

# **APL** **APOLLO**

**Q2** **FY21 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

Q2 FY'21 at a glance

Porter's 5 Forces

Financial Performance

Market Creation

Core Competence

Key Takeaways

ESG Initiatives

# Q2 FY'21 at a Glance



481k ton

Sales Volume  
32% yoy increase



₹ 22 Bn

Revenue  
34% yoy increase



₹ 1,691 Mn

EBITDA  
135% yoy increase



₹ 3,514

EBITDA/ ton  
78% yoy increase



₹ 159 Mn\*

Interest Cost  
41% yoy decline



₹ 921 Mn

Net profit  
68% yoy increase



₹ 6.5 Bn

Op. Cash flow  
As at 30 Sept 2020



₹ 3 Bn

Net Debt  
FY20 was ₹7.9 Bn



₹ 1.3 Bn

Debtors  
FY20 was ₹4.8 Bn



7 Days

Net Working Capital  
FY20 was 25 Days



0.2x

Net Debt/Equity  
FY20 was 0.6x



0.6x

Net Debt/EBITDA  
FY20 was 1.7x

\*Interest cost does not include interest income of Rs78mn

Note: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

# Q2 FY'21 Highlights

## Recovery Continues

- Strong demand revival across all product segments
- Market share gains continued backed by aggressive rural push
- 1HFY21 market share was 50%
- Improved margin on cost management & efficiency actions

## Emerged Stronger

- Significant improvement in cash conversion supported by actions on working capital
- Net working capital cycle improved to 7 days in H1 FY21 vs 25 days in FY20
- Net debt declined to Rs3bn in H1 FY21 from Rs7.9bn in FY20
- D/E ratio improved to 0.2x in H1 FY21 vs 0.6x in FY20

## Future Ready

- Market Share gains sustainable at current levels
- Target to ramp-up capacity utilization as demand scenario further improves
- Cost management and efficiency actions should aid margin
- Capex spends to be funded from internal cash flows

# Post pandemic transformation

## Converted crisis into opportunity

- Switched to cash and carry model
- Verge of becoming debt free
- Market share expanded to 50% from 40%
- Lower fixed costs
  - Employee cost down to Rs695/ton in Q2FY21 from Rs871/ton in FY20
  - Interest cost down to Rs169/ton\* in Q2FY21 from Rs657/ton in FY20
- Rural sales mix increased to 55% from 40%
- Solid organization build-up



# APL Apollo at a Glance

1

Leading structural steel tube brand

Core Business

14

Brands

Five Product Categories

40%

Market Share\*

2.6

Million Ton

Structural Steel Capacity

8 Patents

10 Plants

2,124 Employees

800+ Distributors

1,500+ Products

\*Market share is for FY20



# Our Brands

Product Category\*

## Apollo Structural

Structural steel construction material:  
Residential, Commercial, Infrastructure

Fabritech, Build, DFT, Column

## Apollo Z

Galvanized structural steel construction material:  
Residential, Commercial, Infrastructure

CoastGuard

## Apollo Galv

Galvanized steel tubes:  
Residential, Commercial, Agri, Industrial

Green, Bheem, Z+

## Apollo Standard

Construction material, Industrial

FireReady, Agri

## Apollo Tricoat

Home improvement products

Plank, Signature, Elegant, Chaukhat

71% Building Material

24% Infrastructure

5% 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>53%</b>	
Residential Buildings & Independent Homes	18%	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	2%	Heavy Equipment
<b>Apollo Z</b>	<b>19%</b>	
Residential Buildings & Independent Homes	14%	Galvanized structural steel tubes for coastal markets
Commercial Buildings, Warehouses & Factories	5%	
<b>Apollo Standard</b>	<b>11%</b>	
Residential Buildings & Independent Homes	4%	Structural, Fencing, Grills, HVAC, Ducting, Firefighting, Plumbing
Commercial Buildings, Warehouses & Factories	5%	
Industrial & Agri	2%	Heavy Equipment
<b>Apollo Tricoat</b>	<b>13%</b>	
Residential Buildings and Independent Homes	10%	Door Frame, Staircase Steps, Furniture, Plank, Designer Tubes, Fencing, Electrical Conduits
Commercial Buildings	3%	
<b>Apollo Galv</b>	<b>4%</b>	
Commercial Buildings	3%	Galvanized Structural, Greenhouse Structures, Plumbing, Firefighting
Industrial & Agri	1%	
<b>Total</b>	<b>100%</b>	

46% Building Material Housing

25% Building Material Commercial

24% Infrastructure

5% Others (Industrial & Agri)

