the fastest growing manufacturer of ERW steel tubes, pipes and hollow sections in India




Corporate Presentation

June 2015

NSE Symbol: APLAPOLLO | BSE Code: 533758 | ISIN: INE702C01019

CIN: L74899DL1986PLC023443

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.

Contents

the fastest growing manufacturer of ERW steel tubes, pipes and hollow sections in India

Industry

Industry Space

- Steel Pipes
  - Steel pipes were traditionally used for transportation of water, liquids, Oil and gases

  - Lately steel pipes have found applications in newer areas like structural support systems

Industry Structure – Steel Tubes & Pipes

Steel Tubes & Pipes Industry

Ductile Iron

Potable Water & Sewage Transportation

Key Players
Electrosteel, Jindal SAW, others

Seamless

Oil & Gas, Engineering, Automotive and Power

Key Players
ISMT, Maharashtra Seamless, Jindal SAW

Welded

SAW (HSAW & LSAW)

Oil &Gas, Water and sewage spiral – long distance O&G and water transportation

Key Players
Jindal SAW, PSL, Welspun Corp, Man Industries, Ratnamani,

ERW Precision (DOM)

Automotive, White goods

Key Players
TI, Tata Steel, Innoventive

ERW *(Structural/ Commercial)*

Traditional: Engineering, Auto, Power, Oil & Gas (Last mile, city gas distribution), Water & sewage

New Age: Modern infrastructure – airport, malls, metros, bus-body, greenhouse structures, sprinklers, pre-fabricated structures, etc

Key players
APL Apollo, Surya Roshni, Maharastra Seamless, Tata Steel, Welspun Corp, Bhushan Steels

ERW Pipes – Advantages

- ERW pipes are manufactured using HRC (Hot Rolled coils)
  - Thin walled pipes can be manufactured with closer tolerance to seamless pipes
  - HRC can be used to make any shape of pipe
- Pipes offer greater economy
  - Usage of HRC prevents wastage of material hence the scrap produced is very less
  - Scrap from pipe is recycled and gets about 60% of steel price
- ERW pipes are no lesser in strength
  - Newer applications in structural areas have proved the strength of ERW pipes as compared to seamless pipes
- Versatile applications
  - Not dependent on any one industry/sector
  - The same ERW pipes can be used in multiple industries such as irrigation, construction, fabrication, scaffoldings and many more

Market Size

Global steel market (1,700 mn tonnes) / $1,000 bn

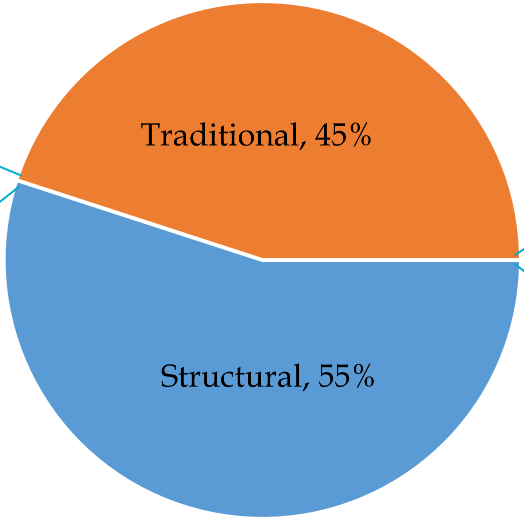
Welded steel (170 mn tonnes / $100 bn)

Indian ERW Steel tubes market (7 mn tonnes / $5 bn/Rs. 30,000 crore)

- India is among the leading ERW steel tubes manufacturing hubs in the world
  - Other bigger manufacturers include China, Turkey, Italy and US

Source: Steel Ministry, Company Information as of FY 2014.

Application of ERW Pipes



APL Apollo's Focus Area

the fastest growing manufacturer of ERW steel tubes, pipes and hollow sections in India

