# APL Apollo Tubes Ltd

## Q2 & H1FY19 Earnings Call Transcript
## November 12, 2018

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**Moderator** Ladies and gentlemen, good day, and welcome to APL Apollo Tubes Limited's Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

**Anoop Poojari** Thank you. Good afternoon, everyone. And thank you for joining us on APL Apollo Tubes Limited's Q2 & H1 FY2019 Results Conference Call. We have with us Mr. Sanjay Gupta – Executive Chairman of the Company, Mr. Ashok Gupta – Managing Director of the Company and Mr. Deepak Goyal – CFO of the Company.

We will begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session. Before we start, I would like to point out that some statements made in this call maybe forward-looking and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Deepak Goyal to make his opening remarks.

**Deepak Goyal** Good afternoon, everyone. I welcome all of you to the APL Apollo conference call to discuss the operating and financial results for the quarter and half year ended September 30, 2018. I will briefly cover the financial performance of Q2 & H1 FY19, following which, Ashokji will take you through the business performance.

Our total net revenue during the quarter stood at Rs. 1,690 crore, registering an improvement of 26% year-on-year. In H1 FY19, total net revenue grew by 35% to Rs. 3,367 crore. Our sales volume, improvement of 7% to 3.04 lakhs metric ton in Q2 FY19 and in H1 FY19, volumes stood at 6.06 lakh metric tons, higher by 11%. Volumes during the quarter were impacted due to the external challenges such as transporters' strike in the month of July, flood in Kerala that affected the volumes in our key south market and healthy monsoons in July and August, which further slowed down the volume from the building materials segment.

With regards to our profitability, EBITDA in Q2 FY19 stood at Rs. 86 crore, lower by 15% year-on-year. In H1 FY19, EBITDA stood at Rs. 195 crore, higher by 8% year-on-year. EBITDA per ton during Q2 FY19 stood at Rs. 2,800 and in H1 FY19 it stood at Rs. 3,200. Profitability during the quarter was impacted due to the combination of multiple factors, such as healthy monsoon, slow demand in the export market; this impacted the building material segment, which resulted in lower contribution from our high margin GI segment. Flood in our key market of Kerala affected sales of our high margin GP pipe.

Moreover, significant depreciation in rupee also had an adverse impact, particularly on the imported raw material.

Interest cost during the quarter was higher due to the increased volume and higher steel price, led to increased working capital requirement, which resulted in higher interest outgo. The company has also consciously increased the inventory position during the period to limit uncertainty around the raw material availability from one of the major raw material suppliers. Additionally, overall increasing interest cost led to a higher cost of borrowings during the period.

During the quarter, PAT stood at Rs. 26.7 crore against Rs. 40.7 crore in Q2 FY18. In H1 FY19, PAT stood at Rs. 74 crore against Rs. 79 crore.

With that, let me request Ashokji to take you through our business performance.

**Ashok Gupta**

Thank you, Deepak. I welcome my friends once again. We are really very happy that we have a very good audience today. It has been a very crucial and a challenging quarter for us. In fact, not only for us but the whole economy as such. We also know how the floods affected everybody in India in the month of July, more so in Kerala. And you know Kerala is one of our main premium markets, and obviously we are with the people of Kerala in the hour of tragedy. Apart from that, we also had a unfortunate strike by the transporters, and that had a big impact, 10 days strike. So, overall, it was a very challenging quarter for us, everybody in the economy and more so for us, because of our markets being in those areas.

If we remember, in the months of April, June, there was a talk of takeover of Bhushan by Tatas, which was going to have a significant impact on the raw material availability.  To guard against any shortage of raw material, we had taken precautionary steps and imported significant quantity of materials. Fortunately, we had been able to take care of the raw material requirements, insurance against raw material shortage has also been done. However, because of the rupee devaluation it had an impact on us, both in terms of margins and in terms of interest. But that was a one-time insurance we had to do, and we did it very well, and I think in future hopefully these things wouldn't reoccur again and again. So, overall, it was a difficult quarter. So, obviously, the growth was slightly impacted. But going forward we should be back on our trajectory of 15%+ growth as we have been doing for last couple of quarters.

As you know we have been emphasizing a lot on the value added products. We have been focusing on GP, GI and sections of higher dimensions. So, we were planning to put up four mills of 200x200 and above section. I am happy to inform you that one of the mills, which is the highest in India in making section of 300x300, has been commissioned very well, the products also have been accepted very well, in fact, in a number of large projects, including Bhatinda refinery and daily exhibition grounds, our products have been used.

And also, I am happy to inform you that these products have also been very well accepted, not only in India but abroad. So, we are getting repeated orders from USA, particularly from California or that side of it, because the quality has been accepted there.

So, overall, our growth trajectory remains. Our focus on value-added products remains. On the one hand, we are looking at the mass product, volume growth, on the other hand we are looking at growth in the value added segment. So, I think our plans are afoot to make sure that the growth will continue in the manner we have been growing in the past, and in fact, should improve further.

Today, we are very-very fortunate, our Chairman, Shri. Sanjay Gupta could spare some time and he was always interested in meeting all our valued investors. So, here he is today. With these few words, I request all of you to please start the questions. And I will request Sanjay Gupta, in case, he can also reply to your questions directly. Thank you so much.

**Moderator** Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth** On the recent announcement on acquisition of Apollo Tricoat Tubes, just wanted to understand what has changed over this past two, three quarters that led to our earlier guidance of not acquiring or merging the businesses of APL and Tricoat into APL Apollo? So, what has changed over this period and if you could highlight some details of the deal?

**Ashok Gupta** So, if you remember, we started with the idea of Apollo Tricoat basically because it was a very new technology. In fact, globally, this technology is not very-very popular. So, we thought that a new technology and a new thing we will be trying in a new company and also see this company Apollo Tricoat was initially started by a known friend of the company. And subsequently we were thinking of having a business started by the family member of the promoters. So, we thought a new technology can be tried out there before we really look into acquisition and all that. What we observed during last two, three quarters were a couple of things: one, these are significant synergies between Apollo Tricoat and Lakshmi Udyog. Now, Lakshmi Udyogis in the similar field, it is in coated products, and also Lakshmi Udyoghad lack of land availability, they wanted to expand, but Tricoat had sufficient land. And getting land and approval is a nightmare in the country. So, these are the synergies which were there. At the same time, there was some kind of products, which were common, so because of this a lot of people advised us that why don't you make use of synergies. If you make use of synergies, it would be advantageous to both the companies, Tricoat as well as Apollo. Since Sanjay-ji is here with us, I shall request him to please throw some light on this.

