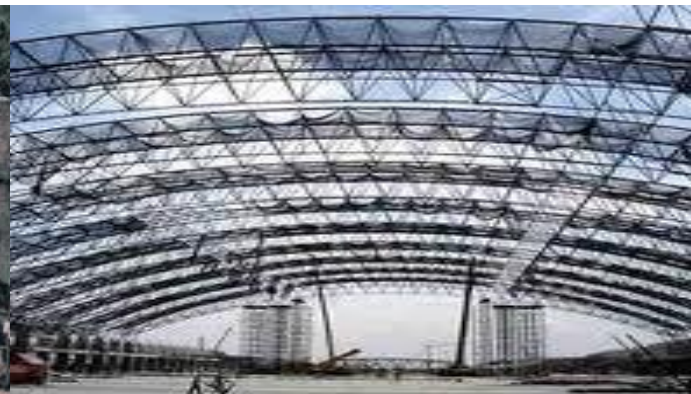
Sudesh Group

APLAPOLLO
Tubes for every reason

# APL APOLLO TUBES LIMITED

## Q1'FY14 INVESTOR PRESENTATION

AUGUST 2013



Q1'FY14 performance

Chairman's message and outlook

Business overview

Shareholding pattern

Annexure

# ROBUST GROWTH @ INDIA'S LARGEST ERW TUBES COMPANY

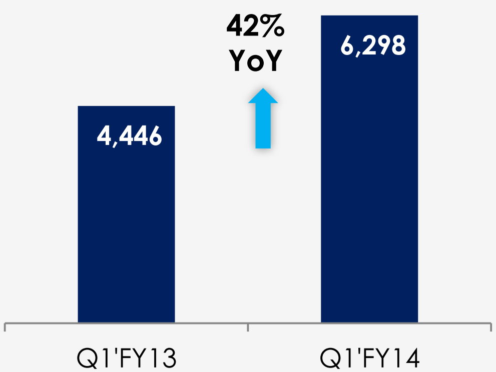
**Key highlights:**

- Sales volumes increase 47% YoY to reach ~145,000 tonnes in Q1'FY14
  - Driven by strong demand across diversified industries, including replacement demand
  - Key clients added in the quarter including Bharti Airtel Infra and Sterling Willson (a Shapoorji Pallonji Group Company)
  - Continued supply to prestigious clients like BHEL, L&T, Adani, Ashok Leyland, Jain Irrigation, Bangalore Metro, Goa Airport, Nashik Airport among others
  - Four new warehouse-cum-branches opened in Hissar (Haryana), Kalaamb (HP), Navapura-Ahmedabad and Surat (Gujarat). Total warehouse-cum-branches increased to 21 in the quarter
- Production capacity up by ~1,00,000 TPA to reach 700,000TPA
- Capacity utilization above 85%, one of the best in the industry
- Vision 2015: 1MTPA on track, with brown-field additions across all units

