



APL/SECT/DLH/SE: 2020-21

19<sup>th</sup> May 2020

Electronic Filing

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: Investor Presentation**

We are attaching herewith a copy of the May 2020 Investor 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**

**Deepak CS**  
**Company Secretary**

Encl: a/a

**APL Apollo Tubes Limited** (CIN-L74899 DL 1986PLC023443)

Corp. Office : 36, Kaushambi, Near Anand Vihar Terminal, Delhi -NCR -201010, India Tel: +91-120-4041400 Fax : +91-120-4041444

Corp. Office : Tapasya Corp. Heights 4th Floor, Sector-126, Noida, Uttar Pradesh-201303 India

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Unit-I : A-19, Industrial Area, Sikandrabad, Distt. Bulandshahar, U.P.-203205, India Unit-II : 332-338, Alur Village, Perandapolli, Hosur, Tamilnadu-635109, India

Unit-III : Plot No. M-1, Additional M.I.D.C. Area, Kudavali, Murbad, Maharashtra, Thane-421401, India Unit-IV : Village Bendri Near Urla Indl. Area Raipur, Chhattisgarh-493661, India

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# APL APOLLO

May 2020



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# 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.*

# APL APOLLO OVERVIEW



# APL Apollo at a Glance

**1** Leading building material structural steel brand

Core Business

**14** Five Product Categories

Brands

**40%** Market Share

**2.5** Structural Steel Capacity

Million Ton

8 Patents    10 Plants    2,079 Employees    800+ Distributors    1,500+ Products



# Our Brands

Product Category\*

## Apollo Structural

Structural steel construction material:  
Residential, Commercial, Infrastructure

Fabritech, Build, DFT

## Apollo Z

Galvanized structural steel construction material:  
Residential, Commercial, Infrastructure

CoastGuard

## Apollo Galv

Galvanized structural steel construction material:  
Residential, Commercial, Infrastructure

Green, Bheem, StrenX

## Apollo Standard

Construction material, Industrial

FireReady, Agri

## Apollo Tricoat

Home improvement applications

Tricoat, Plank, Signature, Elegant, Chaukhat

70% Building Material

24% Infrastructure

6% Others

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

# Product Category – Application & Sales Mix

Product Category	Sales Volume Mix (%)	Applications
<b>Apollo Structural</b>	<b>56%</b>	
Residential Buildings & Independent Homes	20%	Structural, Piling, Sheds, Handrails, Gates, Fencing, Balcony Grills, Staircase, Light Structures
Commercial Buildings, Warehouses & Factories	9%	
Infrastructure	24%	Structural for Metros, Airports, Stadiums, Stations etc
Industrial	3%	Heavy Equipment
<b>Apollo Z</b>	<b>20%</b>	
Residential Buildings & Independent Homes	16%	
Commercial Buildings, Warehouses & Factories	5%	Galvanized structural steel tubes for coastal markets
<b>Apollo Standard</b>	<b>11%</b>	
Residential Buildings & Independent Homes	5%	Structural, Fencing, Grills, HVAC, Ducting, Firefighting, Plumbing
Commercial Buildings, Warehouses & Factories	5%	
Industrial & Agri	2%	Heavy Equipment
<b>Apollo Tricoat</b>	<b>7%</b>	
Residential Buildings and Independent Homes	5%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	2%	
<b>Apollo Galv</b>	<b>6%</b>	
Commercial Buildings	5%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & Agri	1%	
<b>Total</b>	<b>100%</b>	

45% Building Material Housing

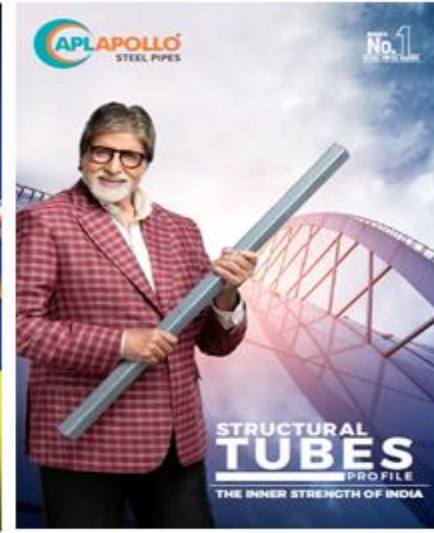
25% Building material Commercial

24% Infrastructure

6% Others (Industrial & Agri)



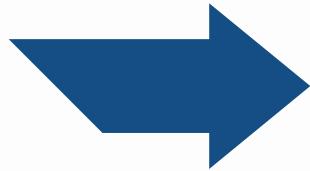
# Brand Equity



# Brand Equity

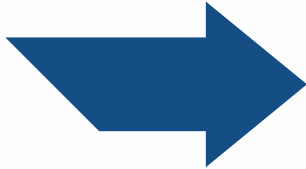


# B2C Channel



## Distributors

800+ Distributors – Solid Relationships, Incentive plans



## Retailers

50,000+ Retailers – Retailer bonding program



## Fabricators, Architects & Structural Engineers

200,000+ Fabricators, Architects, Structural Engineers & Developers – Apollo Connect Programs, Fabricator/Architect meets for Brand promotion



## End Consumer

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



# COVID-19 ACTION PLAN

# Covid-19 Action Plan

## Business

**Revenue loss during lockdown**

- Complete shutdown from 24 March
- Raipur Plant started on 22 April

**Sales ramp-up post relaxation**

- All 10 plants operational with necessary precautions
- Good Pent-up demand as contractors rushing to resume construction
- Company improving market share at cost of weak competition
- Replenishment has started at distributor level in rural areas
- Demand in Urban areas catching up
- More than 100 construction sites operational in NCR region
- Supply chain improving day-by-day

**Global Cues**

- Construction activity in China has picked up significantly
- Construction steel demand has recovered 65% in China in last 2 months

**Employee Safety**

- Social distancing norms being followed as per gov't rules
- Proper hygiene being maintained at plants and offices
- No plant in Red Zone

**Steel Prices**

- Do not expect steep decline in prices
- Steel producers sitting in huge inventory levels
- Company working on minimum raw material inventory levels

## Financials

**Cash Preservation**

- Focus on receivable collections and debt reduction
- Debtors spread across 800+ distributors
- Evaluating channel financing options to further minimize debtors
- Delayed capex spends

