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

NSE Symbol : APLAPOLLO

Scrip Code : 533758

Re: Transcript of the Conference Call held on August 7, 2023

Dear Sir/ Madam,

With reference to our letter dated 31st July 2023 intimating you about the conference call with Analysts and Investors held on August 7, 2023, please find attached the transcript of the aforesaid conference call.

This above information is available on the website of the Company.

We request you to kindly take the above information on your record.

Thanking you

Yours faithfully
For APL Apollo Tubes Limited

Deepak C S
Company Secretary
M. No.: FCS-5060

Encl: a/a

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“APL Apollo Tubes Limited
Q1 FY '24 Earnings Conference Call”

August 07, 2023



InCred Equities



MANAGEMENT: **MR. SANJAY GUPTA – CHAIRMAN AND MANAGING DIRECTOR – APL APOLLO TUBES LIMITED**
MR. DEEPAK GOYAL – DIRECTOR OPERATIONS AND GROUP CHIEF FINANCIAL OFFICER – APL APOLLO TUBES LIMITED
MR. ANUBHAV GUPTA – CHIEF STRATEGY OFFICER – APL APOLLO TUBES LIMITED

MODERATOR: **MR. RAHUL AGARWAL – INCRED EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the APL Apollo Tubes Limited Earnings Conference Call hosted by InCred Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Agarwal from InCred Equities. Thank you, and over to you, sir.

Rahul Agarwal: Thanks, Zico and good afternoon to everyone on the call. Thanks for joining in. We welcome you all to discuss APL Apollo Tubes' First Quarter Fiscal '24 financial performance of the company. We have with us the senior management of the company led by Mr. Sanjay Gupta, Chairman and Managing Director; Mr. Deepak Goyal, Director Operations and Group CFO; and Anubhav Gupta, Chief Strategy Officer for APL Group.

I now hand over to the management for their remarks and after which, we will get into the Q&A session. Over to you, Anubhav.

Anubhav Gupta: Thanks Rahul and thanks to InCred Capital for hosting APL Apollo Tubes for its Q1 FY '24 Earnings Call and thanks to all the shareholders and analysts who have joined this call. We welcome you to our Q1 FY '24 earnings call.

The Q1 went pretty well in terms of the sales volume as we touched 660,000 tons, highest ever volume for the quarter. This was despite the fact that there was some volatility in the raw material prices. The steel prices globally and in India fell by around 5% to 10%, so there was some sense of destocking in the market, but despite that we were able to achieve our quarterly volumes target, and because of some destocking, there was slight decline in the EBITDA per tons spreads for the company.

So we were expecting around INR4,800 ton to INR5,000 per ton, but we ended up having INR4,600 per ton. So yes, we could have earned extra INR150 million to INR200 million in the quarter in terms of EBITDA, but now things are back to normal and we are seeing very good traction in month of July and August-September also look promising. So we shall be able to make up whatever we lost in Q1.

The EBITDA growth in absolute terms for the quarter was up 58% YoY and so was the net profit, which was up 60% YoY, so we have started FY '24 on a strong note to achieve our volume targets of 2.8 million tons to 3 million tons for the full year and INR14 billion to INR15 billion of absolute EBITDA, which is our target for this year.

Coming to the balance sheet, the working capital days remain good at 6 days, which helped us fund our capex of INR1.8 billion, which was pending for Raipur, and to achieve our 5 million tons capacity. So we told you that almost INR5 billion to INR6 billion would be spent to finish our capacity to 5 million tons and out of that around INR1.8 billion is spent in Q1 and over the next 3 quarters to 4 quarters, we will spend another INR3 billion to INR3.5 billion to complete 5 million ton capacity for the group.

The debt was slightly higher by INR400 million QoQ basis. In June, we ended with INR2.8 billion of net debt. But they should start coming down, as now Raipur is ramping up and the operating cash flows remain strong with 6 to 7 days of working capital cycle.

Apart from this, just to talk a bit on our Raipur plant, so 1 million ton of capacity which we added, out of this 600,000 ton is fully operational, which is divided into 2 segments; one is heavy structural tubes and second is coated products and our narrow thicket section of 400,000 ton, this will be starting over the next 1 months to 1.5 months, where just 1 line of galvanization is under process and once it starts, it will -- we will kick-start this 400,000 ton of plant, and this will give us incremental volume over the next 2 quarter to 3 quarters.

In the quarter 1, we did around 75,000 tons of volume from Raipur and if we annualize this, the utilization levels remain at 30% but in Q2, this will ramp up to 100,000 tons and then 150,000 tons, in Q3, and eventually 175,000 tons to 200,000 tons by Q4. So we do believe that Raipur, we should be able to do around 500,000 tons to 600,000 tons for the full year.

Based on our gross margin spreads, we believe that INR6,000 per ton to INR7,000 per ton kind of stabilized EBITDA spreads from Raipur, look very, very promising.

