"APL Apollo Tubes Q4 & FY16Results Conference Call"

May 31, 2016

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Moderator: Ladies and gentlemen good day and welcome to the APL Apollo Tubes Limited Q4 & FY16 Earnings Conference CallConference 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 for an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Sood from Christensen. Thank you and over to you.

Gaurav Sood Thanks. On behalf of KanavCapital and Christensen IR we welcome everyone and thank everyone for joining this Q4 FY16 Earnings Call for APL Apollo Limited. The results have been mailed to you along with the press release and they are also available on the stock exchange and website. To take us through the results of this quarter and answer your questions we have today with us Mr. Ashok Gupta – Managing Director of the company and Mr. Deepak Goyal who is the CFO.

We will be starting this call with a brief overview providing in brief the company's performance and then we will follow it with a Q&A session. I would like to remind you that everything said on this call that reflects any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that they face. These uncertainties and risks are included but not limited to what we have maintained in the prospectus filed with SEBI and subsequent annual reports with recent which you can find on our website.

With that said I now turn over the call to Mr. Deepak Goyal. Over to you Deepak.

Deepak Goyal Thank you Gaurav. Good afternoon everyone. Thank you everyone for attending this conference call and talking of the financial results along with the earning bids on operating metrics you have got. We are very pleased to announce strong quarterly as well as the financial results in March 2016. This has been an all-round performance made by overall 32% year on year growth in volume coupled with the capacity scalar as well as the improved operational performance. Coming to the quarterly performance we registered another Rs. 1000 crores plus quarter with over quarterly net sales reaching INR 1179 crores against the Rs. 782 crores in the Q4 FY15 which is an increase of 51% year on year and over 25% quarter on quarter. The increase sale coupled with the operating efficiencies and favorable commodity prices have lead by the EBITDA expansion by 153%, our EBITDA reaching Rs. 90 crores in Q4 FY16 as against Rs. 36 crores in Q4 FY15 and the margins are close to 7.5% against 4.5% in the Q4 FY15. This performance result in the net process of INR 28 crores as against Rs. 7 crores in the corresponding period of FY15.

On an annualized basis financial year 2016 with 34% growth in the top line from 3140 crores in FY15 to INR 3601 in FY16. This is manufacturing figure. The EBITDA margin expanded from 5.9% to 8% in FY16. We recorded a net profit of INR 101 crores against the Rs. 64 crores in the previous year, which is an increase of 58%. I also mentioned this year our ROC increased from 18% to 25% and ROE increased from 14% to 20%. Our performance clearly reflected profitable growth led by the volume and uptick in the margin profile. We have plan to penetrate into the uncovered territories, specially into the eastern and central region. In this direction we have firmed up our to setup a new another Greenfield project at Raipur which is expected to get commissioned by the year end. We would be spending close to Rs. 200 crores over the next 2 years to increase our capacity by 5 lakh tons. With this initiative and our investment in the state of art technology HSU Tube Mills, we lead in further penetrate position in business. We remain committed to our vision of becoming market leader in volume, technology, innovations, and quality. To sum up we clearly see strong visible of the business in future we are confident about the outlook. I will hand over the call to Mr. Ashok Gupta who will take you through the operational details about the company. Thank you.

Ashok Gupta Thank you Deepak. Welcome back friends. I hope you have got the results and perhaps you will be satisfied to some extent with our hard work. Directly I will come over to questions and welcome all questions from your side.

Moderator Thank you sir. Ladies & gentlemen we will now begin with the question and answer session. The first question is from the line of Disha Sheth from Anvil Shares & Stock Broking. Please proceed.

Disha Sheth Sir other expenses look high on a quarter on quarter basis. Can we get the reason for same?

Deepak Goyal Here we have paid and discounts on sales. It is a let off from the sales. This time we have grouped in other expenses a per the auditor’s projection. That is why our other expenses have increased.

