

APL **APOLLO**

Q2 **FY20** 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.

Contents

Year till date H1 FY'20

Financial Performance

APL Apollo Overview

Core Competence

Structural Steel Applications

Exciting Future

Key Takeaways



YEAR TILL DATE

H1 FY'20

Q2 FY'20 at a Glance



3.6 lac ton

Volume
20% yoy increase



40%

Market share in structural steel
tube sector
FY19 was 36%



₹ 766 Mn

EBITDA
13% yoy decline



₹ 551 Mn

Net profit
105% yoy increase



25.5 lac ton

Capacity as on 30th
September 2019



15.8%

ROCE in H1 FY20
Acquisitions and new
capacity yet to yield results



1,100+

Products
Continuous focus on
new product addition



₹ 2,104

EBITDA/ ton
High fixed costs and low
capacity utilization
impacted 2Q spreads



21

Net WC days
FY19 was 28 days



₹ 3,048 Mn

Operating cash flows
FY19 operating cash flows
were ₹ 3,576 Mn



790 Distributors

Distribution expansion
remains key focus area



Branding

Mass branding kick started

* Includes to-be acquired 200,000 MTPA capacity

The Half Year Gone By: H1 FY'20

Market share expansion

Company consolidated its dominant leadership in structural steel category with market share improvement to 40% vs 36% in FY19

Strong operating cash flow

Company further improved working capital cycle which generated strong operating cash flows of Rs3bn

It helped fund capex and acquisitions

Aggressive spending on brand promotion

Company kick started mass branding exercise with TV commercials and BTL activities

Q2 FY'20 Highlights

Overall demand slowdown

Company operated at 55% capacity utilization due to weak demand from construction sector

Decline in steel prices resulted in destocking in the channel

Volume growth was still 20% yoy

Decline in EBITDA/Ton

High fixed costs and low utilization levels impacted company's EBITDA spreads on quarterly basis

Decline in steel prices resulted in inventory devaluation

Strong balance sheet

Debt of APL Apollo (without Apollo Tricoat) declined by Rs760m

Marginal increase in consolidated debt due to capex/acquisitions

D/E ratio stable at 0.8x

Full conversion of warrants by Promoters in Oct' 19.
Total capital infusion was Rs750m

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

11 Plants

2,079 Employees

790 Distributors

1,100+ Products

Our Brands

Product Category*

Apollo Structural

Structural steel construction material:
Residential, Commercial, Infrastructure

Apollo Z

Galvanized structural steel construction material:
Residential, Commercial, Infrastructure

Apollo Build

Galvanized structural steel construction material:
Residential, Commercial, Infrastructure

Apollo Standard

Construction material, Industrial

Apollo Tricoat

Home improvement applications

Fabritech, Build, DFT

CostGuard

Green, Bheem, StrenX

FireReady, Agri

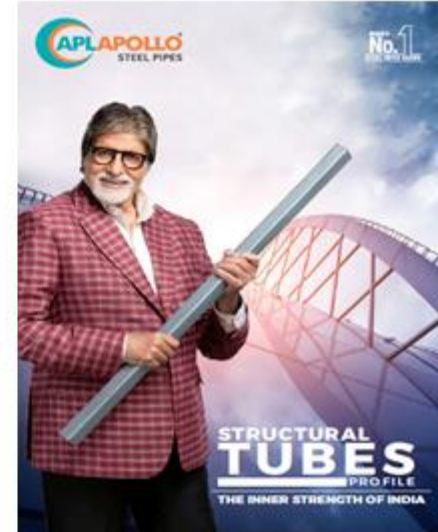
Tricoat, Plank, Signature, Elegant, Chaukhat

68% Building Material

32% Infrastructure & Others

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

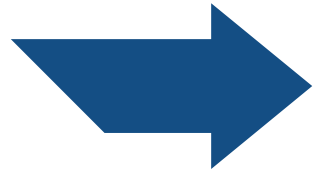
Brand Equity



Brand Equity

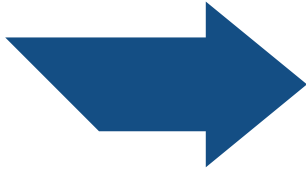


B2C Channel



Distributors

790 Distributors – Solid Relationships, Incentive plans



Retailers

50,000 Retailers – Retailer bonding program



Fabricators

100,000 Fabricators – Apollo Connect Bonding Programs, Fabricator meets to promote APL Apollo Brand



End Consumer

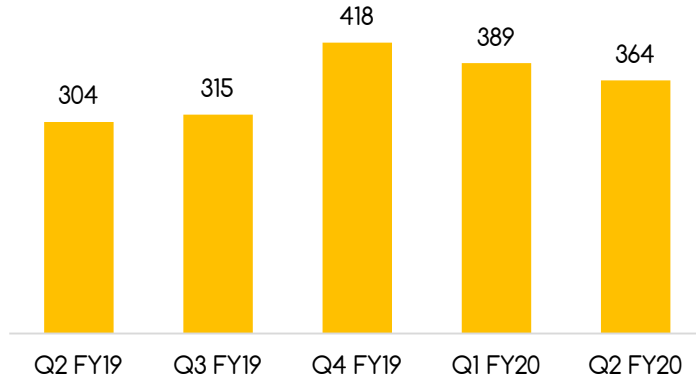
End Customer Connect– Indian Premier League, Football, Kabaddi League. Amitabh Bachchan Campaign, TV Commercials, Radio, Social Media



