



APL/SECT/DLH/SE: 2017-18

Electronic Filing

11th December 2017



National Stock Exchange of India Limited
"Exchange Plaza" Bandra-Kurla Complex,
Bandra (E),
Mumbai-400051

Department of Corporate Services/Listing
BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort,
Mumbai-400001

NSE Symbol : APLAPOLLO

Scrip Code : 533758

Dear Sir/Madam,

Re: Earnings Presentation

We are attaching herewith a copy of the Q2 & H1 FY18 Earnings Presentation. This presentation has also been uploaded on the official website of the Company.

We would request you to take this information on record.

Thanking you

Yours faithfully
For APL Apollo Tubes Limited

Adhish Swaroop
Company Secretary

Encl: a/a

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APL APOLLO TUBES LTD.

Q2 & H1 FY18 Earnings
Presentation

December 11, 2017

Infrastructure

Construction

Automobiles

Energy

Agriculture

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.

Operational & Financial Highlights Q2 & H1 FY2018



Infrastructure

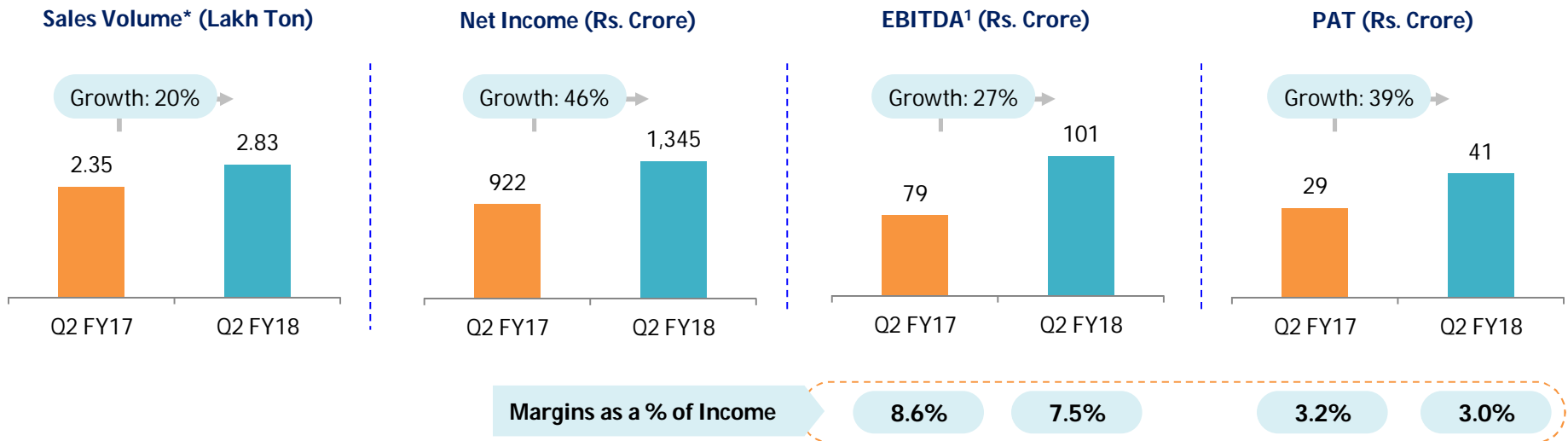
Construction

Automobiles

Energy

Agriculture

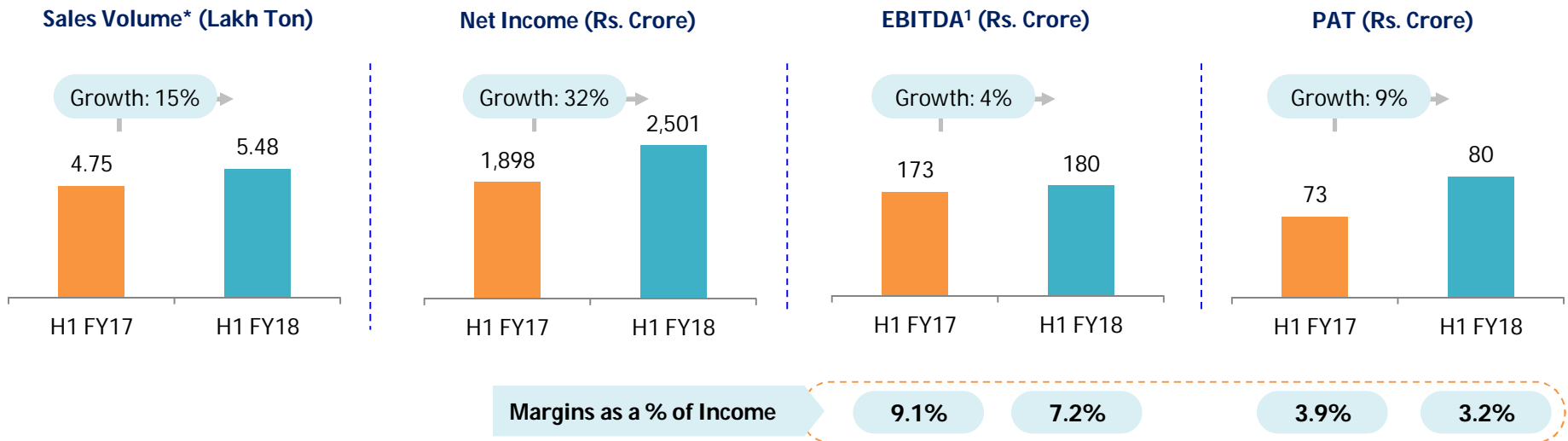
Q2 FY18 – Performance Highlights



- Sales volume stood at 2.83 lakh tons, registering a robust growth of 20% Y-o-Y
 - Healthy demand supported by new client wins in the OEM segment and higher contribution from value-added products
- The Company delivered steady EBITDA per ton during the quarter leading to improved profitability on higher volumes

Note:
 *Excluding Trading & Scrap
 (1) EBITDA without other income

H1 FY18 – Performance Highlights



- Despite a subdued demand environment, the Company reported a healthy increase in sales volumes of 15% Y-o-Y to 5.48 lakh tons in H1 FY18
- Sustained increase in steel prices moderated demand in the month of September. Going forward, stable steel prices along with an uptick in demand should enable the Company to report stronger volume growth in the second half as compared to H1FY18

Note:
 *Excluding Trading & Scrap
 (1) EBITDA without other income

Key Developments



Two additional Direct Forming Technology (DFT) lines commissioned – roll-out of all DFT lines by Q4 FY18