As we are talking about Raipur, which is mix of our innovative products, so market creation also becomes very, very important. So glad to share that for the heavy structural segment with the market creation efforts, we have got now more orders for railway stations, for high-rise building, some of the live sights we had shown in our presentation as well. So the conviction and confidence remain very high, that with our products, we are going to revolutionize the construction industry and these new products will help us achieve our volume targets over the next 2 years to 3 years.

Apart from that, the focus on other value-added products like coated products, the distribution of those products have started and there is good pull demand from our distributors, which carry high EBITDA spreads. So this gives us confidence that we should be able to ramp up Raipur plant to 500,000 tons to 600,000 tons this year, and eventually 1 million tons by FY '25, '26.

Other updates on the capacity addition to achieve 5 million tons. So just to give you a breakup of new incremental capacity which is coming; so Raipur, we're going to add 300,000 tons over 1 million tons then 0.3 million tons is coming in Dubai, 0.2 million tons is coming in East India and around 0.6 million tons we are going to add brownfield capacity in our existing plants. So with this, we will be a 5 million tons capacity company, and we should be able to utilize this capacity by FY '26.

So that's our vision statement for 2025 that we will be selling this much of volume with higher EBITDA spread than INR5,000 per ton, which is the current run rate,

So that's it from our side Rahul and we can open the floor for Q&A.

Moderator:

Thank you very much. Our first question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: I have couple of questions. The first one is on the narrow tubes' capacity ramp-up at Raipur. But in the prepared remarks, you indicated that it is going to be started shortly. Can you give us a sense of a timeline from the capacity ramp-up plan that you have mentioned, I think, it's more like Q4? And how do we look at EBITDA per ton trajectory in Q4? More specifically, will we hit INR6,000 to INR7,000 EBITDA per ton from Raipur in Q4 itself or will we have to wait for FY '25?

Anubhav Gupta: So coming to the first question, which is around the narrow line in the Raipur; so see, Amit this is the product, which is high-thickness coated sheets, okay. It's a complete innovation from the House of APL Apollo, because so far if you see in India or globally, the color-coated sheets, which are available are full thickness of 1 mm, 1.2-mm. But we started -- we thought that we should be able to produce a color-coated sheet of up to 4 mm thick.

So beyond 1.2 mm, which industry has not produced ever. So we put up the line and it was started last year. We were buying the galvanized sheets from the industry and then we were color coating it, right. So that we started last year and we tested the market because it was a new product, innovative product. Yes, sorry. Amit, you are there?

Amit Dixit: Yes I'm here.

Anubhav Gupta:: Yes. So the applications were pod lathes, right, which are used in the construction industry. The solar structures, right, ducting, they were like various applications, which you could see. So we tested the market last year, right, and the result was pretty good. But the difficulty was that we were buying the galvanized sheets from outside, so the supply was not stable. So anyways, we were going to set up our in-house galvanizing line. So that got a bit delayed. We thought we should be able to start in like in July, August.

So now it's pretty much on track and end August, first week of September we should be firing that galvanized line. And once this is there, then it's a continuous process where we put HR coil and then we galvanize it, and then we color-coat it. So this will be like full in-house back to back color coated sheet, and with that like I said last year, we tested the market, there were good demand and we are hopeful that the ramp-up for this product will be pretty strong and the utilization levels for Raipur will start inching up from 30% to 40%, 50%, 55%.

And coming to the second question, the EBITDA spreads from Raipur. So see, I mean if you see that at utilization levels of 30%, we are able to make EBITDA spreads of around INR3,000 to INR4,000. So with 80%, 90% realization, definitely the plant will reach those levels. But it will take 2 to 2.5 years, right? So, but what we can promise you is that EBITDA spreads will continue to improve, as the utilization levels continue to go up.

Amit Dixit: Okay, that's very helpful. My second question is on, as I look at the broad EBITDA per ton project -- I mean progression in the quarter, I mean from Q4 to Q1, what I see that Apollo Z as a group, the EBITDA per ton has declined -- I mean EBITDA per ton has been stable or is up. So is it due to purely Raipur effect that Apollo Z is down or is it something else?

Anubhav Gupta: So Apollo Z is not being manufactured in Raipur. It's a non-Raipur product and this is in our Bangalore plant and in our Secunderabad plant in North India, where the maximum production takes place for Apollo Z.

Amit Dixit: Okay. So what explains the EBITDA per ton decline Q-o-Q, because this is the only category where we are seeing this keenly?

Sanjay Gupta: Hi, good morning, everybody. Amit, you have seen the decline in the EBITDA per ton in the Z product, this product is -- we will purchase from this product from the galvanized coil. And if you see the first quarter, all the steel plants are in the pressures. Our steel plants -- due to almost INR5,500 decline in the raw material prices, steel plants had very less sales. So we never give these galvanized product prices. Because of this, this is an impact that our margin on the product has reduced.