**Fixed costs**

- Minimal branding and marketing expenses
- Lowering interest costs thru refinancing and debt reduction (Issued commercial paper at 6.6% recently)
- Renegotiation of miscellaneous contracts at lower price

**Cash breakeven**

- Lean cost structure
- Cash breakeven below 1/3<sup>rd</sup> capacity utilization

## Outlook

**Demand recovery**

- Target higher market share in FY21
- Aggressive sales strategy to hurt weak competitors
- Building Material companies guiding for 25-30% volume decline
- Structural steel Tubes to outperform other Building materials

**Business Plan**

- Long-term business plan remains unchanged
- Short-term focus is lighter balance sheet and lower fixed costs

# PORTER'S FIVE FORCES

# Porter's Five Forces

## Threat of Entry

- Scale of 2.5m ton capacity; wide gap between No. 2 Player
- Vast distribution network (access to 800+ distributors, 50,000 retailers, 2lacs fabricators)
- Technology advantage (DFT, ILG)
- Lowest cost producer (highest profitability in the sector)
- Product range (1,500+ SKUs)
- Lead time to distributors (48hrs delivery)
- Financial strength (doubling capacity every 3rd year without debt)
- Unmatched brand strength

## Bargaining power of suppliers

- Company buys 2% of Indian steel consumption and 10% of Indian HR coil consumption
- Amongst Top 3 customers for large steel producers
- Company's steel buying price is minimum in structural steel tubing industry

## Industry Rivalry

- APL Apollo 40% market share
- Player 2 - 12% market share (under insolvency)
- Player 3 - 9% market share (focus on water transportation products)
- Player 4 - 7% market share (strong player but small in Parent's overall scheme of things)
- Player 5 - 7% market share (focused in East market; regional player)
- Player 6 - 6% market share (high debt)
- Player 7 - 3% market share (high debt)
- Player 8 - 2% market share (poor profitability)

## Bargaining power of distributors

- 40% market share in structural steel tubing industry
- Monopoly products (new innovative products)
- APL Apollo distributors can churn capital upto 8x in a year which helps them generate high ROCE

## Threat of substitute

- No product can replace structural strength of steel

# CORE COMPETENCE



# Our Business Moat...

Most products with 1,500+ SKUs (Shapes & Sizes)

Highest scale with 10 plants (2.5Mn ton capacity)

Largest sales network (800+ distributors)



Lowest cost producer (largest buyer of HR coil)

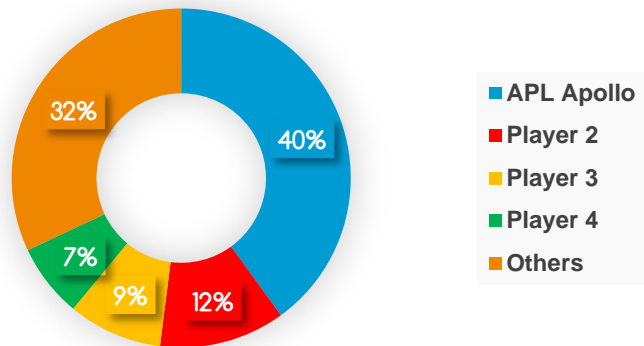
Premium pricing to peers (brand strength)

Technology edge & Innovation

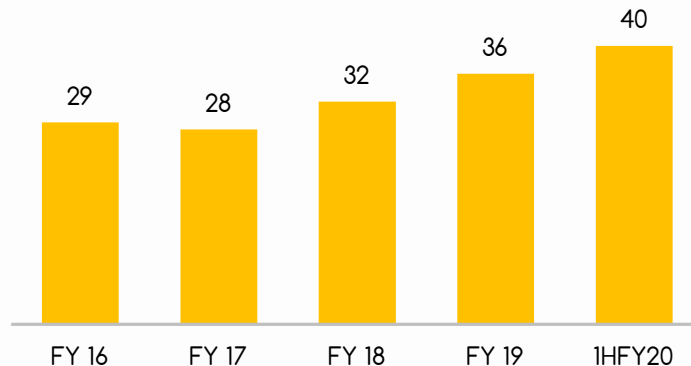
Lowest lead time to Distributors

# Dominant Leadership

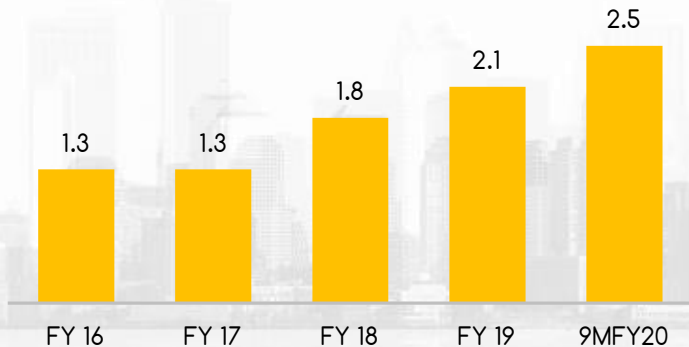
## Peer Market Share FY19



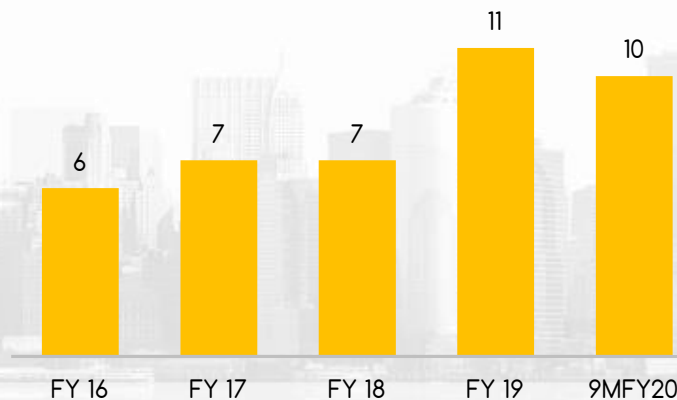
## APL's Market Share (%)



## Capacity (Mn Tons)



## Number of Plants



# Unique Capabilities



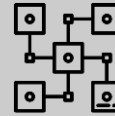
Developed structural steel market in India

