

APL APOLLO

May 2020



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Safe Harbour

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

APL APOLLO OVERVIEW



APL Apollo at a Glance

1

Leading building material structural steel brand

Core Business

14

Brands

Five Product Categories

40%

Market Share

2.5

Million Ton

Structural Steel Capacity

8 Patents

10 Plants

2,079 Employees

800+ Distributors

1,500+ Products



Our Brands

Product Category*

Apollo Structural

Structural steel construction material:
Residential, Commercial, Infrastructure

Fabritech, Build, DFT

Apollo Z

Galvanized structural steel construction material:
Residential, Commercial, Infrastructure

CoastGuard

Apollo Galv

Galvanized structural steel construction material:
Residential, Commercial, Infrastructure

Green, Bheem, StrenX

Apollo Standard

Construction material, Industrial

FireReady, Agri

Apollo Tricoat

Home improvement applications

Tricoat, Plank, Signature, Elegant, Chaukhat

70% Building Material

24% Infrastructure

6% Others

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

Product Category – Application & Sales Mix

Product Category	Sales Volume Mix (%)	Applications
Apollo Structural	56%	
Residential Buildings & Independent Homes	20%	Structural, Piling, Sheds, Handrails, Gates, Fencing, Balcony Grills, Staircase, Light Structures
Commercial Buildings, Warehouses & Factories	9%	
Infrastructure	24%	Structural for Metros, Airports, Stadiums, Stations etc
Industrial	3%	Heavy Equipment
Apollo Z	20%	
Residential Buildings & Independent Homes	16%	
Commercial Buildings, Warehouses & Factories	5%	Galvanized structural steel tubes for coastal markets
Apollo Standard	11%	
Residential Buildings & Independent Homes	5%	Structural, Fencing, Grills, HVAC, Ducting, Firefighting, Plumbing
Commercial Buildings, Warehouses & Factories	5%	
Industrial & Agri	2%	Heavy Equipment
Apollo Tricoat	7%	
Residential Buildings and Independent Homes	5%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	2%	
Apollo Galv	6%	
Commercial Buildings	5%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & Agri	1%	
Total	100%	

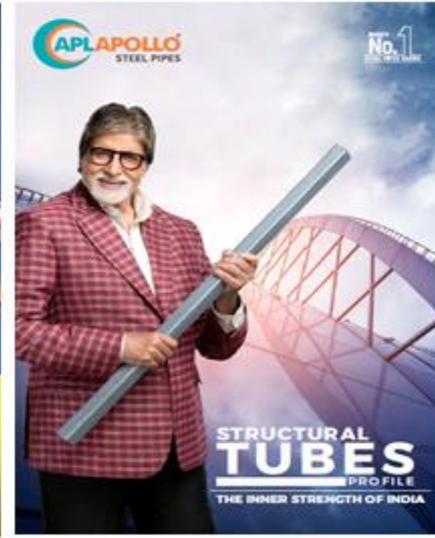
45% Building Material Housing

25% Building material Commercial

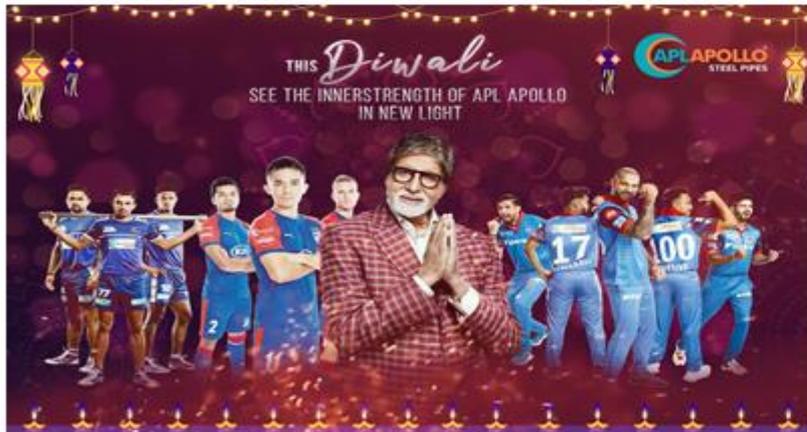
24% Infrastructure

6% Others (Industrial & Agri)

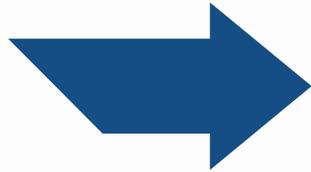
Brand Equity



Brand Equity

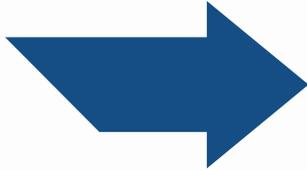


B2C Channel



Distributors

800+ Distributors – Solid Relationships, Incentive plans



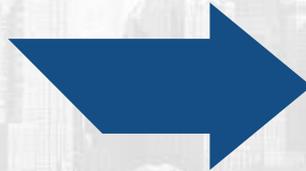
Retailers

50,000+ Retailers – Retailer bonding program



Fabricators, Architects & Structural Engineers

200,000+ Fabricators, Architects, Structural Engineers & Developers – Apollo Connect Programs, Fabricator/Architect meets for Brand promotion