But if you see the overall margin of our-- we done the volume, almost 483,000 ton from APL, 91,000 ton from AMPL and 86,000 ton from ABPL. Total is 660. And we did not have any margin squatter from ABPL in Raipur due to -- there is two reasons behind it. One is we have set up our infrastructure to start. And secondly, we have increased the stock level of raw material due to the fact that we have to ramp up our process. Because of that, we have faced stock loss you can say in our language, stop loss.

Due to which our margin was over and our expenses were high. Our ramp up from August there was a lot of ramp up in July, it is happening in August as well. And from September, the full ramp up and August also. But if you see the old APL, so our volume is 483 plus 91, 574 is our volume and EBITDA is 330 crores. So INR330 crores divide by INR571 crores, almost our EBITDA margin is INR5,700 per ton in spite of the almost 5% to 10% raw material price have declined.

So, I think we are on the track there. Just a matter of time. Just a matter of time that we have to streamline our ABPL. And the EBITDA percent has broken due to the raw material prices. There was a pressure due to the steel price, they had reduced their margins in the galvanized product.

Moderator: Thank you. Our next question is from the line of Aman Agarwal from Equirus Securities.

Aman Agarwal: Sir, with respect to the upcoming capacities that you have mentioned on the new capacity in the Eastern India and the Dubai and the brownfield expansion. The VAP expansion that you were mentioning, can you give us a breakup of which product would be coming up with these capacity?

Sanjay Gupta: In the East India, our plant is not started yet, we are looking -- right now we are looking for the land, land has not been finalized. But this is very small quantity of 2 lakh ton capacity. So totally it is commodity products. We will service the value added products from Raipur. Because if we install a value added plant in every plant our cost will increase a lot. Because our capex is very small, around INR50 crores. In Dubai, our total structural tuning is our focus, up to 300 square.

Aman Agarwal: Understood, sir. And sir secondly on the target VAP share, I see a slight trim down from earlier guidance of 75% to around 70% now. Any particular reason why we have slightly trimmed down the guidance?

Sanjay Gupta: Boss, we can't define, we can't define narrow margin 5% is 70% or 75%. When we are in the phase of volume, whatever saleable we sell, whatever margin we get take, the numbers go up and down.

Aman Agarwal: Understood sir, understood. And sir lastly, on the margin side, last quarter we mentioned that due to strong demand pull, we had reduced the channel discount that we were offering. So how was the situation this quarter around the discount that we offered to the channel partner?

Sanjay Gupta: Till July market – raw material prices in the pressure, so there was a push. But from August market is now stabilize. Because from August is very good -- not good, I can say very good. July we have done almost 200,000 plus our volume. And August and September, we are targeting 2.5 plus 2.5.

So total in this quarter our target is first quarter – first half 13 to 14 lakh ton target, with an EBITDA margin of INR650 crores to INR700 crores. So we are right on track. Second half, we are targeting for volume of almost 15 lakh ton to 16 lakh ton with EBITDA margin of INR750 crores to INR800 crores. So for overall full year 28 lakh ton to 30 lakh ton will be the volume and INR1400 crores nearby EBITDA, present scenario, I don't see any pressure.

Aman Agarwal: Understood, sir. And sir, on the long run, EBITDA per ton guidance, we still maintain on the INR5,000 for FY '24 and gradually to around INR6,000 per by FY '25 and maybe FY '26. We stick to that?

Sanjay Gupta: No, boss, see, I'm a promoter. I am always bullish on my numbers. And the work I have done, technically, I'm looking, I'm not satisfied with 6000, 7000, 8000. My target is in five figures. But right now the positions are, we have to slowly and slowly cover up. I feel that as soon as our Raipur will ramp up in the second half, the whole, in August, the last machine of the narrow line is starting. Because of that my EBITDA margin should be stable around 6000 from Q3.

But overall, our demand for super big success is also good, it is getting created. Like our projects, almost we have done, we are designing projects on 300 projects. So, as demand gets created, these two things are key factors to increase our margins.

Moderator: Thank you. Our next question is from the line of Sneha Talreja from Edelweiss Securities.

Sneha Talreja: Just two questions from my end. 1 is related to the new Raipur facility. So you are going to add further 0.3 million tons, so where are you adding this, in which product profile? Also if at all, you could give some breakup of the current product portfolio, you are manufacturing three products here. So which one of them is right now going where and what is the utilization rate amongst these products? Like are we selling more of higher diameter products or color coated

or color-coated product, so where are, we in each of these products, is something that I would want to know?

Sanjay Gupta:

First of all, you have to understand what is Raipur. In Raipur, we have 3 segments; one segment is we call HSU segment, where we are making big sections. Our capacity is almost 3 lakhs tons, 4 lakh tons. 3 lakh tons is our capacity. We have not even got 1000 square mm. This 4 lakh ton capacity will be ours. And the second complex is wider. Our capacity is 3 lakh tons. This is on full run.