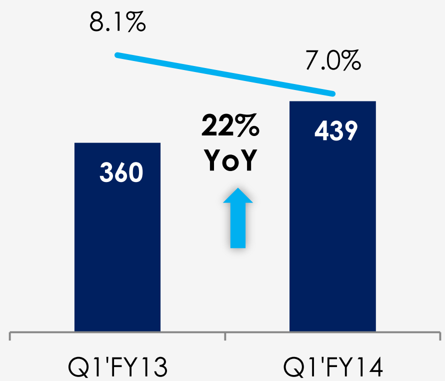
# REVENUES UP 42% YoY, PAT UP 10% YoY

**Figures in Rs Million, Consolidated**

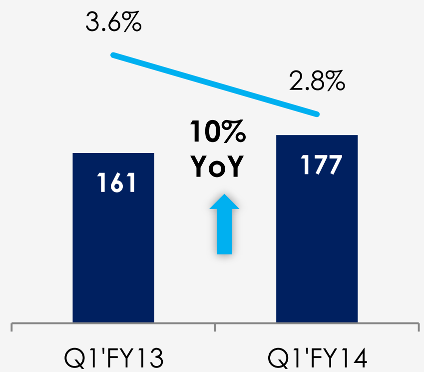
**NET SALES**




**EBITDA & EBITDA MARGIN**



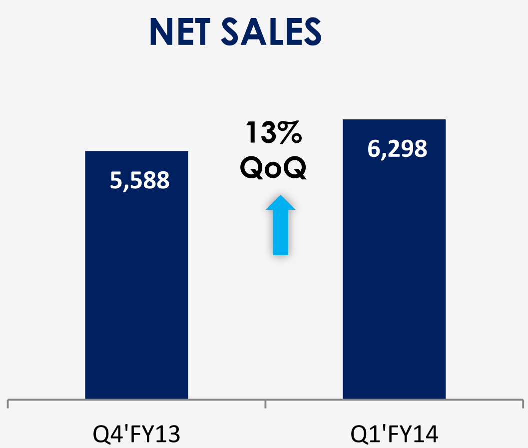

**PAT & PAT MARGIN**

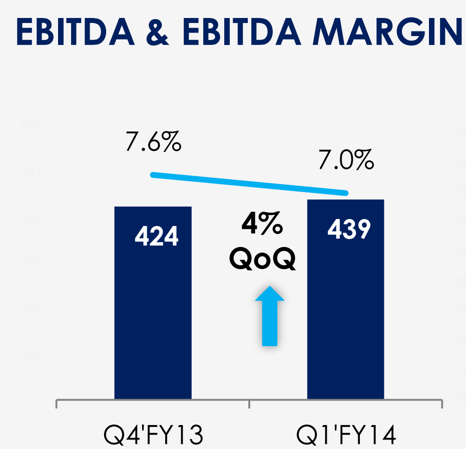


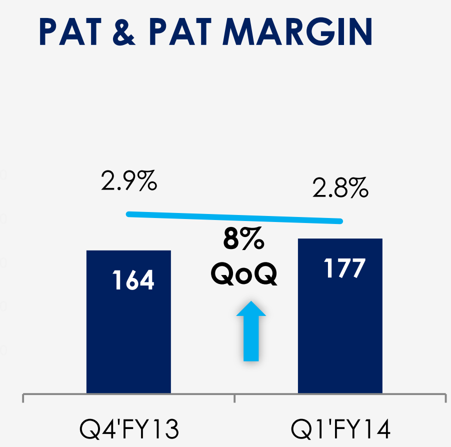

- Net sales up 42% YoY to reach Rs 6,298mn in Q1'FY14 driven by robust volumes
- Volumes up 47% YoY to reach ~145,000 tonnes
- EBITDA for the quarter at Rs 439mn excluding other income of Rs 7mn, EBITDA up 22% YoY. EBITDA margin of 7.0%
    - As a long term strategy, company adopted aggressive but conscious pricing policy to fortify its position in industry matrix by keeping edge over competition and continuing its association with existing customers
- PAT at Rs 177mn, up 10% YoY. PAT margin at 2.8%
- Cash Profit at Rs 216mn, up 17% YoY