- New DFT lines operationalized at the Company's Hosur and Raipur plants – total of 4 DFT lines established till date
- Superior-quality DFT products have been well-received across market segments – the Company is targeting new OEM customers in sectors like Infrastructure, Construction, Solar, Automobiles, Crane manufacturers, Agriculture amongst others
- The Company will be commissioning another 4 lines across existing facilities of Murbad, Sikandarabad and Hosur by Q4 FY18 – taking the total installed capacity to 2 million MTPA

Improving reach by strengthening warehouse network – added two new warehouses taking the total number to 28

- Enhancing local market presence to deepen engagements with distributors and retailers
- Part of long-term strategy to establish a strong distribution network which act as Retail Hubs in multiple states – these close-to demand distribution network increases speed-to-market and overall customer service levels

Key Developments



Unlocking demand potential across OEMs – registered higher sales volume contribution from this key vertical during the quarter

- With improving brand visibility, focus continues to be on improving share from the OEMs division
 - During the quarter, the OEMs segment reported a growth of 107%
- Introduction of high-quality products and new brand launches will further add value to the key segments of OEMs and Exports

Continuous focus towards brand building initiatives – soft launched a new brand for DFT products in key markets

- During the quarter, the Company soft launched its 'Apollo Fabritech' brand – initial customer response to brand is positive
 - 'Apollo Fabritech' - hollow sections made with the latest DFT technology results in customized sizes, great cost savings, faster deliveries and more precise finishes
- Recent brand launch – 'Apollo Coastguard' has been very well-received by customers across targeted coastal and hilly geographies
- Branding identified as a key growth driver in the coming years – APL Apollo one of the few players in the industry to have developed a brand recall. Focus on further enhancing brand recall across industries and regions