End Consumer

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



COVID-19 ACTION PLAN

Covid-19 Action Plan

Business

Revenue loss during lockdown

- Complete shutdown from 24 March
- Raipur Plant started on 22 April

Sales ramp-up post relaxation

- All 10 plants operational with necessary precautions
- Good Pent-up demand as contractors rushing to resume construction
- Company improving market share at cost of weak competition
- Replenishment has started at distributor level in rural areas
- Demand in Urban areas catching up
- More than 100 construction sites operational in NCR region
- Supply chain improving day-by-day

Global Cues

- Construction activity in China has picked up significantly
- Construction steel demand has recovered 65% in China in last 2 months

Employee Safety

- Social distancing norms being followed as per gov't rules
- Proper hygiene being maintained at plants and offices
- No plant in Red Zone

Steel Prices

- Do not expect steep decline in prices
- Steel producers sitting in huge inventory levels
- Company working on minimum raw material inventory levels

Financials

Cash Preservation

- Focus on receivable collections and debt reduction
- Debtors spread across 800+ distributors
- Evaluating channel financing options to further minimize debtors
- Delayed capex spends

Fixed costs

- Minimal branding and marketing expenses
- Lowering interest costs thru refinancing and debt reduction (Issued commercial paper at 6.6% recently)
- Renegotiation of miscellaneous contracts at lower price

Cash breakeven

- Lean cost structure
- Cash breakeven below 1/3rd capacity utilization

Outlook

Demand recovery

- Target higher market share in FY21
- Aggressive sales strategy to hurt weak competitors
- Building Material companies guiding for 25-30% volume decline
- Structural steel Tubes to outperform other Building materials

Business Plan

- Long-term business plan remains unchanged
- Short-term focus is lighter balance sheet and lower fixed costs

PORTER'S FIVE FORCES

Porter's Five Forces

Threat of Entry

- Scale of 2.5m ton capacity; wide gap between No. 2 Player
- Vast distribution network (access to 800+ distributors, 50,000 retailers, 2lacs fabricators)
- Technology advantage (DFT, ILG)
- Lowest cost producer (highest profitability in the sector)
- Product range (1,500+ SKUs)
- Lead time to distributors (48hrs delivery)
- Financial strength (doubling capacity every 3rd year without debt)
- Unmatched brand strength

Bargaining power of suppliers

- Company buys 2% of Indian steel consumption and 10% of Indian HR coil consumption
- Amongst Top 3 customers for large steel producers
- Company's steel buying price is minimum in structural steel tubing industry

Industry Rivalry

- APL Apollo 40% market share
- Player 2 - 12% market share (under insolvency)
- Player 3 - 9% market share (focus on water transportation products)
- Player 4 - 7% market share (strong player but small in Parent's overall scheme of things)
- Player 5 - 7% market share (focused in East market; regional player)
- Player 6 - 6% market share (high debt)
- Player 7 - 3% market share (high debt)
- Player 8 - 2% market share (poor profitability)

Bargaining power of distributors

- 40% market share in structural steel tubing industry
- Monopoly products (new innovative products)
- APL Apollo distributors can churn capital upto 8x in a year which helps them generate high ROCE

Threat of substitute

- No product can replace structural strength of steel

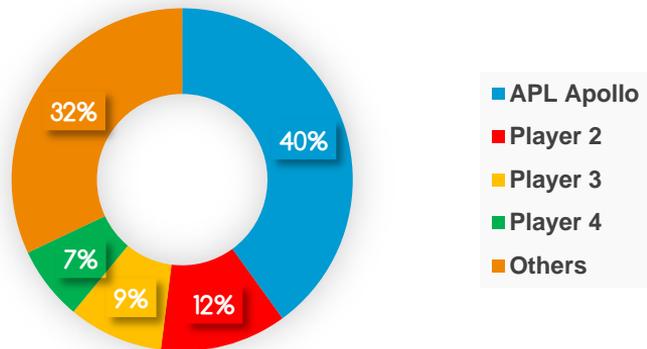
CORE COMPETENCE

Our Business Moat...

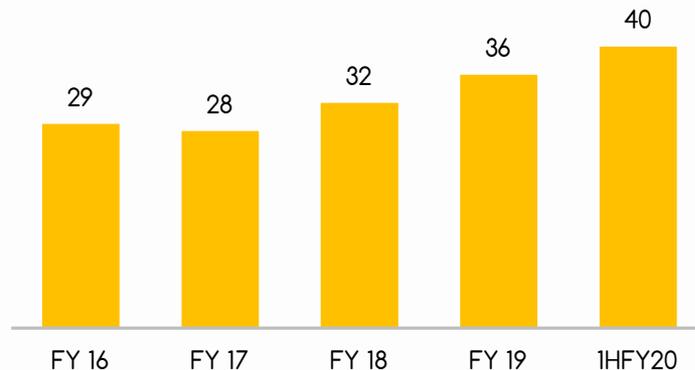


Dominant Leadership

Peer Market Share FY19



APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



Unique Capabilities



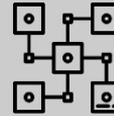
Developed structural steel market in India

