

APL **APOLLO**

Q1 **FY21** Results

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.

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Q1 FY'21 at a Glance



238k ton

Sales Volume
39% yoy decline



₹ 11.1 Bn

Revenue
46% yoy decline



₹ 759 Mn

EBITDA
41% yoy decline



₹ 3,187

EBITDA/ ton
4% yoy decline



₹ 212 Mn

Interest Cost
25% yoy decline



₹ 168 Mn

Net profit
68% yoy decline



₹ 5.1 Bn

Op. Cash flow
FY20 was ₹5.1 Bn



₹ 3.5 Bn

Net Debt
FY20 was ₹7.8 Bn



₹ 1.2 Bn

Debtors
FY20 was ₹4.8 Bn



10 Days

Net Working Capital
FY20 was 20 Days



0.3x

Net Debt/Equity
FY20 was 0.6x



1.2x

Net Debt/EBITDA
FY20 was 1.6x

Note: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Q1 FY'20 Highlights

Resilience

- Resumed operations in a phased manner post 22 April 2020 after assessing the local situation
- Utmost consideration to the health & safety of people
- Strong recovery in volumes in May-June 2020
- Stable margin despite revenue loss (supported by cost management & efficiency actions)

Emerged Stronger

- Significant improvement in cash conversion supported by actions on working capital
- Net working capital cycle improved to 10 days in Q1FY21 vs 20 days in FY20
- Net debt declined to Rs3.5bn in Q1FY21 from Rs7.8bn in FY20
- D/E ratio improved to 0.3x in Q1FY21 vs 0.6x in FY20

Future Ready

- Market Share gains visible beyond 40% in Structural Steel Tubing industry
- Target to ramp-up capacity utilization as demand scenario normalizes
- Cost management and efficiency actions should aid margin
- Capex spends to be funded from internal cash flows

APL Apollo at a Glance

1

Core Business

Leading building material structural steel brand

14

Brands

Five Product Categories

40%

Market Share

2.5

Million Ton

Structural Steel Capacity

8 Patents

10 Plants

2,124 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 steel tubes:
Residential, Commercial, Agri, Industrial

Green, Bheem, StrenX

Apollo Standard

Construction material, Industrial

FireReady, Agri

Apollo Tricoat

Home improvement products

Tricoat, Plank, Signature, Elegant, Chaukhat

74% Building Material

21% Infrastructure

5% 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	47%	
Residential Buildings & Independent Homes	16%	Structural, Piling, Sheds, Handrails, Gates, Fencing, Balcony Grills, Staircase, Light Structures
Commercial Buildings, Warehouses & Factories	8%	
Infrastructure	21%	Structural for Metros, Airports, Stadiums, Stations etc
Industrial	2%	Heavy Equipment
Apollo Z	24%	
Residential Buildings & Independent Homes	18%	Galvanized structural steel tubes for coastal markets
Commercial Buildings, Warehouses & Factories	6%	
Apollo Standard	10%	
Residential Buildings & Independent Homes	4%	Structural, Fencing, Grills, HVAC, Ducting, Firefighting, Plumbing
Commercial Buildings, Warehouses & Factories	4%	
Industrial & Agri	2%	Heavy Equipment
Apollo Tricoat	13%	
Residential Buildings and Independent Homes	10%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	3%	
Apollo Galv	6%	
Commercial Buildings	5%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & Agri	1%	
Total	100%	

48% Building Material Housing

26% Building Material Commercial

21% Infrastructure

5% Others (Industrial & Agri)