Abridged P&L Statement



Particulars (Rs. crore)	Q2 FY18	Q2 FY17	Y-o-Y Shift	H1 FY18	H1 FY17	Y-o-Y Shift
Income from Operations						
Net Manufacturing Sales	1,310.2	894.6	46%	2,464.0	1,853.1	33%
Trading Sales	35.2	25.4	38%	37.0	45.0	-18%
Total Income From Operations (Net)	1,345.4	922.3	46%	2,501.0	1,898.2	32%
Total Expenditure						
Raw Material expenses	1,123.5	744.0	51%	2,097.8	1,543.6	36%
Employee benefits expense	21.6	19.3	12%	42.7	38.7	10%
Other expenses	99.1	79.5	25%	180.5	143.0	26%
EBITDA	101.3	79.5	27%	180.0	172.8	4%
EBITDA margin (%)	7.5%	8.6%	(110 bps)	7.2%	9.1%	(190 bps)
Other Income	(5.5)	(2.1)	-	4.0	2.0	101%
Finance Costs	20.8	15.6	33%	38.5	35.6	8%
Depreciation and Amortization	12.3	16.7	-26%	24.6	26.9	-9%
PBT	62.6	45.1	39%	121.0	112.3	8%
Tax expense	21.9	15.8	39%	41.4	39.2	6%
PAT	40.7	29.3	39%	79.6	73.1	9%
PAT margin (%)	3.0%	3.2%	(20 bps)	3.2%	3.9%	(70 bps)
Diluted EPS (Not annualized)	16.77	12.23	37%	32.78	30.49	8%

Key Financial & Operational Parameters



Particulars	Q2 FY18	Q2 FY17	Y-o-Y Shift	H1 FY18	H1 FY17	Y-o-Y Shift
EBITDA ¹ Margin (%)	7.5%	8.6%	(110 bps)	7.2%	9.1%	(190 bps)
Profit Before Tax (%)	4.7%	4.9%	(20 bps)	4.8%	5.9%	(110 bps)
Net Margin (%)	3.0%	3.2%	(20 bps)	3.2%	3.9%	(70 bps)
Total Expenditure / Total Operating Income (%)	92.5%	91.4%	110 bps	92.8%	90.9%	190 bps
Raw Material Cost / Total Operating Income (%)	83.5%	80.9%	260 bps	83.9%	81.3%	260 bps
Staff Cost / Total Operating Income (%)	1.6%	2.1%	(50 bps)	1.7%	2.0%	(30 bps)
Other Expenditure / Total Operating Income (%)	7.4%	8.4%	(100 bps)	7.2%	7.5%	(30 bps)
Interest & Finance Charges / Sales (%)	1.5%	1.7%	(20 bps)	1.5%	1.9%	(40 bps)
Tax Rate (%)	35.0%	35.0%	-	34.3%	34.9%	(60 bps)
EBITDA ¹ / TON (Rs.)	3,405.2	3,491.6	-2%	3,216.4	3,645.1	-12%

Note:

(1) EBITDA without other income

Consolidated Balance Sheet



ASSETS	CONSOLIDATED	CONSOLIDATED
Particulars (Rs. Crore)	As at 30th September 2017	As at 31st March 2017
ASSETS		
Non-current assets		
Tangible assets	710.3	630.8
Capital work-in-progress	113.9	122.4
Investment Property	12.3	12.3
Intangible assets	3.3	3.7
Total Non-current assets	839.9	769.2
Goodwill on Consolidation	42.9	42.9
Financial assets		
(a) Investments	0.4	0.4
(b) Loans	18.1	16.2
(c) Other financial assets	0.3	0.3
Other non-current assets	107.3	117.3
Total Financial assets	126.2	134.3
Current assets		
Inventories	794.7	469.6
Financial assets:		
(a) Trade receivables	223.3	294.9
(b) Cash and cash equivalents	5.2	1.5
(c) Bank balance other than (b) above	79.4	0.2
(d) Loans	1.8	0.8
(e) Other financial assets	6.2	4.3
Current Tax Expenses		0.2
Other current assets	175.8	145.4
Total Current assets	1,286.4	916.8
TOTAL - ASSETS	2,295.3	1,863.3