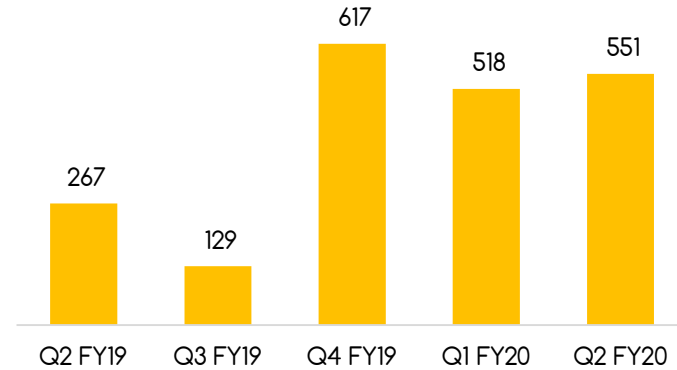
FINANCIAL PERFORMANCE

Growing Strength to Strength

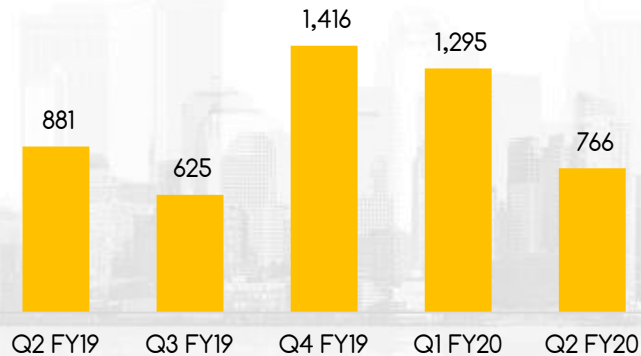
Volume (000's Ton)



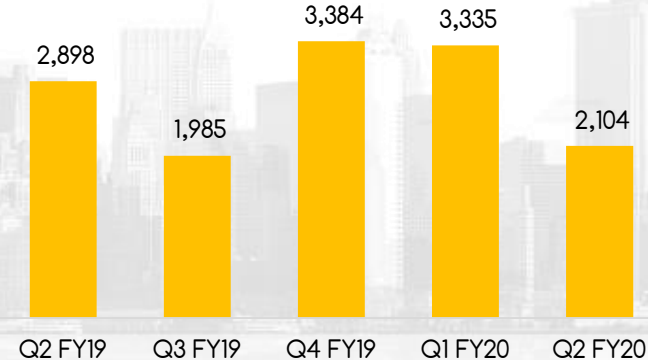
PAT (Rsm)



EBITDA (Rsm)

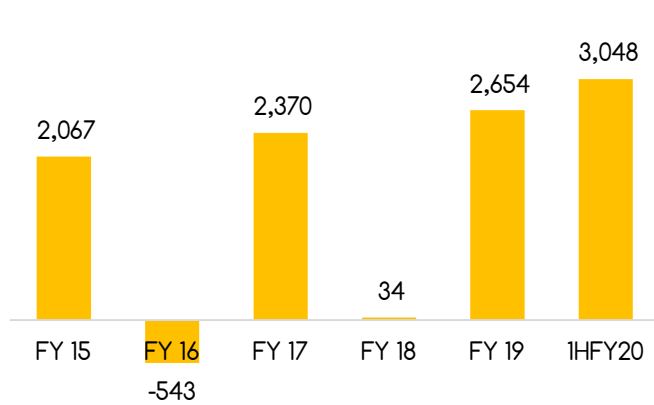


EBITDA/Ton (Rs)

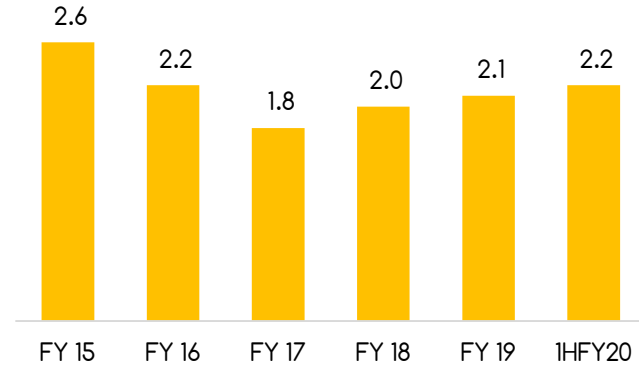


Growing Strength to Strength

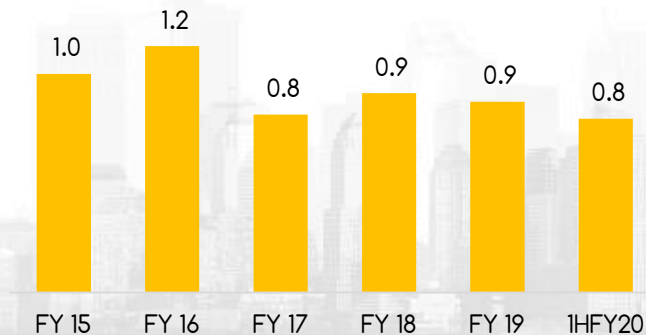
Operating Cash flow (Rsm)



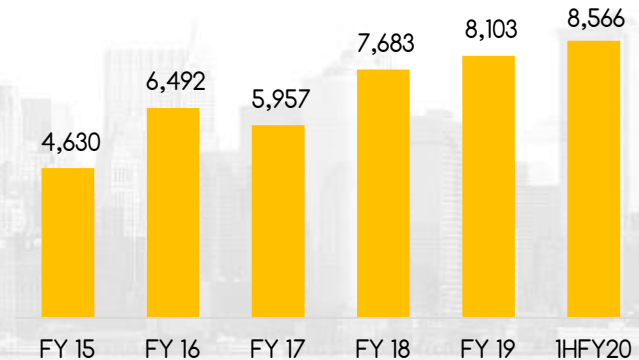
Debt to EBITDA (x)