First Mover advantage  
No.1 Leader; Focused on steel strength and building material applications



Technology

Direct Forming Technology for big structural products  
In-line Galvanizing to replace traditional products



Distribution network

B2C channel for last mile penetration



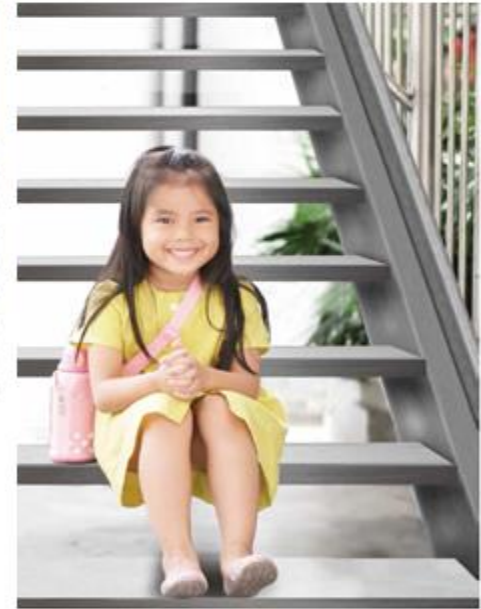
Innovative products

Ground breaking solutions  
Roofing solutions for coastal market, door frame

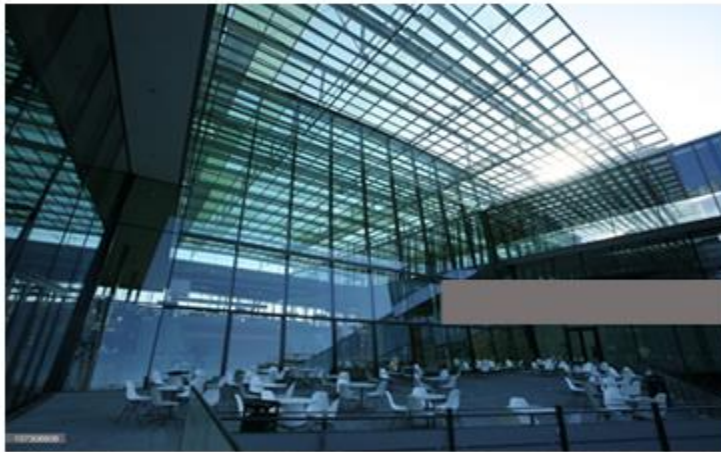
# STRUCTURAL STEEL APPLICATIONS



# Structural Steel Applications



# Structural Steel Applications

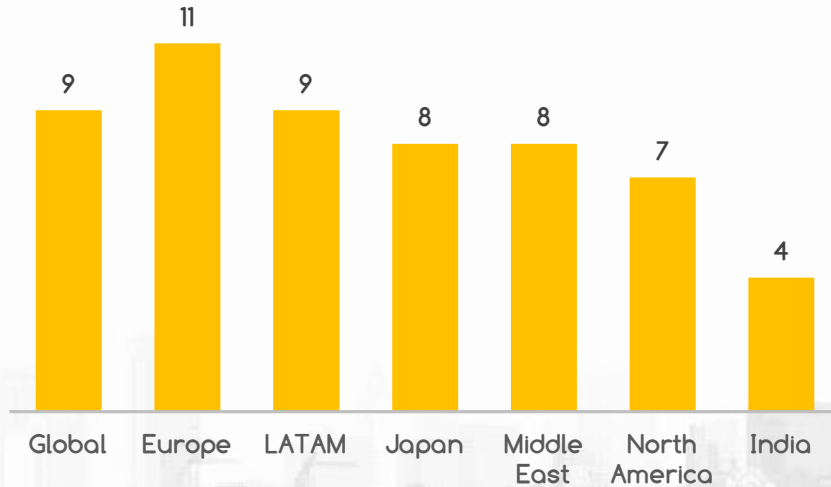


# EXCITING FUTURE

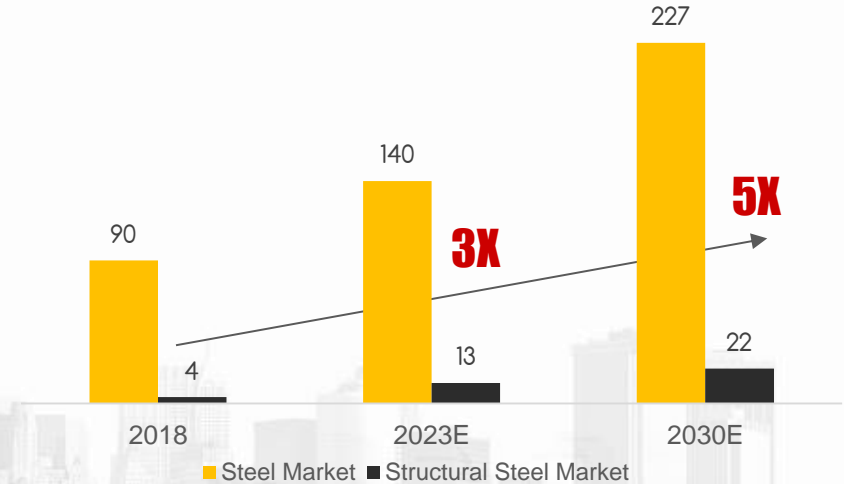


# India at the start of Structural Steel Usage

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

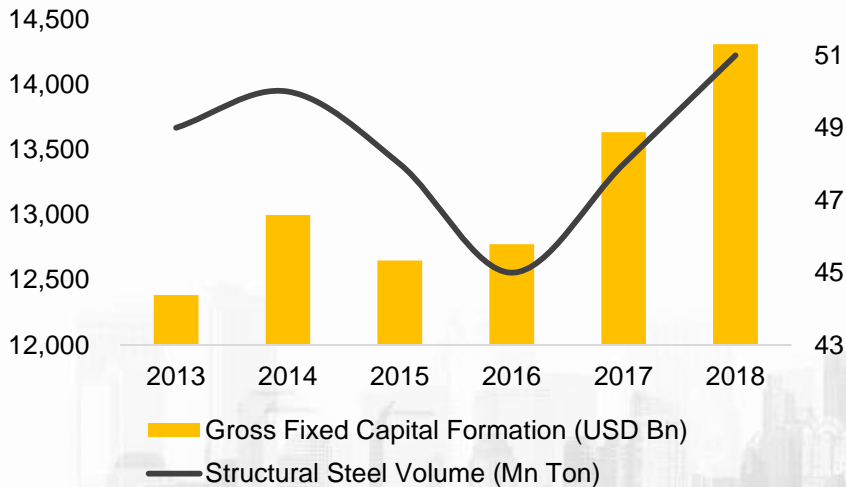
- Growing vertical model of development
  - Increased Spending on Skyscrapers
- Higher expenditure on infrastructure
  - Highways, bridges, flyovers & public utilities
- Growth in E-commerce/Warehouse construction demand
- Consumer preference for better quality residential construction
- Rising need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