First Mover advantage
No.1 Leader; Focused on steel strength and building material applications



Technology

Direct Forming Technology for big structural products
In-line Galvanizing to replace traditional products



Distribution network

B2C channel for last mile penetration



Innovative products

Ground breaking solutions
Roofing solutions for coastal market, door frame

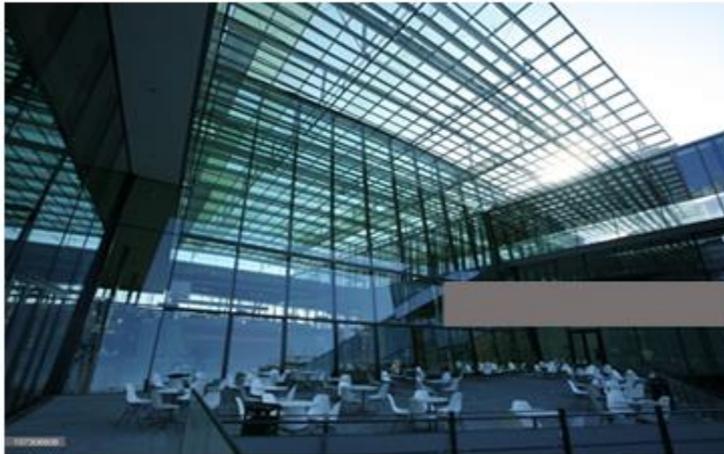
STRUCTURAL STEEL APPLICATIONS



Structural Steel Applications



Structural Steel Applications

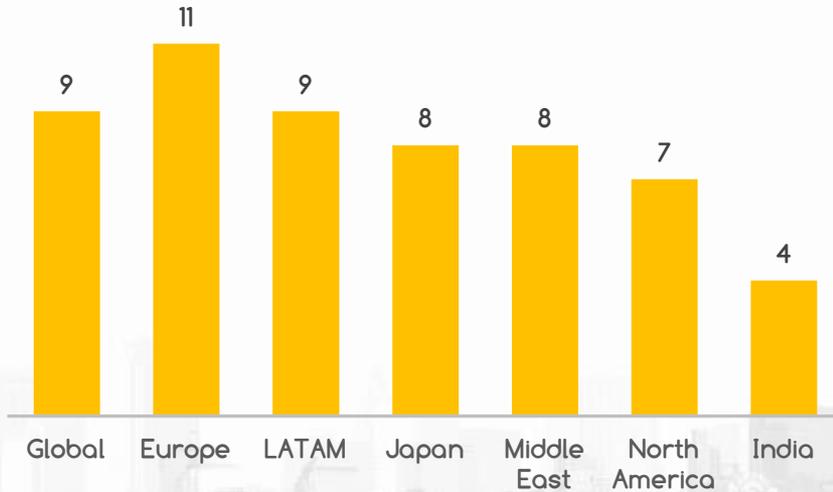


EXCITING FUTURE

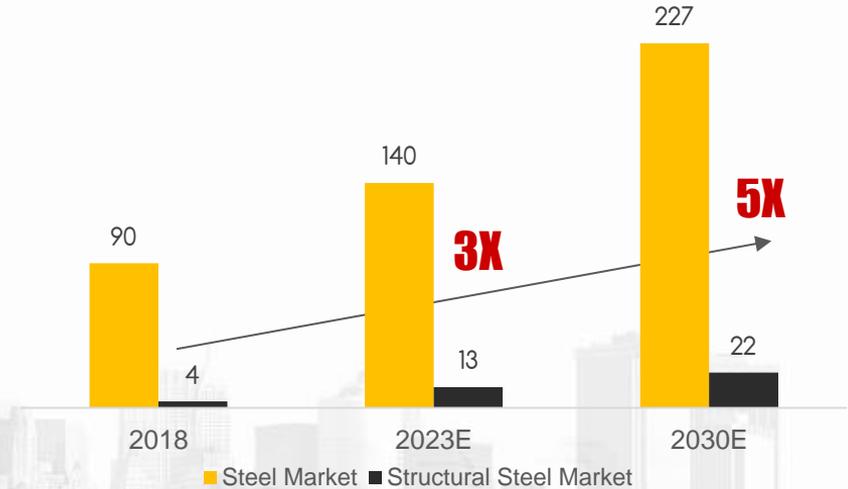


India at the start of Structural Steel Usage

Structural Steel Market as % of Steel Market (2018)



Potential Structural Steel Market in India (Mn Tons)



India has huge structural steel based construction potential

Note: Structural Steel is 4Mn ton market size, out of total ERW market size of 6Mn ton (balance is water transportation)