Debt to Equity (x)

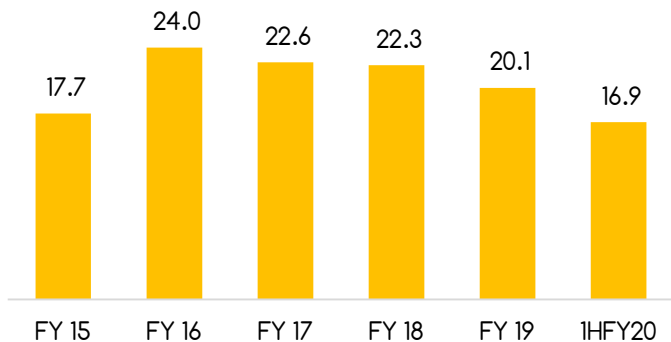


Net debt (Rsm)

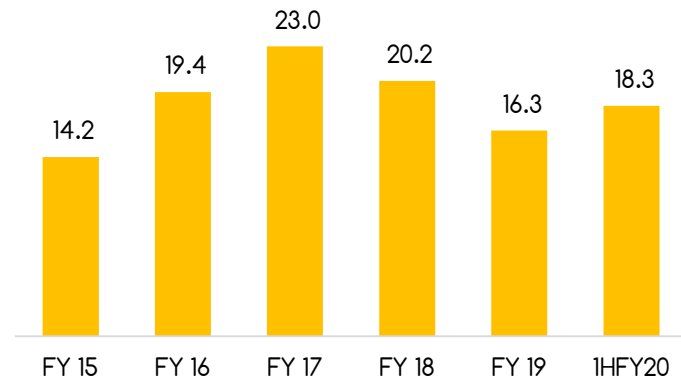


Growing Strength to Strength

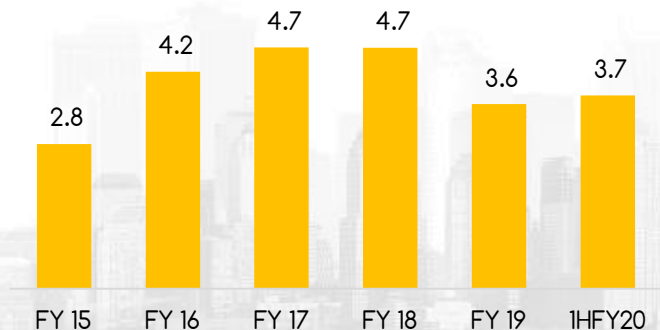
ROCE (%)



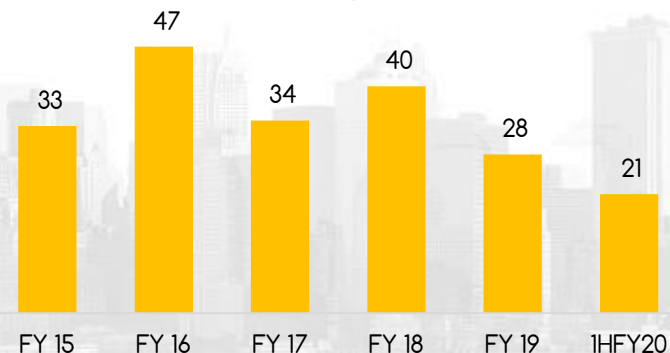
ROE (%)



Interest Coverage Ratio (x)



Net Working Capital Days



Growing Strength to Strength

Particulars	FY15	FY16	FY17	FY18	FY19	1HFY20
Apollo Structural*						
Volume (000's tons)	248	426	475	614	766	427
Revenue (Rsm)	10,541	14,744	17,971	26,380	37,469	18,583
EBITDA (Rsm)	525	1,008	1,223	1,150	840	418
Apollo Standard						
Volume (000's tons)	170	194	151	164	198	102
Revenue (Rsm)	7,115	6,554	5,590	6,925	9,473	4,364
EBITDA (Rsm)	236	322	268	261	271	112
Apollo Z						
Volume (000's tons)	148	159	189	241	283	152
Revenue (Rsm)	7,555	6,701	8,727	12,431	16,213	7,852
EBITDA (Rsm)	695	842	1,075	1,372	1,572	774
Apollo Build						
Volume (000's tons)	91	115	117	111	92	44
Revenue (Rsm)	4,674	4,838	5,393	5,766	5,273	2,335
EBITDA (Rsm)	357	526	578	543	402	176
Apollo Tricoat						
Volume (000's tons)	-	-	-	-	-	28
Revenue (Rsm)	-	-	-	-	-	1,537
EBITDA (Rsm)	-	-	-	-	-	157
Total Revenue** (Rsm)	31,274	34,138	38,680	53,213	71,533	37,071
Total EBITDA (Rsm)	1,862	2,919	3,328	3,790	4,045	2,061
PAT (Rsm)	638	1,006	1,461	1,581	1,483	1,069

Particulars	FY18	FY19	1HFY20
Apollo Structural DFT^			
Volume (000's tons)	153	321	168
Revenue (Rsm)	6,644	15,772	7,415
EBITDA (Rsm)	466	958	411