**Sanjay Gupta** So, what we observed when we did the market study, that we do not want to disturb any APL market through this product, we have to find a totally new market. Through this company, it was easy for us to grab the market share. Whatever business we were trying till now, like electrical conduit pipe, automatic tubes, these are totally new products for India. If we go with APL, if you take galvanized product, the total market in India is 1 million ton; pre-galvanized market in India is almost 1 million ton. This capacity is almost 60,000 ton per annum. So, all the three places from galvanized to pre-galvanized products, where you require high quality material, if we take a little bit from each of these three places then it makes the work of Tricoat very easy. Plus, in Lakshmi Udyog, we have a lot of problems due to pollution and lot of the things, so we had to set up a new plant which has a lot of place and infrastructure, where we could have saved a lot of money, so we took this deal into the same company.

**Chintan Sheth** So, basically, what you are saying is that land availability at Tricoat, which will help to expand Lakshmi Udyog's expansion. Second is, product basket in some areas is common within the GP side?

**Sanjay Gupta** No, not common, but if it was common then tricoat will grow very rapidly. Earlier our vision was totally different with APL, we did not wanted to enter any APL market. But from this 1 million ton market, if we even take 0.2 million, 2% - 5%, it will be very easy for this company to grow.

**Chintan Sheth** What will be the capacity in the first phase?

**Sanjay Gupta** This is totally new technology, there will be two types of new products, one is inline galvanizing (ILG) and one is hybrid pipes. Hybrid pipe means a mixture of PVC plus galvanized mix This is a product basically used in US mainly, and rest of the world like Korea, Australia, UK, Mexico, I think there will be 10 lines in the world like this. This is a very exclusive galvanizing technology, which will galvanize the product in the mill itself, from the outside, it will remain black, so we can even paint the pipes. And galvanization takes place in a nitrogen box. Now oxygen layer gets generated during the hardening process in galvanization, but in this new process, it will be done totally in the nitrogen gas. So, the salt split test, if the salt split test for hot dip galvanization is 800 hour, then for this new process, it will be 1200 hours. And the zinc coating which comes in hot dip galvanization is around 350 gram to 400 gram, in this new process, one side coating, will be around 100 gram. But the outside surface in the salt split test is 60% to 70% longer. So, wherever water and gas is not to be used, then there this pipe can be used. There are some areas where pre-galvanized pipes cannot be used, so this pipe will cover that. PVC pipes have been installed in hot dip galvanized pipes like in China and some parts of the world, for drinking water. This technology is not everywhere, so they coated hot dip galvanized pipe with PVC, where it has been very successful for high drinking water. Again, this pipe is replacing the CPVC pipe. So, we are also installing a very small capacity for it, 10,000 ton per annum, for trial purpose, to see whether it can be successful in India or not. So, as zinc is not there in this, so our costing will be even lesser. So, we have named it as hybrid pipe, we are doing this first time in the world, not in India but first time in the world. In China, something of such sort has been made, but they have coated hot dip galvanized pipes with PVC, which costs almost $150, which will be higher than our product. So, this will be one product, our inline galvanizing (ILG) will be another, then we are setting up another plant in Ghaziabad for door-frame. The door-frames that we were making was where we used to press the round pipes and give it a size of a door frame, there was no support from inside in such frames. So, we have developed a completely new technology, this will be the first in the world, our DFT technology which we have will be the base for it, where we will first form it and then weld it, so the corners will become very sharp with this. So, we were not able to use our door-frames in high end projects because the frame used to be uneven because of pressing, gap used to be formed between the door and the wall, this could only be used in small projects but it was not getting approved in big projects. But once this technology starts, it will enable us to produce sharp edges, and then these big projects will surely give us the approvals. We have started giving samples to the builders, and we are expecting to start this line by March itself.

**Chintan Sheth** So, by door-frame projects, you mean residential projects?

**Sanjay Gupta** Yes, in residential projects, in affordable housing as well as in premium housing also. Tatas and JSW are also doing, what they are doing is they are making open sections and welding the sheets from behind, the costing of which is pretty high. This technology is totally new, we have developed this machine from the source of DFT, so this product should work well in the premium housing segment. **Chintan Sheth** So, can you just help us in terms of what kind of investments we are making in Apollo Tricoat for all these products?

**Sanjay Gupta** New investment is almost Rs. 150 crore and the infrastructure, a rough idea of the market valuation, I do not have idea what is in the books, the cost is almost Rs. 75 crore to Rs. 100 crore.

**Chintan Sheth** Is this amount already spent?

**Sanjay Gupta** When we took over at that time, Rs. 75 crore to Rs. 100 crore investment was already done in it, after promoter and Lakshmi takeover, it will be around Rs. 150 crore. I have no idea what it was earlier, but I have valuation report, it was Rs. 75 crore to Rs. 100 crore at that time.

**Chintan Sheth** We invested at what valuation- Rs. 200 crore?

**Sanjay Gupta** I acquired this company at Rs. 120 per share, so it is around Rs. 200 crore.

**Chintan Sheth** So, Rs. 75 crore to Rs. 100 crore investment was already done?

**Sanjay Gupta** Yes, so Rs. 75-100 cr investment was there plus the work that was done for technology and infrastructure, two years premium was also booked. So, this project started three years before.

**Chintan Sheth** Why should we pay for a product, which has not been a success in India, globally also it is not that much acceptable.

**Sanjay Gupta** No, it is acceptable globally, the machine supplier does not provide the machines before three years. If I have to go for a new machine, the time period is for three years.

**Chintan Sheth** So, why should we have paid 2x investment made by the earlier promoter? Already the value of investment was Rs. 75 crore to Rs. 100 crore, then why did we invest Rs. 200 crore?

**Sanjay Gupta** For new establishment of infrastructure of Rs. 100 crore, I would have required 12 to 18 months' time. Secondly, he could not spend more Rs. 150 crore and he had done substantial work since last two years. And I have not paid him a single rupee, I put the money in the company.

**Chintan Sheth** That is appreciated that you invested in the company and you are getting fund raise from the CL, you are again reinvesting that money in APL Apollo.

**Sanjay Gupta** I realized, other way, it would have taken me two years. So, this way, I was assured of a very high return, thus on basis of this I went ahead with it. No doubt, he would have got a premium of Rs. 40 crore - 50 crore, but I am thinking of what I am getting, what my company is getting. Because we are very bullish on these high value added products that are coming through Apollo Tricoat.

**Chintan Sheth** You are right, already Rs. 100 crore of investment was done, Rs. 150 crore you will infuse more in coming 1 – 1.5 years, so what is the potential revenue we can expect from this gross block or investment of Rs. 250 crore?