# PORTER'S 5 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

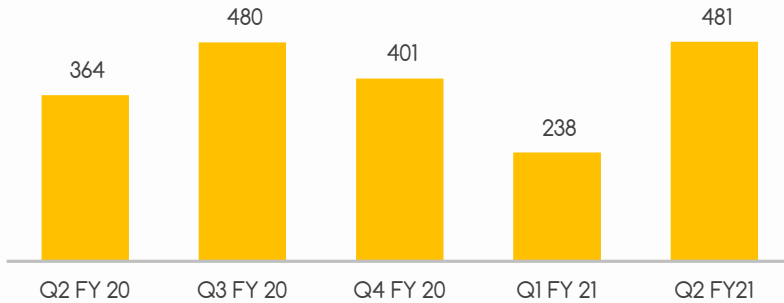
## Threat of substitute

- No product can replace structural strength of steel

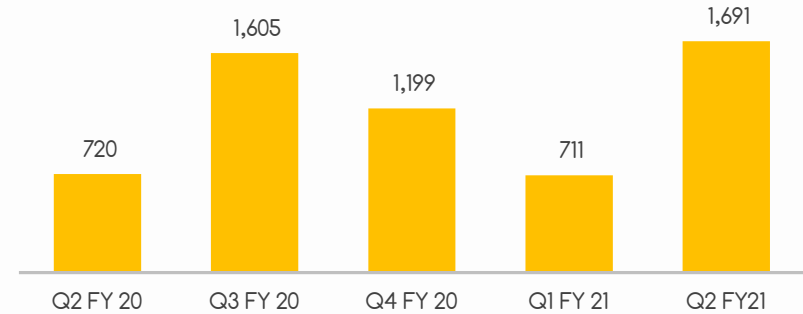
# FINANCIAL PERFORMANCE

# Growing Strength to Strength

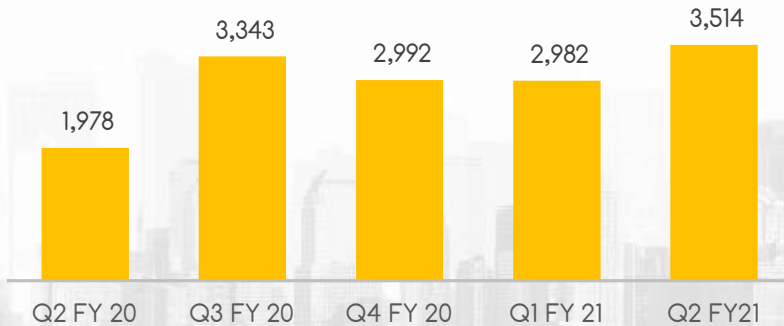
Volume ('000 tons)



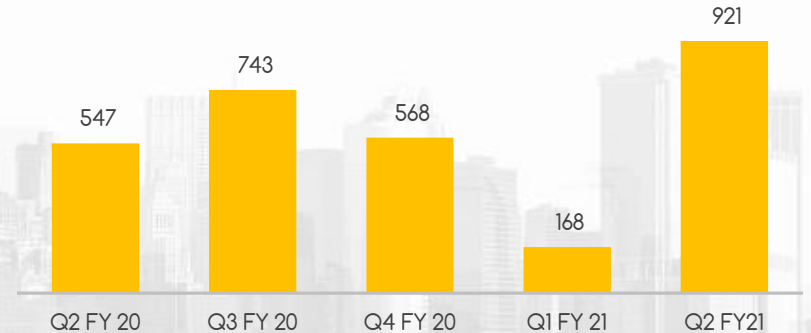
EBITDA (Rsm)



EBITDA/Ton (Rs)



Net Profit (Rsm)



1. QIFY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

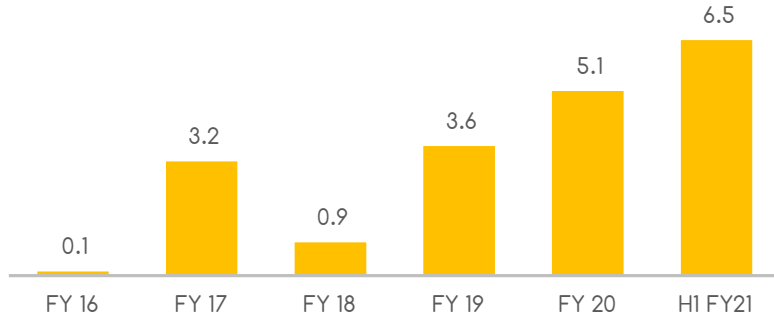
2. Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