COVID-19 ACTION PLAN

Covid-19 Action Plan

Business		Financials	
Revenue loss during lockdown	<ul style="list-style-type: none"> - Complete shutdown from 24 March - Raipur Plant started on 22 April 	Cash	<ul style="list-style-type: none"> - Focus on receivable collections and debt reduction
Sales ramp-up post relaxation	<ul style="list-style-type: none"> - All 10 plants operational with necessary precautions - Company improving market share at cost of weak competition - Replenishment has started at distributor level across India - Demand in Urban areas catching up - Supply chain improving day-by-day 	Preservation	<ul style="list-style-type: none"> - Debtors spread across 800+ distributors - Improvement in cash conversion cycle - Delayed capex spends
Global Cues	<ul style="list-style-type: none"> - Construction activity has picked up significantly - Construction steel demand has recovered 85% in globally 	Fixed costs	<ul style="list-style-type: none"> - 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
Employee Safety	<ul style="list-style-type: none"> - Social distancing norms being followed as per gov't rules - Proper hygiene being maintained at plants and offices 	Cash breakeven	<ul style="list-style-type: none"> - Lean cost structure - Cash breakeven below 1/3rd capacity utilization
Steel Prices	<ul style="list-style-type: none"> - Company working on minimum raw material inventory levels - Global steel prices remain firm on improving demand scenario 	Outlook	
		Demand recovery	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Long-term business plan remains unchanged - Short-term focus is lighter balance sheet and lower fixed costs

PORTER'S 5 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

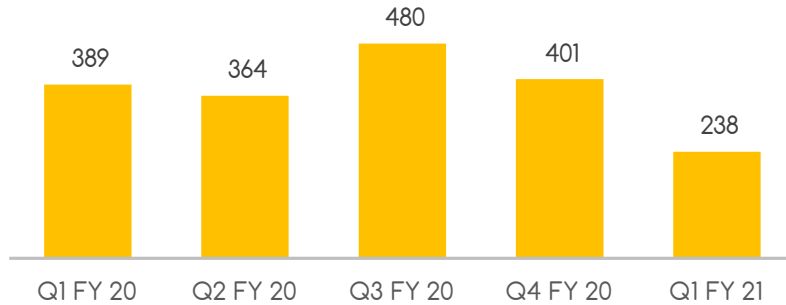
Threat of substitute

- No product can replace structural strength of steel

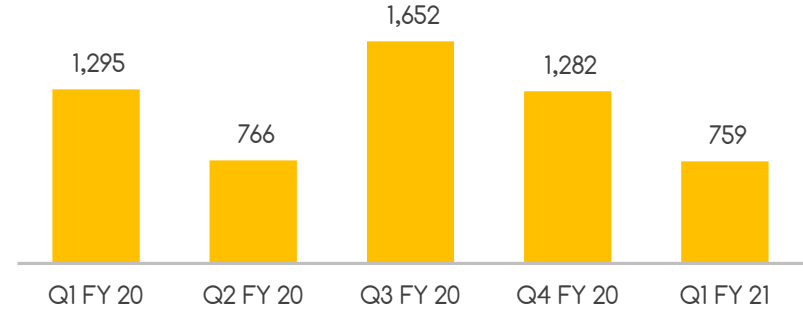
FINANCIAL PERFORMANCE

Growing Strength to Strength

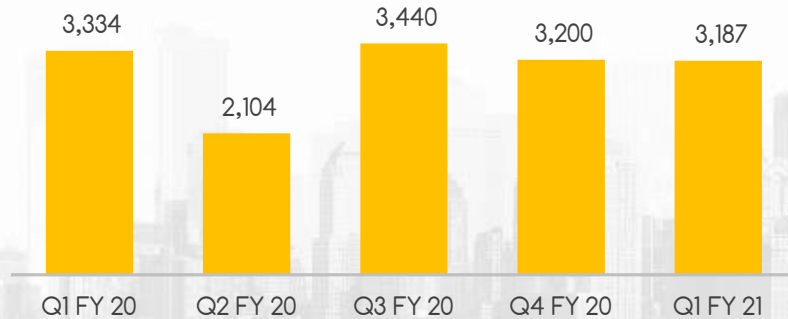
Volume ('000 tons)



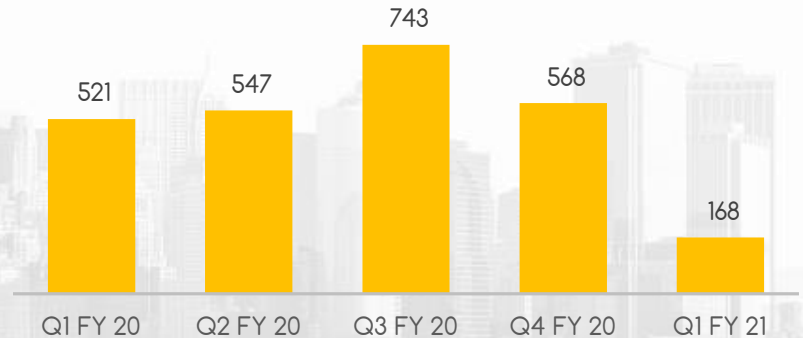
EBITDA (Rsm)