## Benefits

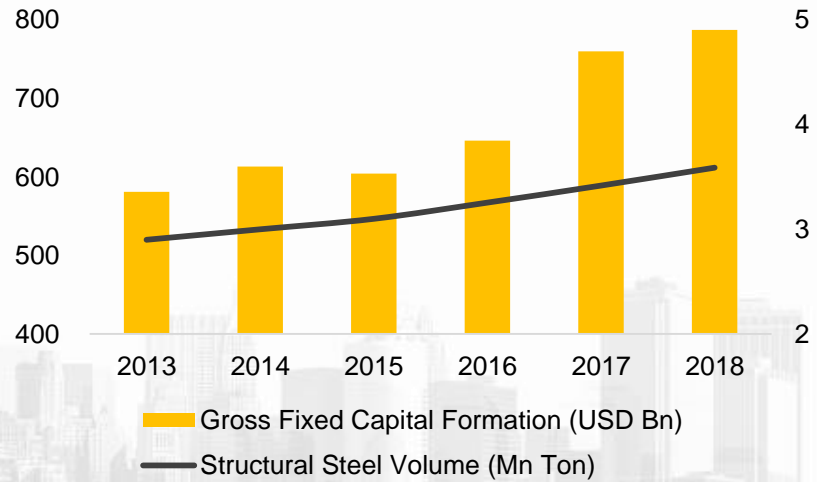
- Environmental friendly
  - Recyclable & lower greenhouse gas emission
- No underwater usage unlike conventional method
- Highly durable, sustainable, fire resistant & easy to repair
- Swift erection speed helping in lower overhead costs
- Elevated stress bearing capacity
- Excellent Strength to Weight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

# Structural Steel Market expansion linked to construction activity

## Global Structural Steel Market expansion



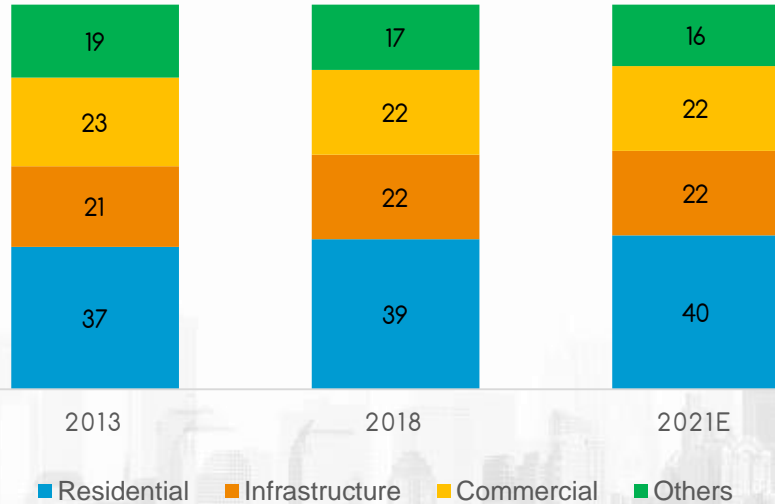
## Indian Structural Steel Market expansion



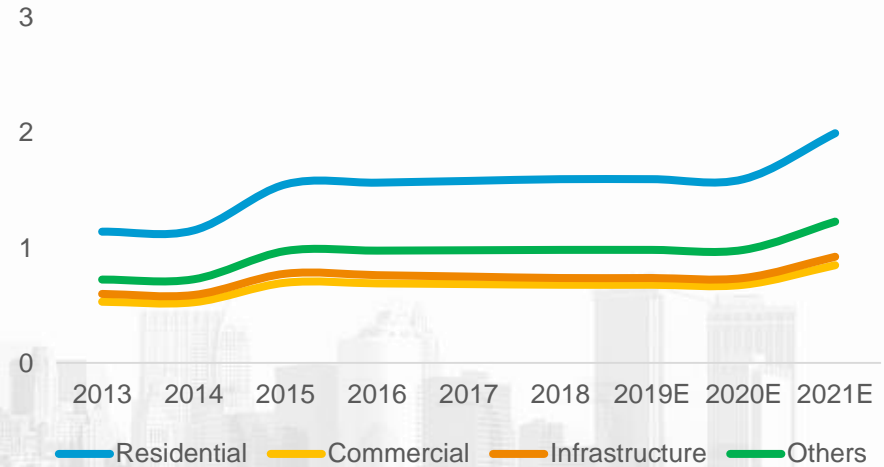
Countries included: USA, Europe, Japan, China  
Source: Company data and Industry research

# Structural Steel Uses

Global Structural Steel Uses - Segment wise breakup (%)

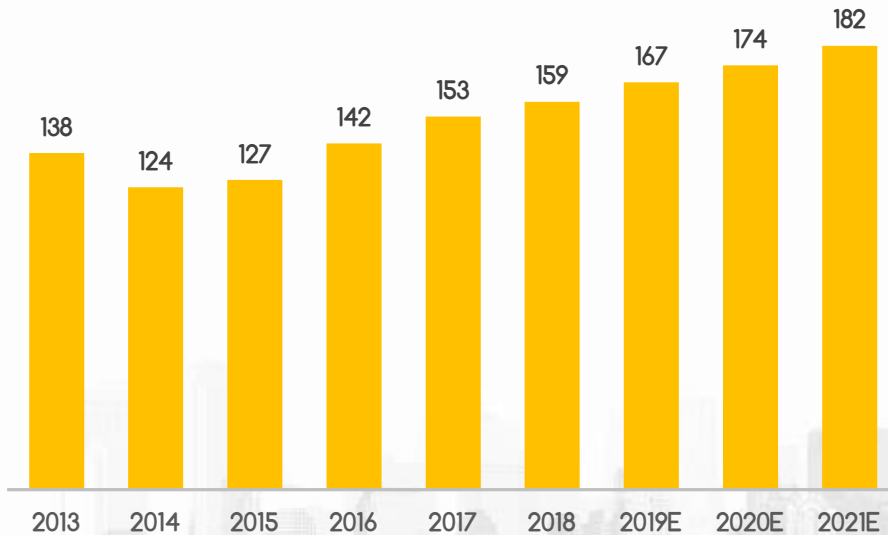


Indian market taking off in all segments (Mn ton)



