

APL APOLLO

August 2020



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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

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

70% Building Material

23% Infrastructure

7% 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	53%	
Residential Buildings & Independent Homes	18%	Structural, Piling, Sheds, Handrails, Gates, Fencing, Balcony Grills, Staircase, Light Structures
Commercial Buildings, Warehouses & Factories	9%	
Infrastructure	23%	Structural for Metros, Airports, Stadiums, Stations etc
Industrial	3%	Heavy Equipment
Apollo Z	21%	
Residential Buildings & Independent Homes	17%	Galvanized structural steel tubes for coastal markets
Commercial Buildings, Warehouses & Factories	4%	
Apollo Standard	13%	
Residential Buildings & Independent Homes	5%	Structural, Fencing, Grills, HVAC, Ducting, Firefighting, Plumbing
Commercial Buildings, Warehouses & Factories	5%	
Industrial & Agri	3%	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

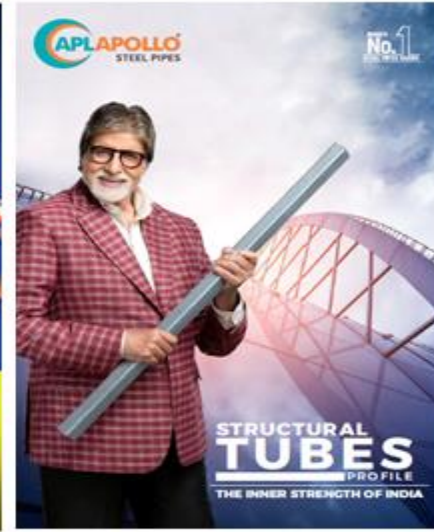
25% Building Material Commercial

23% Infrastructure

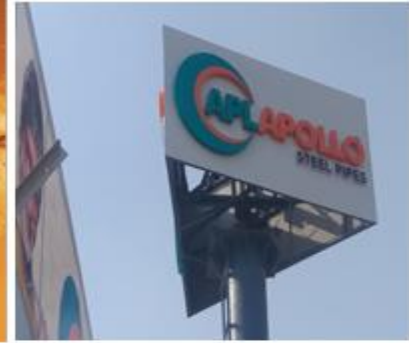
7% Others (Industrial & Agri)

*Sales Volume Mix is based on FY20 Results

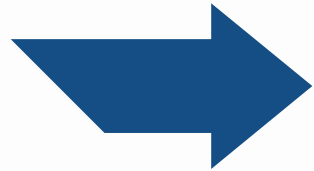
Brand Equity



Brand Equity

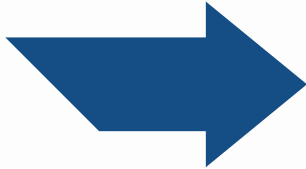


B2C Channel



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		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 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 up to 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...

Most products
with 1,500+ SKUs
(Shapes & Sizes)

Highest scale with 10 plants
(2.5Mn ton capacity)

Largest sales network
(800+ distributors)



Lowest cost producer
(largest buyer of HR coil)

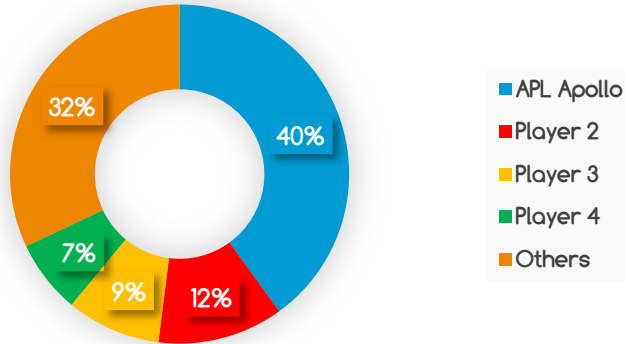
Premium pricing to peers
(brand strength)