**Sanjay Gupta** The business has a very high EBITDA margin, I do not want to commit on the numbers. But at least, EBITDA margin should be 2x of APL.

**Chintan Sheth** So, what is the payback period for these particular projects?

**Sanjay Gupta** Two years.

**Chintan Sheth** When do you expect commercialization of the plant?

**Sanjay Gupta** Last week of December or first week of January.

**Chintan Sheth** And capacity is 60,000 tons?

**Sanjay Gupta** 60,000 tons for ILG, 10,000 tons for PVC hybrid pipe this will start in the month of March, 50,000 ton door-frame, this will start in month of March. And 1 lakh ton capacity of pre-galvanized tubes that will be from Lakshmi. So, Lakshmi Udyog already has 1 lakh ton capacity, and 1 lakh ton will come from here. So, for FY19-20, we are going for 2 lakh ton of volume.

**Moderator** Thank you very much. We have the next question from the line of Sachin Kasera from Lucky Investment. Please go ahead.

**Sachin Kasera** Could you give some outlook for the second half, what is the type of volume growth we are looking at?

**Sanjay Gupta** 15% to 20%.

**Sachin Kasera** Secondly, there was a mention in the opening remarks that the inventory had gone up. So, what is the plan going ahead, what is the type of inventory correction we are planning to do?

**Sanjay Gupta** Already corrected.

**Sachin Kasera** How much have we corrected? And what is our target by December-end, March on the inventory side?

**Ashok Gupta** Normally we have inventory, if you observe for past couple of quarters, around 40 – 42 days. Now, if you see, by September-end, our inventory level has already come down to 43 days. And for December and March, we will try to go to below 40 days which is our normal. So, we are attempting that and we will be working on a target of 35 days.

**Sachin Kasera** So, from 43 days we want to come down to 35, that is the new normal we are trying to achieve?

**Sanjay Gupta** Yes.

**Sachin Kasera** How confident are we on achieving this 35 days of inventory?

**Sanjay Gupta** We are already close to that.

**Sachin Kasera** Secondly, our debt has gone up quite a bit, partly driven by this inventory. So, if you could give us some sense of what is the capex in FY 2019 and FY2020? What are our plans for debt reduction?

**Sanjay Gupta** Our capex in last six months is almost Rs. 90 crore, other than Apollo Tricoat, another Rs. 60 crore is our capex plan in this year. And total capex is Rs. 150 crore – Rs. 160 crore for this year, plus Tricoat. And we do not want to increase our debt, so I am taking money from APL and giving it back in the shape of equity to the company, so we control our debt.

**Sachin Kasera** But the money that you are infusing will go towards acquisition of Apollo Tricoat.

**Sanjay Gupta** I have put Rs. 30 crore – Rs. 40 crore more. I have put 9 lakh shares, almost Rs. 172 crore I have infused.

**Sachin Kasera** Yes, but part of the money is in the form of warrants, that will not come in this year, that will come in FY2020, right?

**Sanjay Gupta** As per the company's requirement I can put the money.

**Sachin Kasera** The whole idea was that in the last couple of years, the interest cost has started to go up, in between, we had significant control on the interest cost and debt. Last six, eight quarters it has gone up quite a bit. So, what are the strategic steps the company is taking to reduce that? That has actually started to hit our return on capital.

**Sanjay Gupta** The company is in a growing track, today I have capacity in APL of ~17.5 lac tons, in Lakshmi, I have capacity of 1 lakh ton,, total my capacity today is 18.5 lakh ton, and 2 lakh ton additional capacity is coming in Tricoat. Total capacity is almost 2 million ton. We are doing just 1.3 million tons right now. When we go to the figure of 2 million tons then you see the return on investment.

**Sachin Kasera** When do you think we should be able to do this 2 million tons?

**Sanjay Gupta** For achievement of these figures, two factors are at play, one is internal factors and one is external factor. One side you are asking for margins, one side you are asking for growth, the market sentiment is not supporting us, we are doing our level best to maintain the market share, get growth, also maintain the margins, so we are doing lot of efforts. Even if we get just a little bit of external support, like a lot of the airports have already been passed by the government and we approve our products in these projects, like Panvel Airport, Navi Mumbai Airport, Jewar Airport, these two big airports. My product is approved for 1500 foot-over- bridges, smart cities, we have already approved our products. So, , we are focusing on the projection of the government's steel demand, steel players are doubling their capacity in next three years.  So, I am bullish that if they are going to double their capacity, so there should be a steel demand. If there would be steel demand, then we are ready with the capacity. So, we want at least some help externally, it is very hard to maintain everything at our level. But whatever we can do best, we are doing our best. APL is focusing on volume, APL is not focusing on the margins. In Lakshmi Udyog, APL and Tricoat, we are only focusing on how we can achieve margin of 20% of revenues. For APL, we are not focusing on the margin, we are just focusing on our market shares, how we can increase our market share from 15% to 20%. And lot of new uses are coming with our innovations, like the hybrid pipes that we are about to make, this is a simple, good replacement of cPVC pipe, electrical conduit pipes, we have already given presentation to BIS that for the buildings which are above 15 meters, there PVC pipes should not be used, PVC pipe is the reason for the smoke. Whatever casualty happened in the world after fire is due to smoke. So, we are giving all the presentation to the government and related departments, and we are trying our level best to enable the Indian steel market, the sector in which we are working, is almost 6 to 7 million tons, how do we increase this market to 7 million to 8 or 9 million ton. If there is 1 or 2 million ton demand expected in the country, it will change the whole scenario of the tube industries. But if there is no demand, very tough for us to maintain the growth as well as margins also. But we are doing our level best, I assure you that if anything can be done, we will get it done. This I can promise you that we can do our level best to achieve the numbers and the volume.

**Sachin Kasera** On the DFT project, if you could just update us how much is the total money we have spent on that? What is the current status of those seven mills that we had put up, and are the returns coming in line with our expectation in all these seven mills?