EBITDA/Ton (Rs)



Net Profit (Rsm)

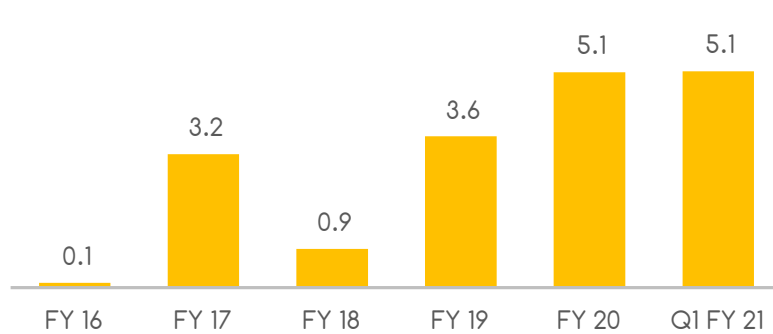


Note 1: The Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

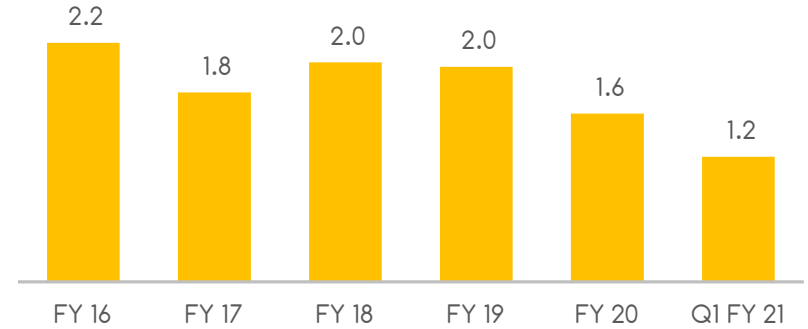
Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Growing Strength to Strength

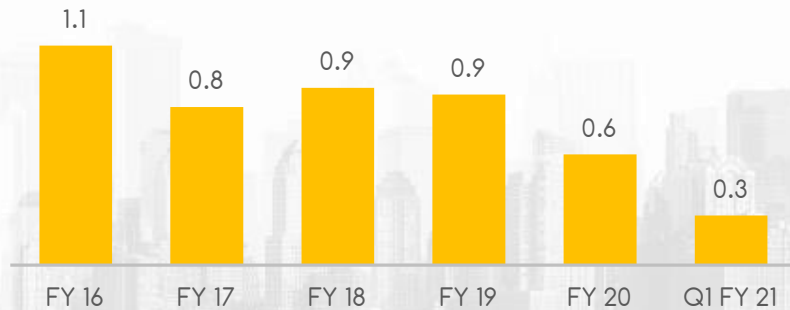
Operating Cash flow (Rs Bn)



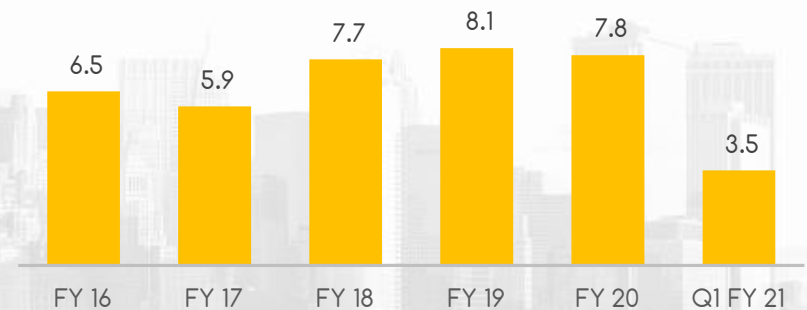
Debt/ EBITDA (x)



Debt/ Equity (x)



Net Debt (Rs Bn)