EQUITY AND LIABILITIES	CONSOLIDATED	CONSOLIDATED
Particulars (Rs. Crore)	As at 30th September 2017	As at 31st March 2017
EQUITY AND LIABILITIES		
(a) Share capital	23.6	23.6
(b) Other equity	746.9	699.7
Total Shareholders Fund	770.5	723.3
Non-current liabilities		
Financial liabilities:		
(a) Borrowings	90.9	106.0
(c) Other financial liabilities	0.5	0.5
Provisions	8.4	7.2
Deferred tax liabilities (net)	85.8	81.3
Other non current liabilities	9.9	4.0
Total Non-current liabilities	195.5	199.0
Current liabilities		
Financial liabilities:		
(a) Borrowings	597.9	468.3
(b) Trade payables	527.3	390.8
(c) Other financial liabilities	128.3	27.0
Current tax liabilities (net)	24.1	8.4
Other current liabilities	51.4	46.3
Provisions	0.2	0.2
Total Current liabilities	1,329.3	940.9
Total	2,295.3	1,863.3

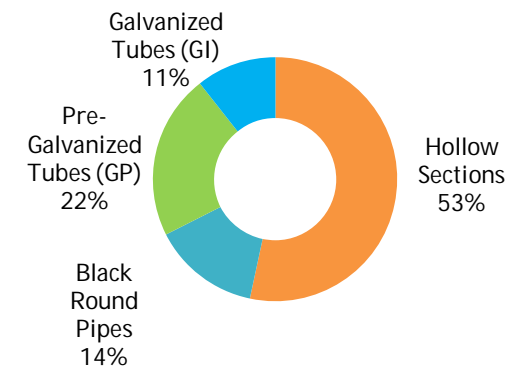
Key Financial & Operational Parameters



Sales Volume Break-up

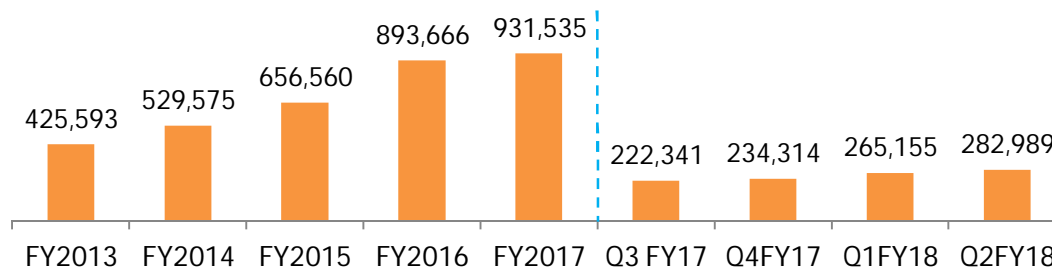
Particulars (Tons)	Q2 FY18	Q2 FY17	Y-o-Y Shift	H1 FY18	H1 FY17	Y-o-Y Shift
Hollow Sections	155,011	120,435	29%	292,260	240,433	22%
Black Round Pipes	39,205	39,469	-1%	78,143	80,498	-3%
Pre-Galvanized Tubes (GP)	59,753	46,588	28%	119,655	94,768	26%
Galvanized Tubes (GI)	29,020	28,940	0%	58,086	59,181	-2%
Finished products	282,989	235,432	20%	548,144	474,880	15%
Others*	14,050	10,458	34%	27,066	22,226	22%
Total	297,039	245,890	21%	575,210	497,106	16%

Sales Volume (excluding Trading & Scrap) Break-up – H1 FY18



- Sales Volume (excluding Trading & Scrap) stood at 548,144 tons compared to 474,880, up 15% Y-o-Y
- The period witnessed a positive pick-up in the domestic consumption trend along with healthy contribution from OEMs and new markets
- In-sync with strategy, the period saw healthy sales volume growth in GI, GP and hollow sections