**Sanjay Gupta** I knew this question will come. We have put eight lines of DFT, six lines are already in operation, two lines in this month of November is going to be operationalized. In these eight lines, four lines are for bigger sizes (above 6 inches) and four lines for smaller sizes (upto 6 inches). We put almost Rs. 250 crore for DFT and infrastructure. With this money, I increased my capacity by 0.5 million ton, - so I increased my capacity also which I am going to utilize. We put for DFT only Rs. 30 crore to Rs. 50 crore extra. And in the smaller size segment, we reduced our delivery time from 15 days to almost 2-3 days. This is according to our survey from Vectra, according to its report, the lead time of 15 days has been reduced to within 5 days. So, our overall margins have improved, we cannot define that this is the margin of DFT and this is margin of mill. So, all those four mills are fully busy, we are producing almost, per line, 6,000 ton per month. In the big size segment, one line in Raipur is doing 6,000 ton to 7,000 ton of business. In Lloyd, Murbad, we started 2 months before, that is doing about 1,500 tons, and Delhi is going to start in this month. There, we have extra margins also, but there is a challenge for us to create market, we have created 20-25 people's team for business development. They are going through the projects because nobody knows in India that these type of tubes can be available here. So, we are touching base with all the architects, all the project consultants, and giving our product list to them. And slowly like last year, market size was 3500 ton per month, this year the market size we are doing business of almost 7,000 ton per month.

**Sachin Kasera** So, when do you expect the remaining to start by when?

**Sanjay Gupta** November 2018.

**Moderator** Thank you. Our next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

**Anand Bhavnani** If we were to remove the impact of exceptional items, what would have been the EBITDA per ton this quarter? What has been the absolute impact due to FX and Kerala loss?

**Sanjay Gupta** I cannot tell you the numbers like that, but we have seen three major losses, one is the import, we have imported almost 30,000 – 35,000 ton material at $650, we have imported the material. I think when we imported material, we were targeting Rs. 67, we paid the payment at level of Rs. 72. Rs. 6 crore of loss is there in the import, because of currency devaluation all over the world. Otherwise earlier if any dollar rupee devaluation, the local suppliers were increasing the price, but due to devaluation in every country's currency against the dollar, the steel price came down $660 to $600, thus price could not increase in the local market because of this. So, our raw material cost got costlier, due to the strike for 10 days our plant was shut down, so our cost of production rose by about Rs. 400 – Rs. 500 per ton in July. And in GP also, we lost almost 10,000 tons market. So, these were the three major losses, other than the flood which impacted all over India.

**Anand Bhavnani** In H2, what is the guidance for debt levels at the end of this financial year?

**Sanjay Gupta** Whatever it was earlier, in debt I am very conservative. I do not want to go with high debt.

**Anand Bhavnani** How much do you think you will end at, would it be like in the range of Rs. 950 crore, Rs. 1,000 crore or Rs. 850 crore?

**Ashok Gupta** Less than this, this is very high.

**Anand Bhavnani** What is the overall guidance of EBITDA per ton for H2 given all the developments in DFT and Tricoat also coming online in December end?

**Sanjay Gupta** So, we are targeting what it was earlier, we will try to maintain what it was earlier.

**Moderator** Thank you. Our next question is from the line of Nitesh Jain from Aditya Birla Mutual Fund. Please go ahead.

**Nitesh Jain** In this quarter, the debtors have gone up sharply, from Rs. 223 crore in March end to around Rs. 490 crore. So, how can they be normalized?

**Sanjay Gupta** Debtor days we have reduced by three, four days. Earlier, our debtor was about Rs. 430 crore, now the standing is Rs. 490 crore. The number of days we have reduced by three or four days.

**Nitesh Jain** In absolute amount, it is very high?

**Sanjay Gupta** When we are going for volumes, if the steel prices go high, then this would be impacted.

**Nitesh Jain** This currency loss, are there more shipments pending?

**Sanjay Gupta** No, whatever we are importing, we are importing to match the export. No imports are pending.

**Nitesh Jain** How do you read the market, the steel price demand, is it going at the same pace or accelerating or decelerating, what is the situation?

**Sanjay Gupta** Today, Indian steel market is almost 120 million tons, and if the country's GDP growth is nearly about 7%, the steel experts are seeing that steel demand is more than 2% with GDP growth. And in our sector, we have almost 5% to 6% of total steel demand. But if you see the other part of the world, in this sector, their market share of total steel capacity is almost 13% to 14%. So, why in India there is less tube consumption and why in the other part of the world like China or the US, or European country, why the tube consumption is too high. We are studying this, we are capturing the product from there and bringing to India to make our market in level of 5%, 6% to 10% at least. We are talking with the government, we are talking with BIS standard people, our main idea and main moto, whatever the steel growth will be there, with that tube growth will have to come. But even if we can convert the market of 1 million ton, this will be a game changer for our industry, not only for APL Apollo, this is for the whole industry. We just made an association for that, a lot of senior guys are joining this association, I am funding this association on a very high level. And we are trying level best to chase the whole industry scenario.

**Nitesh Jain** In FY19, will we be able to do volume of 1.3 million ton?

**Sanjay Gupta** The minimum target will be that. We had started with 1.4 – 1.5 million tons, but we have bifurcated our focus. Mr. Gupta sitting in APL, he is totally focusing on volume. I am not pressuring them on EBITDA margin. In Apollo Metalex and Tricoat, I am totally focusing on value additions. In next one or two quarters, you will see the result, because to increase the volume you will have to increase your value-added products. We can increase volumes anytime, we have no problem, we can go from 2000 to 2500 our volume will increase by 20%, but I do not want to destroy the market, I want to create the market. I am creative, I am not a destroyer.

So, as and when, the value addition products will increase, it will increase the volumes.

**Nitesh Jain** And lastly, this Kerala flood impact, transport strike and currency loss, if they are not going to be there in H2, this EBITDA per ton of Rs. 2,800 of this quarter, so should we assume this is the bottom, it will be above this level in H2?

**Sanjay Gupta** I don't think it will go below this. If you see other industries, we are at least Rs. 1,500 to Rs. 2,000 per ton competitive with others. Others are in the loss. We have to keep this industry alive.

**Nitesh Jain** Why I am asking is because this HRC prices are continuously going up still, so do we believe there can be more pressure?

**Sanjay Gupta** It wouldn't impact us, prices can be passed on. Matter is that the industry is going through a tough time as of now, you can say that 80% of the industry today is doing business in loss due to many reasons. The corrective actions have now stared and the impact will definitely come. Nobody can do the business in loss.

**Moderator** Thank you. Our next question is from the line of Dhimant Kothari from Invesco Mutual Fund. Please go ahead.

**Dhimant Kothari** Could you explain us how much was the land parcel in Tricoat? **Ashok Gupta** The quantum of land available in Tricoat would be around 20 acres already available, which is significantly higher than the quantum of land we had which was just 4 acres, so we have got 5x the land availability there. And similarly, already we have developed infrastructure by way of share, by way of facility of more than 5 lakhs square foot. So, we have already built up significant structure. So, overall we will have a significant availability of facilities.