Ashok Gupta Okay you got the idea. What change has happened is normally all the discounts that were being taken in the stabilization itself. This time we had appointed Deloitte as out auditor and Deloitte is very particular about the accounting standards, so they mentioned that okay you shift it from the realization to other expenses. Accordingly, the shift has been made. In the nut shell it does not have any negative impact.

Disha Sheth And sir for the coming year what sales do you expects.

Ashok Gupta You would have been learning that consistently we are having 25-30% growth. We cannot change ourselves too much. So our growth of 25-30% will continue in this year also.

Moderator Our next question is from the line of Gaurav Sanghvi who is an individual investor. Please proceed.

Gaurav Sanghvi In the current assets the inventories have increased from Rs. 319 crores to Rs. 594 crores. Can you please explain such a high increase?

Ashok Gupta In fact this is a very positive question. I am very happy you brought it up otherwise I would have told it myself. You remember normally we keep an inventory level of 30-35 days all along for the last couple of years. Now this time the government had announced anti-dumping measures and minimum import price since February. And international market was going up. So everybody assumed that the market prices will be going up in the days to come for the raw material. Making use of the situation we started increasing our inventory particularly of raw material and we increased to such a level that the benefits we can get of the higher prices in the months to come. So we will buy more in February and March and we will set a higher price in April and May. We increase our inventory in the month of February and March and we expected happened April and May prices further went up and we are likely to get a good inventory gain in a preliminary. And now the inventory will again come back to normal to 30-35 days. This is only to make use of the pricing situation.

Gaurav Sanghvi Got it. Any future guidance on the CAPEX?

Ashok Gupta CAPEX, in fact that has been one of our standard plank. We have always been focusing on technology. Now there are couple of things we are doing. 40-day formula which is basically known as CAP that means it should be new customer. It should be new areas and it should be new products. So on that basis now we are looking at new customers and new products. We are going to invest 400 crores on something known as direct forming technology. This technology is totally new to India. First time it is introduced. This was introduced in Europe around 5 years back. This technology enables you to directly form squares and rectangles from sheets without forming round pipe in between. The advantage is you can take very short campaigns. I can produce 100 pipes, 200 pipes and change the pipe. And the current traditional system you have to pull at least 10,000 pipes before you can change. Here you can even produce 100 pipes without any loss of time. On top of that there is a wage saving of around 5% to 10%. So with this technology my product will be better, my cost will be lower, my flexibilities will be more. And we are introducing this technology in big ways. So we are going to invest over 100 crores in this technology plus we are going to set up a plant a Raipur costing another 70-80 crores. The work has already started there. So this year we are likely to invest around Rs. 200 crores of CAPEX in the year 2016-17. This should give us an additional capacity of around 4-5 lakh tons going forward.

Gaurav Sanghvi And sir if I look at your debt levels it is around 600 crores of total debt. So how you are going to fund this through internal accruals or you are going to more debt or any equity dilution?

Ashok Gupta This year I am going to need around 200 crores to fund it out of which I should be getting internal accruals itself more than 100 crores plus another 100 crores I will take debt. However, my overall debt level will not go up. As you rightly said, my inventory today is over by 200 crores from my normal level. So that inventory will come down, I will release 200 crores from there and in a way I will invest it here.

Moderator

The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please proceed.

Pritesh Chheda

Could you just give us the inventory tonnage in tons at the end of March 2016?

Ashok Gupta

Our inventory at the end of March was I think around 1.90 lakh tons and going forward it will come back to around 1-1.10 lakh tons. So this represents an inventory level of around 50 days which will come down back to around 30-35 days.

Pritesh Chheda

This includes both finished goods and raw materials.

Ashok Gupta

It includes raw material in transit which we already purchased. It includes work in progress, it includes finished. It also includes stocks in our warehouses.

Pritesh Chheda

And this number corresponding last year was about 100,000 tons.

Ashok Gupta

It was just around 100,000 tons, yes.

Moderator

Our next question is from the line of Ashutosh Garud from Reliance Portfolio Management. Please proceed.

Ashutosh Garud

Can you explain this exceptional item which you have mentioned about branded image expenses?