Sales Volume (Tons) (excluding Trading & Scrap)



Note:
*Trading & Scrap

Key Financial & Operational Parameters



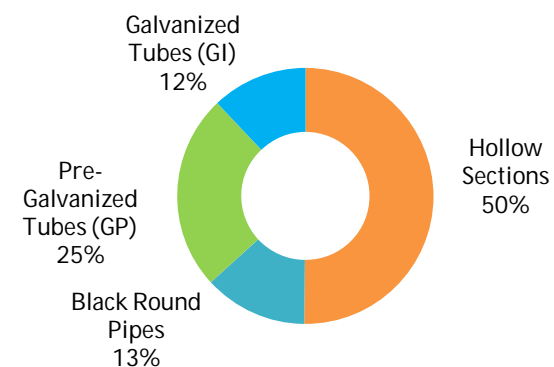
Realizations (after adjusting inter-company)

Particulars (Rs. / Ton)	Q2 FY18	Q2 FY17	Y-o-Y Shift	H1 FY18	H1 FY17	Y-o-Y Shift
Hollow Sections	42,478	34,727	22%	41,151	35,557	16%
Black Round Pipes	41,738	34,027	23%	40,336	34,976	15%
Pre-Galvanized Tubes (GP)	51,133	43,027	19%	49,693	43,974	13%
Galvanized Tubes (GI)	51,372	42,327	21%	49,925	43,432	15%
Others*	23,850	18,327	30%	22,729	19,313	18%

Product-wise Revenue Break-up

Particulars (Rs. crore)	Q2 FY18	Q2 FY17	Y-o-Y Shift	H1 FY18	H1 FY17	Y-o-Y Shift
Hollow Sections	658.5	418.2	57%	1,202.7	854.9	41%
Black Round Pipes	163.6	134.3	22%	315.2	281.6	12%
Pre-Galvanized Tubes (GP)	305.5	200.5	52%	594.6	416.7	43%
Galvanized Tubes (GI)	149.1	122.5	22%	290.0	257.0	13%
Others*	33.5	19.2	75%	61.5	42.9	43%
Total	1,310.2	894.6	46%	2,464.0	1,853.2	33%

Product-wise Revenue (excluding Trading & Scrap) Break-up – H1 FY18



Note:
*Trading & Scrap

Financial Overview and Discussion (YoY)



- **Total Net Income during H1 FY18 stood at Rs. 2,501.0 crore, registering an increase of 32% Y-o-Y; Q2 FY18 Net Income higher by 46% to Rs. 1,345.4 crore**
 - Despite a challenging macro-environment, the Company registered robust sales volume growth during Q2 & H1 FY18 led by an uptick in sales demand. However, continuous increase in steel prices moderated demand in the month of September. With steel prices stabilizing, the Company expects volume growth to be stronger in H2FY18 as compared to H1FY18
 - Higher focus towards Exports, OEMs and presence in new territories including Eastern India further boosted volume performance during the period under review
 - The period saw increased realizations across product categories led by higher steel prices – as a policy any change in steel prices is directly passed onto the customers by the Company
- **EBITDA¹ during H1 FY18 at Rs. 180.0 crore; Q2 FY18 EBITDA¹ higher by 27% Y-o-Y at Rs. 101.3 crore**
 - EBITDA per ton during Q2 FY18 stood at Rs. 3,405.2 as against Rs. 3,491.6 in the corresponding period last year
 - While the near-term emphasis is on volume growth, the Company's focus on improving operational efficiencies and cost rationalization remains on track
 - Increasing salience of higher margin value-added branded products and better utilization levels should facilitate improving EBITDA per ton performance from FY19 onwards

Note:

(1) EBITDA without other income

Financial Overview and Discussion (YoY)