The third is narrow section. The capacity of this is 4 lakh tons. Total is 1.2. Here it is 4 plus 1. Our HSU's capacity is 4 plus 1. 5 lakh ton capacity total. So, total capacity is 12 lakh tons. In this, 4 of our HSU capsules are already on swing, 3 lakh ton are on swing in the wider. And the narrow section is ready, but we have to start the galvanizing line, which is starting on the 14th August.

In this product, in the HSU section. We have bigger sections. In this, as we have bigger sections in HSU section. As demand ramps up, our sales ramp up. In this quarter, we have almost 50,000 tons in bigger section. We have reached the range of 16,000 tons per month. In this quarter, we are targeting to achieve 20,000 tons per month. Wider is running full, and we are already doing 20,000 tons per month plus.

Number three, narrow section. We have two parts. One is flat product and one is tubes. In tubes, our capacity is 25,000 tons. Flat product has 5000 tons of colour and 5000 tons of GB for our PV. So 5000 tons of colour will be used in our PV and 5000 tons of GB will be used in our PV. So total capacity is 35000 tons. If we define the tube in sector by sector we have 3000 ton, 4000 ton colour tube, 7000 ton, 8000 ton pre-galvanic tube, which is called Apollo Z. And 3000 ton 4000 ton CRCA automotive tube. Then 3000 ton 4000 ton cold load full hardware.

Sneha Talreja:

Understood, sir. Sir thanks a lot for the elaborate answer. Sir, one more thing is like last -- this particular quarter you said prices were falling, so how is the channel inventory at this point of time? Last time you had guided that inventory is about 15 to 20 odd days, where is it now?

Sanjay Gupta:

Channel inventories are almost blank. So there is a very good symptom of demand creating. Although there is a monsoon time, but actually good demand will be created from August.

Moderator:

Thank you. Next question is from the line of Jatin Damania from Kotak.

Jatin Damania:

Sir I want to understand one thing, now since we are saying that Raipur will be INR6,000 to INR7,000 EBITDA per ton, so once we ramp up our capacity to 1 million ton. But just wanted to understand while for 2025, we are giving a times of -- near about 2.5 times increase in the EBITDA. So segments and which all facilities will drive the EBITDA?

Sanjay Gupta:

Jatin for what we are targeting for INR2,500 crores EBITDA, we have, we -- right now three company we are earning; one is APL, one is AMPL, and one is ABPL. AMPL capacity is almost 400,000 ton. ABPL we are going for 1.2 million ton and Dubai is 300,000 ton and remaining is APL. So 31 lakh tons is APL. Our total capacity out of 5 million ton, APL is 3.1

million ton, AMPL is 5 million ton is AMPL, Apollo Metalex. 1.2 million ton is ABPL, and 0.3 million ton in Dubai.

My target is INR10,000 per ton EBITDA in Dubai, almost INR300 crores. ABPL I'm looking at least EBITDA of INR7,000 to INR8,000 per ton -- transaction side INR600 crores, INR700 crores -- INR840 crores from ABPL. AMPL we are running same phase of INR8000 a ton EBITDA, is almost close to INR400 crores. And APL, I think INR4500 per ton is the EBITDA margin. 3100 into 4500, INR1400 crores, 14 plus 4, 18 plus 8, 26 plus 3, almost we are targeting for INR3,000 crores of EBITDA. Consecutively we are talking INR2,500 crores of EBITDA.

- Moderator:** Thank you. Our next question is from the line of Vikas Singh from PhillipCapital.
- Vikas Singh:** Sir, I just wanted to understand this 5 million ton of capacity which we are talking about. What kind of volumes and value additions percentage we would be doing, considering that once we start increasing our SKUs, usually the utilization rates seems to usually decline. So if you could give us some insights into it?
- Sanjay Gupta:** Our value-added product is almost close to 3.5 million tons and commodity products is 1.5 million ton.
- Vikash Singh:** So, roughly about 70% we would be doing value addition. And what is the sales volume we are targeting for that 5 million ton?
- Anubhav Gupta:** Full 5, Vikash. So this is the sellable capacity what we are talking about.
- Vikash Singh:** Understood. So, actual capacity would be higher than that?
- Sanjay Gupta:** Whatever you may call, but the actual capacity is that which you can produce. We recognize it like a sales capacity 5 to 5. You may say 10% higher 5.5 million ton.
- Vikash Singh:** Understood sir. My second question pertains to this railway revamping plan. Now that the capex seems to be pretty large, wanted to understand where we are placed? How big this opportunity could be for us and whether we are already in place to gain this segment, or there is still some time before we can get into that space?
- Anubhav Gupta:** So, Vikash, when you look at the modernization of railway station, there are 4 structures, okay. One is the station building, which is called the concourse. So, concourse is a modern structure, where there will be platform on the ground floor and then on the upper floor there will be like retail, office complexes etcetera, which are -- which you see in countries outside India.
- Second structure is the foot over bridges, FOBs, right. Third is the ceiling roofing truss, which is over and above the concourse structure, which covers the complete new building. And fourth is the -- fourth are the office complexes, which a lot of the railway stations are having. So, if you look at our opportunity for Apollo in heavy structural.

