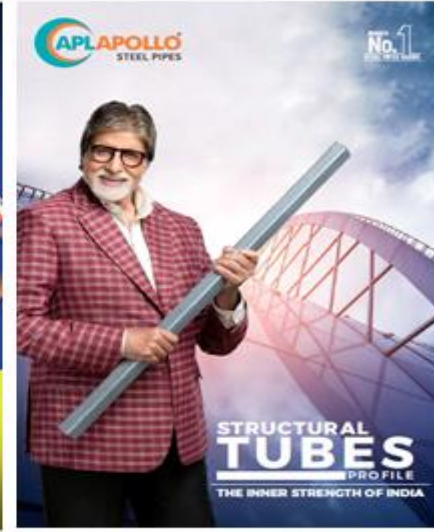
68% Building Material

32% Infrastructure & Others

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



# Brand Equity

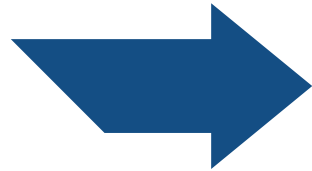


# Brand Equity



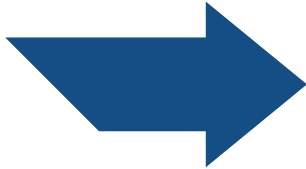


# B2C Channel



## Distributors

790 Distributors – Solid Relationships, Incentive plans



## Retailers

50,000 Retailers – Retailer bonding program



## Fabricators

100,000 Fabricators – Apollo Connect Bonding Programs, Fabricator meets to promote APL Apollo Brand



## End Consumer

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



# STRUCTURAL STEEL APPLICATIONS

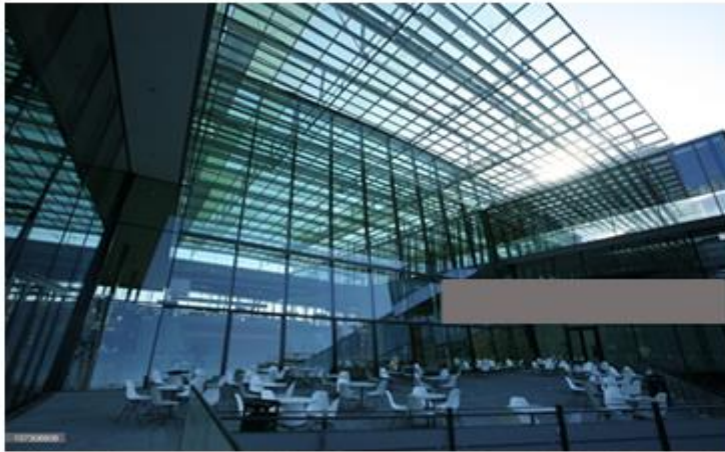


# Structural Steel Applications





# Structural Steel Applications



# CORE COMPETENCE



# Our Business Moat...

Most products  
with 1,100 SKUs

Highest scale with 11 plants  
(2.5Mn ton capacity)

Largest sales network  
(790 distributors)



Lowest cost producer  
(largest buyer of HR coil)

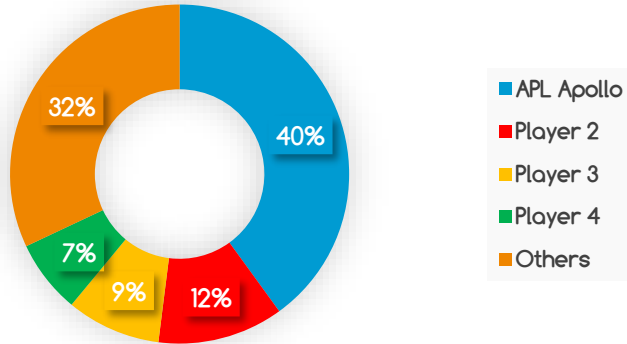
Premium pricing to peers  
(brand strength)