Ashok Gupta

You know what happened, traditionally we have been taking this brand image brand building exercise for quite a few years and we have been taking this all expenses in our CAPEX basically means amortizing for over next 5 years. This year auditors were Deloitte and they said as per accounting practice it will be better prudent to take all the expenses in one go. So whatever amount we have amortized in the last 3-4 years we have taken an extraordinary loss in this one year. So all the expenses of brand building have been taken as a revenue item in this year.

Ashutosh Garud

Since when have you started to incur this expense?

Ashok Gupta

It says from 2011-12, since then we have been incurring it keeping it as amortized for 5 years but this year whatever expenses we have taken in the last 4-5 years we have written them off in one shot.

Ashutosh Garud

So this would not be coming in going ahead?

Ashok Gupta

No, it will not because this was only once, it was accumulated of 4-5 years. It is finished this year.

Ashutosh Garud And on the utilization levels what were the utilization levels for the capacity which we have right now? It is around 10 lakh if I am not wrong right now?

Ashok Gupta Yes you are right. Our capacity is more than 12 lakh and our production was around 9 lakh. The capacity was building up. So in a way my capacity utilization throughout the year was of the range of 80-85%.

Ashutosh Garud And this quarter you mean to say it was 80-85% or full year?

Ashok Gupta Yes, this year as a whole. Quarter particularly if we take Q4 it will be close to 90%.

Ashutosh Garud And given the growth you are expecting you would expect this utilization to continue for the next 3-4 quarters.

Ashok Gupta Actually yes, you are right. Our utilization will continue between 80-85%. What may happen is in some quarters the capacity build up may be more so there it will look like the utilization has come to 70%. And then averaged over a period of year or year and half it will remain 80-85%.

Ashutosh Garud I did not get you, so utilization will drop in a sense?

Ashok Gupta No, utilization will on an average continue to be between 80-85%. Some quarter where the capacity buildup takes place at a higher level you may see that there is aberration but on an average it will remain around 80-85%.

Ashutosh Garud And this expansion of 4-5 lakh tons, this would come in Q1 FY18 you are mentioning.

Ashok Gupta Actually it will continue in each quarter. It will not be a one-day affair because as you would be knowing perhaps our modern days every quarter we put up some lines, capacity addition taken place in each quarter. It is not a one-shot affair. So for example today the capacity is around 13 lakhs, by H1 it will become 14 lakh then going further by Q3 it will become 15 lakh. Like that it continues to grow.

Ashutosh Garud Okay, that is the reason you are mentioning the utilization levels may look low?

Ashok Gupta Exactly.

Ashutosh Garud Okay. And sir I mean typically if you see this kind of the ERW products, I mean these industries are generally struggling if you see. I know you are gaining market share and it is not a focus area for many of the other companies who are into this particular segment, who are basically into other segments as well. So if you can throw more light because this quarter has been really good if you see on the volume front and what exactly is working for us and what is the market share we have right now versus let us say one year back and how are we proceeding, what is the kind of target we have?

Ashok Gupta Okay let me break into certain parts. One is about our industry as a whole. One is about this particular quarter and then going forward. Industry as a whole is facing some challenges and one of the challenges they are facing is the old technology. This industry traditionally has been having the machines and equipment more than 20-25 years old which are slow. On the other hand, we have been upgrading our machines every 3 to 5 years. We have been bringing in latest technology which is faster, giving us production at a lower cost, producing the latest kind of pipes. In addition to that our volume of the same area is much more. So whereas in a shed of let us say 1-acre normal company will make 1000 tons, we make around 2000 tons. Our cost comes down, production goes up. Secondly, we have got our plants in all the regions, we have in north, south and west and now we are opening nearby east also. As a result, we get significant cost advantage. Thirdly, because of the volume a lot of small players or tiny players they are not able to sustain the challenges and the competition. So their share is coming down, our share is going up. I think our share today has gone up from about 15% to 18%. So this is a jump we have been able to achieve and we will consistently be increasing it. So this is the reason why we are able to do better and we are again investing in technology. Our products range is very wide. We make right from 15-15 mm to 250-250 mm and we are going to further increase it. We make so many products SKU that other people hardly make even 30-40% of it. Our distribution is very deep. We have gone to tier-II and tier-III cities where most people just stay in tier-I or metro cities only. These are the reasons why we have been able to gain market share at the expense of others.