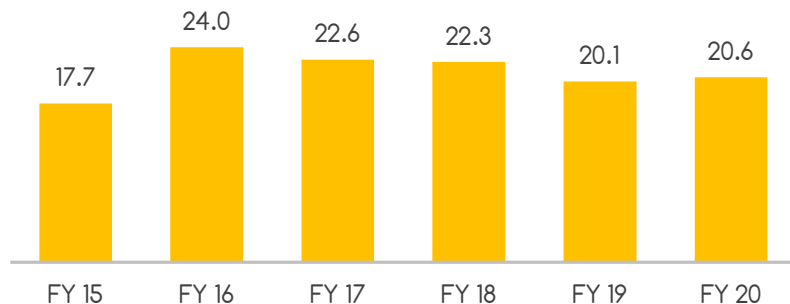


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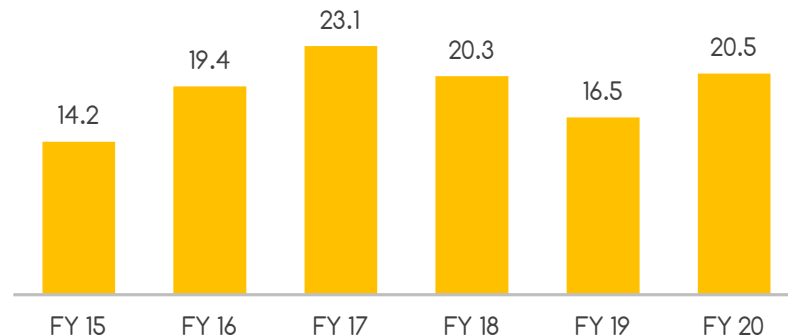
Note 2: Debt/EBITDA and Debt/Equity ratios are calculated on net debt basis

Growing Strength to Strength4

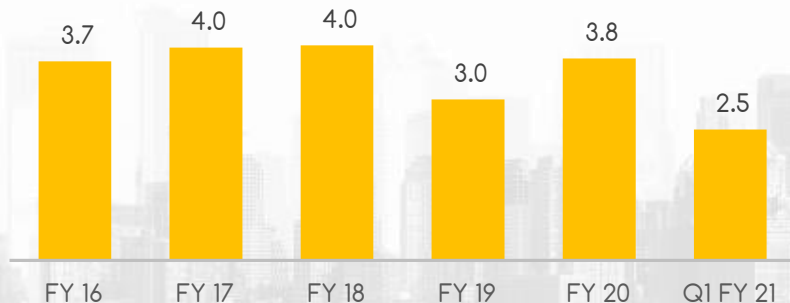
ROCE (%)



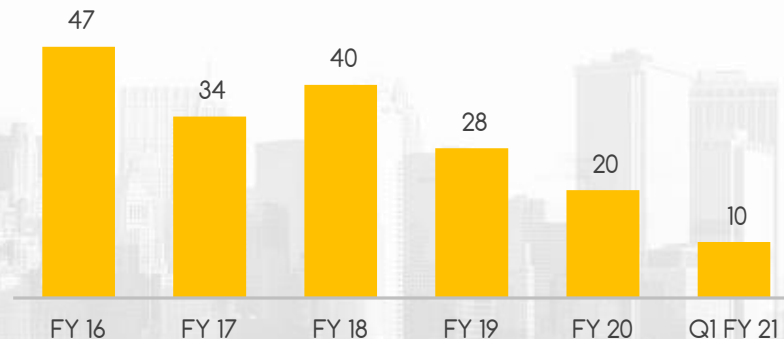
ROE (%)



Interest Coverage (x)



Net Working Capital (Days)