# 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



# We are ready..

## Opportunity Size..

Potential structural steel market size of:

- ✓ 13Mn ton by 2023
- ✓ 22Mn by 2030

## Where we are..

- ✓ FY20 sales volume was 1.6Mn ton
- ✓ Current capacity is 2.5Mn ton
- ✓ Future capacity addition linked to market potential

## Our strengths..

- ✓ New innovative products
- ✓ Branding
- ✓ Fixed costs of unutilized capacity factoring in
- ✓ Low gearing
- ✓ Solid FCF generation

# On path of Premiumization..

**1**

Moving towards solution driven offerings and heavy weight structural steel tubing products for large real estate and infra projects

**2**

Focusing on products which are aesthetically appealing and command premium

**4**

Leveraging APL Apollo brand equity

**3**

Consumer centric approach

**5**

Innovative sizes/new applications where competition is behind curve

# FINANCIAL PRIORITIES & PERFORMANCE



# Financial Priorities under Strong Governance

## Growth

- Profitable Organic Growth
- Commitment to R&D and Talent
- Innovate products to replace conventional construction methods



## Earnings

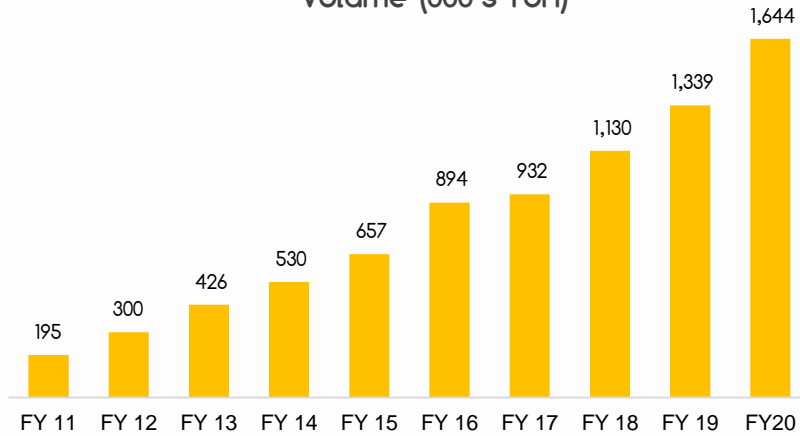
- Drive sustainable EPS growth
- Attain earnings objectives across economic cycles
- Achieve ROCE  $\geq$  25%

## Capital Allocation

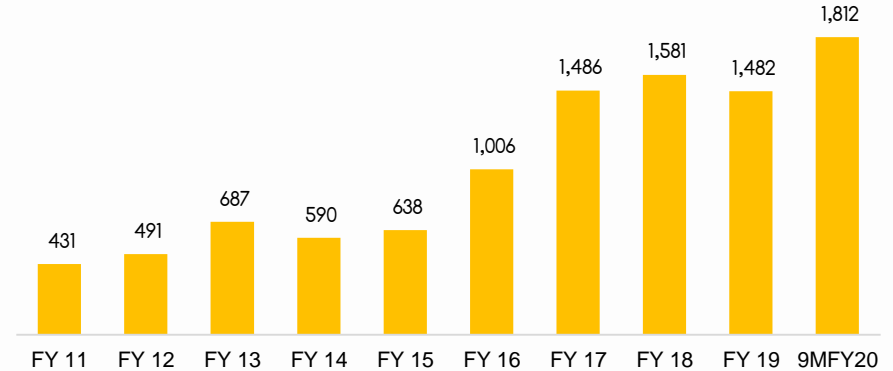
- Focus on Free Cash Flow Generation
- Sound Leverage and Working Capital Ratio
- Consistent dividend payouts to shareholders

# Growing Strength to Strength

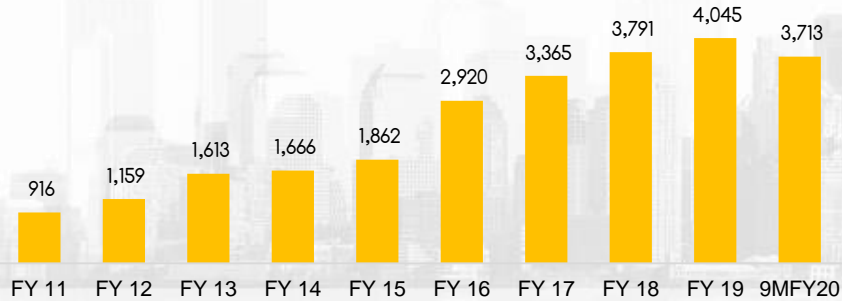
Volume (000's Ton)



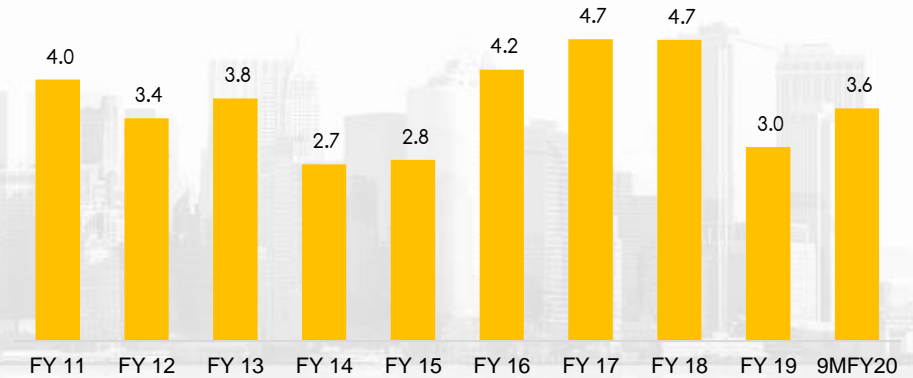
Net Profit (Rsm)