^DFT is part of Apollo Structural

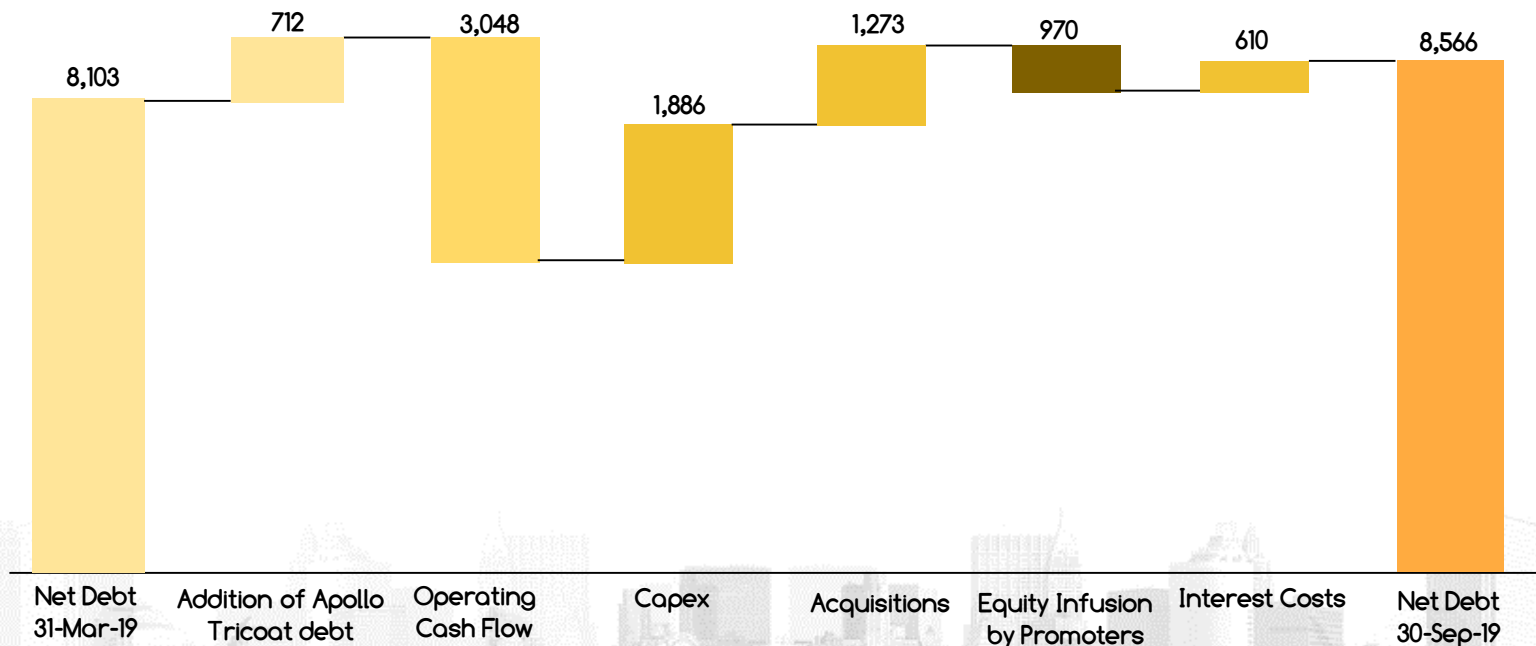
*Apollo Structural is inclusive of DFT Products **Total revenue includes sale of scrap and trading revenue

Consolidated Financial Performance

P&L (Rsm)	FY19	HI FY20	Q2 FY20
Sales Volume (000s Ton)	1,339	753	364
Revenue	71,640	37,281	16,519
EBITDA	4,045	2,061	766
EBITDA/Ton	3,020	2,739	2,104
Depreciation	643	442	240
Interest	1,134	551	269
Tax	787	-52	-341
Net Profit	1,482	1,120	598
Minority Interest	-	51	47
Actual Net Profit	1,482	1,069	551
ROCE (%)	20.1	16.9	
ROE (%)	16.3	18.3	

Balance Sheet (Rsm)	FY19	HI FY20
Net Worth	9,640	11,421
Net Debt	8,103	8,566
Total	17,743	19,987
Fixed Assets	12,849	14,441
Goodwill	230	1,375
Net Working Capital	6,283	4,887
Total	19,632	20,690
Working Capital Days	28	21

Consolidated Debt Profile & Cash Flows



The business continues to generate strong operational cash flow



The increase in debt is on account of capital expenditure done for future growth



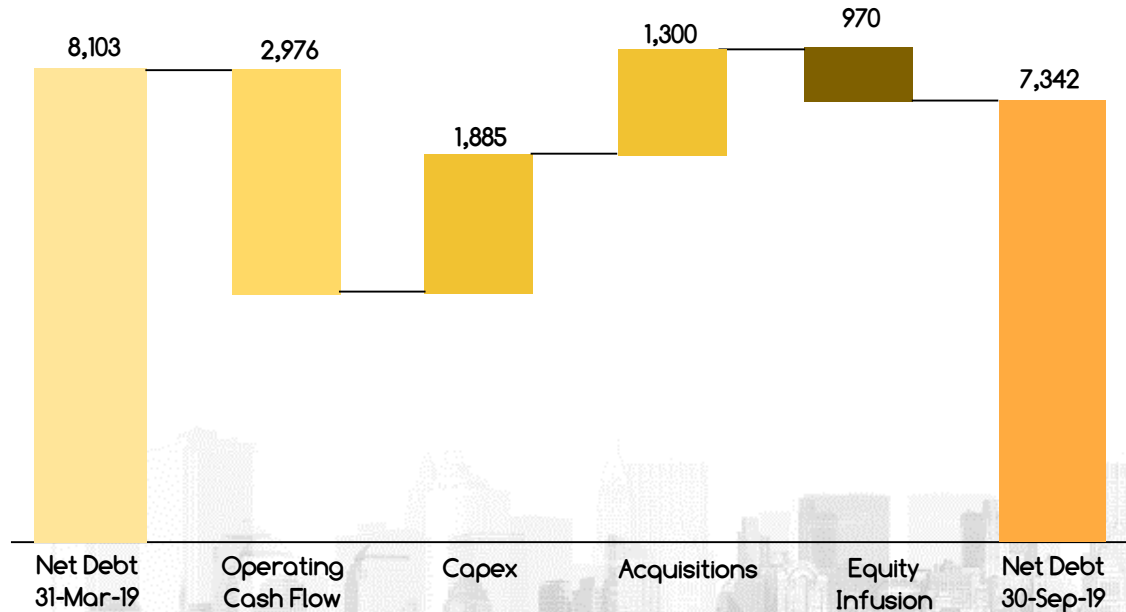
The benefits of this expenditure will start getting visible from 2HFY20 onwards