# SUSTAINING SEQUENTIAL QoQ GROWTH

**Figures in Rs Million, Consolidated**



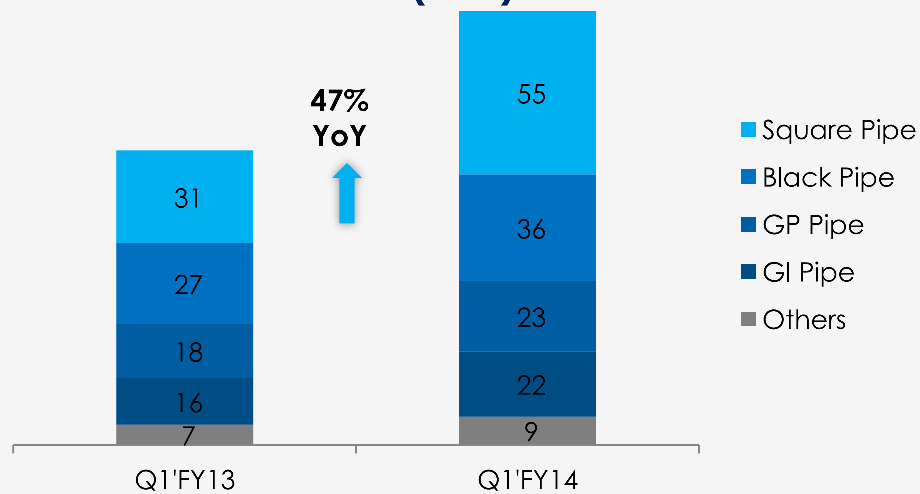




- Net sales up 13% QoQ to reach Rs 6,298mn in Q1'FY14 driven by robust volumes
- Volumes up 11% QoQ to reach ~145,000 tonnes
- EBITDA for the quarter at Rs 439mn excluding other income of Rs 7mn, EBITDA up 4% QoQ. EBITDA margin of 7.0%
- PAT at Rs 177mn, up 8% YoY. PAT margin maintained at 2.8% compared to 2.9% in Q4'FY13
- Cash Profit at Rs 216mn, up 6% YoY

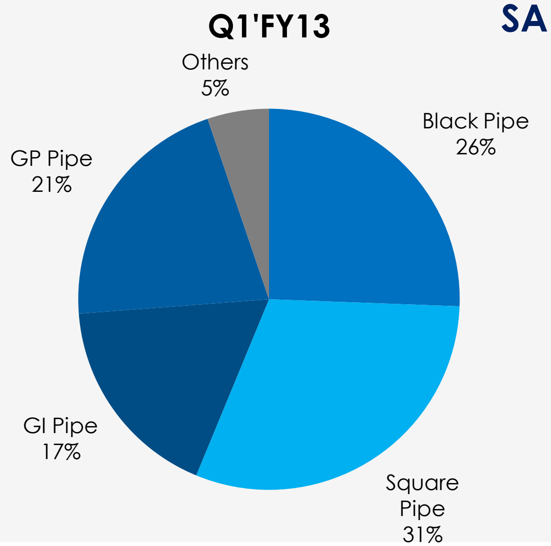
# IN ALL SEGMENTS

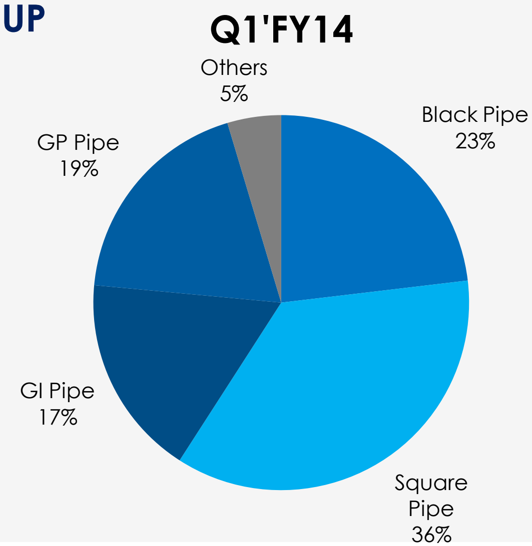
- Square pipes (Hollow sections) is the largest and fastest growing segment by value (66% YoY) as well as volumes (76% YoY). APL Apollo Tubes has the largest production in square pipes in India.
- Higher-value GI pipe is the second fastest with 40% YoY growth by value
- Total Galvanized share in revenues at 36% in Q1'FY14

**SALES VOLUMES ('000)**




**SALES VALUE BREAK-UP**



Q1'FY14 performance

Chairman's message and outlook

Business overview

Shareholding pattern

Annexure

# CHAIRMAN’S MESSAGE

“We have started FY14 on a strong note and in line with our growth trajectory of growing volumes of above 40%, YoY. This is a clear testimony to the strength of our business model as the growth is sustained in spite of the ongoing slow down in the Indian Economy.

The growth has been fuelled by leveraging our strong product portfolio, extensive distribution network and the advantage of being the only ERW steel tube manufacturer with plants in South, West and North India along-with own warehouse-cum-branches.