EBITDA (Rsm)



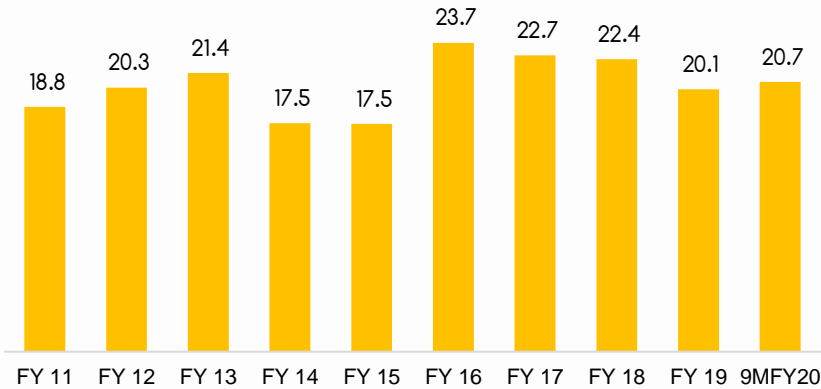
Interest Coverage Ratio (x)



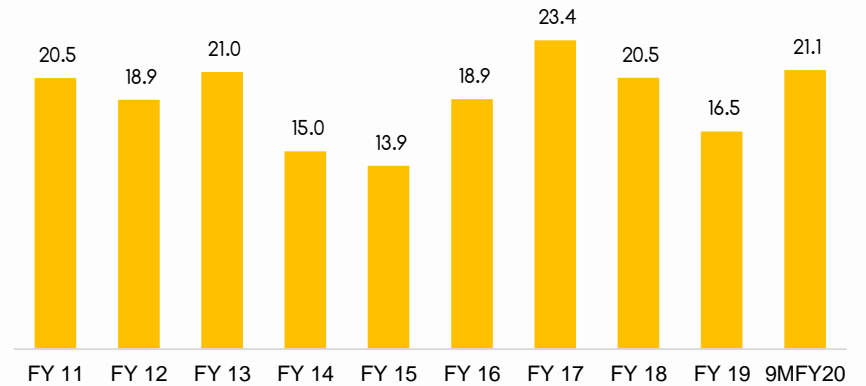
Note: This data is based on the Consolidated Financial data of the Company; Interest coverage is calculated on EBIT

# Growing Strength to Strength

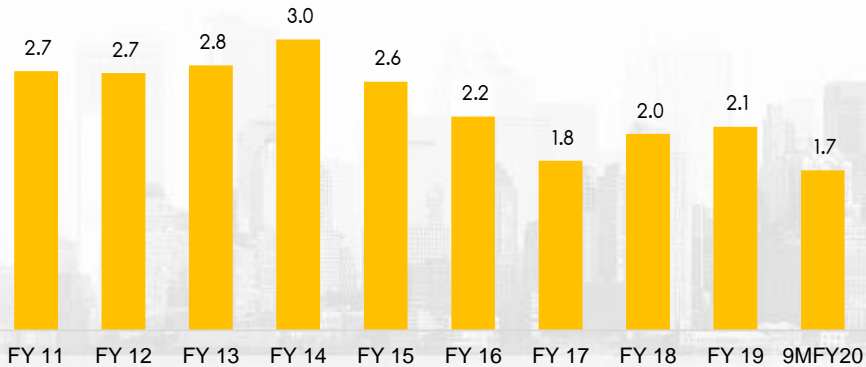
## ROCE (%)



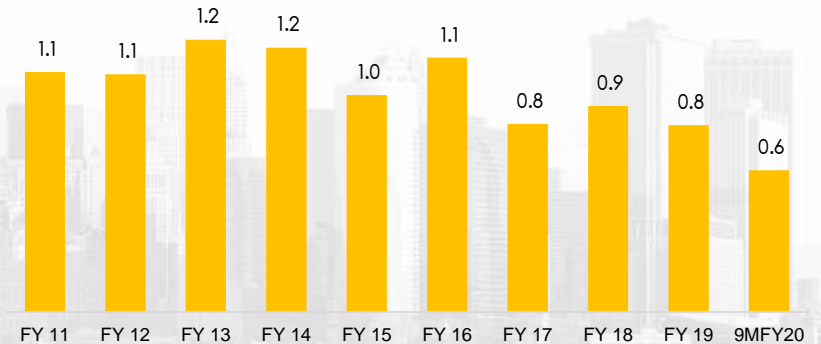
## ROE (%)



## Net Debt to EBITDA (x)



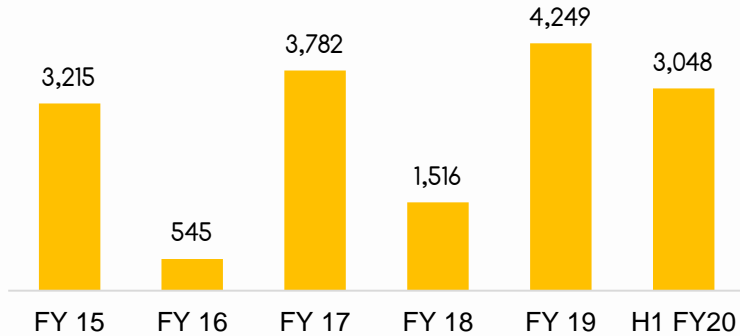
## Net Debt to Equity (x)



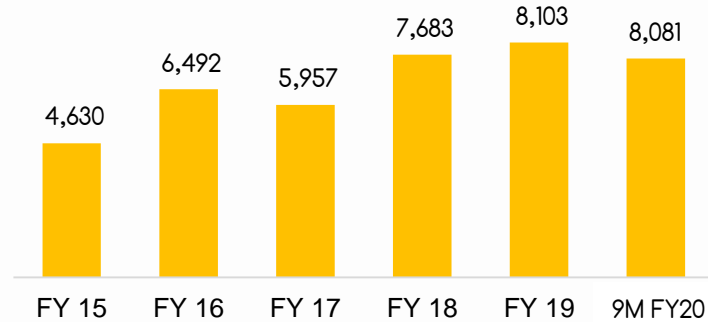
Note: This data is based on the Consolidated Financial data of the Company