Ashutosh Garud And you are confident that this will continue for next 3-4 years as well?

Ashok Gupta Actually we are taking a lot of steps to make sure that we continue. As I was telling you we are coming up with many new products. You would have already heard that we have come up with an idea of steel door, double door frame, single door frame and a lot of shapes we have come up and some of them we even got it patented.

Ashutosh Garud So how has this been taken up by the market because I think this launch was last year?

Ashok Gupta We are having 30% growth in those products year on year. In each of the product we have introduced for example double door frame we are having 30% to 40% growth year on year in our sales. The volumes are less. The volume may be only 10,000 tons a year but the growth is very high and margins are much better. Going forward we are introducing some new technology altogether. For example, one of the technologies we are introducing is online galvanizing. It is nowhere in India. And this will give us lot of cost and quality advantage. Because of these innovations we are always one step ahead and we feel that we will continue to get more market share because of these steps we are taking.

Ashutosh Garud And sir talking about the market share you are gaining from the small players who are not able to sustain on the competitive level. The already established player who have one of the segments in ERW, how is the intensity of competition from them because since you are doing well so is it a similar case where you used to say that this is not a very focused segment for them. Has that continued or the competitive intensity has increase?

Ashok Gupta There are some changes. For example, the largest players like Tatas we are not hearing any increase in the capacities but smaller players, the medium level players they are trying to increase their capacities to some extent. So there is a growth in some of the industries. So I must say that 3-4 companies are trying to increase the capacities slowly. There is some growth coming up but overall the large players like Tatas and Jindals they are not increasing their capacities.

Ashutosh Garud And sir lastly the ERW segment which we cater to?What is the industry level growth or if at all there is any growth in this industry right now?

Ashok Gupta The growth here is much higher than the national average of steel. The reason is there is a lot of substitution taking place from wood. You would have remembered earlier, wood was being used as a support system. You have poles or you have anything to support you would use wood. Now people are using steel pipes square or rectangle. So the demand growth is faster than the industry, industry for steel or even GDP. While GDP is growing 7%, steel pipe is growing around 10-11%.

Moderator Our next question is from the line of Diwakar Pingle from Christensen. Please proceed.

Diwakar Pingle I think my question is related to pricing. Just wanted to understand how your pricing level is panning across the different product segments given that we did see some quarters of depressed pricing. Is it behind us and how we are seeing this going forward?

Ashok Gupta See normally we target that we should get an EBITDA of around Rs. 3200-3500 per ton. EBITDA on each of the product we sell we target around Rs. 3500-4000 per ton. Last year our average EBITDA was around Rs. 3200, which will try to improve upon it. Our pricing changes with the price of steel. The steel prices go up by Rs. 1000, we increase our prices by Rs. 1000. So any change in the steel prices do not affect us directly. It is like price is pass-through. Any increase or decrease is passed to the consumer. So we make a loss or gain only in the inventory we are keeping. Otherwise price changes does not affect us significantly.

Diwakar Pingle So are you saying that EBITDA levels will be kind of more or less at consistent level between 7% to 8% irrespective of price increases and things like that, given that you said that there will be a bit of capital cost and other things which are going into expansion how can we see the EBITDA going forward?

Ashok Gupta Okay what we target is that on an astute level the word EBITDA should be between Rs. 3500-4000 per ton. So suppose steel prices go down, the percentage will look much higher and if steel prices go very high the percentage will look lower. On an average we expect EBITDA to be between 8% to 10% depending on the steel prices. We are focusing on the per ton thing. We are focusing on per ton volume. So suppose next year I make a volume of around 1.1 million my overall EBITDA is same.