Technology edge &  
Innovation

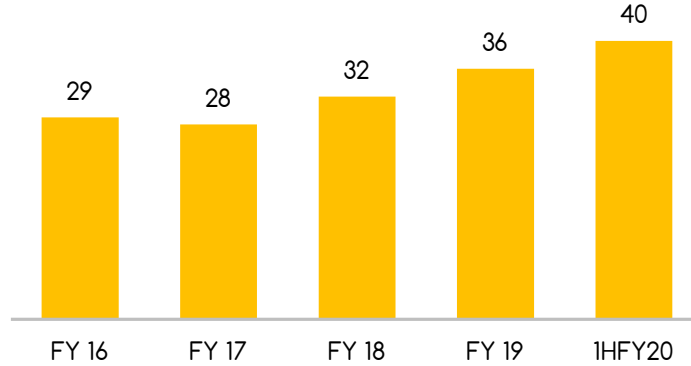
Lowest lead time to Distributors

# Dominant Leadership

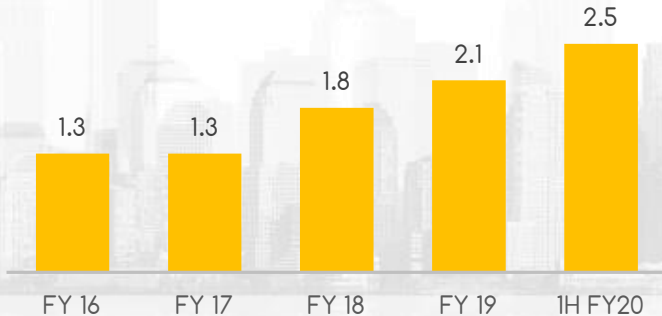
## Peer Market Share FY19



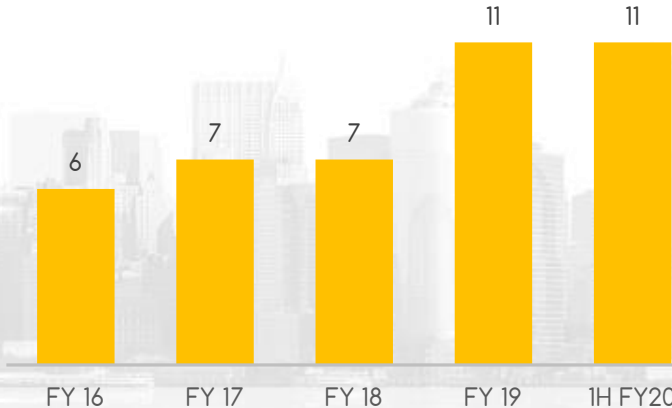
## APL's Market Share (%)



## Capacity (Mn Tons)



## Number of Plants



# Unique Capabilities



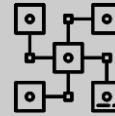
Developed structural steel market in India

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

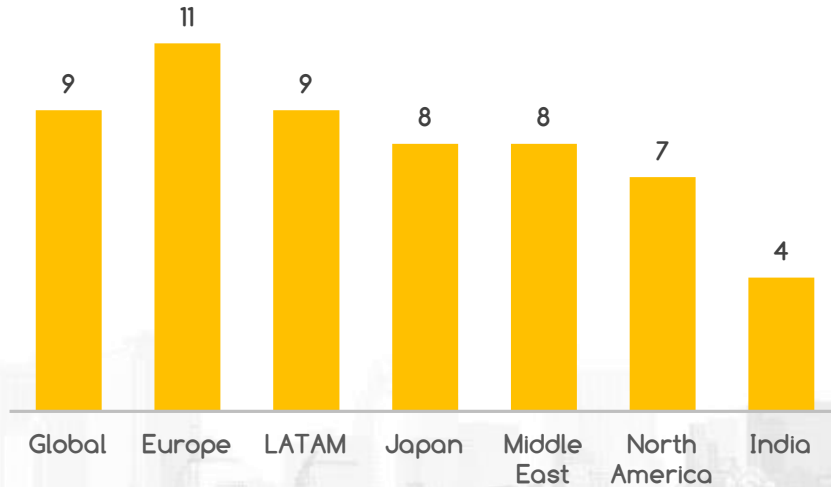
Ground breaking solutions  
Roofing solutions for coastal market, door frame

# EXCITING FUTURE

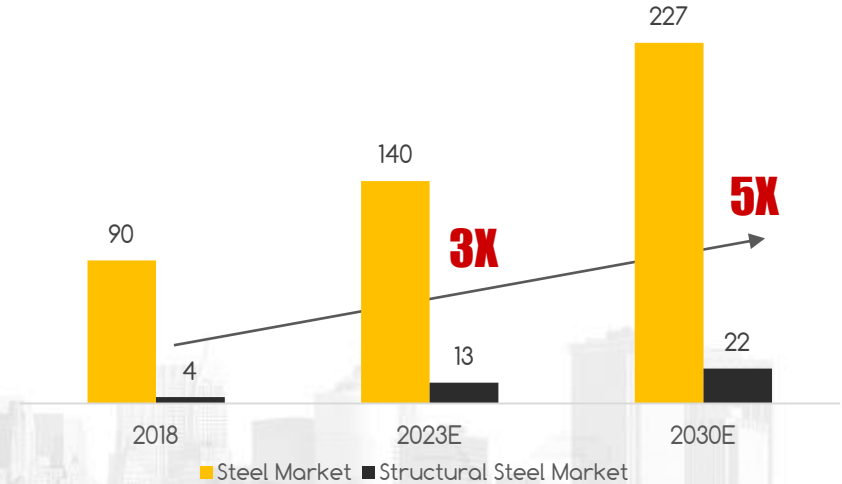


# India at the start of Structural Steel Usage

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

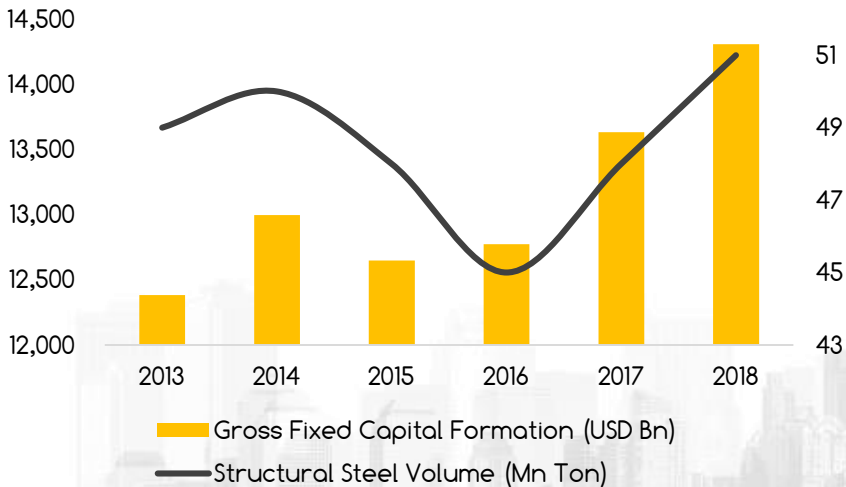
- Growing vertical model of development
  - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
  - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need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