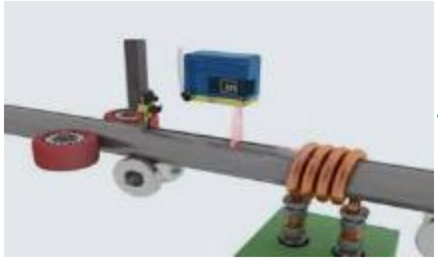
Operations

Pipe Making Process

HR Coil

Folding Sheets

Welding



Testing/Cut Off

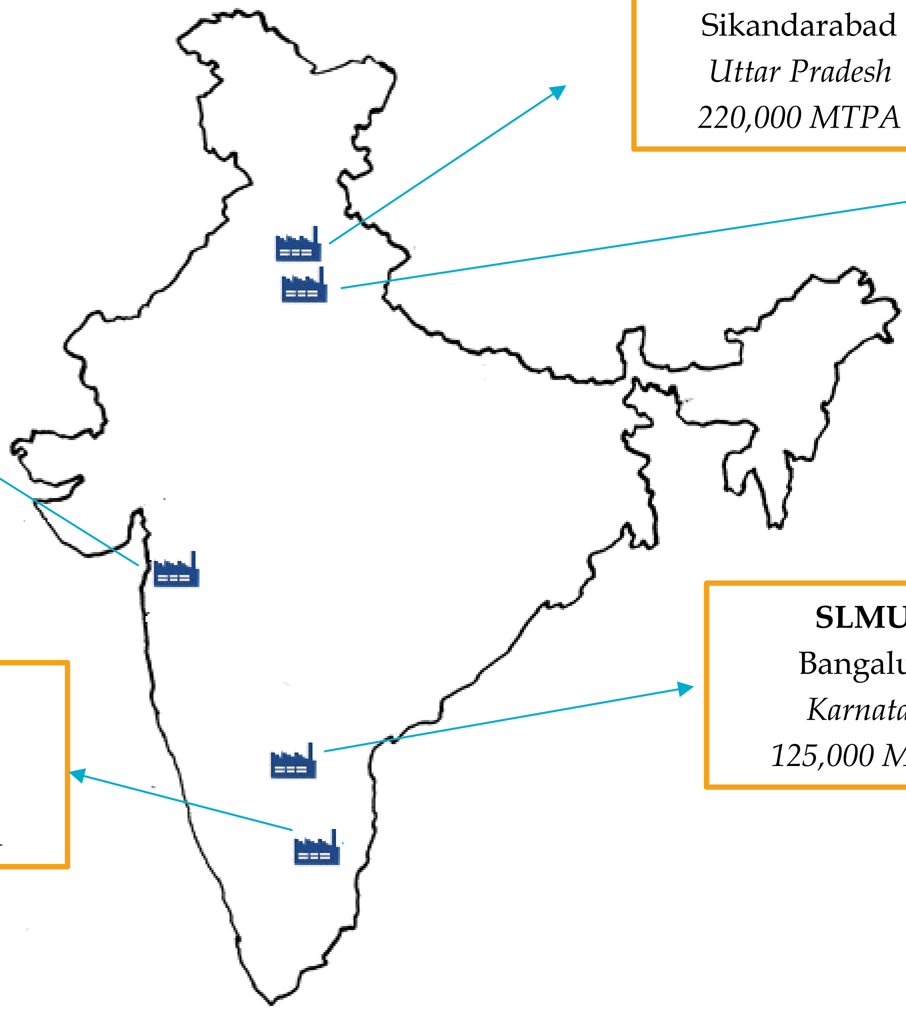
Cooling

Shaping

Manufacturing Facilities

Hosur, Tamil Nadu
Unit No. 2

Manufacturing Capacity



Unit 1
Sikandarabad
Uttar Pradesh
220,000 MTPA

Apollo Metalex
Sikandarabad
Uttar Pradesh
125,000 MTPA

Lloyds Linepipes
Murbad
Maharashtra
260,000 MTPA

SLMUL
Bangaluru
Karnataka
125,000 MTPA

Unit 2
Hosur
Tamil Nadu
320,000 MTPA

Only player with manufacturing facilities across North, South and West India. Current capacity utilization is 85%.

*Manufacturing capacity as on March, 2015

Manufacturing Value Chain

Raw Material
85.0%

Power & Fuel
1.5%

Manpower
1.2%

Transportation
2.5%

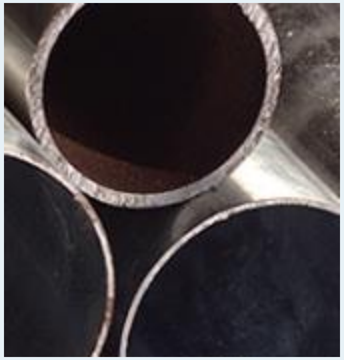
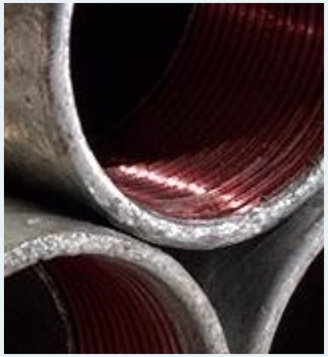
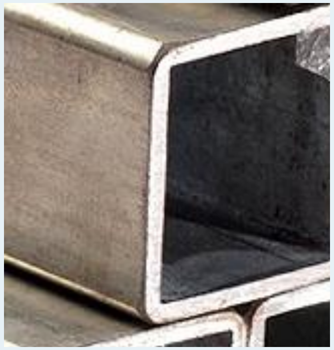
Miscellaneous
1.8%

₹/$ Margin
8.0%

Pricing

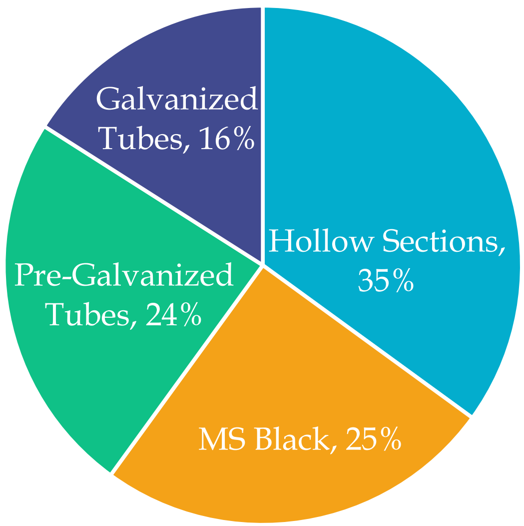
- Related to raw material price
  - Direct linkage – HR coils prices are directly linked to steel prices (Updated on 1st of every month)
  - The increase / decrease in prices is directly passed on to customers
- 80 – 85% is raw material cost
- Transportation cost have a significant impact on total costs.
  - Ranges between 4-8%. So the marginal players find it to difficult to compete on an all India scale
- APL sells its products directly to distributors

Product Information

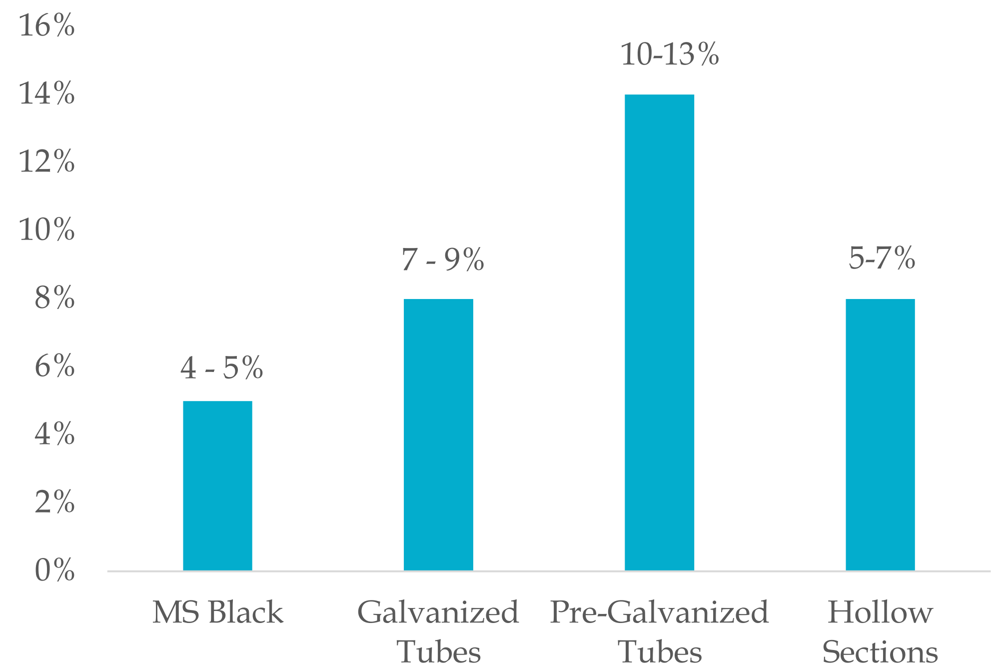
Products	MS Black	Galvanized Tubes	Pre-Galvanized Tubes	Hollow Sections
Size Range	21.3 – 335 mm	21 – 273 mm	19 – 127 mm	15x15 - 250 x 250 mm 15x 10 – 300x 200 mm
Products				
Uses	Construction, Water & Sewage treatment, Converyors, Automobiles	Over and underground piping, Agriculture, General Engineering	Fencing, Cabling and Ducting, Green house structures, Electric Conduit Pipes	Construction, Transportation systems, Mining, Process Engineering