Diwakar Pingle Okay and my last question I think you did kind of allude to inline galvanizing but the other thing that I want to ask you was how has the progress been with respect to your color coated pipes because that is something that we introduced for the first time in India, so I just want to understand how is that panning out and is that kind of taking off the way you expected it to?

Ashok Gupta Color coated pipe is being accepted by the market but in a very slow manner. We have only one line which can feed the demand. That line is getting order particularly from the western region. However, because it is a new product the acceptability is slow. So the growth is there, demand is growing slowly but it is not that the idea is caught up very significantly. It may take some more time.

Moderator The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please proceed.

Saurabh Patwa I just wanted to have your outlook on how the inventory would pan out when the steel prices would be moving up? So how would you be planning it based on the demand and you would take some call on the pricing and how do you expect things? What impact do you see on the working capital due to increase in prices of steel going forward?

Ashok Gupta Normally we try to upgrade in a very narrow band of inventory which is around 30-35 days, maximum 40 days. And that has been our trend for the past few years. Only in certain pockets when we see definite opportunity emerging has happened when government announced minimum import price. And the steel producers were increasing their prices. Then we started making use of it, taking advantage of it. But in general our inventory will remain at the same level of 30-35 days. Going forward we expect prices to be stable, neither increasing nor decreasing because I think the advantage which the steel producers were looking for that has already been given. The prices in the international market are also stable. So we do not expect much of a variation in the steel prices in days to come. And so far as working capital is concerned since we are already sitting on a very high inventory, so going ahead our working capital requirements should come down.

Saurabh Patwa And sir basically I just want to understand the normal impact when the prices are moving up. So, so far we have seen that the prices are moving your working capital improved your debt levels come down. So should we expect the reverse when the prices move up?

Ashok Gupta We will be very careful. Total debt today is around Rs. 600 crores. Our target is to keep it in a narrow band of around 550 to 650 crores, keep it in that band itself. See when the prices are going up very high we reduced our debtors significantly. Like last year you would have observed we reduced our debtors significantly. So we will try to manage our working capital within that narrow band.

Moderator The next question is from the line of Ritwik Sheth from Span Capital. Please proceed.

Ritwik Sheth First question is related to the CAPEX, what kind of revenue are we expecting from the incremental 200 crore CAPEXonce everything is commissioned?

Ashok Gupta Next year we expect an additional revenue from this. See basically we are expecting 30% growth in our revenue. This year our revenue was around 3600 crores, at 30% it will be around 1000 crores.

Ritwik Sheth Basically what I am trying to ask you is what is the revenue turnover on incremental CAPEX?

Ashok Gupta It will be between 5x to 6x.

Ritwik Sheth Okay, so this can generate 1000 crores additional revenue say if it is completed by second half FY18?

Ashok Gupta Yes, it will.

Ritwik Sheth And payback would be 3 years for this 200 crores?

Ashok Gupta This is less than 3 years.

Ritwik Sheth Less than 3 years because 1000 crores and 7% margin.

Ashok Gupta Normally it will between 8% and 9%.

Ritwik Sheth Okay, so by that time the margins will also improve. And regarding the inventory that we purchased envisaging the steel prices, so is there any gain from that in Q4?

Ashok Gupta Not in Q4 but you will get it in Q1 of 2017.

Ritwik Sheth Everything will be reflected in Q1 of 2017.

Ashok Gupta Significantly yes.

Ritwik Sheth And like what is the strategy while because you know it might like obviously you all have in the industry so what is the strategy like, will we stick to 30-35 days or this was just like because prices were so depressed that you went and bought 2x of your normal inventory.

Ashok Gupta These opportunities come only once in a year, once in 2 years. They are not coming up everyday. It is about 30-35 days only. We are not going to go for higher inventory.

Ritwik Sheth Yes, because it can backfire also.

Moderator The next question is a follow-up question from the line of Ashutosh Garud from Reliance Portfolio Management. Please proceed.