## Benefits

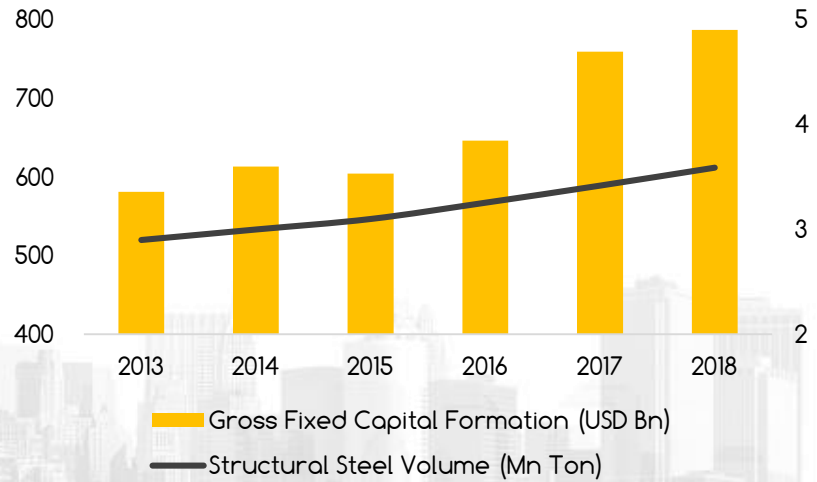
- Environmental friendly
  - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

# Structural Steel Market expansion linked to construction activity

## Global Structural Steel Market expansion



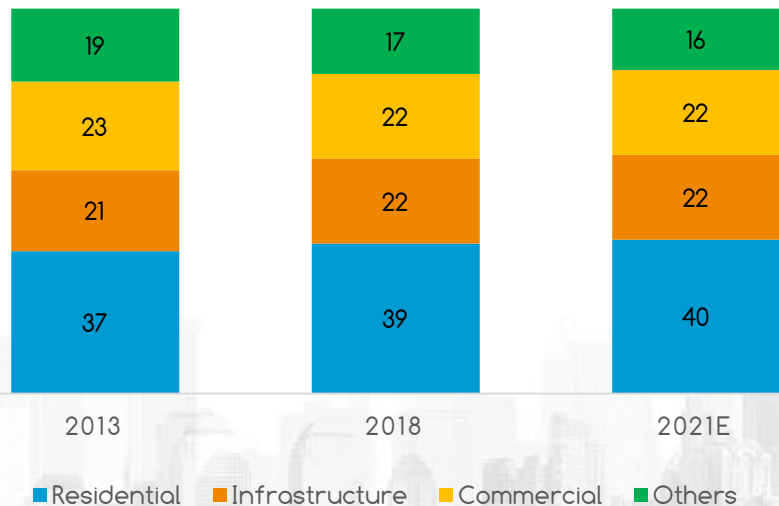
## Indian Structural Steel Market expansion



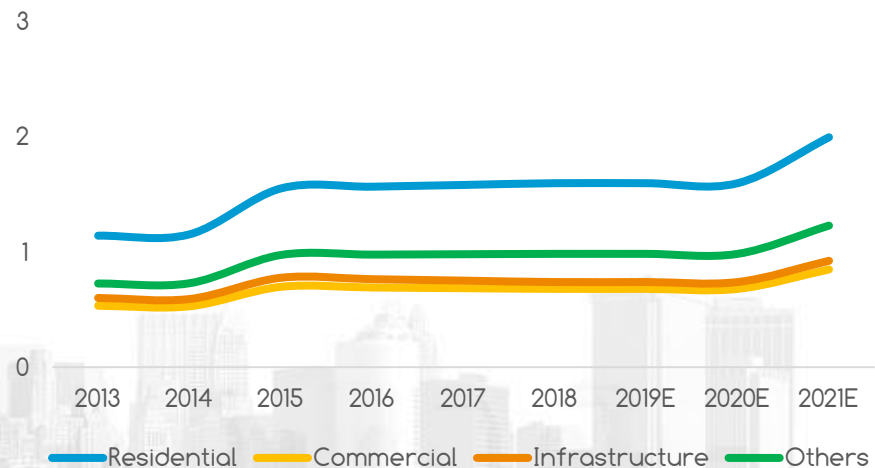
Countries included: USA, Europe, Japan, China  
Source: Company data and Industry research

# Structural Steel Uses

Global Structural Steel Uses - Segment wise breakup (%)