Source: Company data and Industry research

Structural Steel essential for new age construction

Growth Drivers

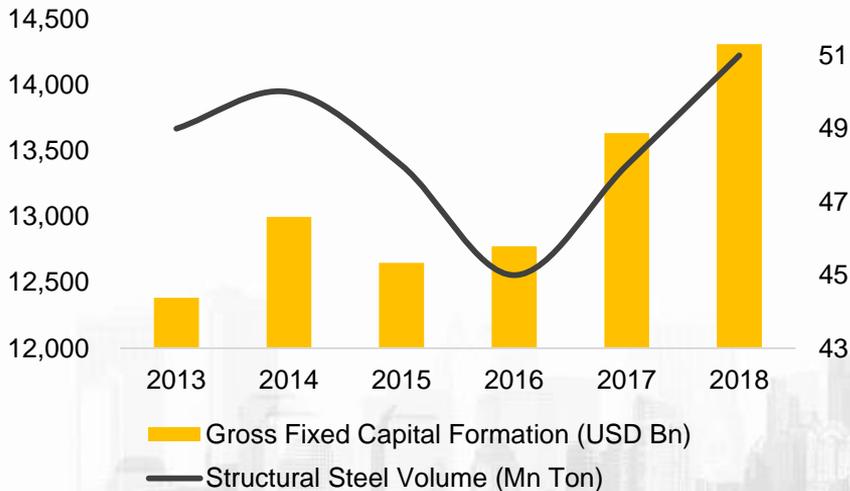
- Growing vertical model of development
 - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
 - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need for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

Benefits

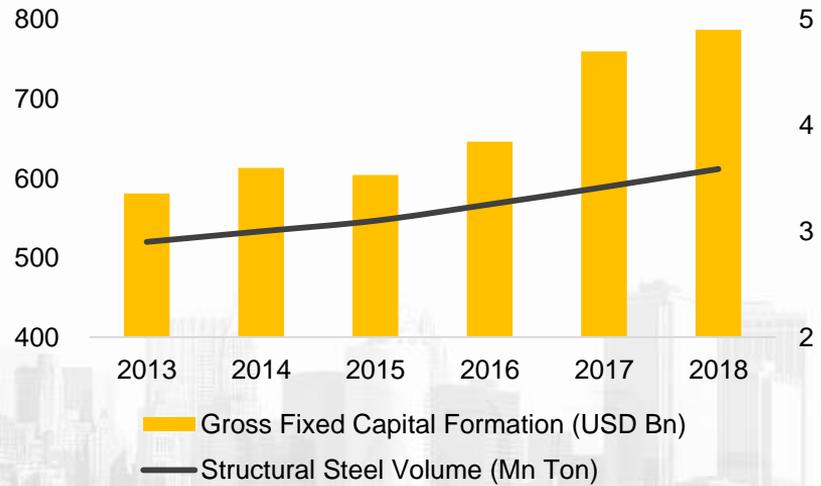
- Environmental friendly
 - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

Structural Steel Market expansion linked to construction activity

Global Structural Steel Market expansion



Indian Structural Steel Market expansion



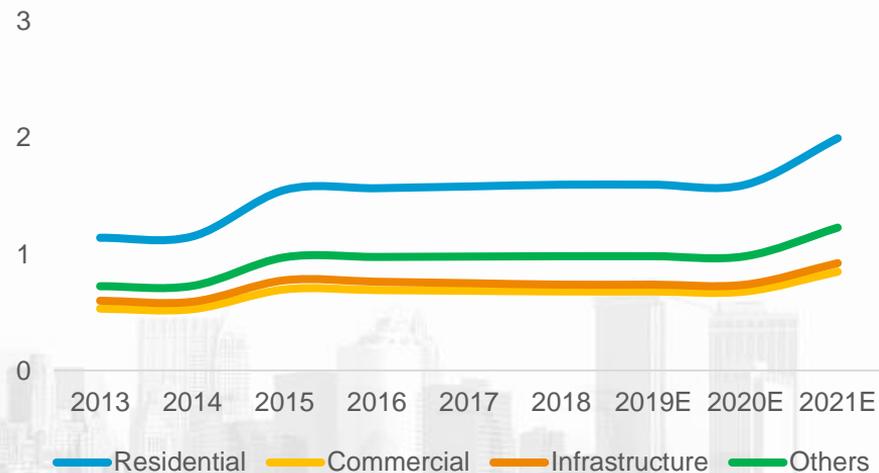
Countries included: USA, Europe, Japan, China
Source: Company data and Industry research

Structural Steel Uses

Global Structural Steel Uses - Segment wise breakup (%)

