APL Apollo Tubes Limited
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Revenues cross Rs. 1000 cr mark for the first time in a quarter EBITDA increases by 43% to Rs. 71 cr.

NCR Region, India, 9 November, 2015: APL Apollo Tubes Limited, India's leading ERW steel tubes manufacturer with an annual capacity to produce 1,050,000 tons having manufacturing facilities in North (Uttar Pradesh), South (Karnataka, Tamil Nadu), and West (Maharashtra), announced its financial results for the second quarter ended 30th September, 2015. Limited review of unaudited quarterly results on standalone basis was done by M/s Deloitte Haskins & Sells LLP, who were appointed as the new Auditors in the last AGM.

Commenting on the Company's performance for Q2 FY2016, **Mr. Sanjay Gupta, Chairman, APL Apollo** said, "*It gives me great pleasure to inform that the Company has crossed the Rs. 1000 cr revenue in a quarter for the first time in his history. The revenue growth of over 40% was backed up stable EBITDA margin despite pressures on realization. The Company has been a leader in its field and to further cement this pole position, we are investing in state-of-the-art HSU tube mills which will not only pitchfork APL Apollo as a leader in technological innovation but will also bring tremendous benefits to customers due to the exacting quality standards and wide variety at a short notice that this technology will deliver.* "

He also added, "*The vision of the Company is to increase the capacity to 2.5 million tonnes by 2020 and plans are afoot to look at adding new plants in Eastern India and Middle East.*"

Performance Highlights

Corresponding Y-o-Y Review

Q2 FY2016 (July – September 2015) v/s. Q2 FY2015 (July – September 2014)

- Net sales increased by 40% to Rs. 1057 cr. from Rs. 754 cr.
- EBITDA increased by 43% from Rs. 49 cr. to Rs. 71 cr.
- EBITDA margin was 6.7% in current quarter against 6.6 % in corresponding period last year
- Net Profit after Tax was flat ; increased from Rs 19.4 to Rs 20 cr. in the current quarter
- Earnings Per Share (after extraordinary items) increased by 4% to Rs. 8.57 from Rs. 8.26

Corresponding Half Yearly Review

H1 FY2016 (April – September 2015) v/s. H1 FY2015 (April – September 2014)

- Net sales increased by 36% from Rs. 1,483 cr. to Rs. 2,022 cr.
- EBITDA increased from Rs. 100 cr. to Rs. 129 cr.
- Net Profit after Tax increased from Rs. 39 cr. to Rs. 42 cr.
- Earnings Per Share (after extraordinary items) was Rs. 17.89 compared to Rs. 16.73; an increase of 7%

Business Outlook

During these six months, steel prices have seen downward pressure and company had to take a Inventory Loss to the extent of Rs 13.52 cr. in Q2 FY16 and 34.54 cr. in H1 FY16. Going forward, it is expected that steel prices may stabilize. Demand for steel pipes has been rising gradually at the back on increased household income and infrastructure spending. To tap this growing market, company is planning to add additional facilities (Brownfield expansion) at its existing plants. It is also planning to set up a Greenfield plant in Eastern Region, where it does not have its presence currently. To tap international markets, where company is a significant exporter currently, plans are afoot to set up a new plant in Middle East.

1. **Investment in HSU Tube Mill:** The Company has placed orders for five lines of state-of-the-art HSU tube mill from an international manufacturer to augment its current capacity.

   The mills ordered have a wide range of benefits would offer tremendous benefits in the operation of the company including inter alia,

   - Quick Changeover without additional die cost.
   - Supply of any shape/size as per customer requirement in 24 Hrs.
   - Reduced Inventory.
   - Increased value due to lower weight per length in same dimension.
   - Wider Product range.
   - Automation resulting in reduced production cost.

   This is yet another example of APL Apollo using technology to further cement its position in the ERW pipe market in India. The Company expects delivery of these 5 lines in the next 11-12 months. Given 65% of our finished product is in form of hollow sections, this technology will leapfrog APL Apollo into the next orbit in the Indian ERW tubes market.

   The technology has been licensed to APL Apollo by the manufacturer on a preferential arrangement. The Company would look at replacing some of the traditional lines in its facilities with this technology on successful installation and commencement of production of hollow sections.