As we look forward to an economic revival, we remain one of few companies expanding in this environment. As a balanced approach towards sustaining growth and emerge as the clear leader in the segment, we have consciously lowered our realizations nominally. While this has impacted our margins in the short-term, we expect the same to firm up once economy comes back on track.

We look forward to cementing our leadership as we stay on course to achieve1MTPA capacity by FY15. We are confident of sustaining our growth above 30% and margins near the current levels.

**Mr. Sanjay Gupta**
**Chairman**

Q1'FY14 performance

Chairman's message and outlook

**Business overview**

Shareholding pattern

Annexure

# STRONG COMPETITIVE ADVANTAGES

## Superior product portfolio

- First ERW steel tube company to be present in all four segments
- Pioneered Pre-Galvanized segment in India
- Largest production in Hollow sections
- Widest variety of ERW tubes with over 300 variants

## Extensive Pan-India distribution

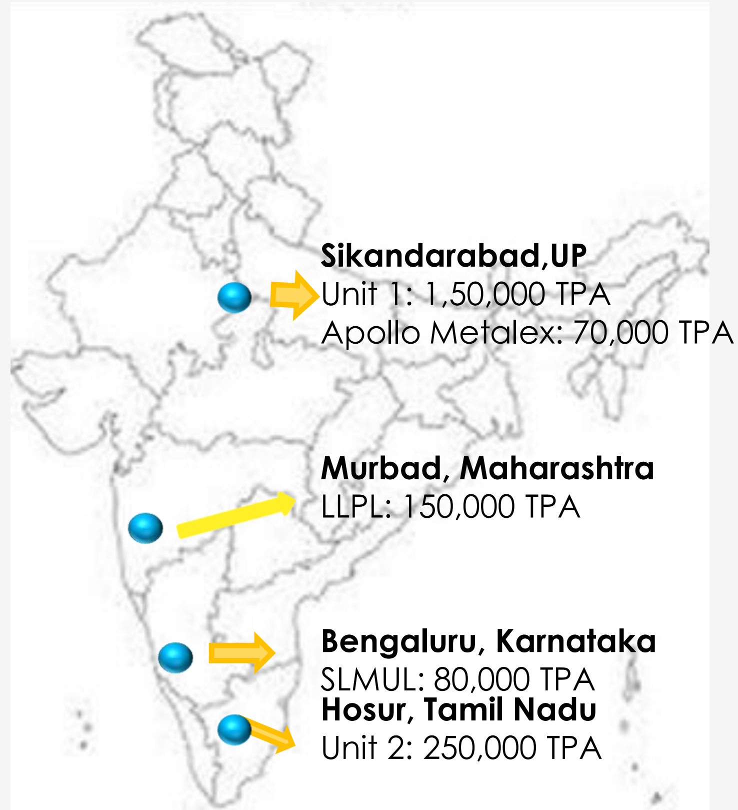
- Wide-spread dealer network across India
- 21 warehouse cum branches present in 15 states in North, West and Southern India

## Highly efficient operations

- World-leading Japanese mill technology from Kusakabe
- Plants running at ~85% utilization
- Over 95% input-output ratio
- Low operational costs
- Product-quality at par with global standards
- Ability to quickly turnaround acquired units
- Largest buyer of HR Coils in ERW segment