Note: The Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

Growing Strength to Strength

Particulars	Q1 FY 20	Q2 FY 20	Q3 FY 20	Q4 FY 20	FY 20	Q1 FY21
Apollo Structural						
Volume (k tons)	128	131	156	98	513	71
Revenue (Rsm)	5,915	5,322	6,119	3,995	21,351	2,880
EBITDA (Rsm)	284	133	345	169	932	116
Apollo Structural (DFT)						
Volume (k tons)	91	76	99	90	357	41
Revenue (Rsm)	4,239	3,107	3,890	3,672	14,908	1,678
EBITDA (Rsm)	282	130	301	240	952	84
Apollo Standard						
Volume (k tons)	54	48	61	54	216	24
Revenue (Rsm)	2,445	1,919	2,352	2,145	8,861	977
EBITDA (Rsm)	87	25	101	59	272	24
Apollo Z						
Volume (k tons)	89	63	88	95	335	57
Revenue (Rsm)	4,783	3,068	4,154	4,738	16,744	2,790
EBITDA (Rsm)	507	267	489	497	1,760	299
Apollo Galv						
Volume (k tons)	27	18	30	25	99	13
Revenue (Rsm)	1,453	881	1,432	1,265	5,032	678
EBITDA (Rsm)	123	53	132	103	411	50
Apollo Tricoat						
Volume (k tons)	10	28	47	38	113	32
Revenue (Rsm)	117	1,537	2,290	2,260	6,204	1,710
EBITDA (Rsm)	12	157	285	214	668	188
Trading Revenue (Rsm)	1,763	639	922	809	4,133	386
Total Sales Volume (k tons)	389	364	480	401	1,633	238
Total Revenue (Rsm)	20,716	16,473	21,159	18,884	77,231	11,099
Total EBITDA (Rsm)	1,295	766	1,652	1,282	4,995	759
Net Profit (Rsm)	521	547	743	568	2,380	168

Note 1: APL Apollo Tubes acquired Apollo Tricoat during 1QFY20. Apollo Tricoat reported sales volume of 123k Ton,

Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Profit & Loss Statement (Consolidated)

Particulars (Rsm)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY 20	Q1 FY21	Change yoy (%)
Sales Volume (k Ton)	389	364	480	401	1,633	238	-39
Net Revenue	20,716	16,473	21,159	18,885	77,232	11,098	-46
Other Income	46	46	47	83	222	49	7
Total Revenue	20,762	16,519	21,205	18,968	77,454	11,147	-46
Raw Material Costs	17,951	14,334	17,633	15,867	65,785	9,308	-48
Employee Costs	301	354	382	386	1,422	287	-5
Other expenses	1,214	1,065	1,539	1,433	5,251	793	-35
EBITDA	1,295	766	1,652	1,282	4,995	759	-41
EBITDA/ton (Rs)	3,334	2,104	3,440	3,200	3,058	3,187	-4
Interest Cost	283	269	280	241	1,073	212	-25
Depreciation	202	240	262	255	959	239	18
Tax	289	-341	277	178	403	90	-69
Net Profit	521	598	833	608	2,560	219	-58
Minority Interest (MI)	-	51	90	40	180	51	
Net Profit (after MI)	521	547	743	568	2,380	168	-68
ROCE (%)					20.6		
ROE (%)					20.5		

Note 1: The Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Balance Sheet & Cash Flow Statement (Consolidated)