Technology edge &
Innovation

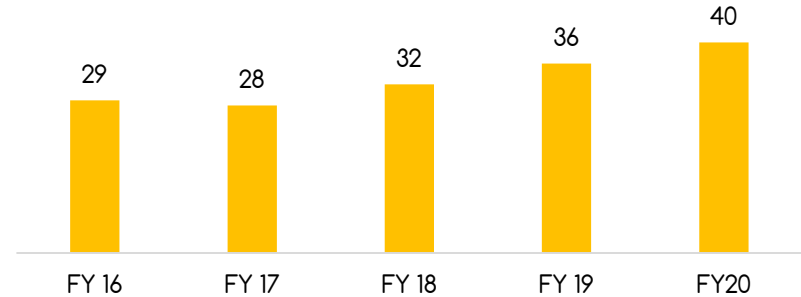
Lowest lead time to Distributors

Dominant Leadership

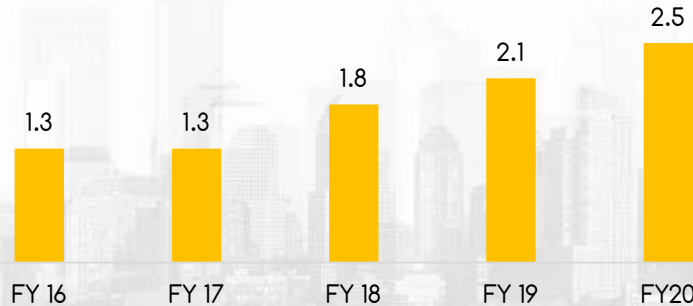
Peer Market Share FY19



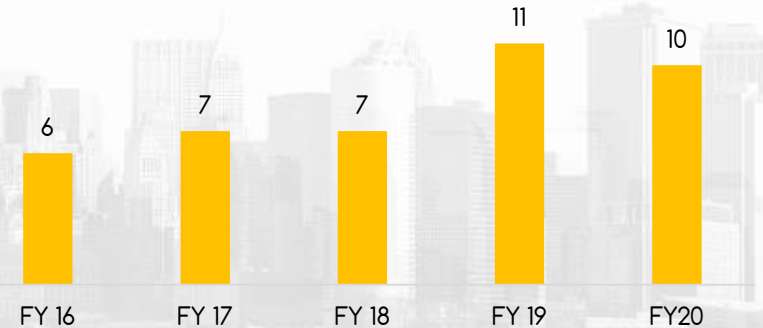
APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



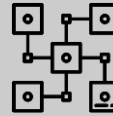
Unique Capabilities



Developed structural
steel
market in India



Technology



Distribution
network



Innovative
products

First Mover advantage

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

Direct Forming Technology
for big structural products

In-line Galvanizing to
replace traditional
products

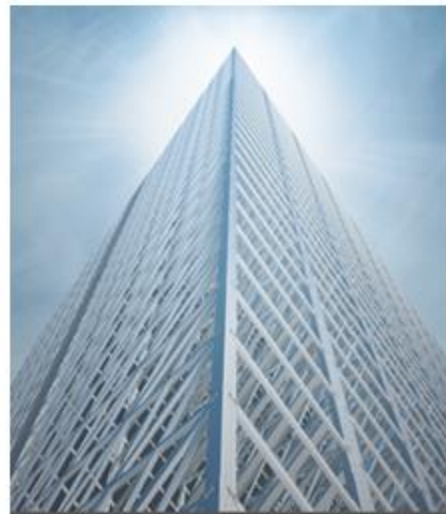
B2C channel for last
mile penetration

Ground breaking
solutions

Roofing solutions for
coastal market, door
frame

STRUCTURAL **STEEL TUBES** APPLICATIONS





Structural Steel Tubes Applications

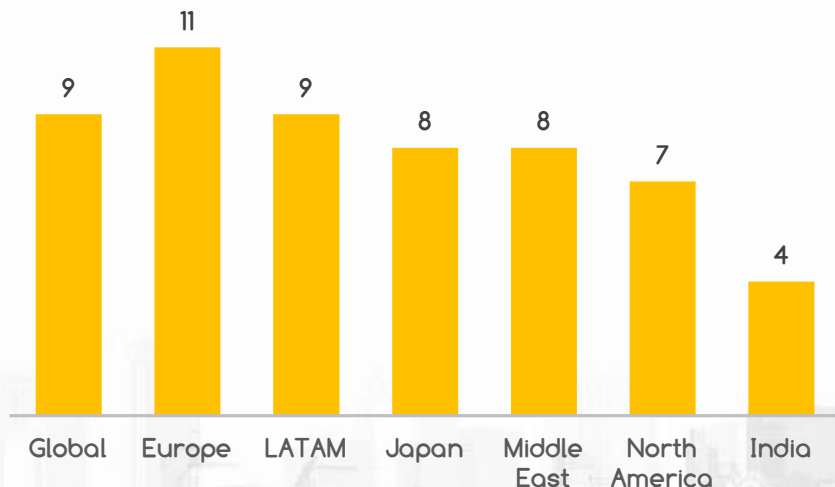


EXCITING FUTURE

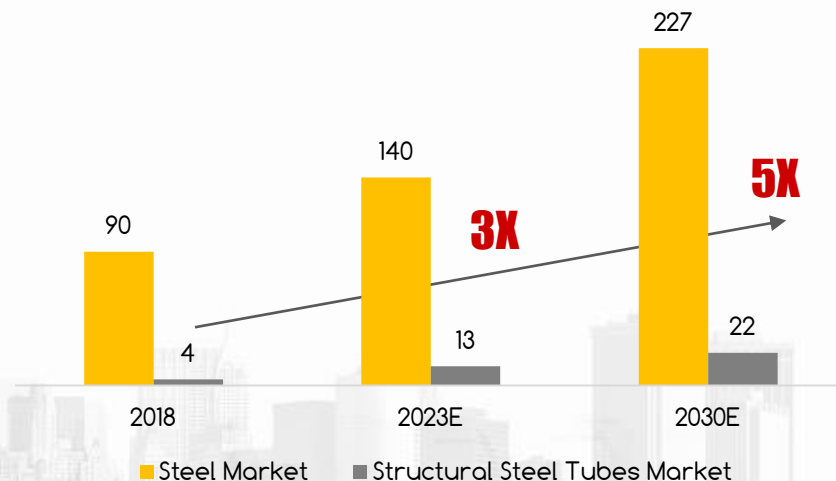


India at the start of Structural Steel Tubes Usage

Structural Steel Tubes Market as % of Steel Market (2019)



Potential Structural Steel Tubes Market in India (Mn Tons)