Revenue Breakup & Margin Profile

Revenue Break Up Product-wise (FY15)



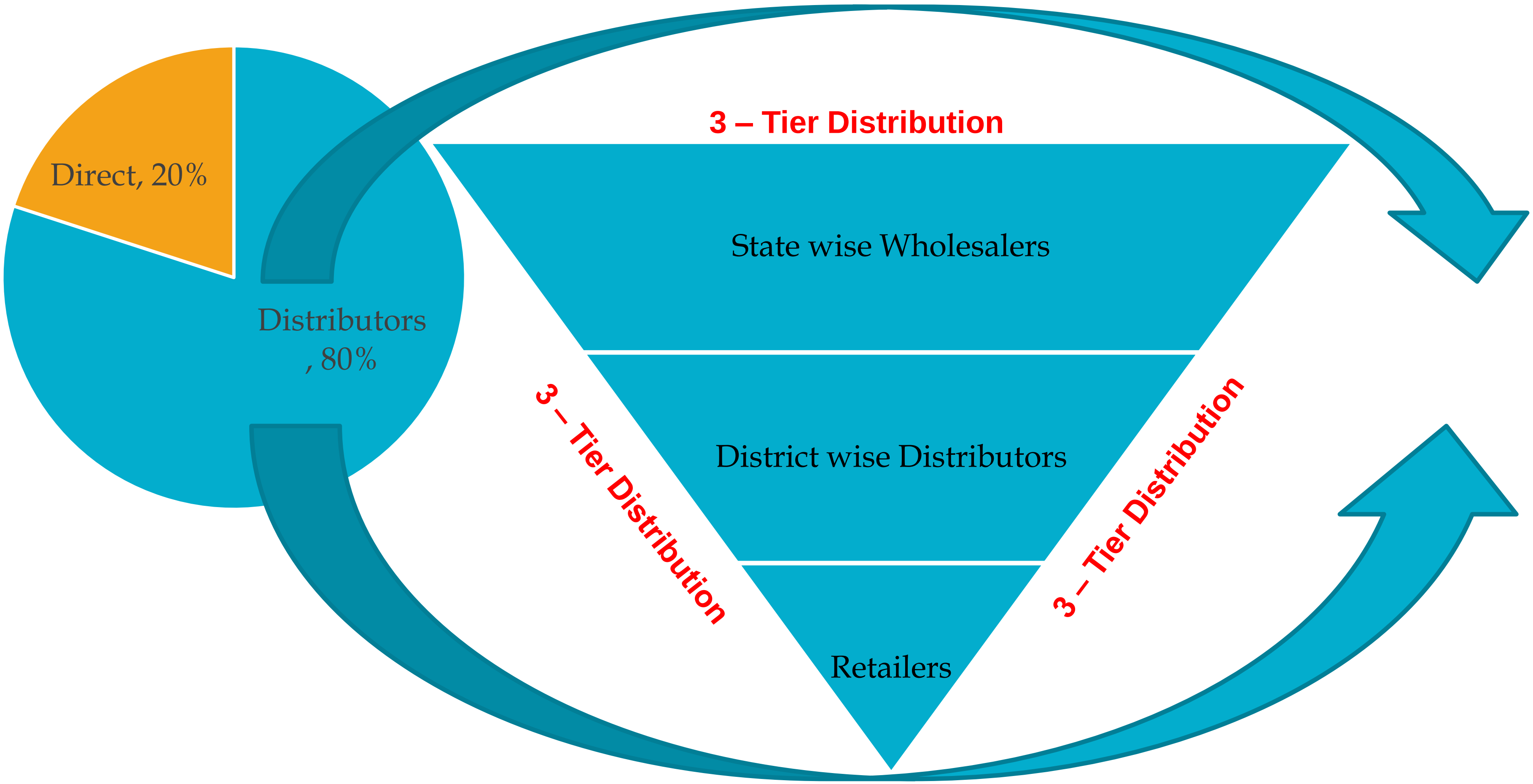
Product Margin Profile (FY15)



- Company plans to almost double its galvanized tube production capacity in near future.