Financial Performance (without Apollo Tricoat)

P&L (Rsm)	FY19	1HFY20	Q2 FY20
Sales Volume (000s Ton)	1,339	735	346
Revenue	71,640	35,623	14,980
EBITDA	4,045	1,892	609
EBITDA/Ton	3,020	2,614	1,809
Depreciation	643	418	218
Interest	1,134	545	263
Tax	787	-90	-376
Net Profit	1,481	1,018	504
ROCE (%)	17.6	14.0	
ROE (%)	16.5	17.9	

Balance Sheet (Rsm)	FY19	1HFY20
Net Worth	9,640	11,381
Net Debt	8,103	7,342
Total	17,743	18,723
Fixed Assets	12,849	11,946
Goodwill	230	230
Net Working Capital	6,283	4,591
Total	19,632	16,755
Working Capital Days	28	21

Debt Profile & Cash Flows (without Apollo Tricoat)



The business continues to generate strong operational cash flow



Reduction of Rs760m in net debt

Financial Performance – Cash Flow

Cash Flow (Rsm)	FY19	H1FY20 (Consolidated)	H1FY20 (without Apollo Tricoat)
Cash Profit (After tax)	3,289	1,642	1,612
Working Capital Changes	287	1,408	1,948
Capex	2,261	1,927	1,924
Investment & Acquisitions	378	1,246	1,300
Equity Infusion	56	970	970
Dividend	400	-	-
Interest Cost	1,014	643	545
Net Borrowings	830	-251	772
Net Cash Flow	410	-47	-11

CORE COMPETENCE

Our Business Moat...

Most products
with 1,100 SKUs

Highest scale with 11 plants
(2.5Mn ton capacity)

Largest sales network
(790 distributors)



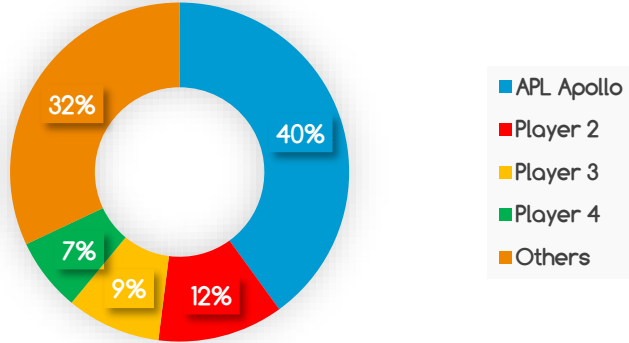
Lowest cost producer
(largest buyer of HR coil)

Premium pricing to peers
(brand strength)

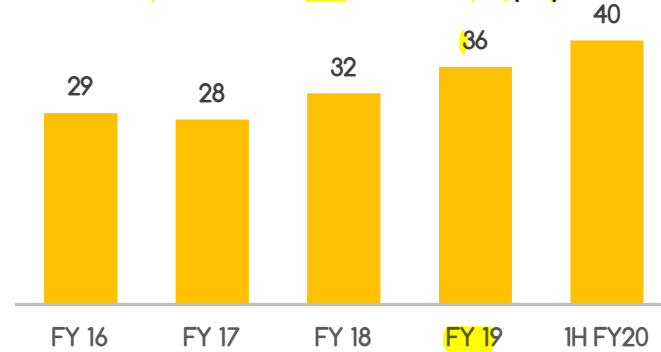
Technology edge &
Innovation

Dominant Leadership

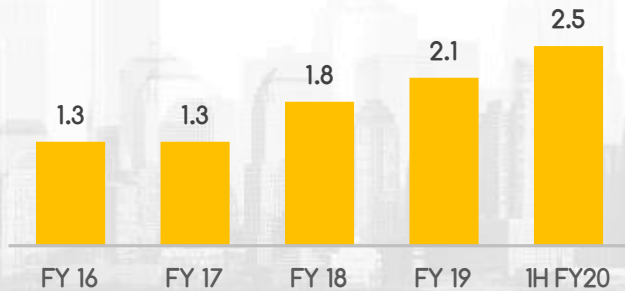
Peer Market Share FY19



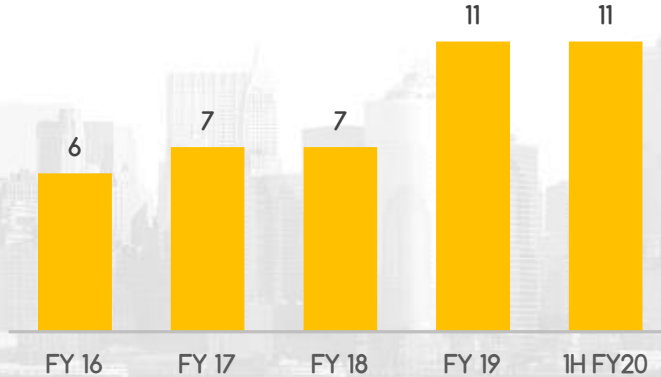
APL's Market Share (%)



Capacity (Mn Tons)