India has huge structural steel tube based construction potential

Note: Structural Steel Tubes 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 Tubes essential for new age construction

Growth Drivers

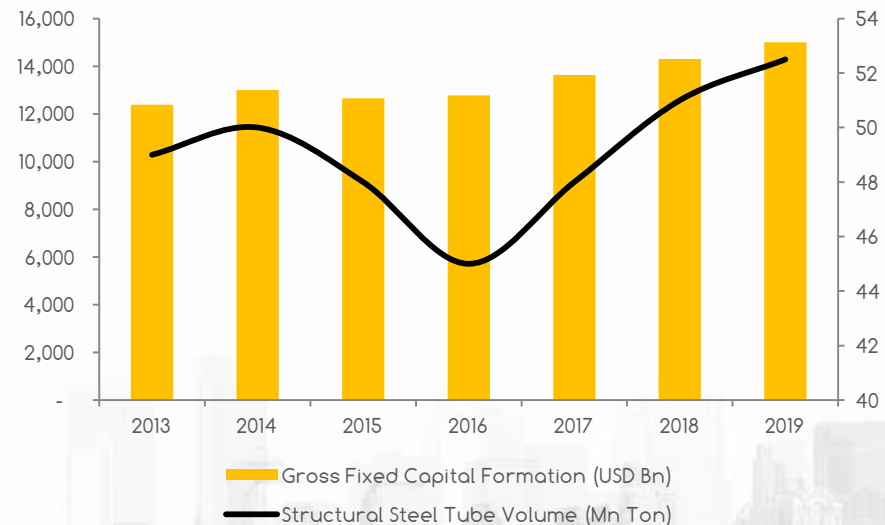
- Growing vertical model of development
 - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
 - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need for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

Benefits

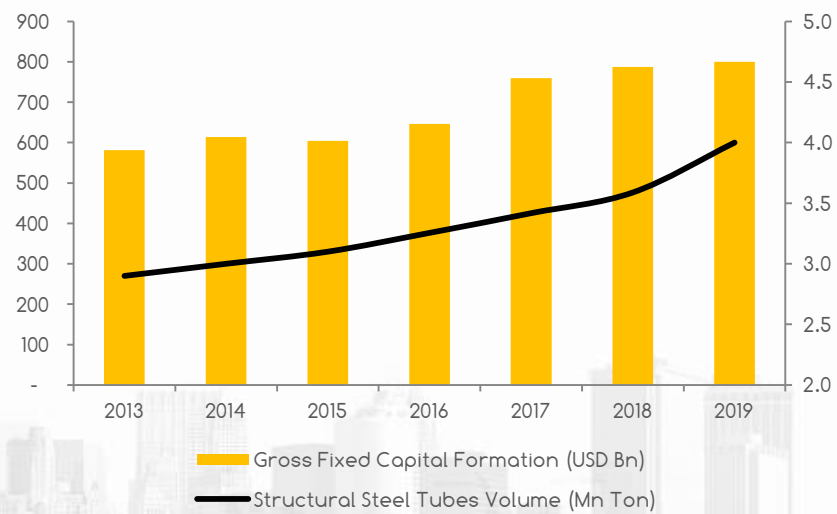
- Environmental friendly
 - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