APL – The Key Differentiators

Supply Chain

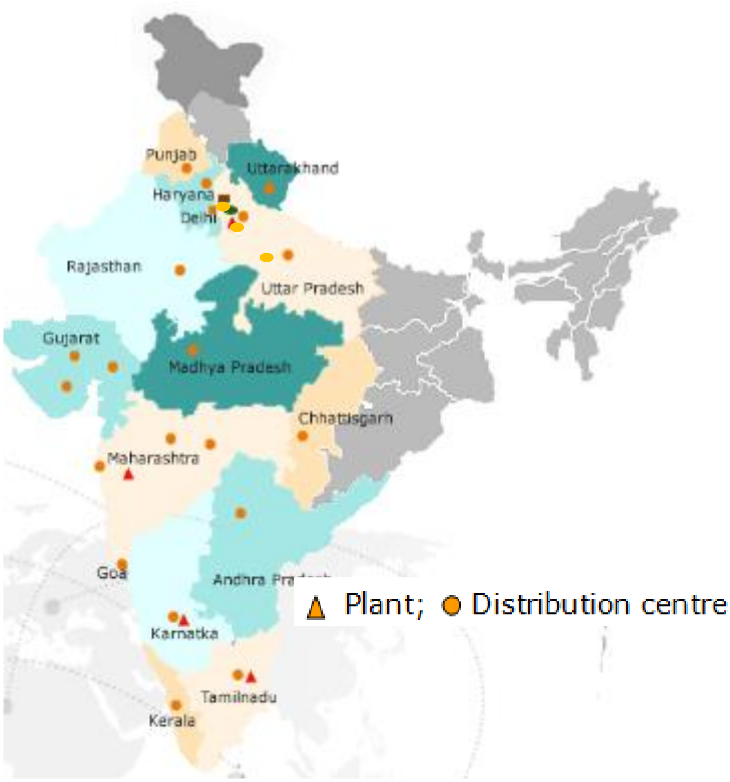


- APL Apollo had 300 distributors and 26 warehouses as of FY 2014

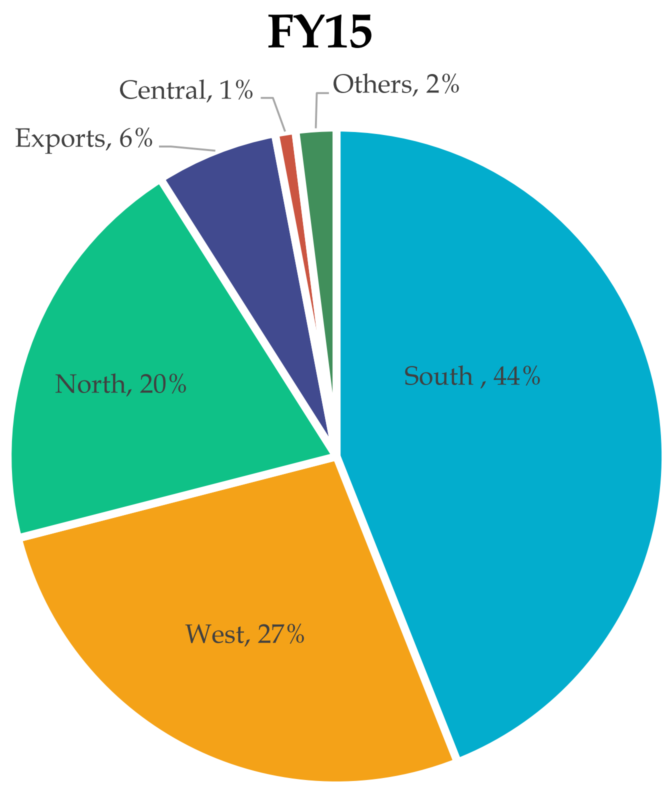
Source: Company Information as of FY 2014.

Extensive distribution network

Distribution network



Zone-wise sales break-up



- Wider geographical reach offers advantage over competitors by reducing logistics cost and lead time
- Proximity to key raw material procurement and client base ensures quicker delivery and lower risk of transit damage

Significant Range

400 + varieties of tubes across wide range of diameters and thickness

Recent developments:

- Colour-coated tubes
- Designer tubes
- Steel frames for doors
- Dynamically balanced tubes
- API Tubes

Diameter

APL – ½″ to 14″

2nd Largest peer – ½″ to 20″

Varied diameters

Thickness

APL – 0.7 mm to 10 mm

2nd largest peer – 2mm to 12mm

Local players – 2mm to 4mm

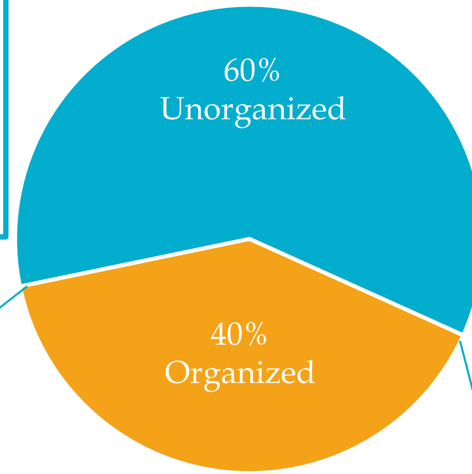
Low Production Costs

- The company has cost advantages with respect to peers due to the following reasons:
  - Country wide manufacturing facilities -> Access to raw material and dispatch of finished goods cheaper than competition
  - Inline galvanizing facilities → Reduces manufacturing costs for zinc coating
  - Low maintenance → Lesser upkeep capex

Fragmented Industry

- The industry is highly fragmented with few large players holding ~40% of the pie
- Industry has not seen significant capacity addition over past 10 – 12 years, primarily due to
  - Low margin high volumes business
  - Need for strong R&D expenses
  - Setting up of pan-country distribution channel

There are ~1,000 SMEs (Small and Medium enterprises) operating in unorganized segment



APL APOLLO (10.5 lakh TPA)

TATA PIPES (4 lakh TPA)

MSL (3 lakh TPA)

SURYA (4 lakh TPA)

Jindal HISSAR (2 lakh TPA)

JINDAL INDUSTRIES LTD. (2.8 lakh TPA)

BHUSHAN (3 lakh TPA)

Source: Steel Ministry, Company Information as of FY 2014.

Competitive Landscape

Players	ERW segment
Surya Roshni	• Company has diversified interests such as lighting, home appliances, and PVC pipes • Operates with an installed capacity of 6,00,000 T. P.A. of ERW pipes
Bhushan Steel	• Company's financial status is not stable • A possible target for acquisition
Jindal India (B.C. Jindal Group)	• Manufactures only large diameter pipes, fusion bonded epoxy coated pipes, black and galvanized steel pipes
Jindal Pipes (D.P. Jindal Group)	• Manufactures Black, Galvanized steel tubes apart from hollow sections • Operates with an installed capacity of 2,50,000 T.P.A of ERW pipes
TATA	• Tata Pipes and Tata Structural steel hollow sections are manufactured by the High Frequency Induction Welding (HFIW) process • Tubes are a small part of the entire steel business

- The competitors are not very active / aggressive in ERW space
  - Competitors are focusing on selling the products in Tier I cities whereas APL is focusing purely on Tier II & III cities
  - Company has entered into focussed branding to compete aggressively with its peers

New Products

- **Door Frames:** The Company has designed and patented door frames for use in low-cost housing for the first time ever in India. These offer the following benefits:
  - Cheaper by a third compared to wooden door frames
  - Better strength and durability and can last close to 20 years without any wear and tear
  - High resale value of scrap

- **Colour Coated Pipes**: This will also be a first in India and offers the following benefits:
  - Pipe is colour coated at the production stage itself
  - This results in better finish, longer life and lowers costs
  - This is an established format in European countries where ERW pipes are sold in a pre coloured format

New Products

Single Door Frame

Double Door Frame

Hand Rail

Window L Section

Branding

- Intense focus on branding to garner a larger share of the market
- Targeting about 30,000 signage boards across the country for higher visibility
- Focused efforts at sponsoring plumbing meets and dealer meets and participation in exhibitions in India and across the world
- One-of-a-kind “Fabricators and Plumbers” meet is being organized across the length and breadth of the country to generate interest in APL Apollo’s products among end users.
- The above meets have at least 100-150 participants and our technical and marketing team give insights on products along with the advantages of using these products
- Star Cruise for 4 days organized for over 1000 dealers and distributors in Singapore and Malaysia
- Approximate budget for branding in the current fiscal is about Rs. 10 crore.