# Growing Strength to Strength

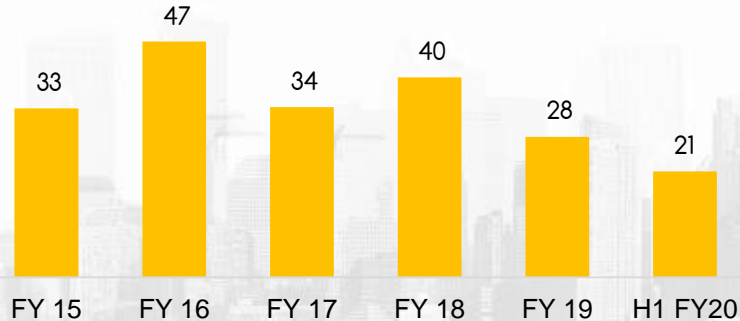
## Operating Cash flow (Rsm)



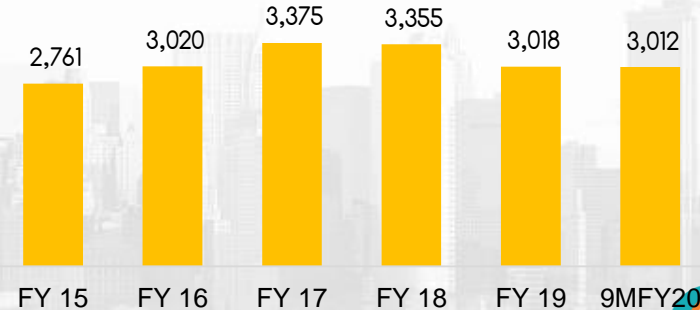
## Net Debt (Rsm)



## Net Working Capital Days (x)



## EBITDA per ton (Rs)



Note: This data is based on the Consolidated Financial data of the Company

# Growing Strength to Strength

Particulars	FY15	FY16	FY17	FY18	FY19	9MFY20	Growth Y-o-Y	CAGR (FY15-19)
Sales Volume ('000 ton)	657	894	931	1,130	1,339	1,233	34%	26%
Apollo Structural	248	426	475	614	766	681		
Apollo Z	148	160	189	241	283	240		
Apollo Tricoat						75		
Apollo Build	91	115	117	111	92	74		
Apollo Standard	170	194	151	164	198	163		
EBITDA (Rsm)	1,862	2,919	3,328	3,790	4,045	3,713	41%	22%
EBITDA (Rs/ton)	2,761	3,020	3,375	3,355	3,018	3,012		
Net Profit (Rsm)	638	1,006	1,461	1,581	1,483	1,811	108%	19%

## Network expansion

No of Distributors	375	600	600	650	790	800+
No of Plants	6	6	7	7	11	10

Note: 1) Apollo Structural -Hollow Section, Apollo Z- Pre Galvanized (GP), Apollo Build – Galvanized (GI), Apollo Standard – Black Pipes  
 2) This data is based on the Consolidated Financial data of the Company

# Financial Performance

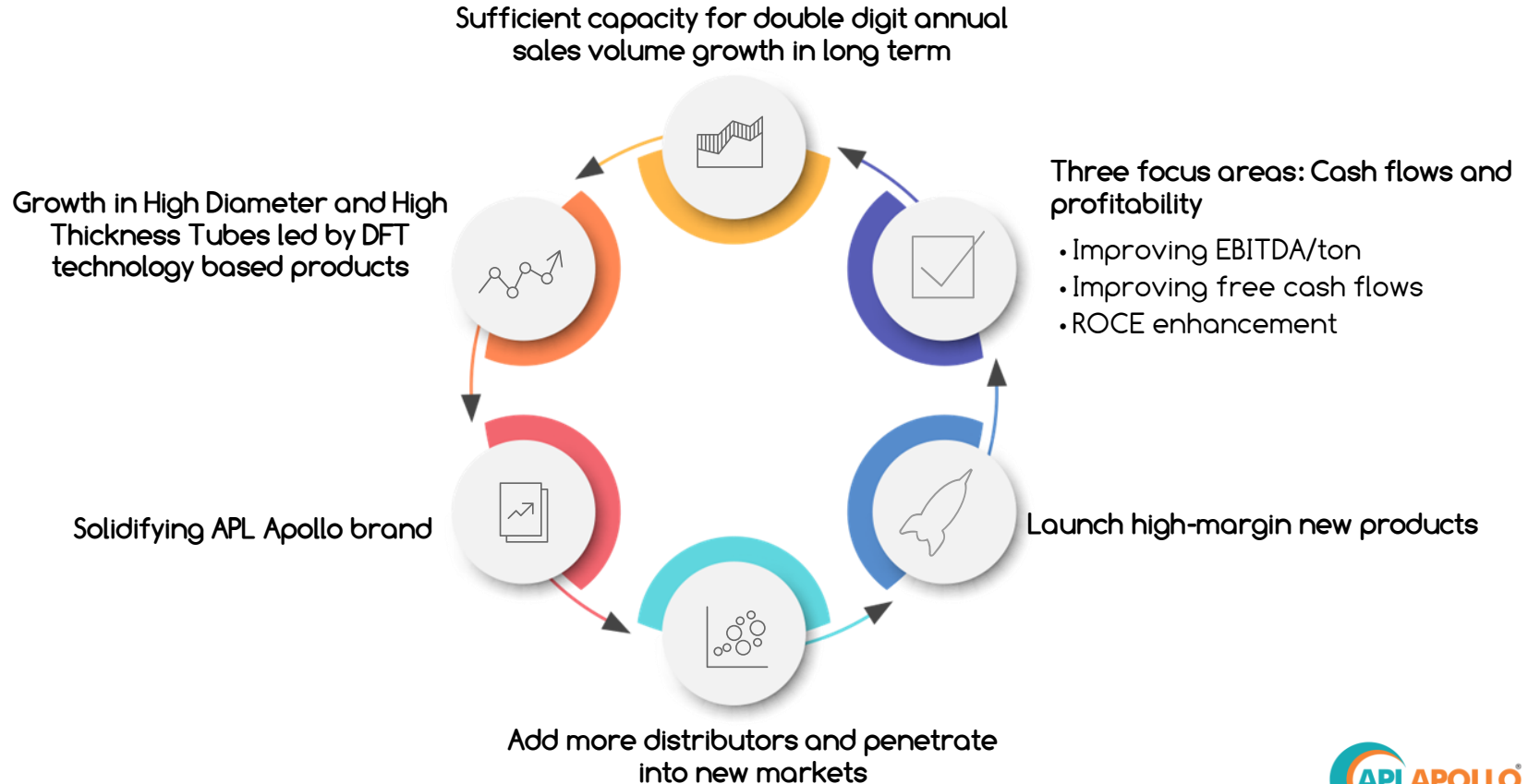
Profit & Loss (Rsm)	FY19	9MFY20
Sales Volume (000s Ton)	1,339	1,233
Revenue	71,640	58,486
EBITDA	4,045	3,713
EBITDA/Ton	3,018	3,012
Depreciation	643	704
Interest	1,134	832
Tax	787	225
Profit after Tax	1,482	1,952
Minority Interest	-	141
Net Profit	1,482	1,811