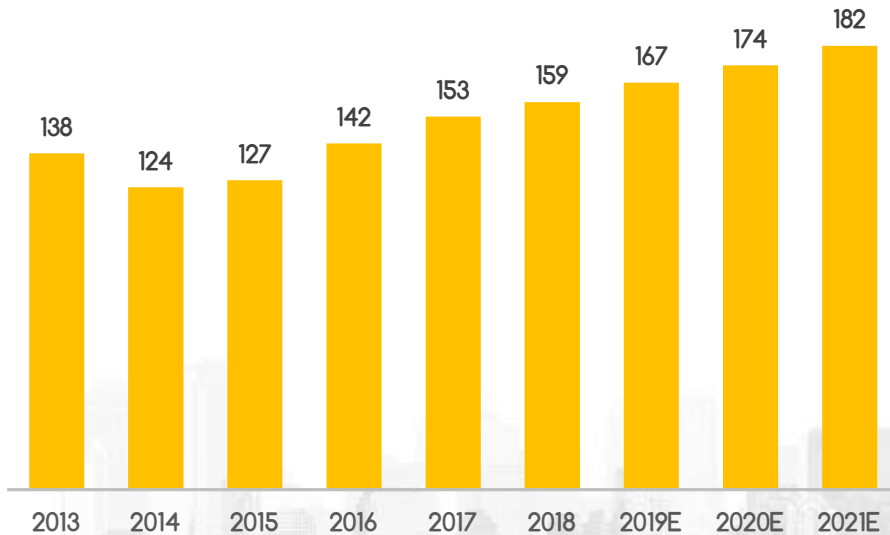


Indian market taking off in all segments (Mn ton)



# 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..

- ✓ 1HFY20 sales volume was 0.8Mn 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
- EPS accretive strategic acquisitions
- Commitment to R&D and Talent



## Earnings

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

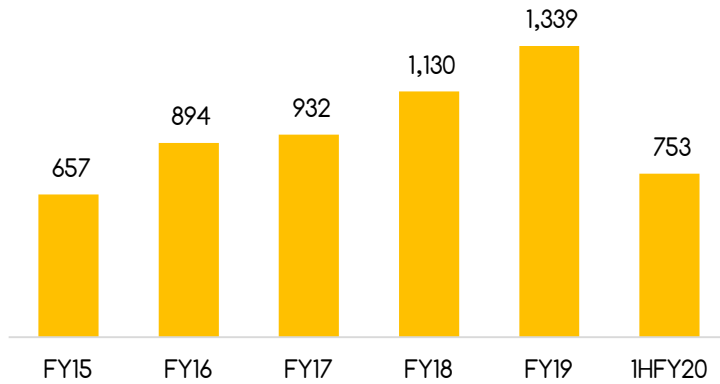
## Capital Allocation

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

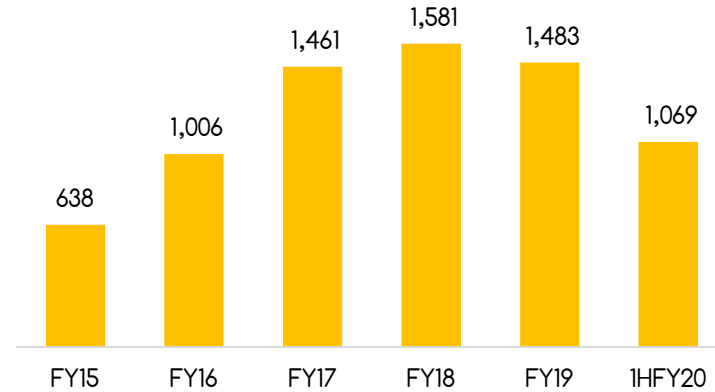


# Growing Strength to Strength

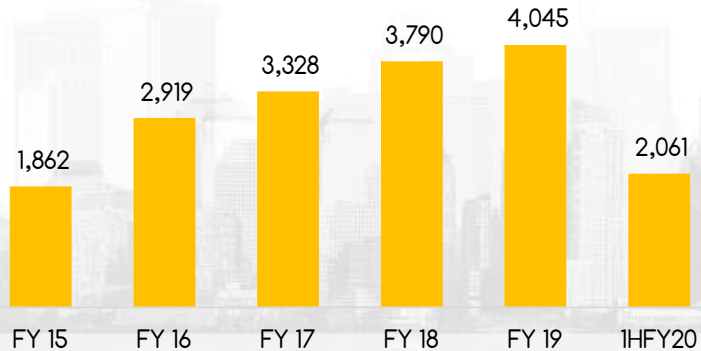
Volume (000's Ton)



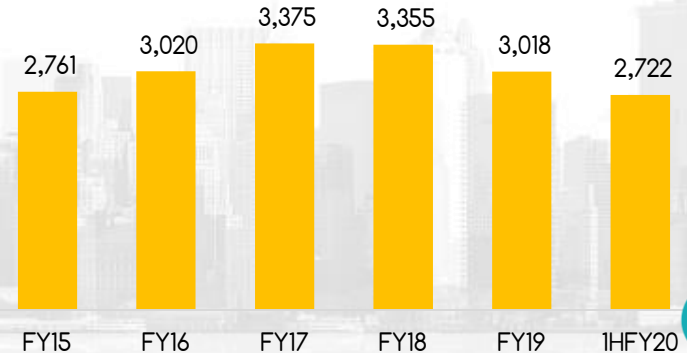
PAT (Rsm)