2. **Capacity Addition to reach 2.5 million tonnes by 2020:** The Company is planning to augment production capacity to 2.5 million tonnes by 2020 from the current 1.05 million tonnes. The Company is confident of garnering a huge share of the market from unorganized players and peers in a commoditized market where volume growth and innovation would be key drivers to increased margins.

3. **Setting up a new plant in Eastern India:** The Company is currently servicing Eastern India through its plant at Sikandarabad. While a reasonable demands exists for the ERW pipes in this region, freight costs from Northern India imply low margins for the products.

   The Company has been scouting around for brown-field or even a green-field opportunity to stem this anomaly. Presence of a plant in Eastern India would give APL Apollo a captive audience due to the efforts undertaken until now as well as shore up the margins which will benefit the Company in the long run.

4. **Targeting Export Market with a new plant in the Middle East:** Exports will be a key thrust of the Company going forward as a latent demand exists in MENA and the European nations for ERW pipes. The Company is putting a blue-print in place to set up a new plant in the Middle East which would be the production hub for all our export requirements. This facility will add a new dimension to APL Apollo's geographical reach as well enhance the Company's brand image all across the world.

   With these developments, APL Apollo expects to maintain its growth trajectory and become a substantial global player.

Financial Highlights

Particulars (Rs. Cr.)	Quarter Ended		QOQ		YOY	Half Year Ended	
	Q2FY16	Q1FY16	Shift (%)	Q2FY15	Shift (%)	H1FY16	H1FY15
Income from Operations							
Gross Manufacturing Sales	975.2	983.2		840.2		1,958.5	1,658.6
Less: Excise Duty	110.9	110.2		89.0		221.1	182.3
Net Manufacturing Sales	864.3	873.0		751.2		1,737.3	1,476.3
Trading Sales	192.2	92.1		2.4		284.3	6.5
Total Income from Operations (Net)	**1,056.5**	**965.1**	**9%**	**753.5**	**40%**	**2,021.6**	**1,482.8**
Expenses							
(a) Consumption of Raw Materials	768.1	756.6		687.1		1,524.6	1,329.1
(b) Purchase of traded goods	186.5	90.1		2.2		276.7	6.0
(c) Changes in inventories/WIP	-3.8	25.6		-11.8		21.8	0.5
(d) Employee Benefit Expense	15.0	13.8		8.6		28.8	16.6
(e) Depreciation & Amortization	7.6	7.3		4.8		14.9	9.4
(f) Other Expenditure	21.7	22.7		18.3		44.4	32.3
Total Expenses	**995.1**	**916.1**	**9%**	**709.1**	**40%**	**1,911.2**	**1,393.9**
EBIT Before Other Income / Exceptional Items	**61.4**	**49.0**	**25%**	**44.5**	**38%**	**110.4**	**88.9**
Other Income	2.1	1.6		0.5		3.7	1.6
EBIT Before Exceptional Items	**63.5**	**50.6**	26%	**45.0**	**41%**	**114.0**	**90.6**
Finance Costs	16.8	16.1		16.7		32.9	32.6
PBT Before Exceptional Items	**46.7**	**34.4**	36%	**28.3**	**65%**	**81.1**	**58.0**
Exceptional Item	16.2	1.4		-	-	17.6	-
PBT	**30.6**	**33.0**	-7%	**28.3**	**8%**	**63.6**	**58.0**
Tax Expense	10.5	11.1	-6%	8.9	18%	21.6	18.8
PAT	**20.0**	**21.8**	-8%	**19.4**	**4%**	**41.9**	**39.2**
Paid-up Equity Share Capital (Face Value of Rs.10/each)	**23.4**	**23.4**		**23.4**		**23.4**	**23.4**
Earnings Per Share							
Basic EPS (Not annualized)	8.6	9.3	-8%	8.3	4%	17.9	16.7
Diluted EPS (Not annualized)	8.7	9.3	-7%	8.3	5%	17.9	16.7