So there are two products -- which are two applications, which are 100% on tubular. One is the foot over bridges right, and second is the truss, the ceiling, the roofing of the structure. So, in India there is like target of 1,500 railway stations which are going for redevelopment. So, depending on like some railway station it will be like 500 tons, some railway station it will be like 2000 tons, 3,000 tons, depending on, like how big the station.

Now what we are trying to do is that the bulk of the consumption of steel will be in the concourse structure and the station -- and the office complexes which are nearby. So, that railways has two option, go for RCC or go for steel. Now where the railway -- where the government has approved steel structures, then there are two options, one is for conventional steel, second is for tubular.

So, here what we are doing is that we are convincing the contractors and its consultants who have secured the project, right that he should build that concourse structure and office complexes on steel tubes. So, glad to share that Tirupati railway station has been approved 100% on tubular, like all the four structures are 100% on tubes. Okay.

So with that, it has opened the -- like, I would say floodgates right, to go and approach the contractors, that that whosoever has won the contract, that you please construct your buildings, your structures on tubes right? So, as we speak, there are almost 30, 40 plus buildings where we are going and talking to the contractors, their consultants, and authorities, right?

So, just to throw a numbers, like New Delhi railway station, you can see the tender document, right. Right now it's under bidding. It will have at least 20,000 tons to 30,000 tons of tube consumption. Other than that, like whether it is Mumbai, Ahmadabad, then 1,497 other small cities, where these railway stations are upcoming. So, this -- this throws a huge opportunity to supply or to create market and supply our products.

Vikash Singh: Understood. And all this would be in the value-added segment right, the heavy to super heavy structure right?

Anubhav Gupta: Yes. Heavy and super heavy. That is correct.

Vikash Singh: Thank you. That answers my question and all the best for feedback.

Moderator: Thank you. Our next question is from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: Sir, just I want to confirm if I heard it right. So for FY'25, we are targeting a sales volume of 5 million tons right?

Sanjay Gupta: 25, 26.

Anubhav Gupta: Yes. So that's FY'26.

Sanjay Gupta: This year, we are targeting 28 lakh tons to 30 lakh tons, next year we are targeting 36 lakh tons to 40 lakh tons and 25, 26, we are targeting 46 lakh tons to 50 lakh tons.

Aditya Welekar: Understood, understood. Sir my next question is, in this quarter, have we taken inventory loss? Is it due to the drop in the secondary steel prices? And if yes, currently what is the spread between primary and secondary?

Sanjay Gupta: After a long battle, now Apollo come out with this inventory loss and gained wholesale but little bit company impact comes, there are unsold material 70,000 tons to 80,000 tons material in our house, so like I can say 70,000 tons into INR5,500 tons price has been dropped in this quarter.

So, 38 crores technically inventory we have to take in our books, but we never count for this position because on our full business, this is very less. Almost all materials get covered with the bank. So, in our books you would have seen inventory loss and profit no impact is there from the last two years since we have made our branding and distribution stronger and before that we used to see the impact of inventory loss and again.

Now, we have come out from this position, but some bit channel destocking we have to push we can take around 10 crores, 5 crores impact. But in this quarter if there would have not been any loss and our prices should have dropped then our EBITDA should be around 375 crores, 380 crores.

Aditya Welekar: Understood sir. Sir next is, what is our capex guidance for 25? So I guess our, for 24 guidance is INR600 million. So will that be enough?

Sanjay Gupta: Our capex which is there to achieve 5 million ton almost 300 crores is pending maybe INR10 crores, INR20 crores plus minus, 5% plus minus from this 5 million ton capacity it gets completed. For that there is no plan of capex for 1.5 years. From 25 December where our volumes 4 million ton it might have crossed from there we have a roadmap plan for another 5 million ton capacity for next 5 years up to 2030.

In 2030, how we can make the company to reach till 10 million. In this process I think our next capex round will start from 26 January that will remain 26 and 27. 26 January to 27 December we will have INR2000 crores capex that will enhance our capacity to 10 million ton.

Aditya Welekar: Understood sir. That's very helpful. Thank you.

Moderator: Thank you. Our next question is from the line of Lavanya Tottala from UBS.