EBITDA (Rsm)



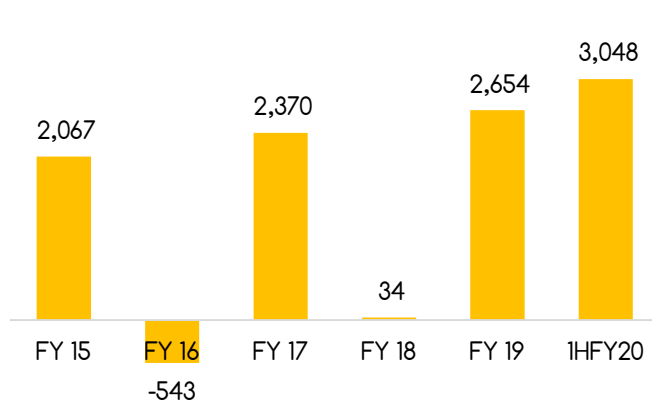
EBITDA/Ton (Rs)



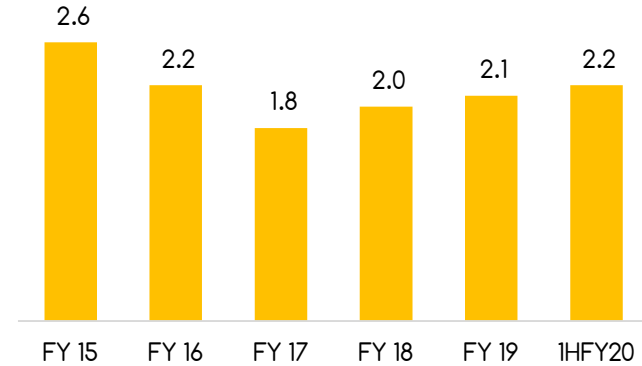
Note: This data is based on the Consolidated Financial data of the Company

# Growing Strength to Strength

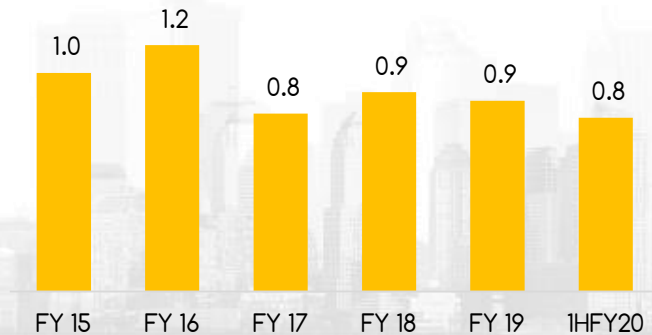
## Operating Cash flow (Rsm)



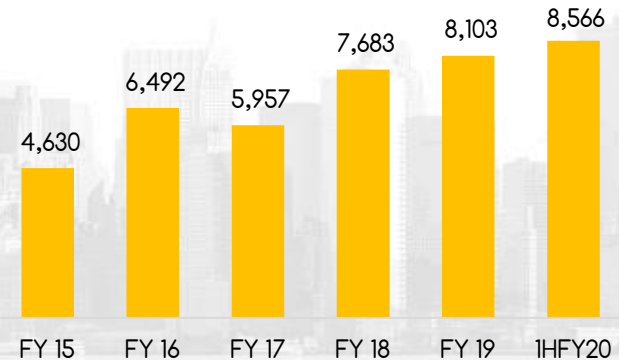
## Debt to EBITDA (x)



## Debt to Equity (x)



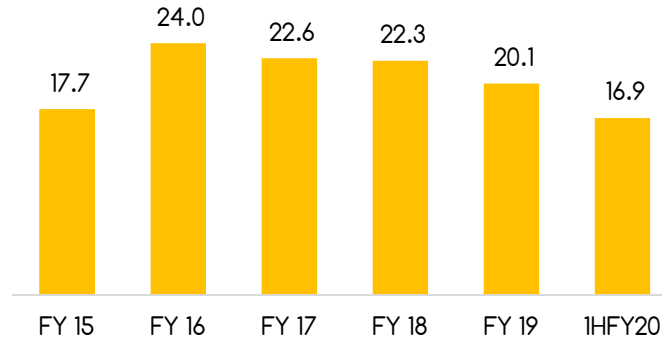
## Net debt (Rsm)