Structural Steel Tubes Market expansion linked to construction activity

Global Structural Steel Tubes Market expansion

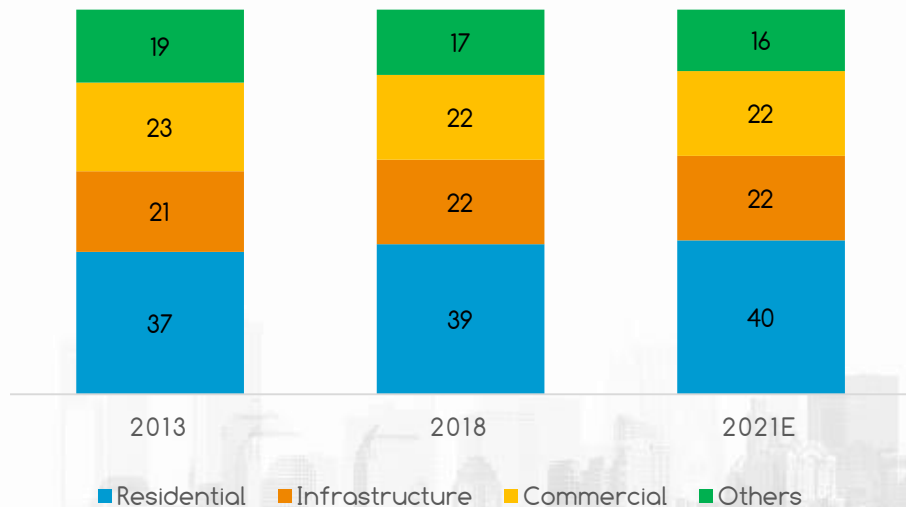


Indian Structural Steel Tubes Market expansion

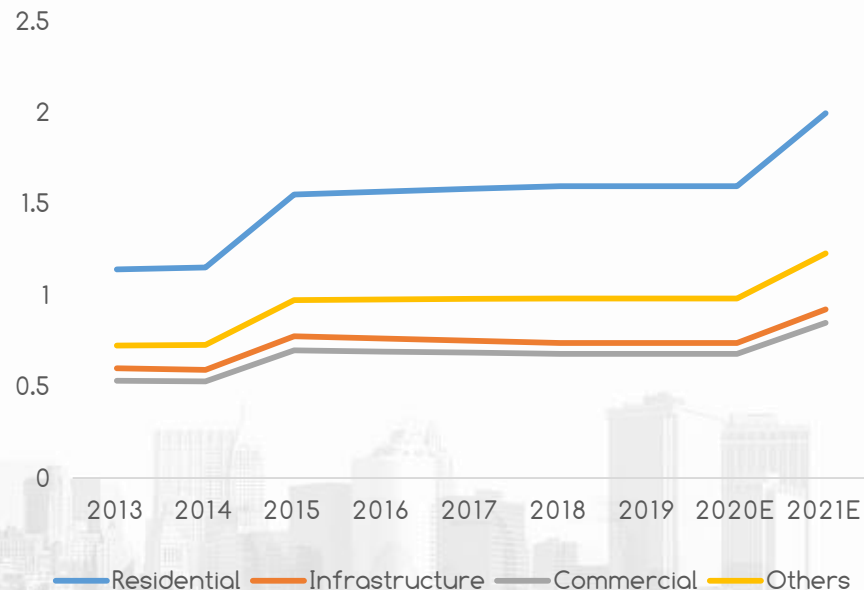


Structural Steel Tube Uses

Global Structural Steel Tube Uses - Segment wise breakup (%)

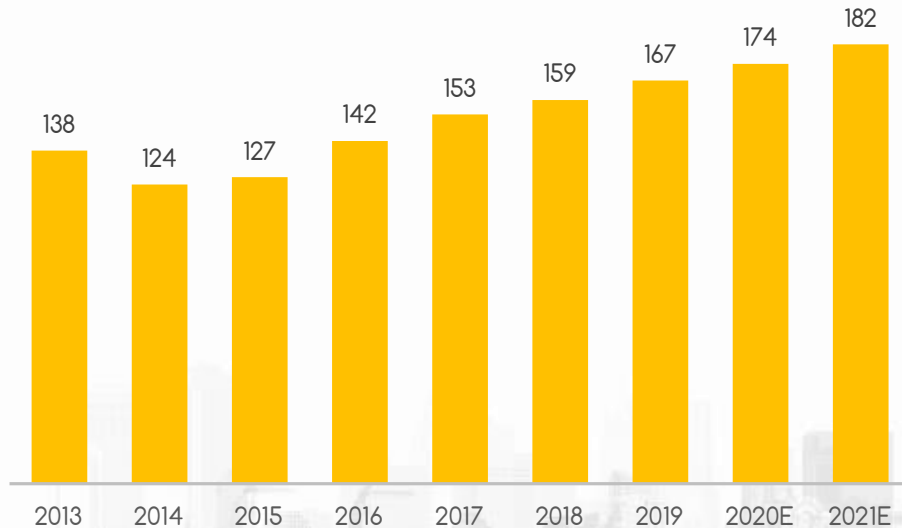


Indian market taking off in all segments (Mn ton)



Structural Steel Tubes Market Expansion

Global Structural Steel Tubes 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

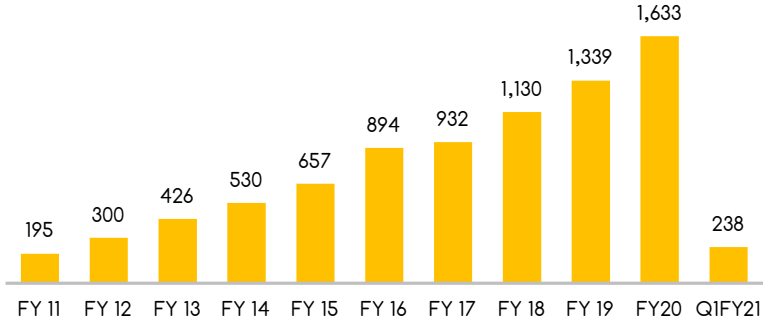
- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- Achieve ROCE $\geq 25\%$

Capital Allocation

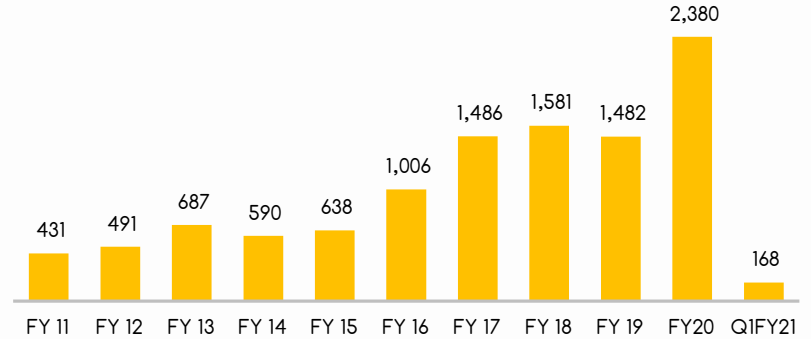
- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