Number of Plants



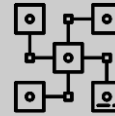
Unique Capabilities



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** APPLICATIONS

Structural Steel Applications



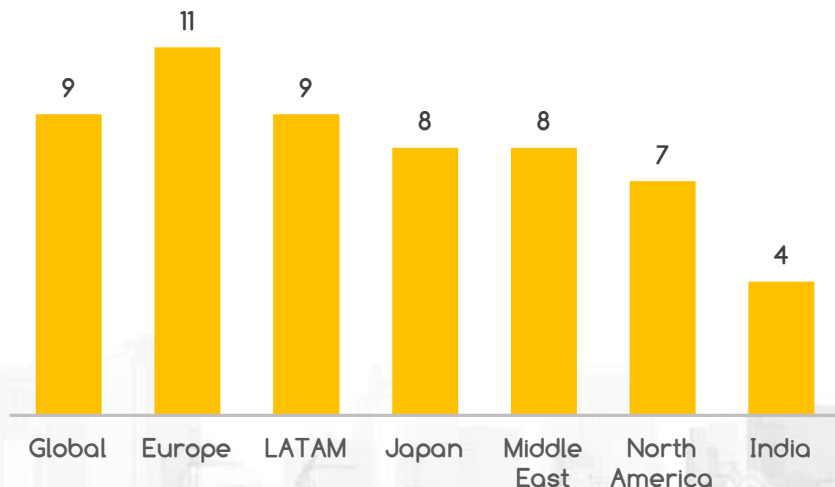
Structural Steel Applications



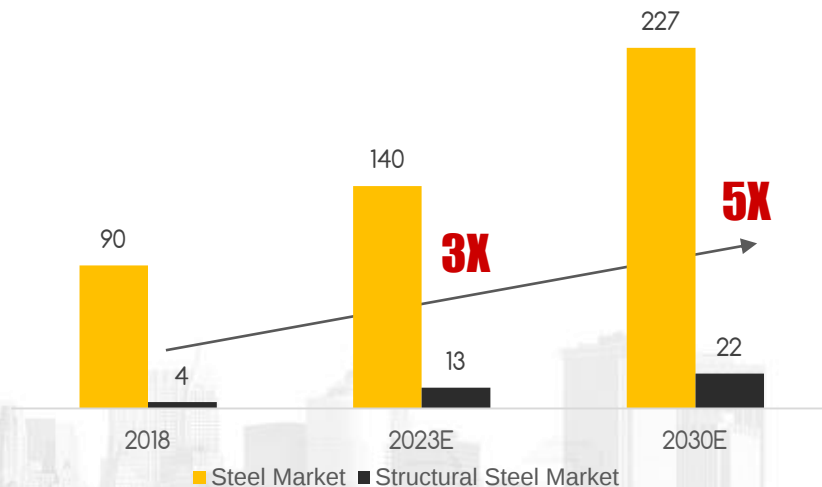
EXCITING FUTURE

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

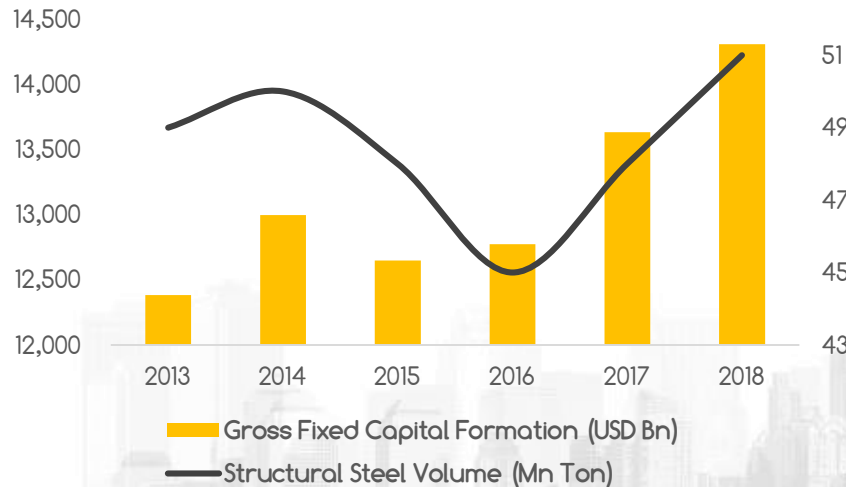
- Growing vertical model of development
 - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
 - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need for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

Benefits

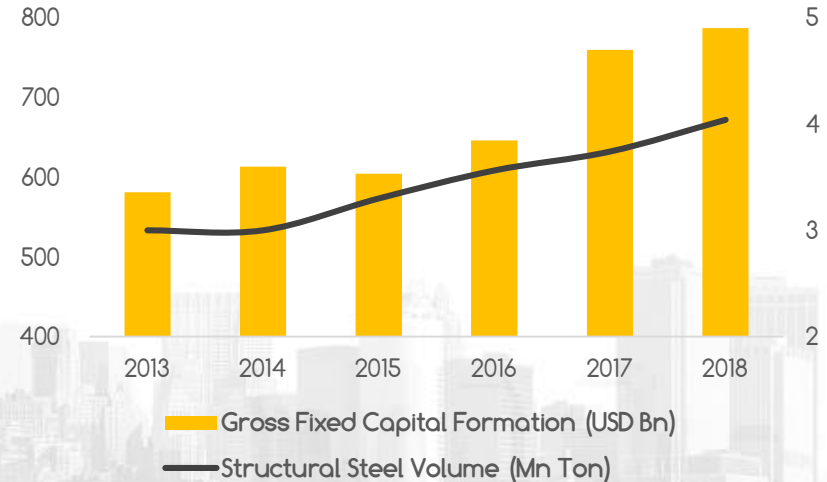
- Environmental friendly
 - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