Lavanya Tottala: So, I just wanted to understand the opportunities that we are seeing for the heavy structural. When should we start realizing the impact of this on the volumes, like in the coming quarters, how do you see that? And in the railway structure business, which you are highlighting, in that what will be the pricing difference for a contractor to use conventional steel versus tubular steel, will there be any benefit of using tubular over conventional steel for railway bridges and all?

Sanjay Gupta: Thank you, Lavanya. If you see our numbers, last quarter we have done -- last quarter in Q4, we have done 40,000 tons and in Q1 we have come to 50,000 tons. These two type of growth

is coming in the big sectors. One from the projects where our design team is designing and passing the design and from there slowly and gradually inquiry is getting generated. Secondly, from the retail also where replacement RCC were used.

Right now this product is not in the market. Now slowly and slowly the architects and all the consumers are knowing that they can switch to 500 square, 400 square, 600 by 300, 600 by 200. As they are getting the knowledge so I am seeing the trend from the market that from retail we have got the demand. So, I'm hopeful that year-over-year this product to 40% to 50% growth.

Lavanya Tottala: Got it, sir. And on the railway 's conventional steel versus tubular steel, how would that differ?

Sanjay Gupta: Lavanya, there is no such data. Whatever our teams says I'm not convinced with the team. We are working on the design and from many places we are getting a positive response like Max Hospital, Nanavati Hospital has completed their first phase and now we have supplied 2,000 ton material in Tirupati railway station. So, all these types almost I have seen what our design team what they have worked that is around 2,000 ton material we have done.

If those projects get clicked so maybe these demand come on one day so it will slowly ramp up. So, this is the right thing that we should commit you that you will get only 10% growth maybe you seen in any quarter with a growth of 50%. So, these growth are project based. But we are very hopeful whosoever contractors are there and we are talking with the consumers we are very, very bullish on these projects, with our product.

Third world, U.S., China and European countries, if you will see this demand it will more than normal troop. So, we are very hopeful that in India the demand will pick up soon, but there is no such data we can commit to that that quarter-by- quarter we will give you this much demand.

Anubhav Gupta: And just to add that the tubular steel is 10% to 20% lighter than the conventional steel.

Lavanya Tottala: Got it. So, the contractors that we are working on, these are all small contractors or we are in contact with some large EPC contractors also...

Anubhav Gupta: We are working with contractors ranging from Larsen and Toubro to Ahluwalia, to Sam, to Nagarjuna, to Ashoka Buildcon to smaller contractors. So, all types of contractors, because our structure can be used to make a small hut. It can be used to create a 5-star hotel. So, irrespective of the structure, any EPC contractor who is doing the structure we reach out to him.

Lavanya Tottala: Got it. Thank you so much and all the best.

Moderator: Thank you. Our next question is from the line of Mr. Rahul Agarwal from InCred Equities.

Rahul Agarwal: Sir, just one question on the net debt number. It is INR280 crores for the quarter. Can I get the gross debt and the gross cash number, please?

- Sanjay Gupta:** Just a sec. INR950 crores is our gross debt and INR650 crores is our FDR.
- Rahul Agarwal:** Okay get it sir. Sir one, why we are asking this sir, there is one trend, which I'm observing that quarter-on-quarter the finance cost and the other income, both are rising sequentially over the last 4 quarters to 5 quarters. Why should this happen?
- Sanjay Gupta:** Rahul, this is because of AMPL and APL, both of them have come in cash positive. Here, whatever cash is being plus, we are making it FDs. In ABPL, what we have done, we have infused an equity of INR600 crores. The remaining money there, we are taking the rest of the money as debt over there. Our target is that, we have given INR600 to ABPL through us; we have to bring that money back within three years.
- Rahul Agarwal:** Understood. And my second question was on the state incentive. There was a press release on the exchange, which talked about incentives for the Raipur plant. There were multiple questions there, but largely wanted to understand, is it only applicable to sales done within Chhattisgarh? Or do we have to assume 3/4th of 9% savings of state GST because it says 75%.
- Sanjay Gupta:** This is a state incentive. Our Raipur, the Chhattisgarh government has given us an incentive to have a plant in the state. INR500 crores has already been allotted to us. Our INR500 crores file is in process, which we will get more. So from next year, our GST amount is already pending due to capex. First we will consume that first. Next year, local sale will be there in Chhattisgarh, of that GST, we will get 9% reversal of that.
- Rahul Agarwal:** Sir, we have to take 75% of 9%, right?
- Sanjay Gupta:** Yes, 75% of 9%. You are right.
- Rahul Agarwal:** Okay.
- Sanjay Gupta:** Total GST is 18%, of which local GST is 9% and 9% is 75%. So, almost 6.75% of the local sales in Chhattisgarh state will be returned back to us.
- Rahul Agarwal:** Understood sir. And what would be the tentative sale volume number for Chhattisgarh? How much absorption can be there in the market?
- Sanjay Gupta:** Around INR50 crores will be an annual incentive.
- Rahul Agarwal:** Okay, so INR500 crores is the total, INR50 crores per year, so it will be over in 10 years. Is that correct?
- Sanjay Gupta:** Yes. It will be over in 10 years, exactly. No, it is INR1000 crores total.
- Rahul Agarwal:** Okay, so the remaining INR500 crores is for what thing?
- Sanjay Gupta:** No, we have to get INR500 crores more as per the capex plan. We have got this from the first phase of capex. Another INR500 crores, we have already applied.