Branding

Branding on Buses

Signages on Highways

Fabricators Meet

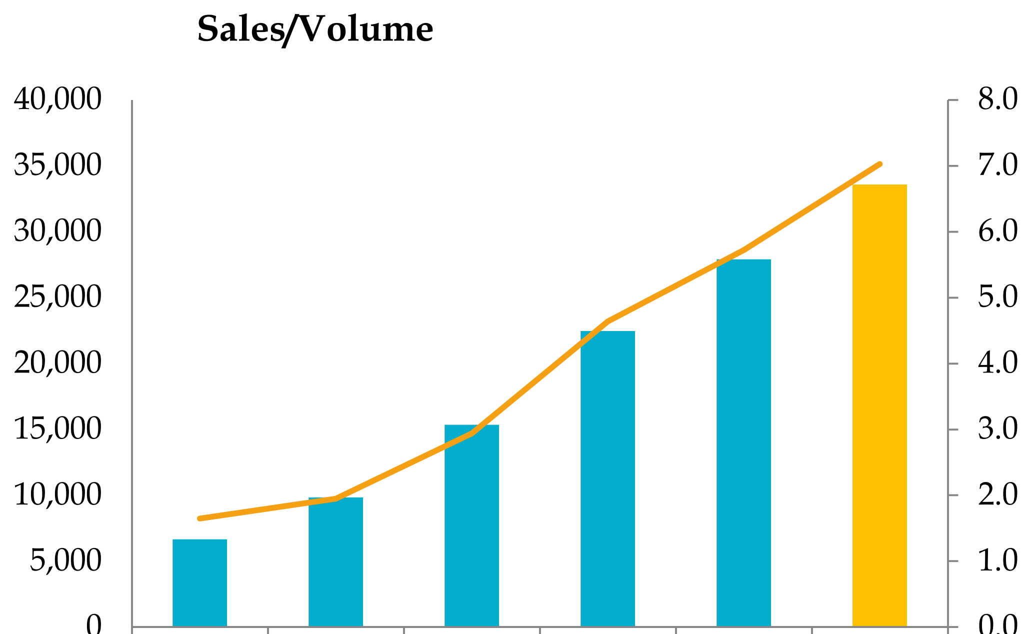
Fabricators Meet

the fastest growing manufacturer of ERW steel tubes, pipes and hollow sections in India

Financials

NSE Symbol: APLAPOLLO | BSE Code: 533758 | ISIN: INE702C01019

Continuous Growth

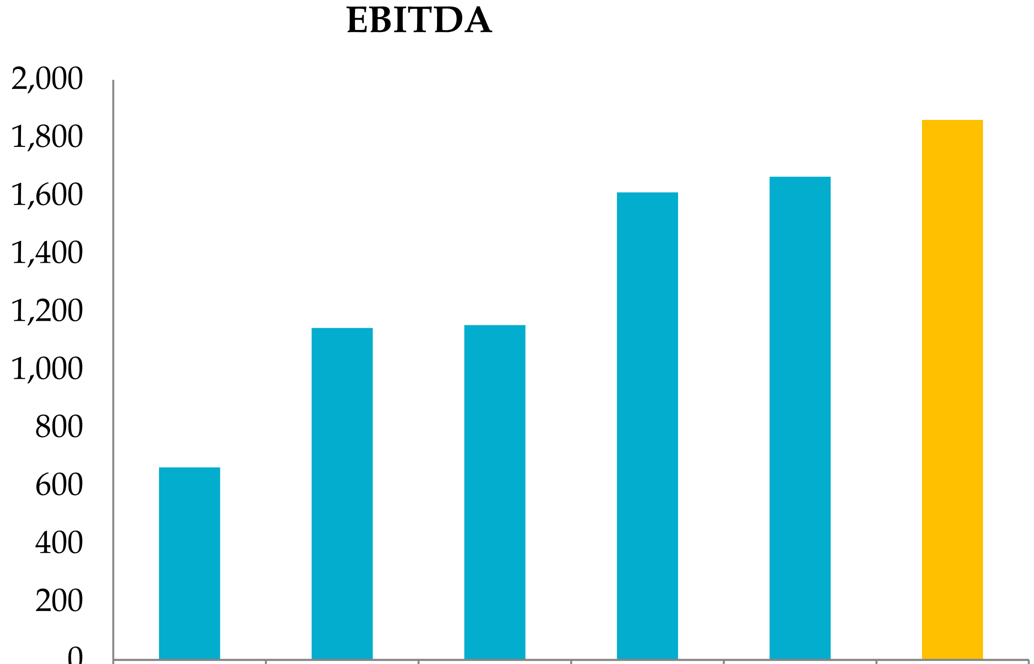


	FY10	FY11	FY12	FY13	FY14	FY 15
Gross Revenue (INR m)	6,659	9,851	15,362	22,471	27,900	33,572
Volumes (LTPA)	1.7	2.0	2.9	4.6	5.7	7.0

LTPA – Lakh Tonnes Per Annum

- Company was able to maintain the growth momentum in spite of slowness of demand in the industry in last 2-3 years