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

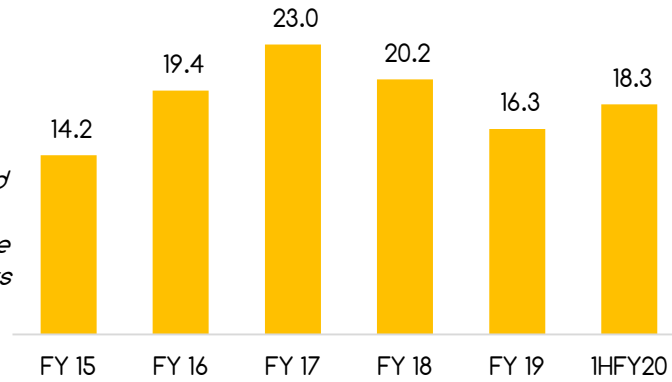
# Growing Strength to Strength

## ROCE (%)

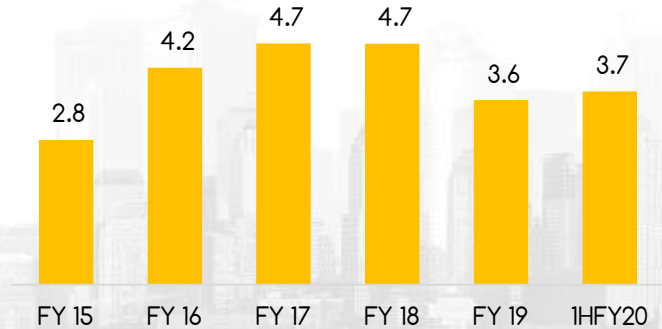


*Recently acquired Shankara Plant & Apollo Tricoat are yet to yield results*

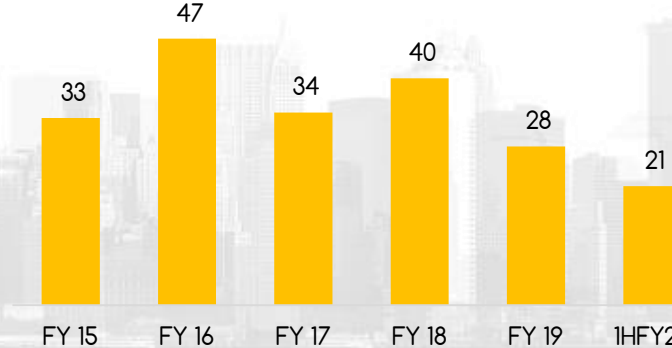
## ROE (%)



## Interest Coverage Ratio (x)



## Net Working Capital Days



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

# Growing Strength to Strength

| Particulars              | FY15  | FY16  | FY17  | FY18  | FY19  | 1HFY20 | Growth Y-o-Y | CAGR (FY15-19) |
|--------------------------|-------|-------|-------|-------|-------|--------|--------------|----------------|
| Sales Volume ('000 ton)  | 657   | 894   | 931   | 1,130 | 1,339 | 753    | 24%          | 26%            |
| Apollo Structural        | 248   | 426   | 475   | 614   | 766   | 427    |              |                |
| Apollo Z                 | 148   | 160   | 189   | 241   | 283   | 152    |              |                |
| Apollo Tricoat           |       |       |       |       |       | 28     |              |                |
| Apollo Build             | 91    | 115   | 117   | 111   | 92    | 44     |              |                |
| Apollo Standard          | 170   | 194   | 151   | 164   | 198   | 102    |              |                |
| EBITDA (Rsm)             | 1,862 | 2,919 | 3,328 | 3,790 | 4,045 | 2,061  | 6%           | 22%            |
| EBITDA (Rs/ton)          | 2,835 | 3,267 | 3,572 | 3,354 | 3,020 | 2,739  |              |                |
| PAT (Rsm)                | 638   | 1,006 | 1,461 | 1,581 | 1,483 | 1,069  | 45%          | 19%            |
| <b>Network expansion</b> |       |       |       |       |       |        |              |                |
| No of Distributors       | 375   | 600   | 600   | 650   | 790   | 790    |              | 20%            |
| No of Plants             | 6     | 6     | 7     | 7     | 11    | 11     |              |                |