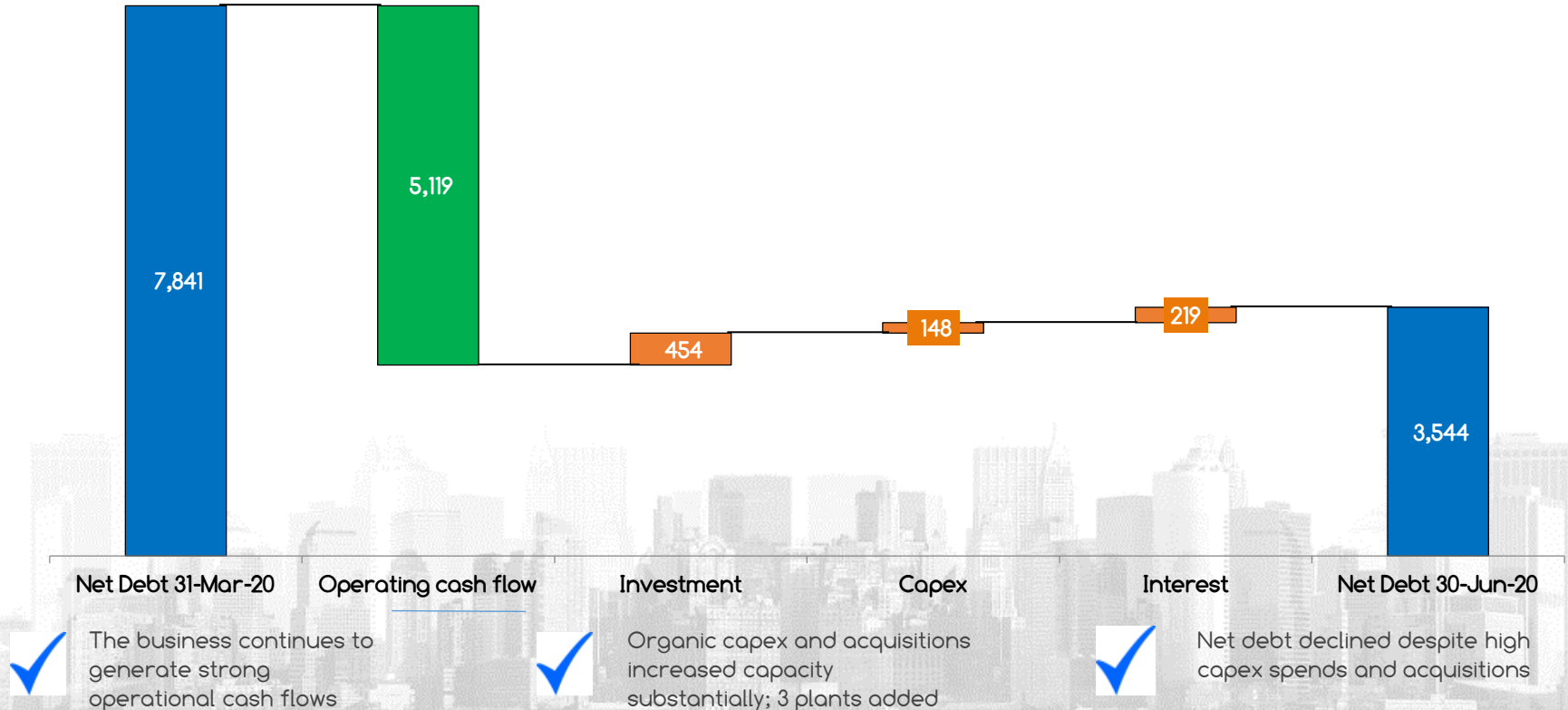
Balance Sheet - Assets (Rsm)	Q1 FY21	FY20
Cash & Bank Balance	3,104	456
Receivables	1,240	4,764
Inventories	6,592	7,842
Other current assets	832	1,422
Fixed assets (net)	15,604	15,709
Investments	15	15
Capital work in progress	228	101
Other assets/goodwill	2,171	2,351
Total Assets	29,786	32,660

Balance Sheet - Liabilities (Rsm)	FY20	FY20
Trade payables	6,380	7,644
Other current liabilities	509	349
Debt	6,648	8,297
Others	1,972	1,861
Minority Interest/Provision	960	954
Shareholders' funds	13,317	13,554
Total Equity & Liabilities	29,786	32,660

Cash Flow Statement (Rsm)	Q1 FY21	FY20
EBITDA	759	4,995
Accounts receivables	3,533	847
Inventory	1,249	284
Other WC changes	-417	-215
Tax	-5	-816
Operating cash flow	5,119	5,095
Fixed assets	-148	-3,199
Investments	-454	-1,335
Interest	-219	-1,193
Free cash flow	4,297	-631
Dividend payments	0	-410
Capital increase	0	1,304
Net change in cash flow	4,297	263
Net debt beginning	-7,841	-8,104
Net debt end	-3,544	-7,841

Note: The Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

Consolidated Cash Flow Bridge (Rsm)



Profit & Loss Statement (Without Tricoat)

Particulars (Rsm)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY 20	Q1 FY21	Change yoy (%)
Sales Volume (k Ton)	389	336	433	363	1,521	206	-47
Net Revenue	20,599	14,936	18,869	16,625	71,028	9,388	-54
Other Income	45	43	46	78	212	46	1
Total Revenue	20,644	14,980	18,915	16,703	71,241	9,434	-54
Raw Material Costs	17,853	13,037	15,829	14,010	60,729	7,950	-55
Employee Costs	299	334	336	341	1,310	248	-17
Other expenses	1,209	1,000	1,382	1,284	4,875	665	-45
EBITDA	1,283	609	1,368	1,068	4,327	572	-55
EBITDA/Ton (Rs)	3,302	1,809	3,158	2,945	2,846	2,770	-16
Interest	282	263	258	209	867	179	-36
Depreciation	200	218	235	214	1,013	204	2
Tax	287	-376	222	122	262	51	-82
Net Profit	514	504	652	522	2,185	138	-73