Structural Steel Market expansion linked to construction activity

Global Structural Steel Market expansion

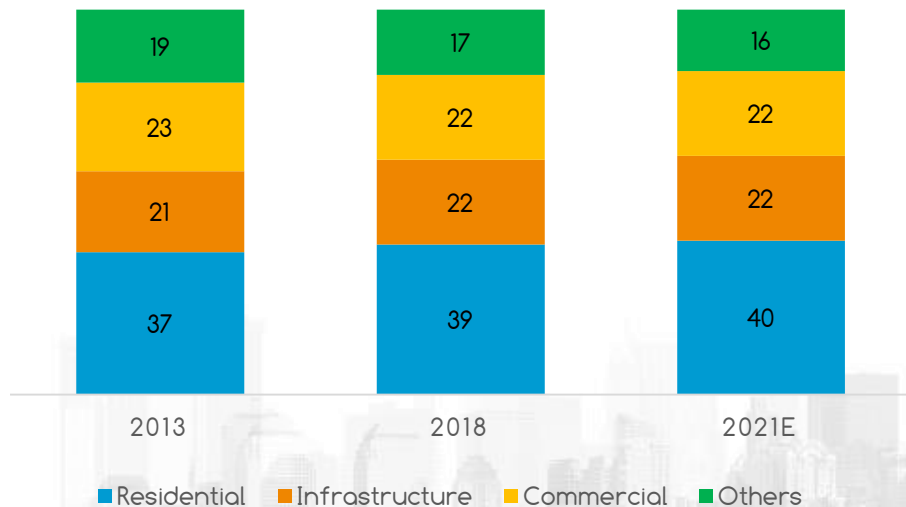


Indian Structural Steel Market expansion

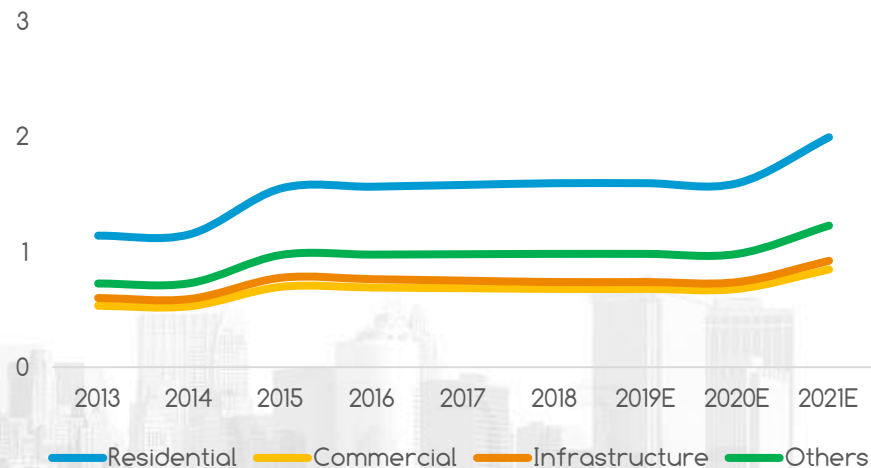


Structural Steel Uses

Global Structural Steel Uses - Segment wise breakup(%)

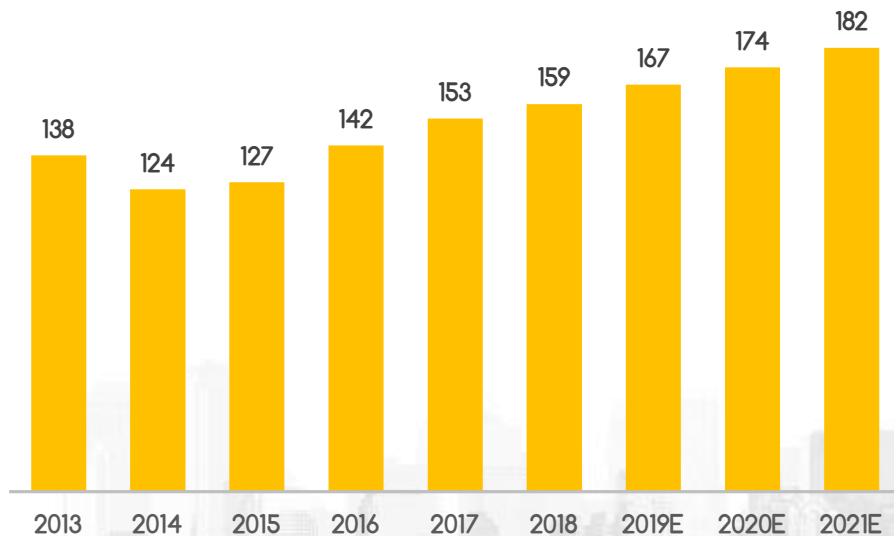


Indian market taking off in all segments (Mn ton)



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



KEY TAKEAWAYS

Financial Priorities under Strong Governance

Growth

- Profitable Organic Growth
- EPS accretive strategic acquisitions
- Commitment to R&D and Talent