**Dhimant Kothari** So, could you put it in acres how much is already used or how much spare is available for us?

**Ashok Gupta** So, out of 20 acres, we have already constructed around 70% - 75%, and the balance portion to be constructed is little. But we are not using it completely, even though we have made it by way of facilities or by way of machines for Apollo Tricoat, the utilization is still less than 50%.

**Moderator** Thank you. We have the next question from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh** In terms of our GI pipe, we are seeing the proportion of volume of GI pipe, which is a value-add product for us, the proportion of volume has been coming down for last three, four quarters. So, what is the thought process there? Because that is obviously much more margin accretive for us.

**Ashok Gupta** So, as far as GI pipe is concerned, we had taken a significant capital shutdown in the first half of this year, and second half should see our entire facilities coming up. So, GI pipe from now onwards, you will see growth. So, on an average, we used to sell around 8,000 tons to 10,000 tons per month, our capacity has gone down to around 5,000 to 6,000 tons in between, because of the capital shutdown and we were shifting some facilities. Now from the month of December onwards, we will be back on capacity of around 8,000 tons to 10,000 tons. So, we will be growing our market from 5,000 tons to 6,000 tons which was there last quarter to about 8,000 to 10,000 tons from next quarter onwards. So, we will regain the quantum, the market share will go down definitely because the quantum will still remain around 8,000 to

10,000 tons per month, whereas our overall volume of pipes we make is much higher. But the quantum of pipes we will be making will be at same level as we were last year.

**Abhishek Ghosh** So, what we had done in FY18 of about 111,000 tons will kind of come back to that number, in the quarterly run-rate terms by fourth quarter, is that a right assumption?

**Ashok Gupta** Yes, by fourth or next quarter.

**Abhishek Ghosh** Last quarter, we had seen some amount of marginal softness in the steel prices which have increased from October levels. So, we have been able to also take that kind of price increases from the October period to be able to pass on the impact of increase in steel prices?

**Ashok Gupta** So, we have been maintaining earlier also that wherever there is a steel price increase or decrease, it is a pass on to the consumers. It may take a lag or lead of seven to eight days. But even in the month of October, there was a price increase and we have been able to increase it from 8th of October as against 1st of October. Normally the steel supplier they announce the price increase only by 6th or 7th of the month, so we take another day or two to announce our own increases. So, with the gap of a week or so, we are able to get increase or decrease.

**Abhishek Ghosh** And the entire commissioning of DFT of all the lines should be done by December quarter, so we should see all of it kind of firing from the March quarter, is that a right way to look at it?

**Ashok Gupta** So, our last two machines they have already arrived from the imported sources, so they are currently under direction process. Normally takes around 1 – 1.5 month to commission it. So, by December end, we expect all these mills to be completely commissioned. So, it may take some time to ramp up, but definitely from March quarter, we should be seeing working of all the mills.

**Moderator** Thank you. Our next question is from the line of Arun Agarwal from BOI Axa Mutual Fund. Please go ahead.

**Arun Agarwal** On the competitive intensity, how is competition in terms of pricing and how is it behaving?

**Sanjay Gupta** See, from 100% of our business, around 40% to 50% business has high market competition. What happens, if you see everybody knows if Apollo can do then why can't we do. So, some people increase extra capacity without studying the market, so an unhealthy competition gets created. But slowly, slowly since last two months, people are executing or converting their facilities to other things, like somebody is now going to make poles, someone is making towers and other industries. People are finding their own solutions. Competition is very stiff in our 40% to 50% business. We could survive due to our size because we purchase raw material in bulk, our branding is good, our services are perfect, availability is there, quality is good because of the latest technology, and our cost of production is also very less with our other competitiveness. So, we are maintaining our margins. So, I do not see anybody can do business in cash loss, because this business is not like a steel plant where you will have to keep it running continuously. Now people are exiting slowly and what I am seeing since last 1.5 months, improvement can be seen in the market. So, I am hopeful within one or two months, industry also understands the problem, they correct themselves, demand is also expected to be good because monsoon is now over, festival seasons are now over, and in next seven to eight months is anyway good. So, I am hopeful that it will be good.

**Arun Agarwal** For DFT, we will be installing machines by December, so EBITDA per ton will be around 3,200 or it will be little bit higher than the existing H1 number?

**Sanjay Gupta** It seems like I am swimming in the ocean, and when I think that I have reached the shore it seems to have moved ahead. We have registered for so many government projects; even if one project of the government starts then my whole DFT lines will be full. If you see the Navi Mumbai airport, as soon as the pipeline work starts, I have one year of order from that project. Almost 50,000 ton pipe is to be used in Jewar airport. 1 foot over bridge requires 70 ton pipes, which is totally approved by our design. And in almost every state, around thousands Foot-over-Bridge have been sanctioned by the National Highway Authority. In Bullet train construction, the steel that will be required, as per JSW's estimate is around 4 million tons steel may be required for one line. I think government is going to work on growth, no doubt the situation will change. Whatever guidance we are giving, we are trying to match from our end.

**Moderator** Thank you. Our next question is from the line of Trupti Agarwal from White Oak Capital. Please go ahead.

**Trupti Agarwal** In the total quantity of 6 lakh metric ton that we sold in the first half, how much of it was through DFT technology in terms of quantity?

**Sanjay Gupta** Almost 1.5 – 1.6 lakh ton.

**Trupti Agarwal** And from this particular 1.5 lakh ton, EBITDA per ton is it possible to compute?

**Sanjay Gupta** For our bigger sizes, average EBITDA ton we got was Rs. 4,000 per ton, but in the smaller sizes it gets combined so we cannot compute EBITDA per ton. The average of Rs. 2,400 - Rs. 2,500 per ton. Our services got improved, we were able to get the premium from the market of 1% to 2% overall on the product.

**Trupti Agarwal** The government is spending and infra buildup. So, why are you saying that the industry is going through a very rough time?

**Sanjay Gupta** Because our major part is coming from Realty / building material sector. In the last two, three months, there was no growth in the realty sector, sometimes there was NBFC problem, and sometimes financing problem was there. Our 50% to 60% volumes are from building material side, so that industry is really tough.

**Trupti Agarwal** What is the impact of GST? It is more than a year and almost 50% of the industry is unorganized, so has our industry felt any impact of it?

**Sanjay Gupta** Unorganized players are dying slowly.

**Trupti Agarwal** Are they actually folding up because of GST?

**Sanjay Gupta** Because of GST and competition, also tightness of banking sector also. These days, the banks are skeptical of giving loans to companies with good balance sheet also. So, unorganized sector is far off. So, there is no one reason, but GST is one of the reasons.