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



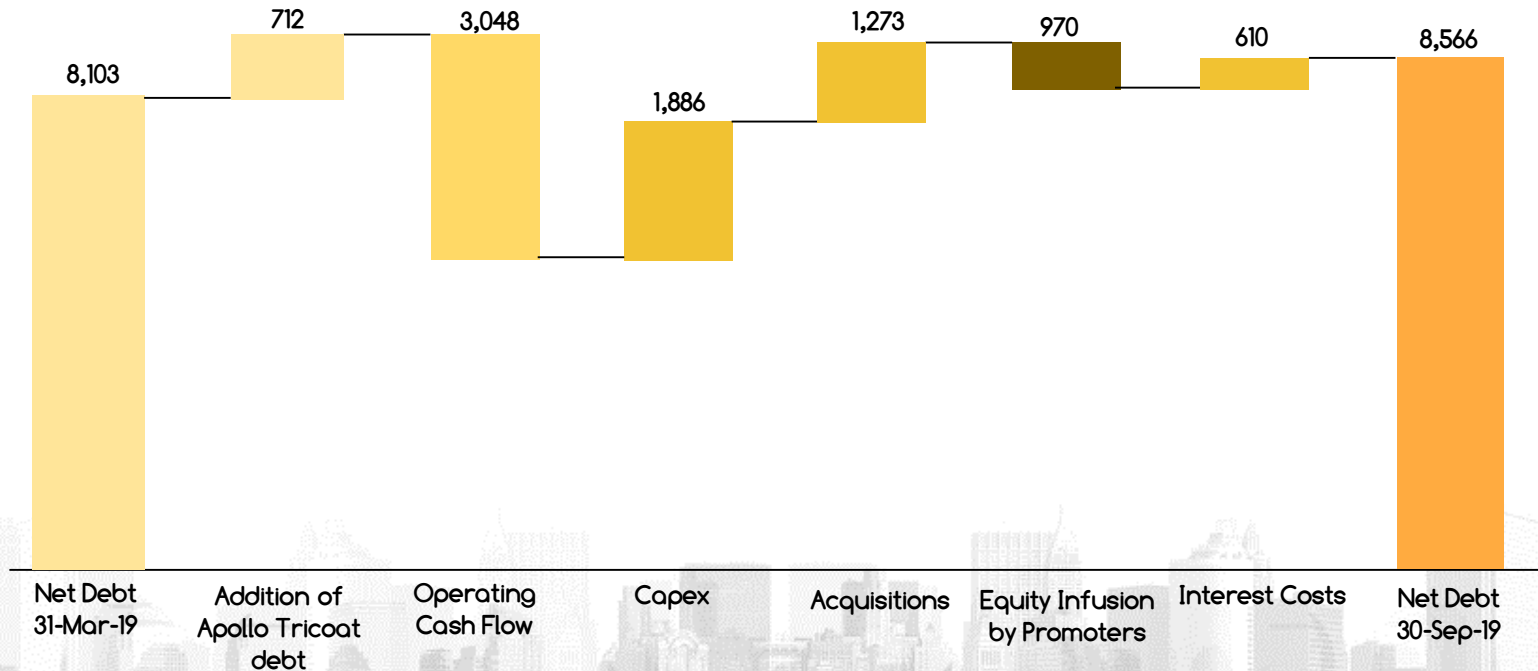
# Financial Performance

| P&L (Rsm)               | FY19   | HI FY20 | Q2 FY20 |
|-------------------------|--------|---------|---------|
| Sales Volume (000s Ton) | 1,339  | 753     | 364     |
| Revenue                 | 71,640 | 37,281  | 16,519  |
| EBITDA                  | 4,045  | 2,061   | 766     |
| EBITDA/Ton              | 3,020  | 2,739   | 2,104   |
| Depreciation            | 643    | 442     | 240     |
| Interest                | 1,134  | 551     | 269     |
| Tax                     | 787    | -52     | -341    |
| Net Profit              | 1,482  | 1,120   | 598     |
| Minority Interest       | -      | 51      | 47      |
| Actual Net Profit       | 1,482  | 1,069   | 551     |
| ROCE (%)                | 20.1   | 16.9    |         |
| ROE (%)                 | 16.3   | 18.3    |         |

| Balance Sheet (Rsm)  | FY19   | HI FY20 |
|----------------------|--------|---------|
| Net Worth            | 9,640  | 11,421  |
| Net Debt             | 8,103  | 8,566   |
| Total                | 17,743 | 19,987  |
| Fixed Assets         | 12,849 | 14,441  |
| Goodwill             | 230    | 1,375   |
| Net Working Capital  | 6,283  | 4,887   |
| Total                | 19,632 | 20,690  |
| Working Capital Days | 28     | 21      |

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

# Consolidated Debt Profile & Cash Flows



The business continues to generate strong operational cash flow



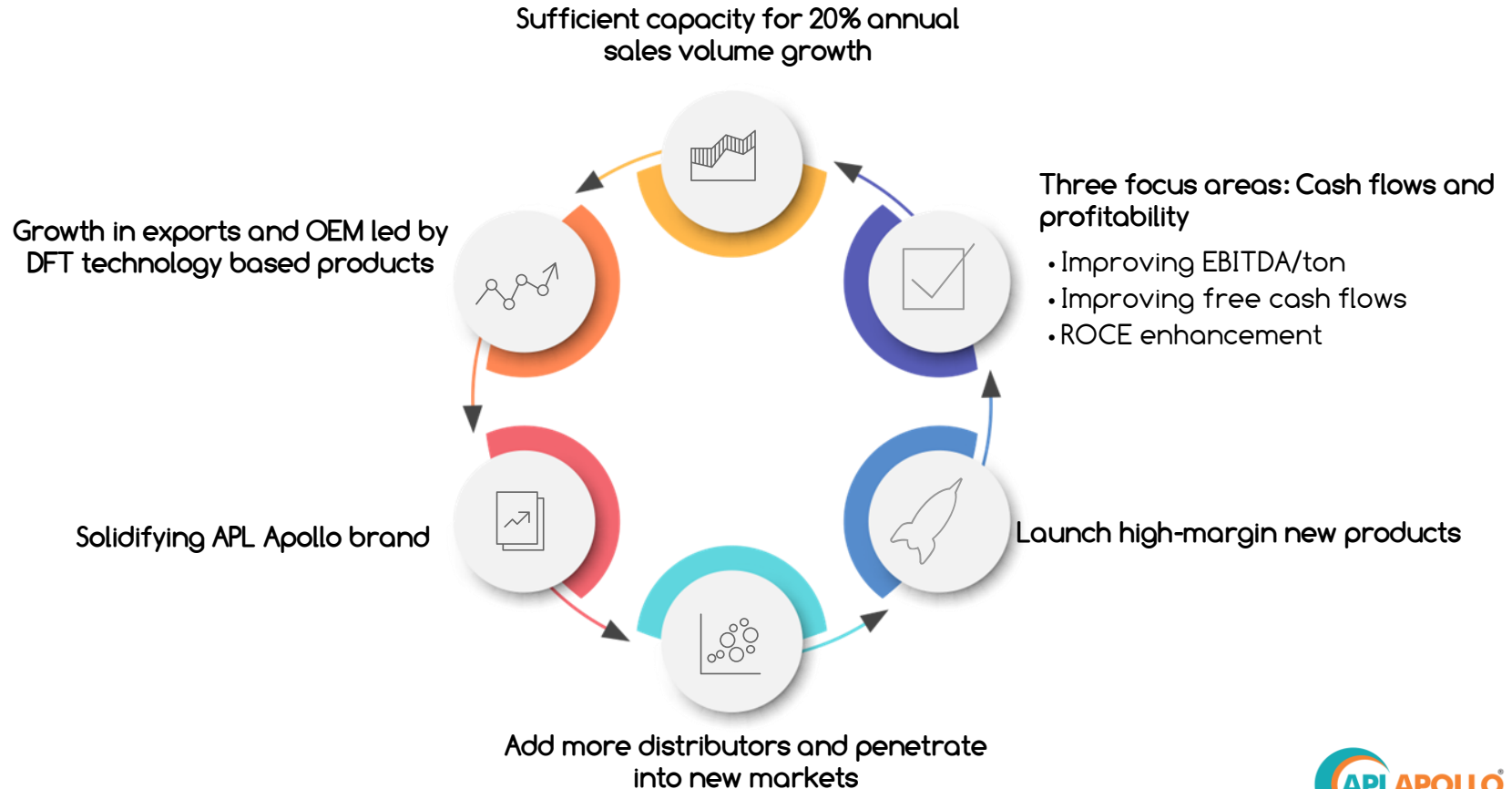
The increase in debt is on account of capital expenditure done for future growth