- **Other income stood at Rs. (5.5 crore) in Q2 FY18 due to mark-to-market (MTM) losses owing to Rupee appreciation**
 - The Company follows a policy to hedge 100% foreign currency exposure. However, as per Ind-AS, the Company needs to report its MTM position on a quarterly basis – for Q2 FY18 MTM losses were owing to Rupee appreciation
- **Interest cost higher by 33% YoY to Rs. 20.8 crore in Q2 FY18**
 - Given the growing traction in the export segment and soft raw material prices in the overseas markets, the Company consciously decided to import greater proportion of raw-materials. This, in turn led to temporary build-up in inventories resulting in increased interest outgo. The same is expected to normalize by Q4 FY18
 - Interest Cost as a % of Sales (Interest Cost/Sales) reduced to 1.5% as against 1.7% in Q2 FY17
- **Depreciation stood at Rs. 12.3 crore in Q2 FY18, lower by 26% Y-o-Y**
 - Going ahead, the Company expects to see a marginal increase in depreciation as additional capacities are scheduled to go on-line. Additional charge will be absorbed efficiently as new capacities start contributing to profitability in the coming quarters
- **In Q2 FY18, PAT stood at Rs. Rs. 40.7 crore as against Rs. 29.3 crore in the corresponding period last year**
 - In H1 FY18, Net Profit after Tax stood at Rs. 79.6 crore as against Rs. 73.1 crore
- **Healthy Balance sheet position – Net Debt to Equity ratio stood at 0.78x as on September 30, 2017**
 - As the Company is able to sweat new capacities and generate cash flows, it expects further improvement in Debt Equity ratio

Management's Message



Commenting on the Company's performance for Q2 & H1 FY2018, Mr. Sanjay Gupta, Chairman, APL Apollo said,

"We are pleased to report a healthy set of results during the quarter, registering a solid volume growth of 20% along with a robust PAT growth of 39%. This performance is commendable, especially given the external macro-environment. Operational performance during the period was marked by new customer additions across the Export and OEM divisions, which also assisted overall results.

We have commissioned two new DFT lines during the period under review and I am happy to share that the initial response from our customers for the world-class product has been excellent. We are now on track to establish all lines by Q4 FY18 and emerge as one of the largest steel tube manufactures in the world with 2 million MTPA capacity.

Looking ahead, we remain quite optimistic of maintaining our business momentum supported by a combination of improving macros, various strategic cost & branding initiatives and a healthy balance sheet position. We have prudently utilized internal accruals to fund our capex plans, which has enabled us to maintain healthy return ratios. As we efficiently sweat our new capacities, we further expect to notably improve our return metrics in the future."

Annexure



Infrastructure

Construction

Automobiles

Energy

Agriculture

Conference Call Details



APL Apollo Tubes Limited (APL Apollo) Q2 & H1 FY18 Earnings Conference Call

Time	<ul style="list-style-type: none">• 4:00 pm IST on Wednesday, December 13, 2017
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Local dial-in numbers	<ul style="list-style-type: none">• Primary number: +91 22 3938 1071
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International Toll Free Number	<ul style="list-style-type: none">• Hong Kong: 800 964 448• Singapore: 800 101 2045• UK: 0 808 101 1573• USA: 1 866 746 2133
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About Us



APL Apollo Tubes Limited (APL Apollo) [BSE: 533758, NSE: APLAPOLLO] is one of India's leading branded steel products manufacturers. Headquartered at Delhi NCR, the Company operates six manufacturing facilities with a total capacity of 1.3 Million MTPA. It has a PAN-Indian presence with units strategically located in Sikandarabad (3 units), Bangalore, Hosur and Murbad. APL Apollo's multi-product offerings include over 400 varieties of MS Black pipes, Galvanized Tubes, Pre-Galvanized Tubes, Structural ERW Steel tubes and Hollow Sections.

With state-of-the-art-manufacturing facilities, APL Apollo serves as a 'one-stop shop' for a wide spectrum of steel products, catering to an array of industry applications such as urban infrastructures, housing, irrigation, solar plants, greenhouses and engineering. The Company's vast 3-tier distribution network of over 600 dealers is spread all across India, with warehouses cum- branch offices in over 20 cities

For further information, please contact:

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Infrastructure

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Thank You