Growing Strength to Strength

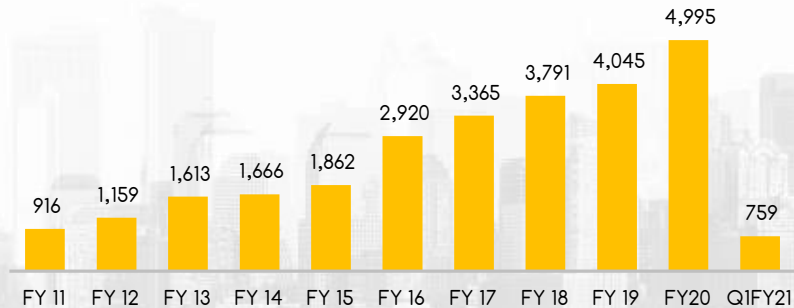
Volume (k Ton)



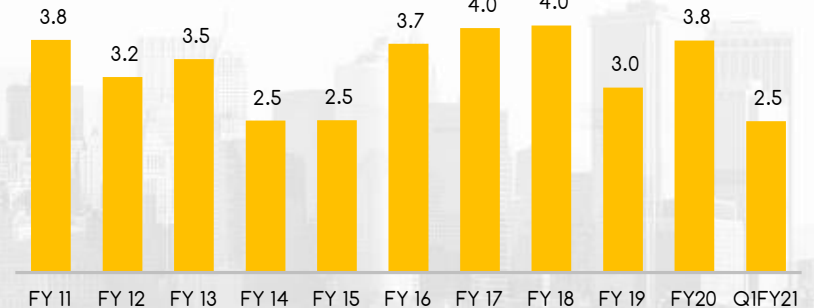
Net Profit (Rs Mn)



EBITDA (Rs Mn)



Interest Coverage Ratio (x)

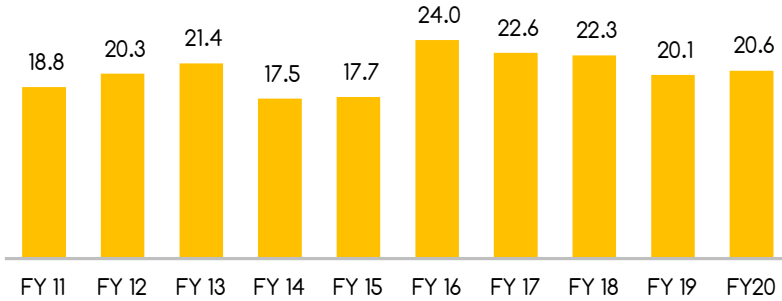


Note 1: This data is based on the Consolidated Financial data of the Company; Interest coverage is calculated on EBIT

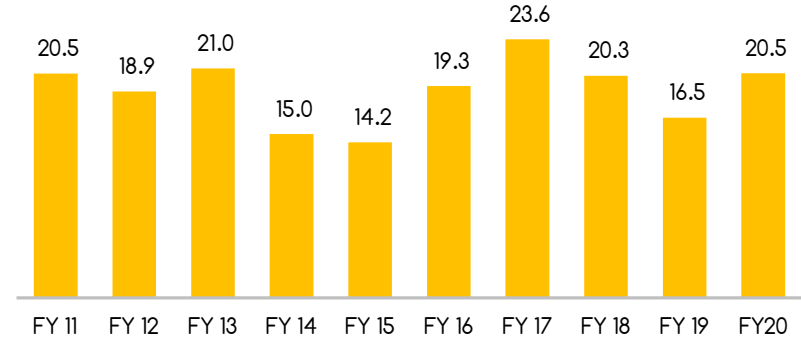
Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

Growing Strength to Strength

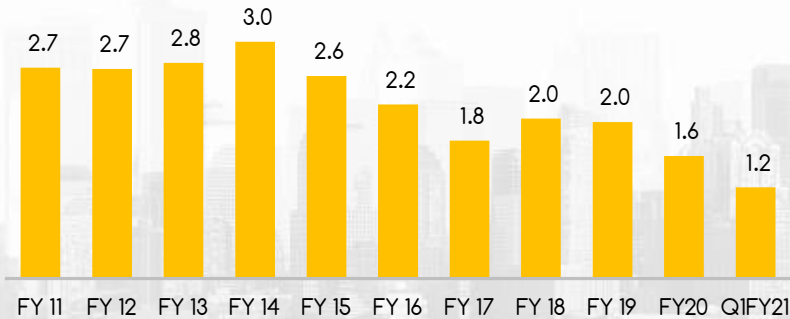
ROCE (%)



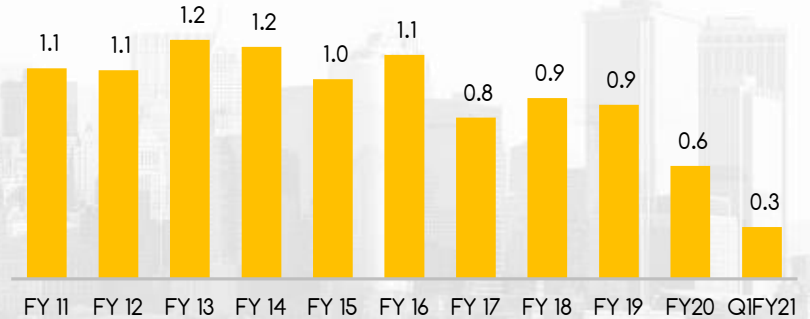
ROE (%)