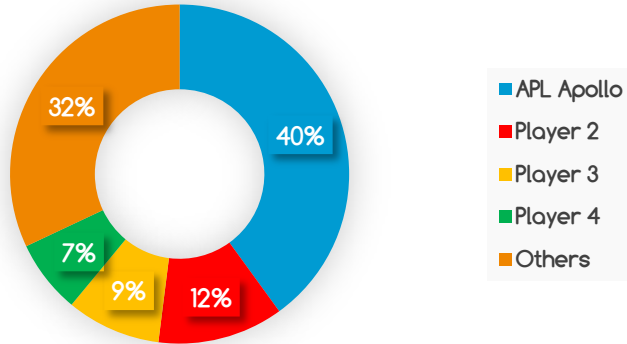
CORE COMPETENCE

Our Business Moat...

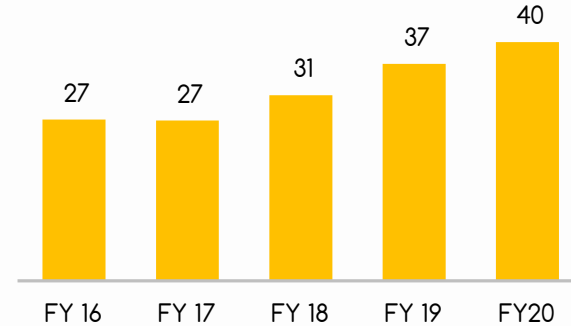


Dominant Leadership

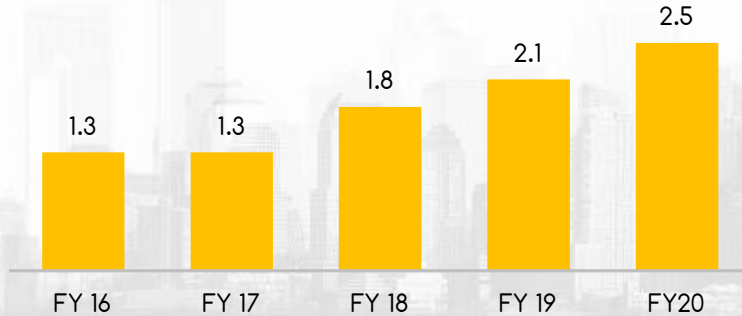
Peer Market Share FY20



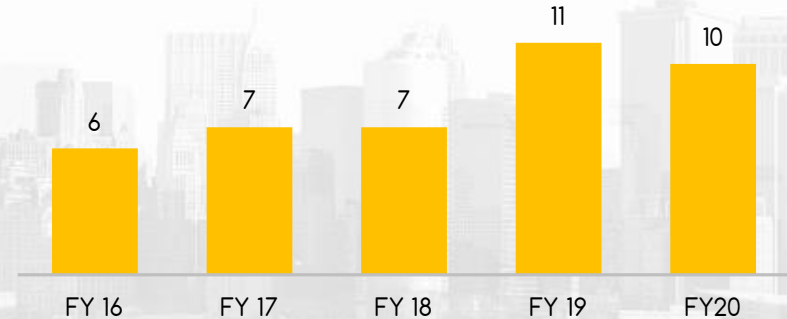
APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