**Trupti Agarwal** But some of the unorganized players are closing down?

**Sanjay Gupta** Almost 25% to 30% is closed, and another 20% to 30% is nearing shutdown.

**Trupti Agarwal** You said capex this year would be around Rs. 150 crore, am I right?

**Sanjay Gupta** Yes. Other than Tricoat acquisition.

**Moderator** Thank you. Our next question is from the line of Udit Bukaria from Catamaran Management Services. Please go ahead.

**Udit Bukaria** When should we expect Rs. 170 crore that you are planning to infuse into APL Apollo? How will you be funding the same, will it be through cash or through loan against shares?

**Sanjay Gupta** I am not taking any loan against shares, I am getting Rs. 109 crore from the company, this I am going to directly put in the company. I want to sell some of my personal property, another Rs. 50 crore – Rs. 60 crore, which I have to give in next six months to one year's time. If the property doesn't get sold, then I will have to plan accordingly.

**Udit Bukaria** For this Apollo Tricoat, you are also thinking of giving an open offer of Rs. 105 crore, that also will be purchased by APL Apollo, right?

**Sanjay Gupta** Yes, by APL Apollo. On the personal level in the steel business, I have nothing.

**Udit Bukaria** From where will that additional amount APL Apollo will get? Because now company's cash balance is Rs. 3 crore and you had previously also mentioned that we have maxed out on debt. So, what have you thought for raising additional capital? And we will get majority stake in Tricoat, so will we have to give some rent for the land?

**Sanjay Gupta** There will be internal accruals also. No, nothing is rental, everything is majority.

**Udit Bukaria** The cash balance, we will keep it as low as Rs. 1 crore- Rs. 3 crore or are we thinking about increasing it, because business will be volatile now, so any plans on that?

**Sanjay Gupta** I think there may be some problems in our cash balance for one year, because we have just done big capex. But our future plan is to not go for more than 2 million ton in the sector. So, for at least two years, we have already created capacity in advance, for 2020-2021, we have aggressively planned for going for zero debt company.

**Udit Bukaria** So, any guidance for next two to three years on how you are thinking about volume growth and cash profit growth?

**Sanjay Gupta** My target is to achieve 2 million ton of capacity and at least increase margin by 10% to 20%.

**Udit Bukaria** So, do you have any yearly targets, like what is it for FY19, for FY20, have we set out any volume targets annually?

**Sanjay Gupta** I do not know the SEBI guidelines, so I do not want to commit it now. But vision is clear, 2 million ton we have to achieve by 2020-2021 and increase our margin by 10% to 20% at least.

**Udit Bukaria** And is there any target to reduce debt?

**Sanjay Gupta** We will also reduce debt. We want to utilize the capacity by 100% and reduce debt.

**Udit Bukaria** And, what do you think what should be the optimal debt equity, what are you comfortable with?

**Sanjay Gupta** There should be no debt in system, and working capital of 40% should be ours.

**Udit Bukaria** And the way the inventory has built up, so has it increased for a particular product line or it has increased for every product?

**Sanjay Gupta** My strategy is we are taking raw material in the south and west from JSW, and north and east from Bhushan steel. When Tata Steel was taking over Bhushan steel, I was the biggest customer of Bhushan steel at that time. So, a lot of talk was there in the market that Tata Steel will not give the raw material to APL Apollo and that we purchase low-price material and Tata Steel wouldn't sell at lower rates. There was a lot of confusion and some concerns as, we procured a very high volume from Bhushan and there was no replacement that time. So, at that time, we met with Mr. Sajjan Jindal and requested him to help us, so, he sent the material in the north. And then when Tata came, they were much friendlier than Bhushan, so I also had to take material from them as well, because it was also a new relationship. We also imported some. So, our inventory level shot up, and now we have controlled it slowly now.

**Moderator** Thank you. Our next question is from the line of Vikash Singh from B&K Securities. Please go ahead.

**Vikash Singh** I just want to understand one thing, we are still giving volume guidance of 15% to 20%, so even if I stay on lower band of 15%, I need to grow by almost 20% for next half of the year. While you are saying that the market is not that great, so in case, if you can explain from where we are thinking that we would be able to manage 20% growth in second half?

**Ashok Gupta** We faced problems in second the quarter, in July-September such as floods or whether it was transporters' strike or monsoon. The consumption cycle in India is basically from November to March, which has now started. So, with that optimism we are hopeful that whatever we need to do we should be able to achieve 20% growth. If you observe, we have been achieving 20% growth earlier also in the second half. So, I think it is one area where we can work on it and it is possible that at the year-end, we should be achieving more than 15% growth for year as a whole.

**Vikash Singh** The inventory which we had built, our pricing happens mostly on bi-monthly or monthly basis? Because if prices correct from this level then we can have some problem regarding the same. Is that understanding correct?

**Ashok Gupta** All purchasing and all pricing is on monthly basis, there is nothing on bi-monthly basis. So, all the steel suppliers they announce prices for a particular month. So, currently, we are buying at a price which they have announced for the month of November, for month of December, they will announce again in the first week of December. So, we also announce our prices on monthly basis mostly, there may be some exceptions. And depending on the price, they announce for December and we will again do the same.

**Vikash Singh** Can you give us some insight into the Raipur facility, how it is ramping up and what are our plans on eastern or central India market?

**Ashok Gupta** Raipur is example of our successful installation and successful commissioning, and successful operation. So, Raipur, we had thought of a capacity of 3 lakh tons per annum, which is around 25,000 tons per month. I am happy to share with you that we were able to produce around 22,000 tons already in the month of September, October, which is precisely 80% to 90% which we are normally targeting. So, it is a good operation, it is a very fruitful operation. I am again happy to share with you that our facility for galvanizing is likely to start in Raipur within this month. So, that again will add some additional margins to us. And as regards the market, the very fact that we have been able to produce 80% to 90% that means the market has been created, and again the market has been in the targeted region. I am happy to inform you that entire production has been absorbed by central and eastern region only. So, that is a very-very positive development on Raipur.

**Moderator** Thank you. Our next question is from the line of Suvarna Joshi from Axis Securities. Please go ahead.

**Suvarna Joshi** You also mentioned H2 looks like a period where normally we have been doing 20% odd kind of volume growth numbers. Given that we are headed to elections coming forward, already we have seen elections start in Chhattisgarh today, what is your sense over there in terms of government spending? Are you still confident of the government spending remaining at the levels that we have seen in the past or do you see some slowdown happening over the next six months or so, until at least the general elections are through over there?