EBITDA

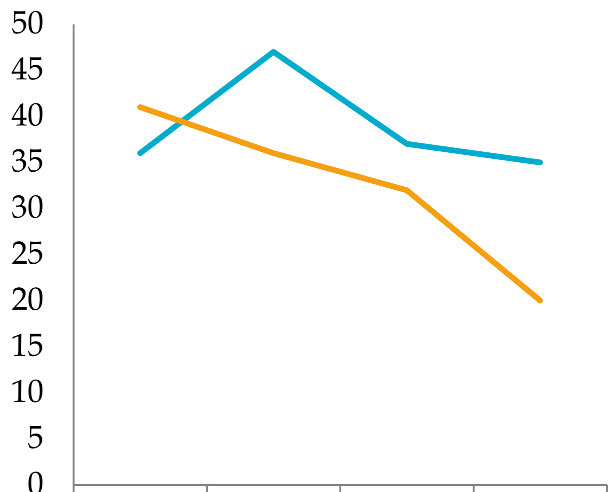


	FY10	FY11	FY12	FY13	FY14	FY 15
EBITDA (INR m)	663	1,144	1,154	1,612	1,666	1,862

- Incremental EBITDA growth in FY 15 was affected due to increase in raw material cost and adverse industry conditions
  - EBITDA margin ranges between 6.5 – 8.0%, however efforts are on to move it back to 8% again by optimizing product mix and a slew of other measures
- Realized EBITDA per tonne on an average is in between Rs. 3,200 -3,500

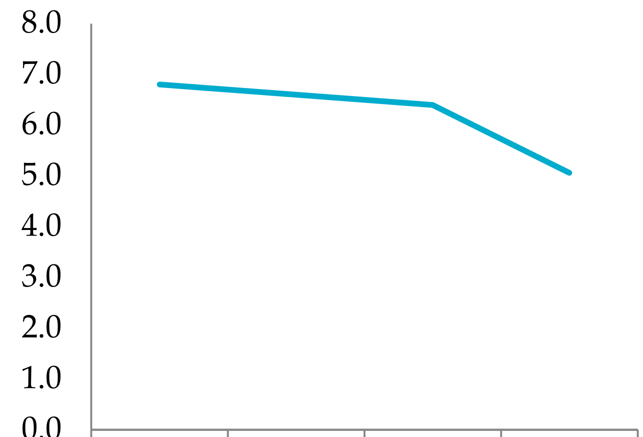
Working Capital Management

Inventory / Debtor Days



	FY12	FY13	FY14	FY15
Inventory Days	36	47	37	35
Debtor Days	41	36	32	20

Asset Turnover Ratio

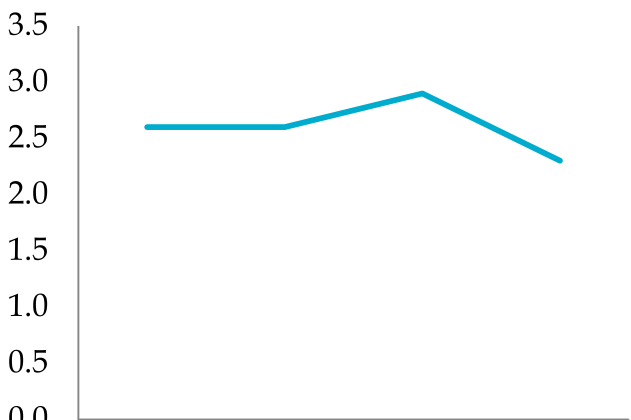


	FY12	FY13	FY14	FY15
Asset Turnover Ratio	6.8	6.6	6.4	5.1

- Working capital cycle is efficiently managed with tight operating guidelines
- Fixed Asset turnover is among the highest in our industry

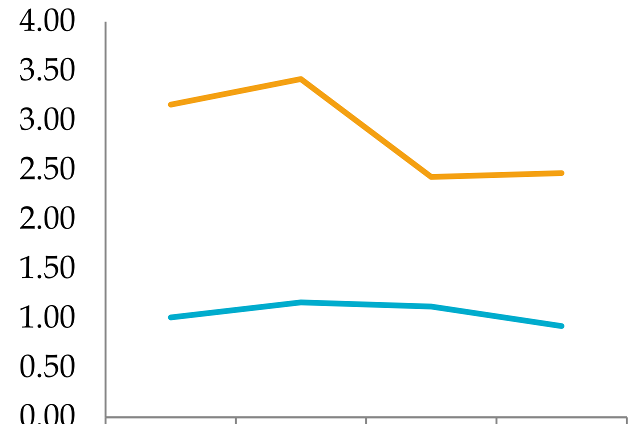
Debt / EBITDA and Optimal Leverage

Debt / EBITDA



	FY12	FY13	FY14	FY15
Debt / EBITDA (x)	2.6	2.6	2.9	2.3

Leverage Ratios

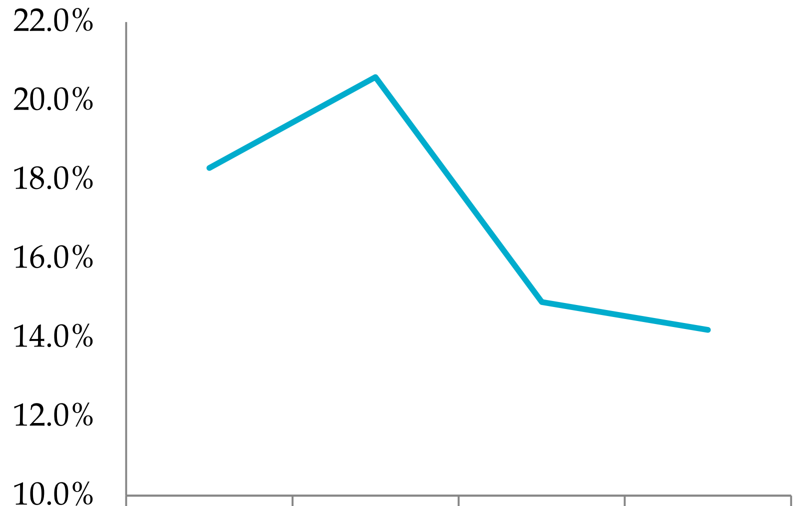


	FY12	FY13	FY14	FY15
D/E(x)	1.01	1.16	1.12	0.92
Int. Coverage Ratio (x)	3.16	3.42	2.43	2.47

- Debt / EBITDA has been maintained in the range of 2.2 – 2.9

- Optimal leverage with D/E kept close to 1x
  - Long-term Debt (FY15): Rs.1,416 mn.
  - Working-capital Loan (FY15): Rs. 2,925 mn.