- Rahul Agarwal:** Sir, what is that in regards to?
- Deepak Goyal:** Phase II capex plan. We have total investment in Raipur is around INR200 crores. Out of that, INR840 crores capex, government has allowed INR500 crores of the incentive and for the second phase, we have under process to apply.
- Rahul Agarwal:** Okay, I will get it. And Deepakji, in terms of accounting, this will come as other income in the books of accounting?
- Deepak Goyal:** Yes, other income.
- Sanjay Gupta:** Whatever other income we have, Rahul, we are not able to present the numbers properly. Whatever the reason, I will sit with the team. If you see our quarters numbers, then our APL volume is 4,83,000 tons. 91,000 tons is the volume of AMPL. Our total volume is 574,000 AMPL and APL and ABPL volume is 86,000 tons. Our ABPL EBITDA in this quarter was almost zero.
- Deepak Goyal:** It was INR3 crores.
- Sanjay Gupta:** It was INR3 crores. So if you see the second year, you can see our old APL, EBITDA per ton is INR5,700 ton, which you can see is INR4,600 ton. And the other income which is interest, the maximum part of other than interest, it is the export incentives. It is our business income but you can add it as you want.
- Rahul Agarwal:** Understood, sir,. I will come back in the queue and thank you for giving permission for hosting the call. Thank you.
- Sanjay Gupta:** Thank you Rahul.
- Moderator:** Our next question is from the line of Kunal Kothari from Centrum Broking. Please go ahead, sir.
- Kunal Kothari:** Thank you so much. Sir, I wanted to understand the capacity part. Right now, it is at 3.6 million tons. So, can you give us the timeline about how much capacity will be added, when and it will get commissioned till 5 million tons?
- Sanjay Gupta:** Up to March '24, we complete our capacity for 5 million tons.
- Kunal Kothari:** So, you mean 5 million tons will be completed in FY'24, itself?
- Sanjay Gupta:** Yes.
- Kunal Kothari:** Okay. And what...
- Sanjay Gupta:** Once Siliguri plant is got completed by March '24, that is you can say 4.8 million tons.

- Kunal Kothari:** Okay. And so only Brownfield expansion on the existing plants, can you elaborate like, in what kind of products that we are expanding earlier? If I believe that the Brownfield expansion was about 3 lakh tons, which you expanded to 6 lakh tons in the existing capacity, is it right?
- Anubhav Gupta::** So, here 3,00,000 tons is coming from new Raipur. From one it is going to 1.3 and then, there are 11 plants, which are in APL Apollo which are running and then Apollo Metalex also 1,00,000 tons will get added from 0.4 to 0.5. So in other 10 plants, there will be like small Brownfield expansion, which will take place, right, so put together, it will be like 0.4 from the existing 10 plants.
- Kunal Kothari:** Okay so in due course of time till March and like some capacitors will come and kicking in, right?
- Anubhav Gupta::** That's right. Except East India plant, we target to complete all Brownfield, Greenfield expansions by March '24.
- Kunal Kothari:** Okay. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Madhav from FIL. Please go ahead.
- Madhav:** Yes, hi sir. Thank you so much for your time. Sir, could you update us on the water tanks in terms of further traction and could you scale up further?
- Anubhav Gupta:** So Madhav, we did one sample early this year right near Lucknow. So that sample got approved. Based on that, there is another small order of 50 water tanks, which the government has approved as of now. So the work on those 50 water tanks will start. And as we are talking, we are also talking to lot more contractors and authorities to take this number to higher.
- One thing is for sure that the government authorities have given their approval. So slowly they are starting. It is a very new thing for them. So they are taking some time. But our design, our sample, everything has been passed by the authority. Now the question is that from 1 to 50, how do we move from 50 to 5,000, 10,000, right? So that also is undergoing.
- Madhav:** And this again has benefits from like lower cost of construction and faster time to complete?
- Anubhav Gupta:** So compared to RCC, steel is always expensive. So it will be slightly expensive but the time taken normally in RCC water tank takes six months to complete. Steel end to end can be done in two months- three months. Almost three months- four months.
- Madhav:** Thank you, sir. Okay, sir.
- Moderator:** Thank you. Our next question is from the line of Dhananjay Bagrodia from ASK. Please go ahead.
- Dhananjay Bagrodia:** Sir, congratulations on a good set of numbers. Just a couple of questions. Sir, now employee expenses and another expensive has been trending lower per ton. Is this something which we see even more scope from here or would this flatten out going ahead?