## Manufacturing competitiveness

- Only player with plants across North, West and South India

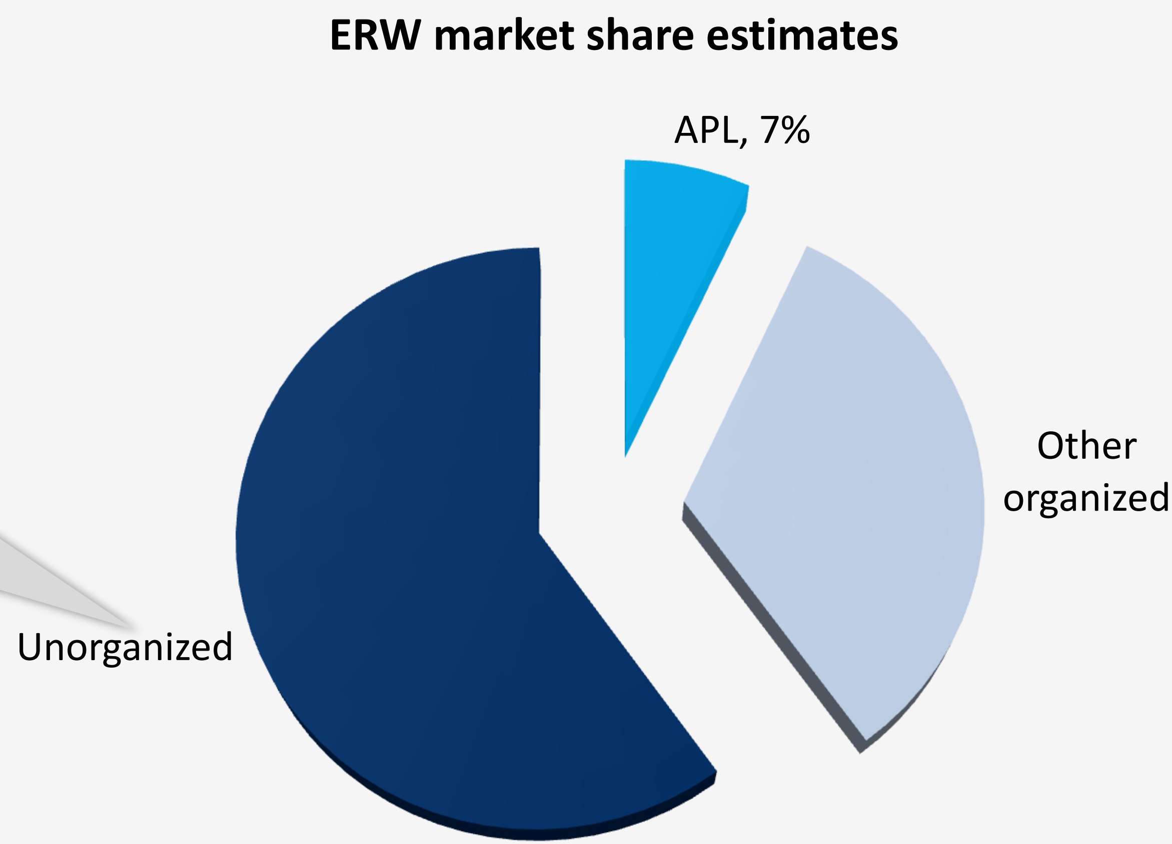



* ~Production capacity as on June 2013

# PULLING MARKET SHARE FROM UN-ORGANIZED SECTOR

**Competitively positioned to gain from unorganized sector as market consolidates**

~60% to 70%. Local or regional manufacturers
•Capacity < 1lakh MTPA
•Limited product breadth



# POISED TO GROW ABOVE 30%, 1MTPA BY 2015

## 1MTPA by 2015

- Brownfield additions at all existing units along-with capacity enhancement of existing mills
- Hollow sections will continue to be the company's forte
- Focus on higher-value galvanized tubes with plans to double in--house sheet galvanizing capacity
- To be funded by internal accruals, D/E to be maintained close to 1x

## To be supported by distribution expansion

- Expansion of product-portfolio to capture gaps, and niche applications
- Doubling of dealer network from a base of 300+ dealers in FY13
- Increase warehouse-cum-branches from 21 at present to 35 in tier2, tier3 cities