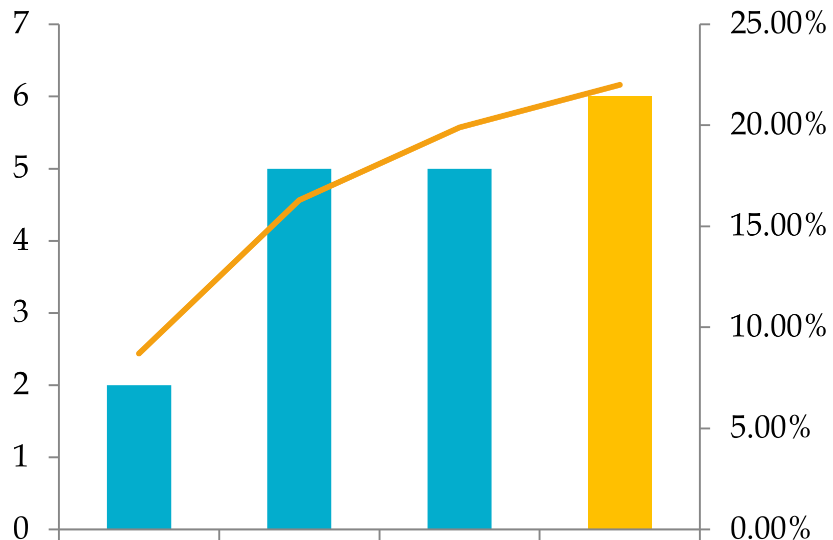
Return Ratios



	FY12	FY13	FY14	FY15
RONW	18.3%	20.6%	14.9%	14.2%

- RONW expected to move back to 18-20% levels in the coming years

Dividend Payout



	FY12	FY13	FY14	FY15
DPS (Rs.)	2	5	5	6
Dividend Payout	8.70%	16.30%	19.90%	22.00%

- The Company has been a regular on the dividend list rewarding shareholders
- Dividend payout ratio is over 20% levels and company plans to maintain the same going forward

Income Statement

Particulars (INR mn.)	2011-12	2012-13	2013-14	2014-15
Net Revenue	13,930	20,083	25,689	30,137
Growth %	53.9%	44.2%	27.9%	17.3%
EBITDA	1,154	1,612	1,666	1,862
Growth %	7.9%	39.3%	3.1%	11.8%
Margin %	8.3%	8.0%	6.5%	6.2%
PAT	491	686	590	638
PAT %	3.5%	3.4%	2.3%	2.1%
EPS	20.9	29.9	25.1	27.1

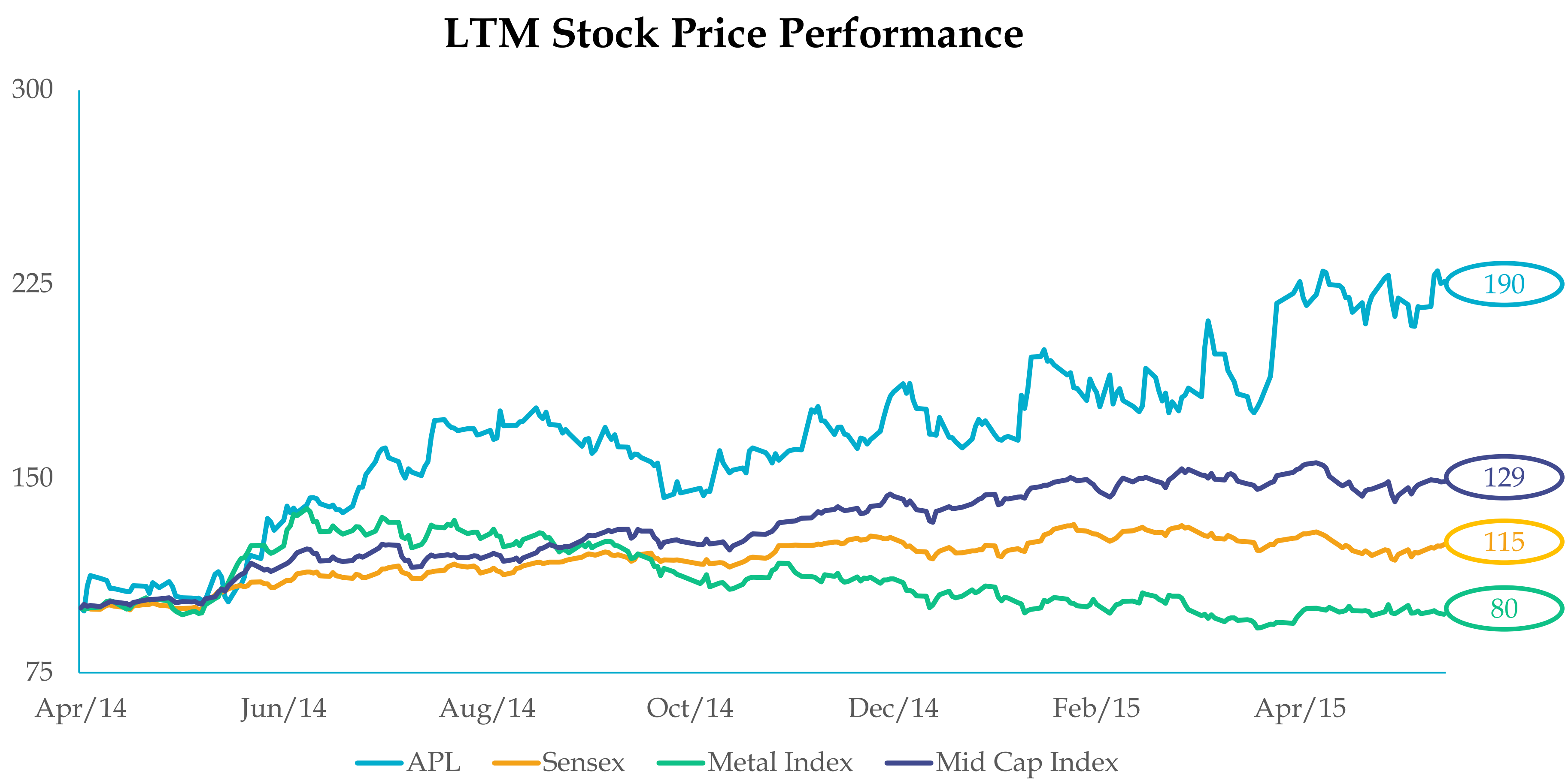
- Consistent revenue growth which will be maintained going forward
- Margins to improve on the back of product mix rationalization and introduction of new products