Ashutosh Garud I just wanted to clarify earlier you used to mention the margins would be around 7%-odd, so now we are confident of maintaining it at the range of 8% to 9%.

Ashok Gupta We are hopeful of maintaining it more than 8-9% as we are selling, we are trying to look more at the per ton level, per ton level should be around 3500. In case my price remains around 35,000 then definitely my margins should be between (+8%) to (+9%).

Ashutosh Garud Okay, so the incremental percentage or 150 basis points better margins as compared to let us say couple of years back, would that be because of the volumes we are attaining now?

Ashok Gupta Well there are host of reasons – one of them is that we have increased our value-added products from 30% GI and GP. Second is that we are gaining some freedom in the market because of the popularity of the product. So there is a higher premium we get now as compared to earlier times. Our brand image is improving day by day giving slightly more and volumes obviously go up. As the volumes go up, the margins slightly improve.

Moderator Our next question is from the line of Shankar S who is an individual investor. Please proceed.

Shankar S My first question is, are there any plans for inorganic growth?

Ashok Gupta Inorganic growth we have been doing in the past particularly sick unit. We are not able to see any immediate good opportunity. If a good opportunity comes definitely we will have to look at it but at this moment there is not at all a single opportunity which I can say is not considering. And we are getting very good results in our organic growth because we are putting up new equipments. This year and next year will be mostly organic. In case some opportunity comes then definitely we will look at it.

Shankar S So what will be the size of the opportunity you are looking for?

Ashok Gupta Well we will normally look for something which is in the range of 50-100 crores, not too big, not too small. But something which we are hopeful can give us good product and is in sync with our current working.

Shankar S Okay, so it can be in India or overseas?

Ashok Gupta Yes, I think that we have not ruled out.

Shankar S And sir we look at better margin realization for the pipes made with the new direct forming technology?

Ashok Gupta Obviously we are going to peg it at a much higher level. It is a new technology, saving of 8% to 10% to every user. They are going to demand premium. The equipment is almost double the cost of a normal equipment. And this is the latest technology, nobody in India has it. The weight, the shape, the size, the quality everything is significant but totally a different product altogether. We are going to in a way in the pipe industry it will be better than Apple in mobile industry.

Shankar S So sir if it is the best technology, what is the chance that other player will not import it?

Ashok Gupta Definitely they can but time lag will be there. We get the first mover advantage. We are likely to introduce this by the end of current financial year. It will take some time for us to establish in the market but in couple of years, people are bound to follow. Let us see what happens but definitely in the meantime would I make use of it and in case we establishourselves on this then it is possible that our stock hold will remain in days to come.

Shankar S And sir the third question is on dumping duty on HR Coil, so how long do you expect the dumping duty on HR Coil to adjust?

Ashok Gupta See the minimum import price was levied in February for 6 months, so I think government should withdraw it in July or August at the most because extending it further will have criticism. Secondly the main purpose has been flawed. International prices have also gone up. Situation is not as bad as it used to be in the month of January. So I expect the government may not continue but you never know, government will have its own reasons.

Shankar S So does it have any impact on our financials or our business?

Ashok Gupta As I told you our prices are directly passed through. The prices come down or prices go up. We pass it in our price. We do not feel that we will have any adverse impact neither positive or negative because whatever price comes it will be a pass through.

Shankar S And sir your Raipur plant, when do you expect the Raipur plant to be operational?

Ashok Gupta The construction is already started. The sets are being made. Normally it takes around 10 to 12 months, so I expect by the year end i.e. before February-March productions will start.

Moderator Next question is a follow up question from the line of Shankar S who is an individual investor. Please proceed.

Shankar S Can you explain in detail about your dealer network?