Net Debt/EBITDA (x)

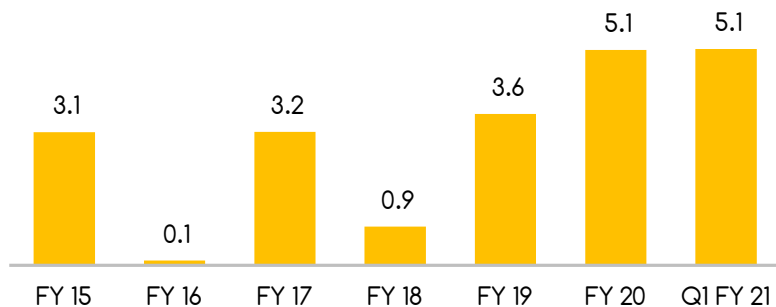


Net Debt/Equity (x)

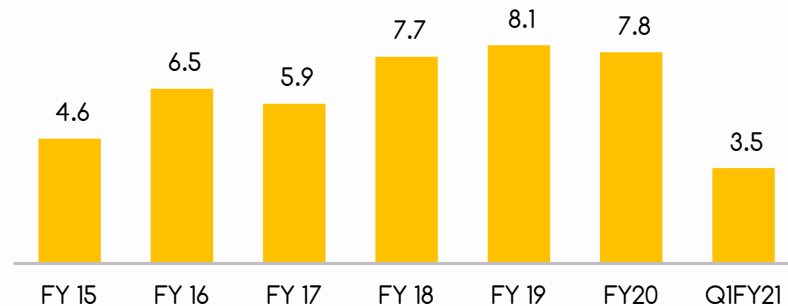


Growing Strength to Strength

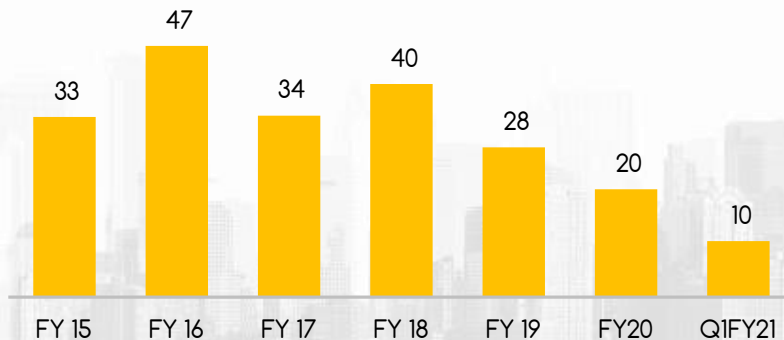
Operating Cash flow (Rs Bn)



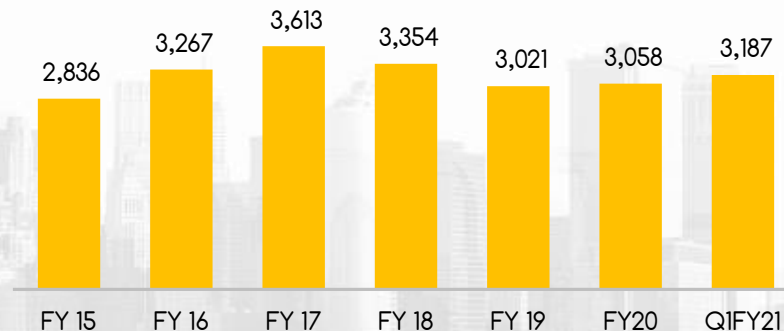
Net Debt (Rs Bn)



Net Working Capital Days



EBITDA/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	FY20	Q1FY21	CAGR (%) (FY15-20)
Sales Volume ('000 ton)	657	894	932	1,130	1,339	1,633	238	20
Apollo Structural	248	426	475	614	766	870	112	
Apollo Z	148	159	189	241	283	335	57	
Apollo Tricoat						113	32	
Apollo Build	91	115	117	111	92	99	13	
Apollo Standard	170	194	151	164	198	216	24	
EBITDA (Rsm)	1,813	2,699	3,144	3,793	4,045	4,995	759	22
EBITDA (Rs/ton)	2,836	3,267	3,613	3,354	3,021	3,058	3,187	
Net Profit (Rsm)	638	1,006	1,486	1,581	1,482	2,380	168	30
Network expansion								
No of Distributors	375	600	600	650	790	800+	800+	
No of Plants	6	6	7	7	11	10	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