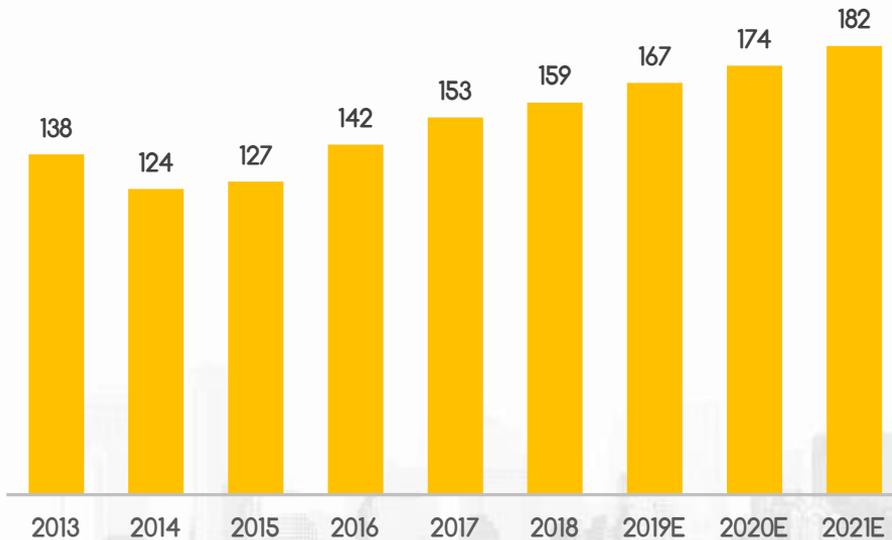


Indian market taking off in all segments (Mn ton)



Structural Steel Market Expansion

Global Structural Steel Market growth forecasts (Mn Ton)



Growth Drivers for India

Rising population accompanied with improvement in living standards

Requirement for strong, durable quality of construction for private residences

Increased spending on construction of infrastructure

Future of Construction



We are ready..

Opportunity Size..

Potential structural steel market size of:

- ✓ 13Mn ton by 2023
- ✓ 22Mn by 2030

Where we are..

- ✓ FY20 sales volume was 1.6Mn ton
- ✓ Current capacity is 2.5Mn ton
- ✓ Future capacity addition linked to market potential

Our strengths..

- ✓ New innovative products
- ✓ Branding
- ✓ Fixed costs of unutilized capacity factoring in
- ✓ Low gearing
- ✓ Solid FCF generation

On path of Premiumization..

1

Moving towards solution driven offerings and heavy weight structural steel tubing products for large real estate and infra projects

2

Focusing on products which are aesthetically appealing and command premium

4

Leveraging APL Apollo brand equity

3

Consumer centric approach

5

Innovative sizes/new applications where competition is behind curve

FINANCIAL PRIORITIES & PERFORMANCE

Financial Priorities under Strong Governance

Growth

- Profitable Organic Growth
- Commitment to R&D and Talent
- Innovate products to replace conventional construction methods



Earnings

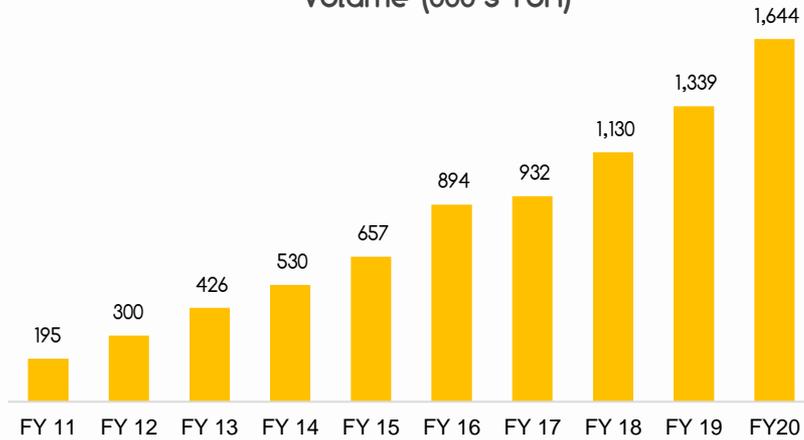
- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- Achieve ROCE \geq 25%

Capital Allocation

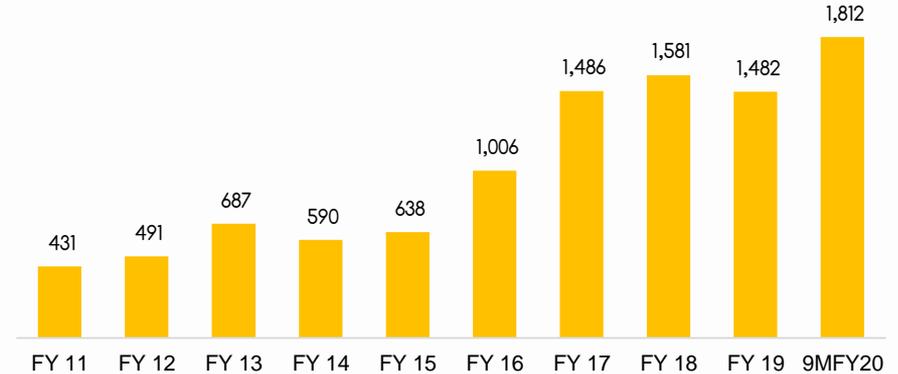
- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

Growing Strength to Strength

Volume (000's Ton)



Net Profit (Rsm)



EBITDA (Rsm)