- Anubhav Gupta:** Dhananjay, what cost are you mentioning?
- Dhananjay Bagrodia:** Employee? Would be flattening out over some time.
- Moderator:** Mr. Dhananjay, may we request you to repeat your question, please.
- Dhananjay Bagrodia:** Sir, Employee expenses and other expenses per ton year-on-year has been reducing quite a bit. Is this something which we see even more scope reducing or is this something which will be flat going ahead?
- Sanjay Gupta:** Friend, it's not less, mine is a lot. In the Board meetings, sir, the topic was that the price make cost of our is more.
- Dhananjay Bagrodia:** No, so last year...
- Sanjay Gupta:** This has increased, cost has increased a lot. This is my worry point.
- Dhananjay Bagrodia:** Last year, it was 4,900 per ton. This year, it is INR3,800. So, it has decreased a lot?
- Sanjay Gupta:** No. I don't have that much of employee cost. I have around INR700 per ton.
- Dhananjay Bagrodia:** No, your employee cost per ton is INR900. Earlier, it was INR1,000. Yes, but your per ton has reduced a lot...
- Anubhav Gupta:** Dhananjay, what we are saying is that INR900 per ton, it appears lower than INR1,000 per ton. But we are not satisfied with INR900 per ton. Our target is to bring it down below INR700 per ton. INR600 per ton.
- Sanjay Gupta:** You can say, whatever you want. Mr. Dhananjay, I promise you, when we reach the 5 million ton of capacity, my employment cost will come down from INR600, less than INR600 per ton.
- Dhananjay Bagrodia:** Okay, sure. And other expenses, too?
- Sanjay Gupta:** Dhananjay, we will have to see other expenses because...
- Anubhav Gupta:** It will be with the sales.
- Sanjay Gupta:** It is with the sales. Sometimes there is a trade factor, export or income, it varies according to that. In our business, there are mainly four types of expenditure. One is the employee cost, number two is store consumer, which varies around INR250- INR300 . Number three is power, power is around 50 units, 50 units into INR8 units per ton. It varies around INR400. INR400- INR500, its maximum higher side is INR500. Lower side stays in the middle of INR400. I am working on this. I am working on bringing consumer down from INR200.
- I am working on bringing employment cost down below INR600. And I am working on bringing power down from INR500 to INR400. And one major factor, we are working on is the freight factor. In freight factor our cost is around INR1400- INR1500 per ton. Now, I am trying with the EV vehicles, if my EV vehicle model becomes successful, I bring down this

freight cost from INR1500 to INR1000 per ton. So, I have a target of INR1000 to reduce my expenses in the next two years.

- Dhananjay Bagrodia:** Okay. Excellent. How much will be the full year capex number this year?
- Sanjay Gupta:** INR300 crores, in three quarters. If can be less by INR20 crores, our one of the plant cannot get installed in this year. INR275 crores- INR280 crores, less than INR300 crores.
- Anubhav Gupta:** So Q1, we did INR180 crores and then INR250 crores maybe in nine months.
- Dhananjay Bagrodia:** Okay. Thank you sir.
- Moderator:** Thank you. Our next question is from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.
- Garvit Goyal:** Good afternoon, sir. My question is, just a clarification. In the presentation, you mentioned within 2025, so doubling of revenue will be in the FY '25 or by FY '26 because in earlier...
- Anubhav Gupta:** So, we say, calendar 2025, which is March '26 fiscal year.
- Garvit Goyal:** Understood sir. And sir, one more clarification, on the market share price, so currently what is our market share in the overall structural steel tube industry of 80 lakh, you mentioned in the earlier con call?
- Anubhav Gupta:** So, if you look at the current trends, we believe that our market share is above 60% in structural steel tubing, which comprises of sizes from 8 mm x 8 mm dia and goes up 1000 mm x 1000 mm dia. So, here we should be above 60%
- Garvit Goyal:** Understood. And sir EBITDA per ton is intact, 5,000 for the entire year, right?
- Sanjay Gupta:** My EBITDA per ton for this quarter is INR5, 700 per ton. If you exclude the ABPL number.
- Garvit Goyal:** We understood sir, understood. That's it from side. All the best for the future.
- Sanjay Gupta:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question of our question and answer session. I would now like to hand the conference over to Mr. Anubhav Gupta from APL Apollo Tubes Limited for closing comments.
- Anubhav Gupta:** Thank you. Thanks, Rahul and InCred for hosting us and thanks to all the participants, who took out their time and joined for this call. Hope to see you for second quarter FY '24 soon. Thank you so much. Bye.
- Moderator:** Thank you. On behalf of InCred Equities that concludes this conference. Thank you for joining us. And you may now disconnect your lines.