Key Financial Ratios

Particulars (%)	Quarter Ended		QOQ		YOY	Half Year Ended	
	Q2FY16	Q1FY16	Shift (bps)	Q2FY15	Shift (bps)	H1FY16	H1FY15
EBITDA Margin	6.7	6.0	74	6.6	12	6.4	6.7
EBITDA Margin Manufacturing	7.6	6.4	117	6.6	97	7.0	6.7
EBITDA Margin Trading	3.0	2.1	86	8.2	-528	2.7	7.3
Profit Before Tax	2.9	3.4	-53	3.8	-86	3.1	3.9
Net Margin	1.9	2.3	-37	2.6	-67	2.1	2.6
Total Expenditure / Total Operating Income	93.5	94.2	-70	93.5	0	93.8	93.4
Raw Material Cost / Total Operating Income	90.0	90.4	-39	89.9	9	90.2	90.1
Staff Cost / Total Operating Income	1.4	1.4	-1	1.1	28	1.4	1.1
Other Expenditure / Total Operating Income	2.1	2.4	-30	2.4	-37	2.2	2.2
Interest & Finance Charges / Sales	1.6	1.7	-9	2.2	-63	1.6	2.2
Tax Rate	34.4	33.8	61	31.6	281	34.0	32.4

Sales Volume Break-Up

Particulars (MT)	Quarter Ended		QOQ		YOY	Half Year Ended	
	Q2FY16	Q1FY16	Shift (%)	Q2FY15	Shift (%)	H1FY16	H1FY15
Black Pipe	151	144	4%	106	42%	295	206
GI Pipe	28	27	2%	22	25%	55	44
GP Pipe	42	40	5%	38	13%	82	75
Coils & Others (including scrap)	16	12	33%	9	69%	28	19
Total	**237**	**224**	6%	**175**	35%	**461**	**345**

Realizations (after adjusting inter-company)

Particulars (Rs. / Ton)	Quarter Ended		QOQ		YOY	Half Year Ended	
	Q2FY16	Q1FY16	Shift (%)	Q2FY15	Shift (%)	H1FY16	H1FY15
Black Pipe	34,500	37,000	-7%	41,500	-17%	35,700	40,700
GI Pipe	42,850	45,200	-5%	50,500	-15%	44,000	50,500
GP Pipe	43,450	45,300	-4%	50,800	-14%	44,300	50,900
Coils & Others (including scrap)	25,650	24,600	4%	29,800	-14%	25,200	25,600

Product-wise Revenue Break-up

Particulars (Rs. Cr.)	Quarter Ended		QOQ		YOY	Half Year Ended	
	Q2FY16	Q1FY16	Shift (%)	Q2FY15	Shift (%)	H1FY16	H1FY15
Black Pipe	519.6	535.0	-3%	440.4	18%	1,055.0	840.0
GI Pipe	120.1	124.2	-3%	113.5	6%	244.0	215.0
GP Pipe	183.5	181.7	1%	190.4	-4%	365.0	378.0
Coils & Others (including scrap)	40.8	29.5	38%	28.1	45%	70.0	50.0
Total	**864.0**	**870.4**	**-1%**	**772.4**	**12%**	**1,734.0**	**1,483.0**

Business Mix

Particulars (Rs. Cr.)	Quarter Ended		QOQ		YOY	Half Year Ended	
	Q2FY16	Q1FY16	Shift (%)	Q2FY15	Shift (%)	H1FY16	H1FY15
Exports	3,057.00	3,057.00	0%	5,407.20	-43%	7,558.70	9,746.20
Domestic	1,02,595.90	93,448.84	10%	69,946.30	47%	1,94,600.10	1,42,251.90
Total	**1,05,652.90**	**96,505.84**	**9%**	**75,353.50**	**40%**	**2,02,158.80**	**1,51,998.10**

About APL Apollo Tubes Limited

APL Apollo Tubes Limited (BSE: 533758, NSE: APLAPOLLO) is the largest producer of ERW steel tubes in India with a capacity to produce more than 1,050,000 TPA. The Company has 6 manufacturing facilities in Sikandarabad (Uttar Pradesh), Hosur (Tamil Nadu), Bengaluru (Karnataka), and Murbad (Maharashtra). The Company's key product categories include more than 300 varieties of MS Black pipes, Galvanized Tubes, Pre Galvanized Tubes, and Hollow Sections. Company's key focus is on producing structural ERW steel tubes.

Products manufactured are largely sold in Tier II and Tier III cities of India via 3-tier distribution network comprised of more than 300 dealers. Products are also exported to Europe, US and Australasia regions.

For more information please visit our web site www.aplapollo.com

If you have any questions or require further information, please feel free to contact

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