Q1'FY14 performance

Chairman's message and outlook

Business overview

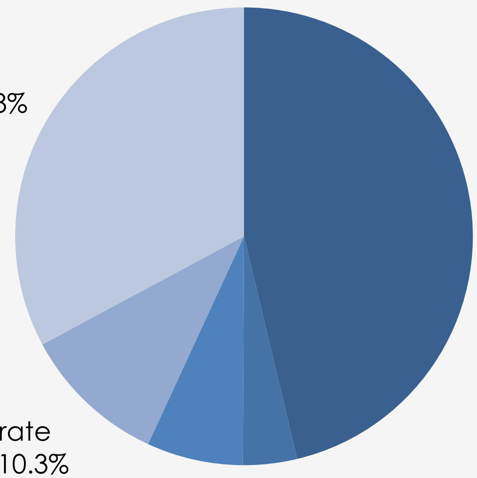
Shareholding pattern

Annexure

# SHAREHOLDING PATTERN

Outstanding shares: **2,23,23,636 shares**

Shareholding pattern as on **June 30, 2013**




## Key shareholders as on June 30, 2013

| | % Share Holding |
|---|---|
| Kitara PIIN | 13.44 |
| Vallabh Bhansali & family | 6.35 |
| L&T Mutual Fund Trustee Ltd | 3.97 |
| Kotak Mahindra International | 3.82 |
| DSP Blackrock Micro Cap Fund | 1.81 |
| IDFC Equity Opportunities Series 1 | 1.04 |

Note: 11,15,000 Equity Shares having nominal capital of Rs. 10/- each was allotted to Mr. Ashok K Gupta, MD, APL Apollo Tubes Limited on conversion of equal number of warrants (issued earlier on preferential basis at Rs. 145/- per warrant) and as such the outstanding shares stand at 23,43,8636 shares as on August 13, 2013

Q1'FY14 performance

Chairman's message and outlook

Business overview

Shareholding pattern

**Annexure**

# CONSOLIDATED PROFIT AND LOSS STATEMENT

| Particulars (₹ mn) | Q1 FY'14 | Q1 FY'13 | % YoY | Q4 FY'13 | % QoQ | FY'13 |
|---|---|---|---|---|---|---|
| **Gross sales** | **7,010** | **5,005** | **40%** | **6,256** | **12%** | **22,471** |
| Less excise | 712 | 558 | 27% | 668 | 7% | 2,388 |
| **Net sales** | **6,298** | **4,446** | **42%** | **5,588** | **13%** | **20,083** |
| **Total Expenditure** | **5,859** | **4,086** | **43%** | **5,165** | **13%** | **18,488** |
| (Increase) / Decrease In Stock In Trade & WIP | (254) | (221) | NA | (301) | NA | (540) |
| Consumption of Raw Materials | 5,696 | 3,914 | 46% | 4,852 | 17% | 17,077 |
| Purchase of Traded Goods | 2 | 4 | NA | 253 | NA | 352 |
| Employees Cost | 76 | 57 | 33% | 61 | 26% | 279 |
| Other Expenditure | 338 | 332 | 2% | 299 | 13% | 1,321 |
| **EBITDA** | **439** | **360** | **22%** | **424** | **4%** | **1,595** |
| Depreciation | 39 | 24 | 60% | 39 | -1% | 125 |
| **EBIT** | **400** | **336** | **19%** | **385** | **4%** | **1,470** |
| Interest & Finance charges | 136 | 96 | 42% | 120 | 13% | 429 |
| Other Income | 7 | 0 | NM | 17 | -62% | 17 |
| **PBT before exceptional items** | 271 | 241 | 13% | 281 | -4% | 1,058 |
| Exceptional items | | | NA | 8 | NA | 8 |
| **PBT** | **271** | **241** | **13%** | **274** | **-1%** | **1,050** |
| Tax Expense | 94 | 80 | 17% | 110 | -15% | 364 |
| **PAT** | **177** | **161** | **10%** | **164** | **8%** | **686** |
| Basic EPS (Rs.) | 7.95 | 7.33 | 8% | 7.34 | 8% | 30.75 |
| Diluted EPS (Rs.) | 7.57 | 6.86 | 10% | 6.99 | 8% | 29.29 |
| Cash Profit | 216 | 185 | 17% | 203 | 6% | 812 |
| Cash EPS (Rs.) | 9.68 | 7.40 | 31% | 7.36 | 32% | 31.31 |

| Key Ratios | Q1 FY'14 | Q1 FY'13 | Q4 FY'13 | FY'13 |
|---|---|---|---|---|
| EBITDA Margin | 7.0% | 8.1% | 7.6% | 7.9% |
| Net Margin | 2.8% | 3.6% | 2.9% | 3.5% |
| Total Expenditure/ Total Operating Income | 93.0% | 91.9% | 92.4% | 92.1% |
| Raw Material Cost/ Total Operating Income | 86.4% | 83.1% | 86.0% | 84.1% |
| Staff Cost/ Total Operating Income | 1.2% | 1.3% | 1.1% | 1.4% |
| Other Expenditure/ Total Operating Income | 5.4% | 7.5% | 5.4% | 6.6% |