Balance Sheet

Particulars (INR mn.)	2011-12	2012-13	2013-14	2014-15
Share Capital	213	223	234	234
Reserve & Surplus	2,698	3,414	4,018	4,487
Net Worth	**2,911**	**3,637**	**4,252**	**4,721**
Long Term Debt	737	859	1,396	1,416
Working Capital Debt	2,242	3,403	3,403	2,926
Total Borrowings	**2,979**	**4,262**	**4,799**	**4,342**
Gross Fixed Assets	2,753	3,570	4,825	6,737
Capital WIP	455	151	279	239

- Significant capacity additions have resulted into higher growth in Fixed Assets
- Company has policy to operate under strict control on additional borrowings
  - The same has resulted into one of the lowest levels of debt in the industry

Stock Price Performance



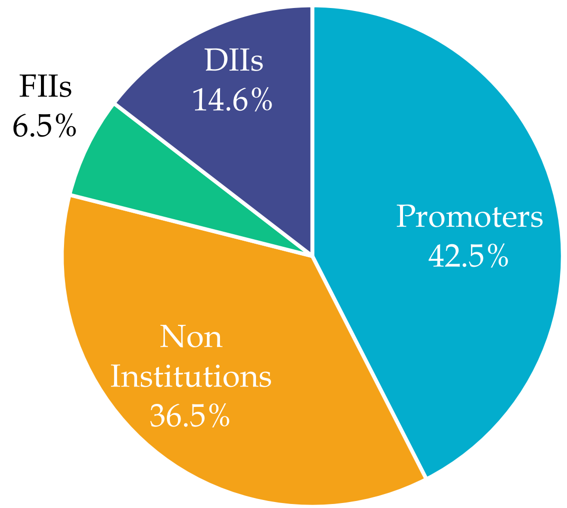
- APL Apollo outperformed Sensex , BSE Metal Index and Mid Cap Index over past one year
  - The share price has moved up from 234.5 in May 14 to 446.0 in May 2015

Source: BSE.

Market Summary

IPO Details	Particulars
IPO Date	November, 1995
Shares Issued	Rs.2.19 mn.
Amount Raised	Rs.65.7 mn.
Face Value of Share	Rs. 10
Market Cap (22nd May, 2015)	Rs. 1,037.1 cr

Shareholding Pattern (31st Mar,2015)



Top 10 Public Shareholders (more than 1%)	% held
Kitara Capital	12.8%
IDFC	6.8%
Emblem	4.3%
Kotak Mahindra (Intl)	3.6%
DSP Blackrock	3.5%
HDFC Trustee Fund	3.3%
FIL Investments	2.6%
Sameer Mahendra Sampat	2.4%
Systematix Fincorp India Ltd	1.8%
Abha Bhanshali	1.6%

As on 31st March,2015

the fastest growing manufacturer of ERW steel tubes, pipes and hollow sections in India

Road Ahead

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Vision FY 17: 1MTPA

APLAPOLLO
Tubes for every reason

Achieve 1MTPA production by FY 2017 and volume growth of over 25% p.a.

- Well-planned Roadmap for capacity addition across plants
- Profitable operations to fund capex through internal accruals
- Highly solvent Balance-Sheet to support scaled up operations

1mn MTPA production

$1bn turnover

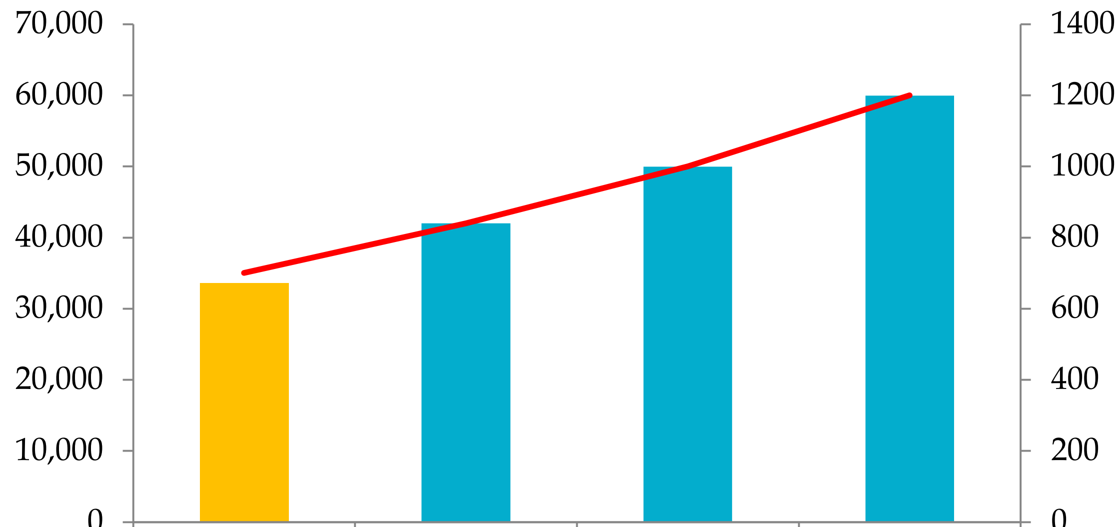
- Proven ability to tap industry demand and grow sales volumes above 30% sustainably
- Value added products to replace low margin products
- Greater focus on product and corporate branding

Transformation into a Consumer Products Company

Investments Required

- Planning greenfield projects of approximately 1 – 1.2 LTPA each in Eastern India and Middle East (Dubai)
- Capital cost of Rs. 100 crore for the two plants to be funded through internal accruals

Financial Estimates



	FY 15 A	FY 16 E	FY 17 E	FY18E
Revenue (in INR m)	33,572	42,000	49,980	59,976
Volume ('000 TPA)	701	840	1000	1200

- **Revenue and Volume are expected to grow at a CAGR of roughly 22% for the period 2016 – 2018.**

Investment Rationale

- Largest player in the ERW segment in India
- Nation wide operations with 5 plants across the length and breadth of the country
- Strong distribution network with over 400+ distributors and 26 dealers
- Wide variety of products (400+) catering both to structural applications and traditional usage
- Strong revenue and volume growth expected for the next 3 years
- Consistent dividend payout ratio
- Stock has outperformed all the indices on the market over the last 12 months

Contact

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Thank You