Balance Sheet (Rsm)	FY19	1HFY20
Net Worth	9,641	11,421
Non Controlling Interest	-	897
Total Debt	8,581	9,036
Other Non-Current Liabilities	1,783	1,676
Total	20,005	23,030
Non-Current Assets	12,953	17,613
Net Working Capital	7,052	5,417
Total	20,005	23,030

Note: This data is based on the Consolidated Financial data of the Company

# KEY TAKEAWAYS

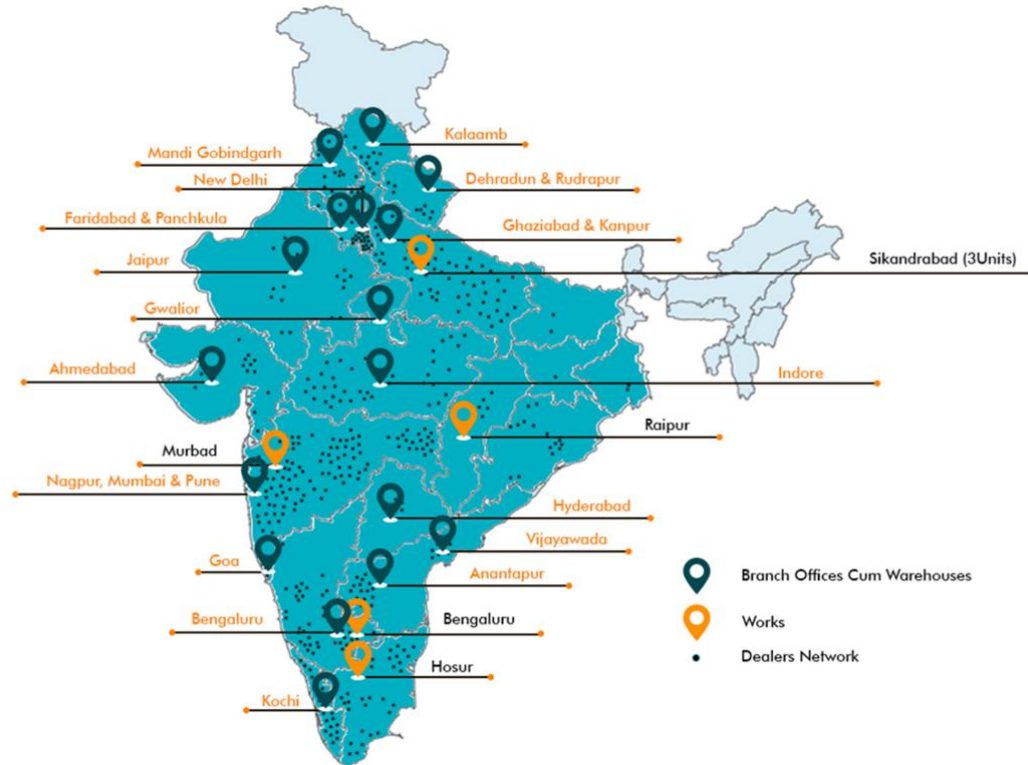
# Solid Future Outlook





# Enhancing Presence and Unlocking Opportunities

Local Market Presence aided by 3-tier Distribution and Solid Supply Chain Mechanism



800+

Distributors

50,000+

Retailers and Fabricators

300

Towns and Cities

# ESG Initiatives

## Environment

- ✓ Mapping energy consumption trends to achieve energy optimisation benchmark
- ✓ Using wind and solar energy to reduce carbon emissions
- ✓ 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
- ✓ Focused to reduce overall water consumption and pollutants
- ✓ 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
- ✓ Regular quarterly analyst calls post results
- ✓ 6 non-executive board members out of 8
- ✓ Remuneration of promoter was 2% of the net profit in FY19 (below the threshold of 10%)
- ✓ No treasury operations

# Solid Management

## Directors (Non Executive)

### Neeru Abrol

Director at TCNS Clothing Co Limited & others | Awarded best achiever by ICAI | 26 Yr experience in SAIL

### Abhilash Lal

3 decades of professional experience in senior roles across financial services including banking, PE & others

### Anil Kumar Bansal

Director of NABARD, Rockland Finesto Ltd & others  
4 decades of experience in banking industry

### Virendra Singh Jain

Board member of Dalmia Bharat Ltd |  
Ex-Chairman of SAIL | Ex-Executive Director at IOC

### Ashok Kumar Gupta

Steel industry veteran with 4 decades of experience  
Worked as MD in APL Apollo in the past

## Management Team

**Sanjoy Gupta**  
Chairman & Managing Director

**Vinay Gupta**  
Non Executive Director

**Romi Sehgal**  
Director

**P.K. Singh**  
Senior Advisor

**Rahul Gupta**  
MD – Apollo Tricoat Tubes Ltd

**Arun Agrawal**  
Chief Operating Officer

**Deepak Goyal**  
Chief Finance Officer

**Anubhav Gupta**  
Chief Strategy Officer

**Ravinder Tiwari**  
Head – Sales & Marketing

**Ashok Khushu**  
Head – New Projects

# Thank You

For further information, please contact:

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