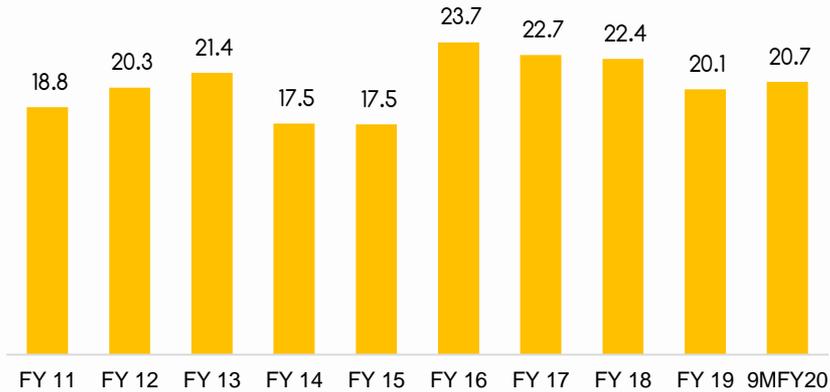
Interest Coverage Ratio (x)



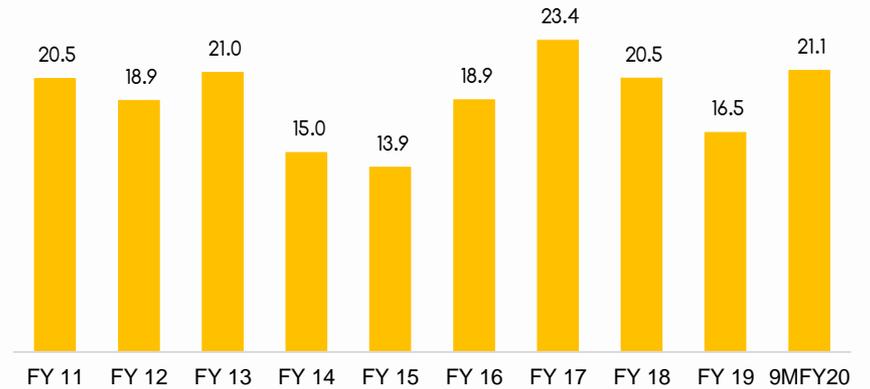
Note: This data is based on the Consolidated Financial data of the Company; Interest coverage is calculated on EBIT

Growing Strength to Strength

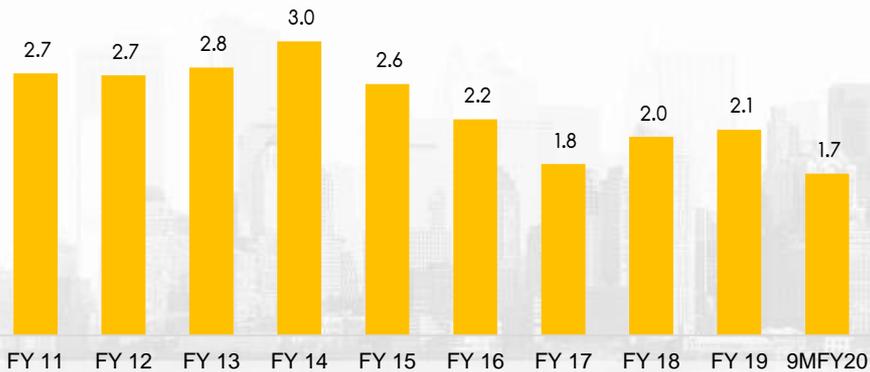
ROCE (%)



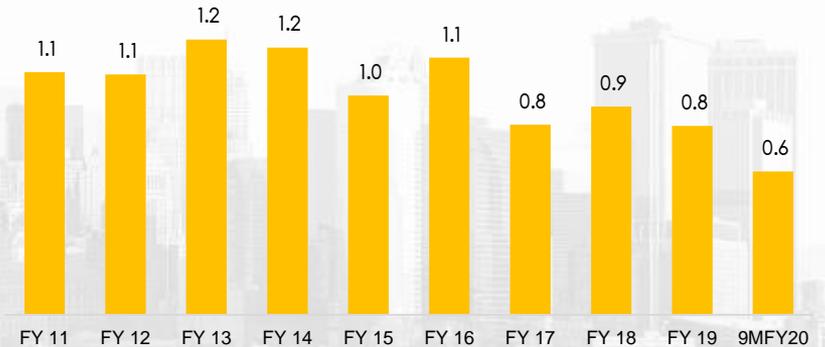
ROE (%)



Net Debt to EBITDA (x)



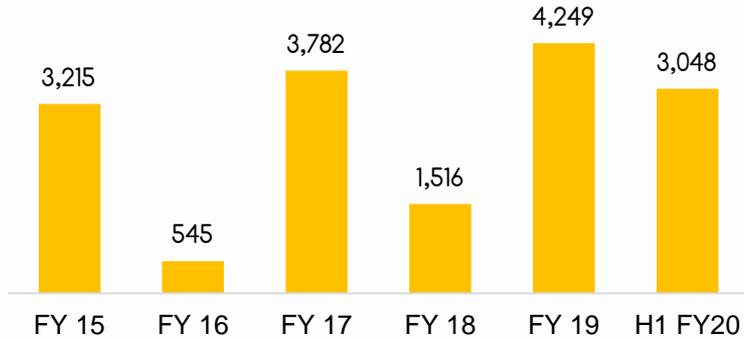
Net Debt to Equity (x)