KEY TAKEAWAYS

Financial Priorities under Strong Governance

Growth

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



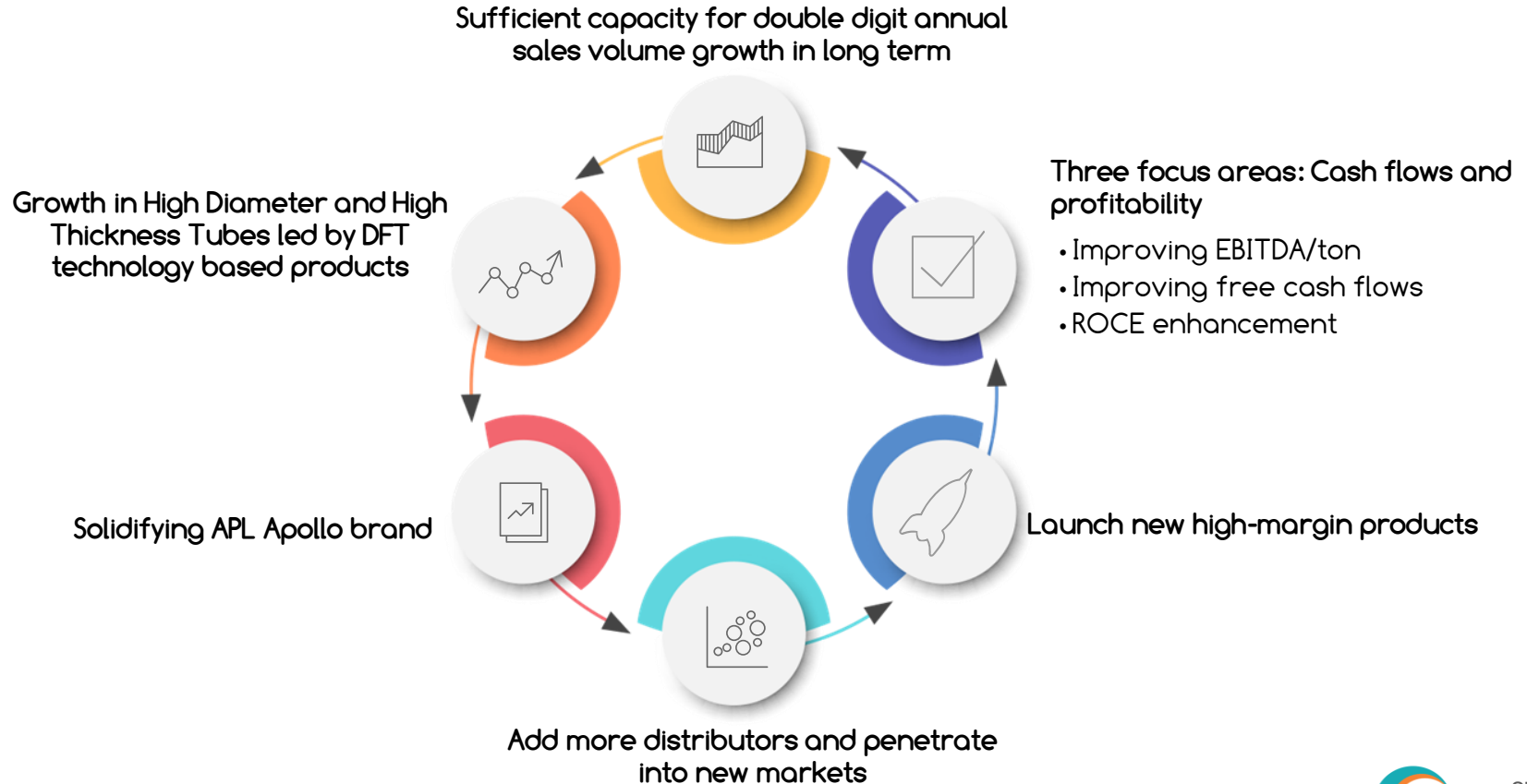
Earnings

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

Capital Allocation

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

Solid Future Outlook



ESG Initiatives

Environment

- ✓ Mapping energy consumption trends to achieve energy optimisation benchmark
- ✓ 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
- ✓ 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
- ✓ 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
- ✓ 5 independent board members out of 9

Strong Management

Directors (Non Executive)

Neeru Abrol

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

Abhilash Lal

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

Anil Kumar Bansal

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

Virendra Singh Jain

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

Ashok Kumar Gupta

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

Executive Team

Sanjay Gupta

Chairman & Managing Director

Vinay Gupta

Director

Romi Sehgal

Director

Ashok Khushu

Head – New Projects

Arun Agrawal

Chief Operating Officer

Deepak Goyal

Chief Finance Officer

Anubhav Gupta

Chief Strategy Officer

Ravindra Tiwari

Head-Sales & Marketing

Thank You

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