Ashok Gupta For the last couple of years, I think 6-7 years we adopted a strategy of having our distributors not only in the metro cities which normally people have but in Tier-II and Tier-III cities. As a result, we have more than 500 dealers/distributors in the country today and some of them are in distant location. So our large dealers are very few in numbers may be 10 and 12 but small dealers are in large numbers, may be 500. So with this kind of dealer network what happens is the small dealers they cannot afford to have many brands. And since we have a very wide product range and we have our depots in every state and for them it is like a local supplier. They prefer to have our brand. So we become kind of a single brand for those dealers. They are loyal to us and because they are small they normally do not negotiate very significantly on the prices. So we get better margins, better price, and more loyalty. As our distribution is deep which is not limited to metros, it goes to small-small cities Varanasi, Allahabad, Hamirpur, Sangli distant places you will see our depots.

Shankar S So do the small dealers get better margin than others from us?

Ashok Gupta No we have same price for everybody. We do not differentiate. We do not say that small dealers have to pay more but because small dealers are our strength large dealers have to follow and pay the same price. We do not differentiate between dealers in the pricing.

Shankar S So what is the portion of sales to the rural market?

Ashok Gupta Well you see our dealers are in as I told Tier-2 and Tier-3 cities so somebody sitting in Varanasi and somebody sitting in Shahjahanpur, he is feeding the entire rural market. It is difficult for us to say how much of the material he is selling in the city and how much he is selling in the rural market but my guess would be that around 25% would be going to the rural market. But that is only a guess that I have.

Shankar S So how do you differentiate the big dealers and small dealers?

Ashok Gupta We do not differentiate. As a strategy we are focused at we will not keep our distributionship limited to big cities. Many people they will have distributed only in Bombay, Delhi and Kolkata. We decided in addition to Bombay, Delhi, Kolkata we will go to smaller cities. Places like let us say Udhampur, I mentioned you Pinjore, Bhatinda, small-small places. We went there, we appointed those people as our dealer. So as a result we are looking for district wise dealer. Every district we should have a dealer. So we do not say that we should have big dealers or small dealers. Every distributor should have dealer. Now penetration is very-very deep.

Shankar S And sir you talked about branding. So any step you would like to highlight?

Ashok Gupta Well, I will only talk of couple of steps. One of the steps you have taken was fabricators need. In last one year we would have had more than 200 fabricators needed. And each will think around 100-150 steel pipes fabricator used to come. So you will see we have covered around 20,000 fabricators. We have got in touch with 20,000 fabricators. They had come to our meeting, they have understood the differential in our pipe and other pipes. We have given them training on how to wield pipes, how to make sure the wastage is minimum, how to make sure that the finishing is good. So that way we have done a significant step. Now those 20,000 fabricators when they go back and they see the difference between Apollo pipes and non-Apollo pipes they obviously prefer to use Apollo pipes. This is the one step we took. Then we have retail board. In each and every city we have pushed up retailers, name boards so that everywhere people can see whenever to go to buy a pipe that APL Apollo name is vibrant, everywhere available. And many more steps we have taken in that direction.

Shankar S What is the spend for the next year, FY17 for branding or promotion, etc?

Ashok Gupta Typically we spend every year between 5 to 7 crores on branding. This year our spend is likely to go up because we are introducingsome new product. So it will be definitely more than 5 to 7 crores.

Shankar S And sir you introduced many innovative products in the last year. So are there any new products for FY17 which can increase your sales substantially?

Ashok Gupta There are a couple of things we are starting. One, I was mentioning about the direct forming rectangle and square, this will have a big impact because we are doing both. We are doing saving in the material and we are also going to spend. Then we are coming with online galvanizing that will also give us, plus we are coming up with many new sizes. Typically, what happens is today you have two sizes 40x40, 60x60, but nobody will make 65x65. The new technology we will make all sizes 65x65. It will be like tailor made product. This will give us a big advantage.

Moderator As there are no further questions I now hand the conference over to Mr. Ashok Gupta for closing comments. Over to you sir.

Ashok Gupta Thank you. Well it was a very nice questions we had. I can assure you that the growth power plan we have made we are sure to execute it. The growth we have been achieving through years will continue in years to come and hopefully we will see much brighter days ahead. Thank you so much.

Moderator Thank you very much members of management. Ladies & gentlemen on behalf of APL Apollo Tubes Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.