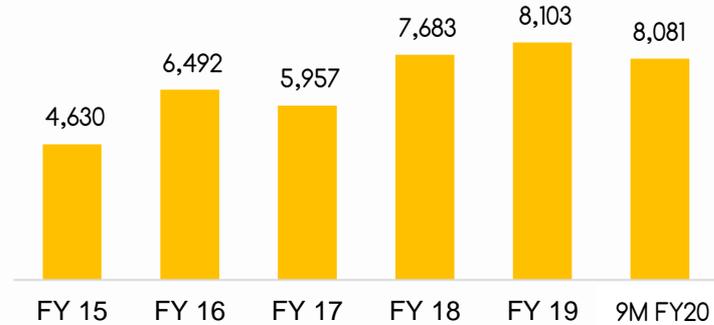
Note: This data is based on the Consolidated Financial data of the Company

Growing Strength to Strength

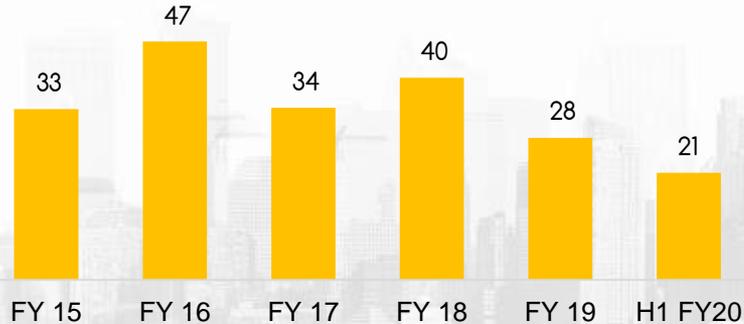
Operating Cash flow (Rsm)



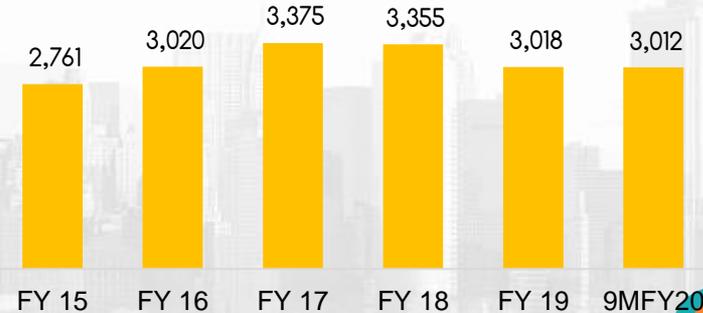
Net Debt (Rsm)



Net Working Capital Days (x)



EBITDA per ton (Rs)



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

Growing Strength to Strength

Particulars	FY15	FY16	FY17	FY18	FY19	9MFY20	Growth Y-o-Y	CAGR (FY15-19)
Sales Volume ('000 ton)	657	894	931	1,130	1,339	1,233	34%	26%
Apollo Structural	248	426	475	614	766	681		
Apollo Z	148	160	189	241	283	240		
Apollo Tricoat						75		
Apollo Build	91	115	117	111	92	74		
Apollo Standard	170	194	151	164	198	163		
EBITDA (Rsm)	1,862	2,919	3,328	3,790	4,045	3,713	41%	22%
EBITDA (Rs/ton)	2,761	3,020	3,375	3,355	3,018	3,012		
Net Profit (Rsm)	638	1,006	1,461	1,581	1,483	1,811	108%	19%

Network expansion

No of Distributors	375	600	600	650	790	800+
No of Plants	6	6	7	7	11	10

Note: 1) Apollo Structural -Hollow Section, Apollo Z- Pre Galvanized (GP), Apollo Build – Galvanized (GI), Apollo Standard – Black Pipes
 2) This data is based on the Consolidated Financial data of the Company

Financial Performance

Profit & Loss (Rsm)	FY19	9MFY20
Sales Volume (000s Ton)	1,339	1,233
Revenue	71,640	58,486
EBITDA	4,045	3,713
EBITDA/Ton	3,018	3,012
Depreciation	643	704
Interest	1,134	832
Tax	787	225
Profit after Tax	1,482	1,952
Minority Interest	-	141
Net Profit	1,482	1,811

Balance Sheet (Rsm)	FY19	1HFY20
Net Worth	9,641	11,421
Non Controlling Interest	-	897
Total Debt	8,581	9,036
Other Non-Current Liabilities	1,783	1,676
Total	20,005	23,030
Non-Current Assets	12,953	17,613
Net Working Capital	7,052	5,417
Total	20,005	23,030

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

KEY TAKEAWAYS

Solid Future Outlook

Sufficient capacity for double digit annual sales volume growth in long term

Growth in High Diameter and High Thickness Tubes led by DFT technology based products