**Ashok Gupta** I quite agree with you. I think, in India Government's has been spending more just before the elections, they all want to win the elections and there could be constraints as well. You see, a lot of consumption takes place irrespective of the fact how much the Government spends, a lot of private consumption continues. And secondly, most of the projects which are likely to come up for implementation in this period of say November to March have already been announced. So, now, is the time of implementation and not for the announcement and typically we have seen once the project is announced and it is funded, then it goes through. So, the impact of any slow down by the Government decision should happen only by next year. For the current year, things are already in pipeline, demand is already building up. We are already seeing that despite the festival season, which has just gone by and renewal which has happened only today, demand is already coming in, we have a good order book position currently. So, things are firming up already, the bright side has already started, the winter is behind us and, we should be able to achieve what we are planning.

**Suvarna Joshi** On the exports front, you mentioned that exports we were not able to do quite well and new products that we are going to launch that were alluded to maybe the hybrid pipes or the IGL pipes that we spoke of where the technology is not so very popularly available in the global markets. So, what is your sense on the exports side because domestically only there is quite some demand. So, are we there getting diverted on both the markets and therefore, our resources are also getting distributed and impacting our growth or any sense there?

**Ashok Gupta** We had introduced our sections say 300X300 only couple of months back and our initial shipments have gone there. As you know, the export cycle is the largest cycle, it takes 3 months to 4 months. A positive feature is our pipes have been very well accepted in the American market and second good aspect is there is no Anti-Dumping Duty on our pipes. So, both factors taken together we are hoping to increase export growth, the growth is always gradual but despite that fact, we hope to increase exports significantly quarter-after-quarter from now onwards. So, for exports, growth will take place and the domestic market remain strong, in the days to come we will have a strong top-line growth.

**Suvarna Joshi** What was the reason the exports did not perform well in this particular quarter, if you could just highlight that.

**Ashok Gupta** If you remember, this year started on a very-very cautionary note whereby both Europe and USA started working on the trade barriers. So, in Europe also, they started talking of duty on all imports from all over the world and USA, in any case, announced it. So, everybody in the European market, Europe was our important market. So, the European market everybody was cautious and fortunately, they have not announced any Anti-Dumping Duty on India, so people have become relaxed now and they have started importing material. And as I said, USA in any case has accepted our pipes. So, July was cautionary month for all importers. But now things have become normal, I think things are still behind us. So, perhaps now those fears are not there and we continue our growth.

**Moderator** Thank you. Next question is from the line of Ankit Merchant from SMC Global. Please go ahead.

**Ankit Merchant** I just had one question pertaining to the DFT and while I was interacting with many of your competitors and on the other channels, etc. as well, I came to know that the small DFT pipes as such other competitors have been able to provide and make it. So, as such, you know the technology front, the edge which we were talking about, is it really playing out? The second question is related to, we have always been ahead on the technology front, but what we have also found is that most of this technology over a period of time is being utilized by the competitor in a much better way, DFT was just an example. Do you not think, similar things will definitely catch-up with Apollo Tricoat as well? And then, we need to consider what is the price which you are paying for the investment right now and what if it does not really turn up the way we expected? DFT we have seen that over a period of one year as such, there has been no contribution right now, there has been a very minimal contribution. Over the next 6 months or a year's time, there will be some but we are not even assured about that. So, I would like to know your views on this.

**Ashok Gupta** So, I will answer your question in two parts. One is with regard to DFT and second is with regard to Tricoat. So, let us understand what DFT technology does. It is a new technology, it is a different way of making pipes, it is a different way of making the same size. How does it help you? It helps us by increasing your range. So, very small example being, suppose the shirt size available in India are 40, 42 and 44 perhaps. But there are many people for whom 41 will be the best fit. So, recently some companies have introduced a size 39 but still, I think size 41 has not been introduced. If somebody can make tailor-made sizes, 41 - 41.5, I am sure there will be a niche market for that. So, first thing, you introduce those products, you introduce 41, you introduce 41.5, once having introduced people come to know of it and then obviously people follow it and start taking it, that is the normal course of things. The same thing will happen to DFT. DFT can make tailor-made sizes. Sorry to say, our traditional conventional does not made tailor made sizes, that is a big advantage which we have but this will take a long time for people to know of it and make use of it. This has already started happening, we have developed niche where only our sizes go, that is the first part. Second part so far as advantage is concern, as we mentioned, some advantages started flowing in, you may call it minimal, you may call it beginning, you may call it earlier shoots, but definitely some advantages are coming. Advantages coming in 2 ways: (a) our market share for the section and the hollow section is growing day-by-day. I am again, happy to inform you that we are the market leader with a dominant share in more than 50% of the markets, where we operate which is not an easy thing for anybody to do. And secondly, in the larger section, we command a significant premium. And thirdly, our prices even in the smaller section are second to none, nobody sells pipes at our prices, they all sell cheaper than us. So, these three things, by itself show that DFT technology has been a resounding success. Yes, acceptance will take time that happens with most new technology. But once accepted, this already is a resounding success. Yes, competition always pick-up but that happens with any technology in any field, competition picks-up but whether they pick-up in 1 year, 2 years, 5 years, 10 years and whether they invest that much or not is yet to be seen. At this moment, in India except us nobody has been able to get DFT technology. Future, we will have to wait and see. So, regarding Tricoat, now similarly regarding Tricoat, it is a unique technology, it gives us such a benefit in terms of the product, that no traditional method can give.

**Sanjay Gupta** And also, in the DFT, there is minimal cost benefit like 1% or 0.50%, but in the Tricoat business, there is a big cost benefit against the galvanized product. For example, in galvanizing we are putting almost 400 gram of zinc, while this technology is going for about 100 gram of zinc. This is similar to GP when I introduced GP in 2003, the first time in India pre-galvanized tube, now it is market of almost 1 million tonnes. In the galvanized product, we are very weak against our branded companies like others like Tata, Surya, Jindal. We have not a big market share in the galvanized product. My thinking is with this 2 products, hybrid pipe in the waterline and with the ILG in the structural line, I can make my company better than these old companies because this technology is new, costing is very less and quality is far better than this. At the hollow section, I am already the leader, with DFT, I have made the route longer for others. But in the galvanized tube, I am not a leader, my market share is zero almost. In India, there is a market share of 1 million tonnes, my market share is 6% to 7%. With this technology, I can increase by share by 20% - 25%. This is the main reason to introduce this technology in Laxmi Udyog**.** I feel that if I hit this market where I am very weak, with this technology, I can capture the market.