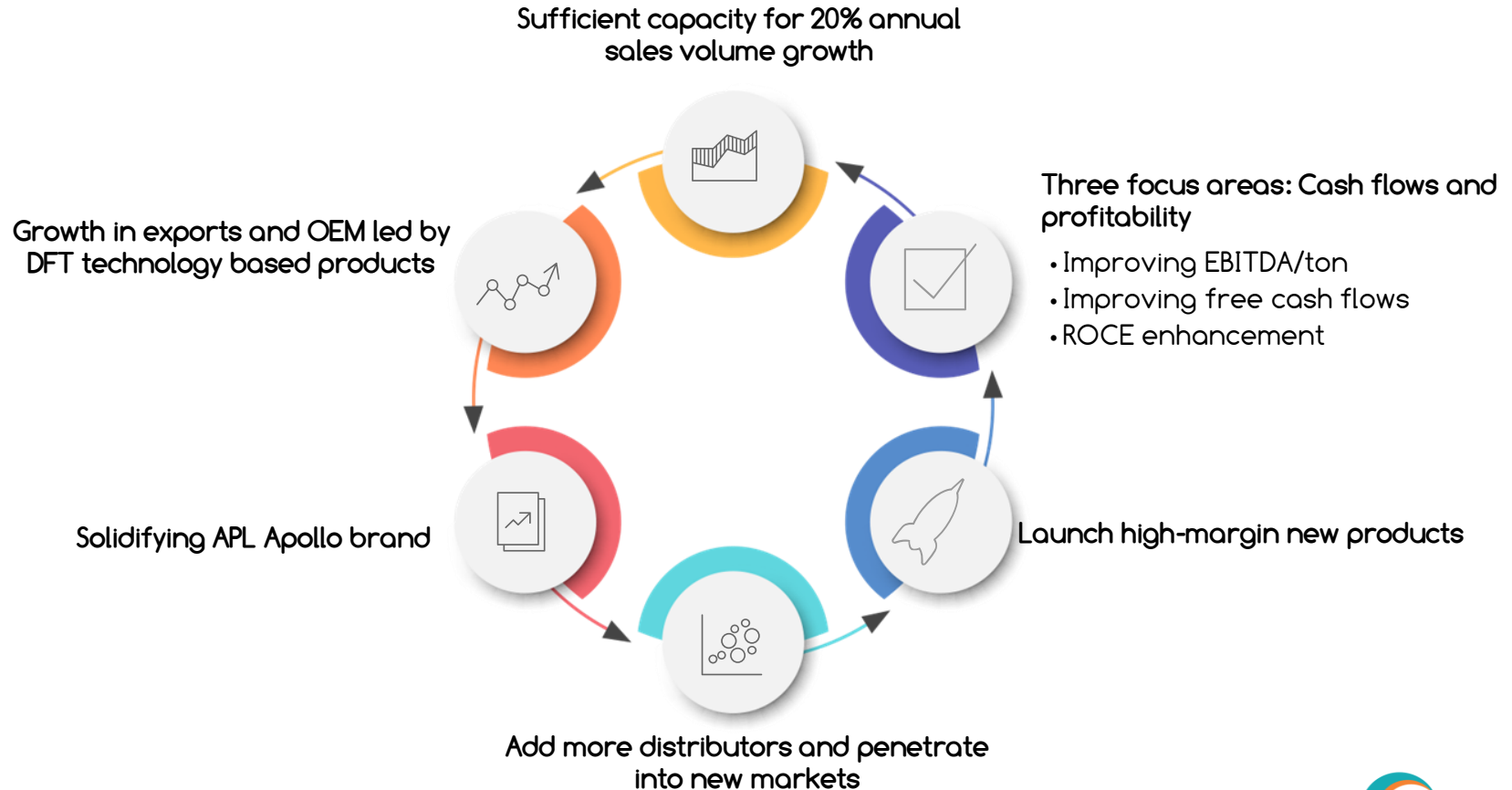
Earnings

- 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
- ✓ 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
- ✓ 5 independent board members out of 9

Strong Management

Directors (Non Executive)

Neeru Abrol

Abhilash Lal

Anil Kumar Bansal

Virendra Singh Jain

Ashok Kumar Gupta

Executive Team

Sanjay Gupta
Chairman & Managing Director

Vinay Gupta
Director

Romi Sehgal
Director

Arun Agrawal
Chief Operating Officer

Deepak Goyal
Chief Finance Officer

Anubhav Gupta
Chief Strategy Officer

Shiv Bansal
VP-Sales

Detailed P&L Statement (without Apollo Tricoat)

Particulars (Rsm)	Q2 FY20	Q2 FY19	Y-o-Y Shift (%)	1HFY20	1HFY19	Y-o-Y Shift (%)
Net Sales	14,936	16,905	-11.6	35,535	33,670	5.5
Total Income From Operations (Net)	14,936	16,905	-11.6	35,535	33,670	5.5
Other Income	43	19	126.0	89	56	58.9
Total Income	14,980	16,924	-11.5	35,624	33,726	5.6
Total Expenditure	14,371	16,043	-10.4	33,632	31,722	6.0
Raw Material expenses	13,037	14,980	-13.0	30,890	29,638	4.2
Employee benefits expense	334	273	22.3	633	534	18.5
Other expenses	1,000	790	26.6	2,209	1550	42.5
EBITDA	609	881	-30.9	1,892	2004	-5.6
EBITDA margin (%)	4.1%	5.2%		5.3%	5.9%	
Finance Costs	263	310	-15.2	545	573	-4.9
Depreciation and Amortization	218	161	35.4	418	313	33.5
PBT	128	410	-68.8	928	1118	-17.0
Tax expense	-376	143		-90	382	
PAT	504	267	88.8	1,018	736	38.3
PAT margin (%)	3.4%	1.6%		2.9%	2.2%	

Thank You

For further information, please contact:

Deepak Goyal/Anubhav Gupta

APL Apollo Tubes Ltd

Tel: +91 120 404 1400/ 1452

Email: deepakgoyal@aplapollo.com

anubhav@aplapollo.com

Anoop Poojari

CDR India

Tel: +91 9833090434

Email: anoop@cdr-india.com