# PRODUCT-WISE DETAILS

| Product-wise Revenue Break-Up (Rs mn) | Q1 FY'14 | Q1 FY'13 | % YoY | Q4 FY'13 | % QoQ | FY'13 |
|---|---|---|---|---|---|---|
| Black Pipe | 1,451 | 1,134 | 28% | 1,302 | 11% | 4,670 |
| Square Pipe | 2,257 | 1,359 | 66% | 1,822 | 24% | 6,524 |
| GI Pipe | 1,091 | 779 | 40% | 948 | 15% | 3,195 |
| GP Pipe | 1,185 | 930 | 27% | 1,154 | 3% | 4,484 |
| Coils & Others (Including Scrap) | 290 | 231 | 25% | 336 | -14% | 1,148 |
| **Total** | **6,275** | **4,433** | 42% | **5,563** | 13% | **20,021** |

| % Break Up by value | Q1 FY'14 | Q1 FY'13 | Q4 FY'13 | FY'13 |
|---|---|---|---|---|
| Black Pipe | 23% | 26% | 23% | 23% |
| Square Pipe | 36% | 31% | 33% | 33% |
| GI Pipe | 17% | 18% | 17% | 16% |
| GP Pipe | 19% | 21% | 21% | 22% |
| Coils & Others (Including Scrap) | 5% | 5% | 6% | 6% |
| Total | 100% | 100% | 100% | 100% |

| Sales Volume Break Up (In '000s) | Q1 FY'14 | Q1 FY'13 | % YoY | Q4 FY'13 | % QoQ | FY'13 |
|---|---|---|---|---|---|---|
| Black Pipe | 36 | 27 | 32% | 32 | 10% | 115 |
| Square Pipe | 55 | 31 | 76% | 44 | 23% | 157 |
| GI Pipe | 22 | 16 | 39% | 19 | 16% | 64 |
| GP Pipe | 23 | 18 | 29% | 23 | 3% | 89 |
| Coils & Others (Including Scrap) | 9 | 7 | 41% | 12 | -23% | 39 |
| **Total** | **145** | **98** | 47% | **131** | 11% | **464** |

| % Break Up by volume | Q1 FY'14 | Q1 FY'13 | Q4 FY'13 | FY'13 |
|---|---|---|---|---|
| Black Pipe | 25% | 27% | 25% | 25% |
| Square Pipe | 38% | 32% | 34% | 34% |
| GI Pipe | 15% | 16% | 14% | 14% |
| GP Pipe | 16% | 18% | 17% | 19% |
| Coils & Others (Including Scrap) | 7% | 7% | 9% | 8% |
| Total | 100% | 100% | 100% | 100% |

# CONTACT US

For any Investor Relations queries, please contact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**About APL Apollo Tubes Limited**

Incorporated in 1986, APL Apollo is the largest ERW Pipes manufacturer in India with a production capacity of 700,000TPA. From 5 manufacturing locations in North, South and West India, it produces the largest range of Hollow Sections and Mild Steel Tubes in 300+ variants (Black, Galvanised and Pre-galvanised), in outer diameter range of ½" to 14". ERW tubes and pipes are used in diversified industries with wide-spread applications including in greenhouses, solar power, airport, metros, fencing, roofing, fire-fighting, scaffolding, city gas distribution, irrigation, plumbing, automotive, and other industrial uses. The Company has certifications like ISO 9001-2008, OHSAS 18001-2007 & ISO 14001-2004 and safety certifications like 'CE' & 'UL' for Europe and USA. For more information visit www.aplapollo.com