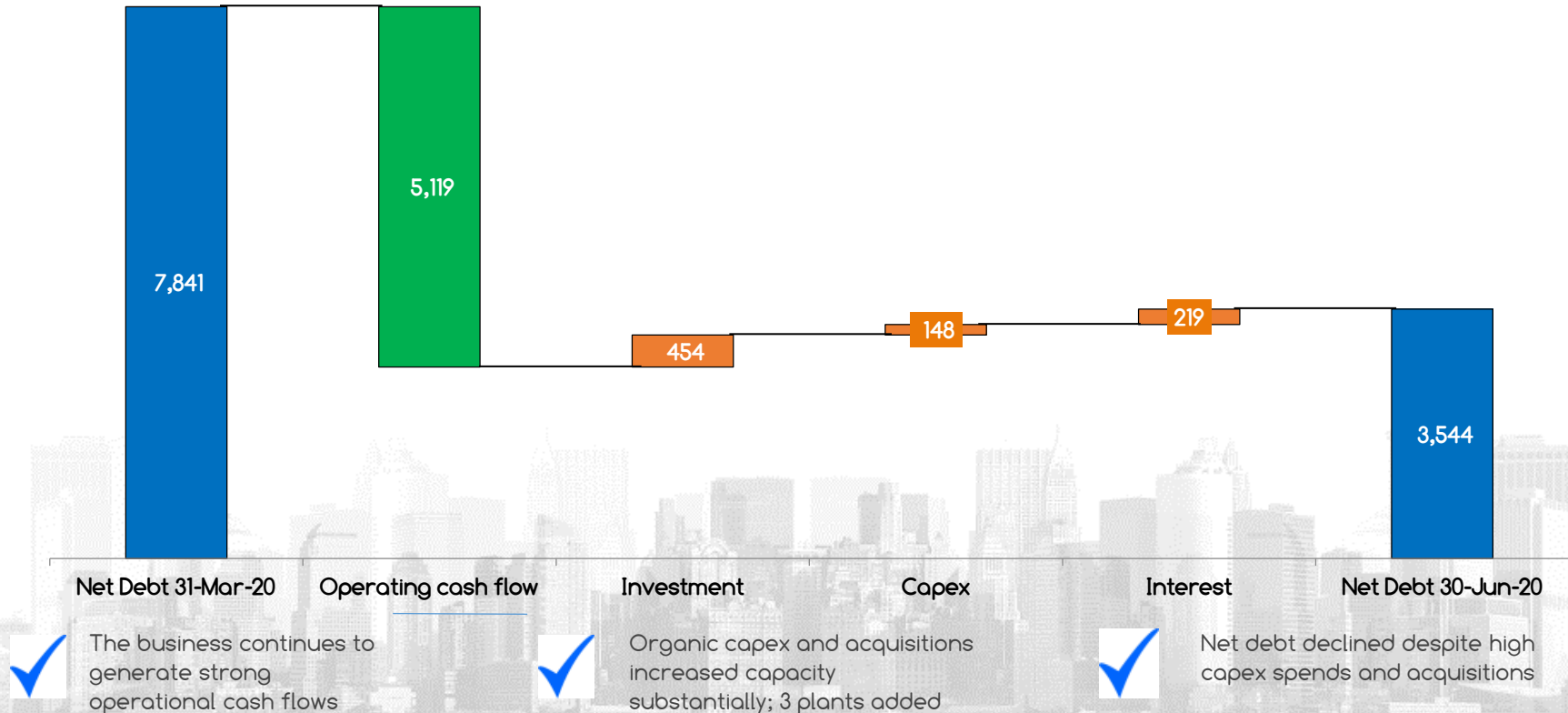
Financial Performance

P&L Statement (Rsm)	Q1 FY21	FY20
Sales Volume (k Ton)	238	1,633
Revenue	11,098	77,232
Other Income	49	222
Total Revenue	11,147	77,454
Raw Material Costs	9,308	65,785
Employee Costs	287	1,422
Other expenses	793	5,251
EBITDA	759	4,995
EBITDA/ton (Rs)	3,187	3,058
Interest Cost	212	1,073
Depreciation	239	959
Tax	90	403
Net Profit	219	2,560
Minority Interest (MI)	51	180
Net Profit (after MI)	168	2,380