The benefits of this expenditure will start getting visible from 2HFY20 onwards

# KEY TAKEAWAYS

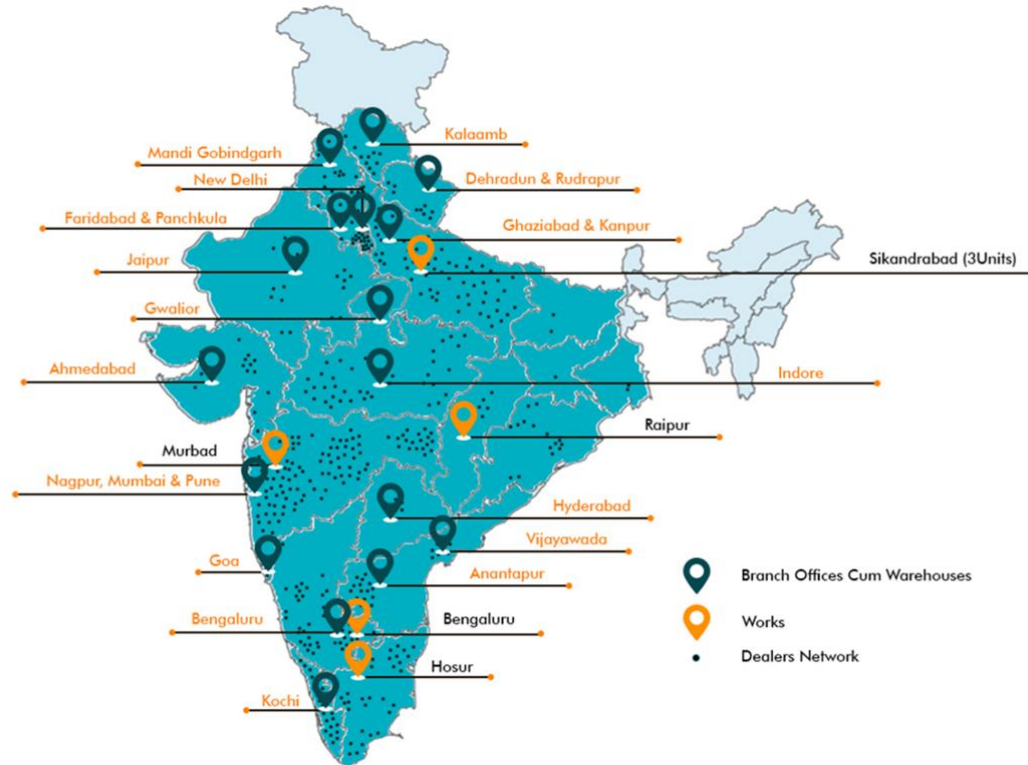
# Solid Future Outlook





# Enhancing Presence and Unlocking Opportunities

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



790

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
- ✓ Made contribution to: Prime Minister's National Relief Fund for Education of Poor Children, World Hope Foundation, U.P. Science Centre and Bharat Lok Shiksha Parishad
- ✓ 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
- ✓ 5 independent board members out of 9
- ✓ Remuneration of promoter was 2% of the net profit in FY19 (below the threshold of 10%)
- ✓ No treasury operations

# Solid 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

**Sanjoy Gupta**  
Chairman & Managing Director

**Vinay Gupta**  
Director

**Romi Sehgal**  
Director

**P.K. Singh**  
Executive Director

**Arun Agrawal**  
Chief Operating Officer

**Deepak Goyal**  
Chief Finance Officer

**Anubhav Gupta**  
Chief Strategy Officer

**Shiv Bansal**  
VP-Sales

# Thank You

For further information, please contact:

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