Three focus areas: Cash flows and profitability

- Improving EBITDA/ton
- Improving free cash flows
- ROCE enhancement

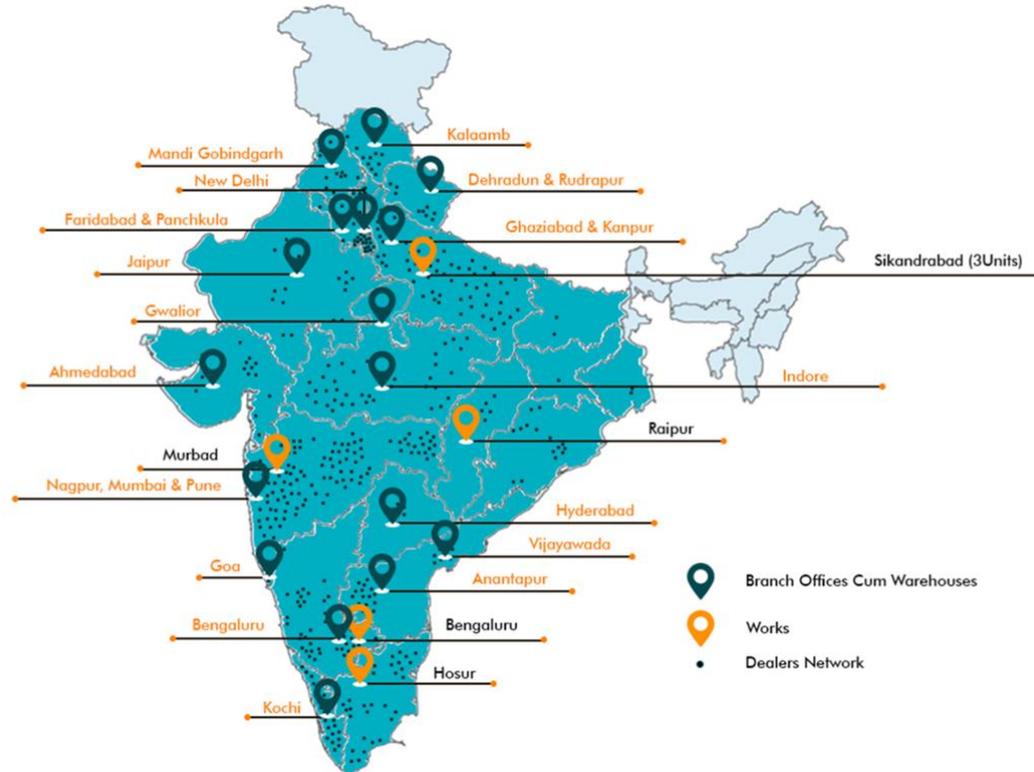
Solidifying APL Apollo brand

Launch high-margin new products

Add more distributors and penetrate into new markets

Enhancing Presence and Unlocking Opportunities

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



800+

Distributors

50,000+

Retailers and Fabricators

300

Towns and Cities

ESG Initiatives

Environment

- ✓ Mapping energy consumption trends to achieve energy optimisation benchmark
- ✓ Using wind and solar energy to reduce carbon emissions
- ✓ Target to equip all the units and buildings with rooftop solar panels
- ✓ Achieved 20% reduction in wastages through operational efficiency
- ✓ Water recycling already in practice
- ✓ Focused to reduce overall water consumption and pollutants
- ✓ Increasing the greenery cover around all plants
- ✓ Coil stacking system to enhance safety guidelines and flexibility of operations
- ✓ Installed effluent treatment plants for the prevention of water pollution

Social

- ✓ Committed to impart skill development and employment
- ✓ Recruitment of rural youth for local sales operations
- ✓ Funds for education, healthcare and community infrastructure development projects for marginalized communities
- ✓ Made contribution to: Prime Minister's National Relief Fund for Education of Poor Children, World Hope Foundation, U.P. Science Centre and Bharat Lok Shiksha Parishad
- ✓ Association in compliance to the provisions of Companies Act, 2013 relating to Corporate Social Responsibility

Governance

- ✓ No pledge of promoter shares
- ✓ Deloitte for statutory audit and Ernst & Young for internal audit
- ✓ Regular quarterly analyst calls post results
- ✓ 6 non-executive board members out of 8
- ✓ Remuneration of promoter was 2% of the net profit in FY19 (below the threshold of 10%)
- ✓ No treasury operations

Solid Management

Directors (Non Executive)

Neeru Abrol

Director at TCNS Clothing Co Limited & others | Awarded best achiever by ICAI | 26 Yr experience in SAIL

Abhilash Lal

3 decades of professional experience in senior roles across financial services including banking, PE & others

Anil Kumar Bansal

Director of NABARD, Rockland Finesto Ltd & others
4 decades of experience in banking industry

Virendra Singh Jain

Board member of Dalmia Bharat Ltd |
Ex-Chairman of SAIL | Ex-Executive Director at IOC

Ashok Kumar Gupta

Steel industry veteran with 4 decades of experience
Worked as MD in APL Apollo in the past

Management Team

Sanjoy Gupta
Chairman & Managing Director

Vinay Gupta
Non Executive Director

Romi Sehgal
Director

P.K. Singh
Senior Advisor

Rahul Gupta
MD – Apollo Tricoat Tubes Ltd

Arun Agrawal
Chief Operating Officer

Deepak Goyal
Chief Finance Officer

Anubhav Gupta
Chief Strategy Officer

Ravinder Tiwari
Head – Sales & Marketing

Ashok Khushu
Head – New Projects

Thank You

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