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

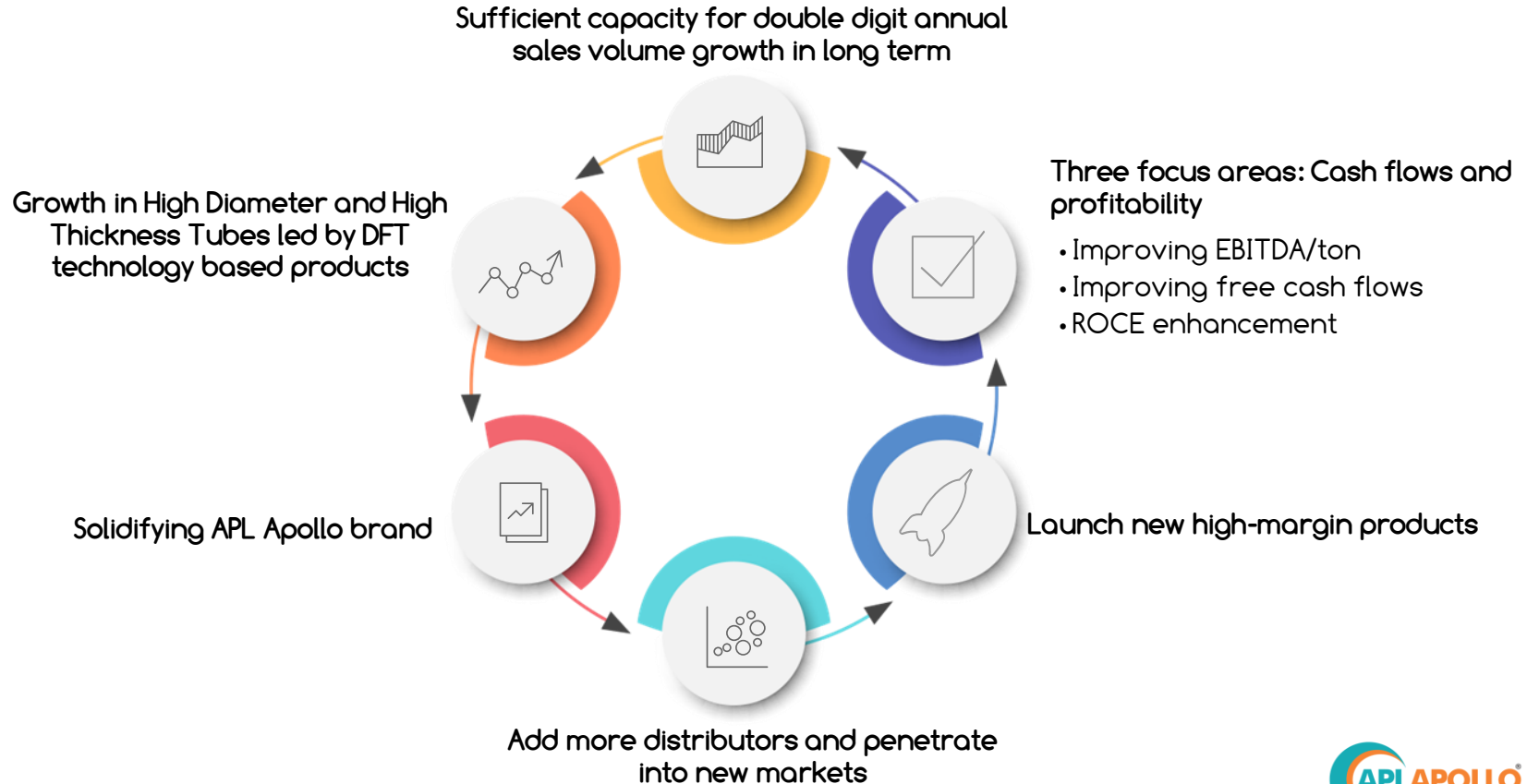
Cash Flow Statement (Rsm)	Q1 FY21	FY20
EBITDA	759	4,995
Accounts receivables	3,533	847
Inventory	1,249	284
Other WC changes	-417	-215
Tax	-5	-816
Operating cash flow	5,119	5,095
Fixed assets	-148	-3,199
Investments	-454	-1,335
Interest	-219	-1,193
Free cash flow	4,297	-631
Dividend payments	0	-410
Capital 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

Consolidated Cash Flow Bridge (Rsm)



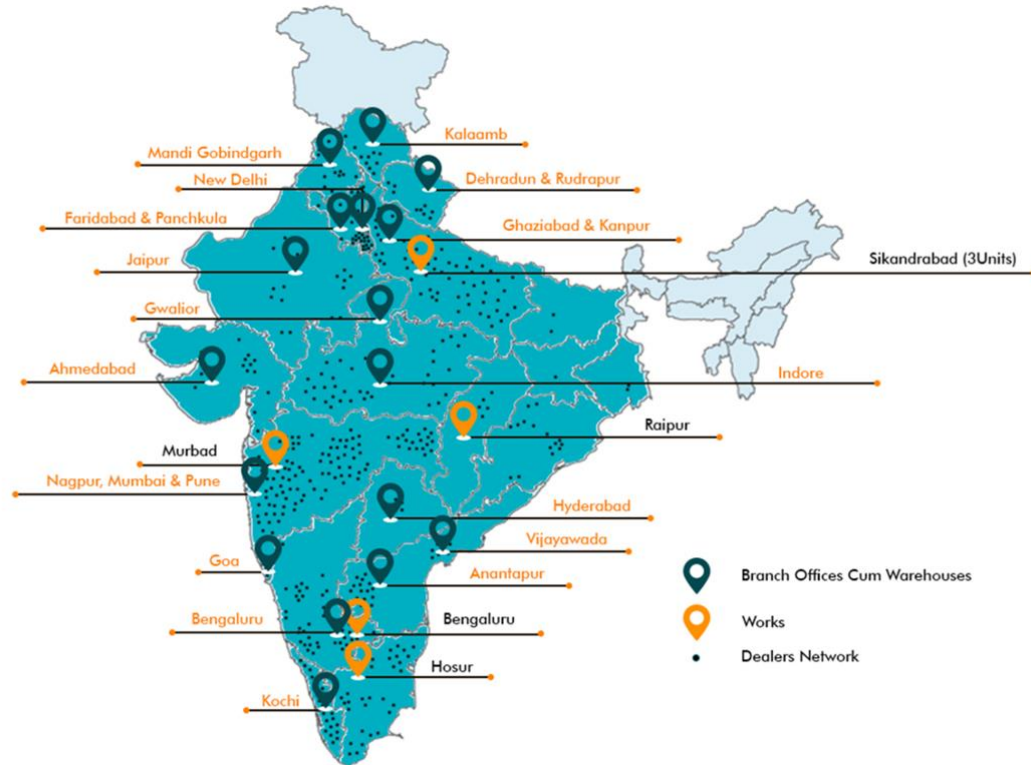
KEY TAKEAWAYS

Solid Future Outlook



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
- ✓ 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

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

For further information, please contact:

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