**Ankit Merchant** For the smaller ranges, which you have been making it definitely improves your product range as such but other players say for a smaller product or for the smaller particular sizes, one it is not feasible on the cost-benefit for any competitor plus if we are able to make it without the use of technology and give it in a way where okay, the DFT is not there but they have been able to make it on specialized way, yes there is some bit of effort which has been taken. But the cost-benefit analysis run by them, they say that it is not feasible over a period if time.

**Sanjay Gupta** First, you have to understand one thing. In our product basket, in the hollow section, we are making almost 150 type of shapes and within 150 shapes, we are making almost 7 types of thicknesses, so almost we have 1000 types of products. 60% - 70% of demand is in the top 10 or 15 sizes which are very easy to make for anybody. But where the demand is less, like, 120x 120 size, this is not the regular demand. To change the roll, normally, it will take at least 8 hours to 10 hours to change the roll. I chang my rolls within 15 minutes to 20 minutes, I can supply in small quantity also. This is a big benefit for this technology - I bring down my delivery time, my service time from 15 days to 5 days otherwise, earlier, for even200 square, if someone said give me 10 tonnes, I had to say you have to wait for 2 months because I have to change my roller in the next 48 hours, so I want sufficient order to make the product. This technology is totally different. Like the the paint industry, earlier the dealers had to have a lot of paint boxes for every color of paint, now they have single color paints, they put the color tablet inside and make the paint. Like this, we are just putting the raw material in our mills, whatever the order comes, we supply within 24 hours which is a big benefit for this. Like, in branding, you can never find out what you spend on the branding and what you earn from branding, you cannot find the reason because there are a lot of things combined with the result. So, with the DFT, I have not made a huge investment. From, Rs. 250 crore, I have created additional 0.50 million tonne capacity also, new facilities basically. For Raipur plant, I have to go with the new technology, , 20% - 25% I increase my cost for the fixed expenditure but this total money deployed for DFT, this money deployed for put some capacity. If I have to put specific, we have to Rs. 200 crore, I invest Rs. 250 crore.

**Moderator** Thank you. We will proceed with the next question, it is from the line of Rahul Jain from Credence Wealth Advisors. Please go ahead.

**Rahul Jain** With regards to the volumes due to floods in Kerala and transporters' strike, what has been the loss of volumes according to you, if these things would have not occurred?

**Ashok Gupta** So, if we observe normally, we sell about 30,000 tonnes to 35,000 tonnes of material in a quarter in Kerala itself. And you know the floods were not only in Kerala, they were in many other parts of the country, so on a estimated scale, maybe we would have had a sale loss of around 30,000 tonnes - 40,000 tonnes because of the flood throughout the country and because of 10 days strike, again, the strike not only affected us, they affected all other producers as well, and they affected all other industry as well. So, again on a conservative scale, we might have lost around another 20,000 tonnes - 25,000 tonnes. So, combined, our sales would have been more by around 30,000 tonnes to 40,000 tonnes, in case this had not happened.

**Moderator** Thank you. Next question is from the line of Kunal Pawaskar from Indgrowth Capital. Please go ahead.

**Kunal Pawaskar** If you can please provide a break-up of the EBITDA absolute number by the reported segments which is hollow, round, GI, and GP?

**Ashok Gupta** As you know this is kind of same industry, the same segment, and the same equipment, the same plant which makes it. All the costs are common, all the facilities are common, on the same mill, we will make a black pipe, we will make the GI pipe. So, the EBITDA is taken as a total and not segregated by way of products. **Sanjay Gupta**So, normally it is a total EBITDA which is there. But so far as EBITDA per tonne is concerned, we can give you a rough estimate that EBITDA per tonne is higher in case of GI and GP. Product wise, our EBITDA in GP is between Rs. 5,000 to 6,000. For the hollow section, our EBITDA in this quarter by average on Rs. 2,200 a tonne or Rs. 2,100 a tonne. We will provide you with the data.

**Kunal Pawaskar** If we look at the concentration of revenue in different states and in the segments that you report, so what might be the concentration of say top 1 or top 2 states in each of the segments, if there is heavy concentration in particular ones where the company is seeing more profitability?

**Ashok Gupta** So, as you know, we normally talk of four different products, apart from the special products, we talk of hollow sections, we talk of round pipes, we talk of GI pipes, and we talk of pre-galvanized pipes. So, for pre-galvanized (GP), which gives us the highest EBITDA, Kerala market is leading market followed by Gujarat and perhaps U. P. and Maharashtra. For galvanized, presence is pan India but we have a significant presence in Karnataka, Maharashtra, as well as U. P. and so for back pipe, we are the market leader almost in all the states again the states of Karnataka, Tamil Nadu, Maharashtra, and U. P. are the large states for us.

**Moderator** Thank you. We will take the next question is from the line of Anant Singh from Unifi Capital. Please go ahead.

**Anant Singh** Can you share the tonnage in export for Q2?

**Ashok Gupta** It should be around 12,000 MT. I may not have the exact figure at this moment, but we have been doing 4,000 to 4,500 every month in Q2.

**Anant Singh** With respect to stress in the real estate sector, if I have to take let us say FY 2018, how much of our sales would be towards real estate like housing in particular?

**Sanjay Gupta** We are not directly involved in the real estate sector to supply there. We supply through a distributed network.

**Anant Singh** So, you would be still having some ballpark sense of end market, so if you can give a ballpark number?

**Sanjay Gupta** When we supply this type of product to our distributor, there are 2 types of sales in the real sector, one is going into the project directly and one in to the small houses, which are built by the small fabricators. So, with this difference, the exact number is not possible for us. We have to then study it in detail then we can come out with the numbers.

**Anant Singh** The stress in the real estate sector, is it leading to any receivables being stuck with distributors because they are in turn not getting payment from the projects or independent developers?

**Sanjay Gupta** Now everybody is careful. Nobody will supply new material to any real estate developer without any security or without good image.

**Anant Singh** But we do not have any issue because of real estate stress?

**Sanjay Gupta** We have no direct exposure to real estate, Direct or indirectly, we are not making any losses of that account.

**Moderator** Thank you. Well as there are no further questions, I would now like to hand the conference over to the management for their closing comments.

**Ashok Gupta** I must thank all the participants for a very-very interesting Question-and-Answer Session, we are very happy that almost all aspects of our business have been discussed. In fact, this gives a direction in what to expect in the future, what to do in the future, let me assure you, that the industry is on a very positive front, the industry is on a strong footing, you would have seen, the company is also on a strong footing. Going forward, we hope to continue our growth part in a much more robust manner. Thank you so much for your participation.

**Moderator** Thank you very much. Ladies and Gentlemen, on behalf of APL Apollo Tubes Limited we conclude today's conference. Thank you all for joining us. You may now disconnect your lines now.

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