3. EBITDA has been calculated without other income

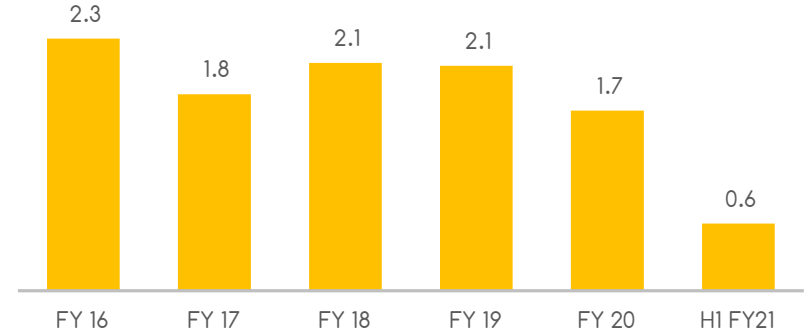


# Growing Strength to Strength

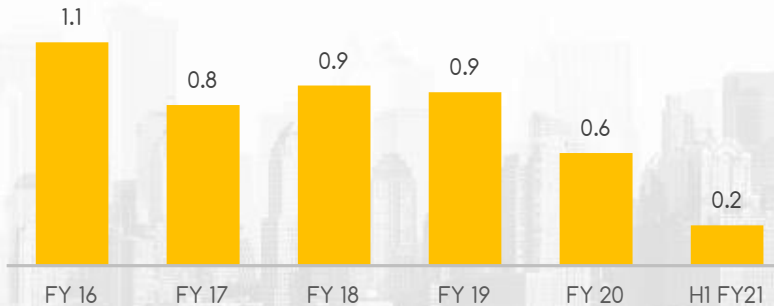
Operating Cash flow (Rs Bn)



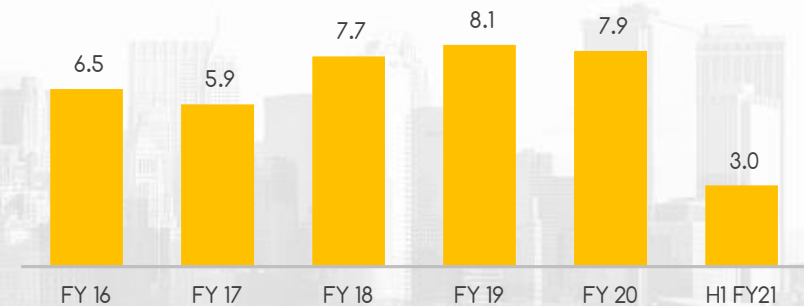
Debt/ EBITDA (x)



Debt/ Equity (x)



Net Debt (Rs Bn)

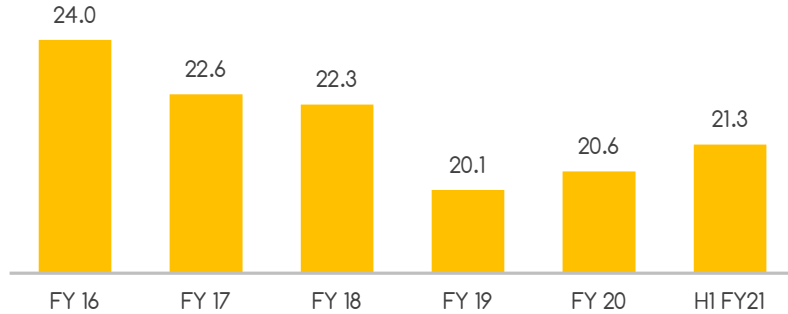


Note : Debt/EBITDA and Debt/Equity ratios are calculated on net debt basis

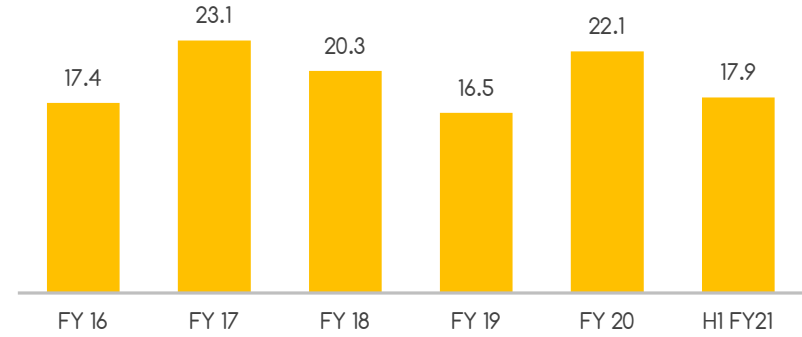
H1FY21 revenue is for period '22 April 2020 to 30 Sept 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

# Growing Strength to Strength

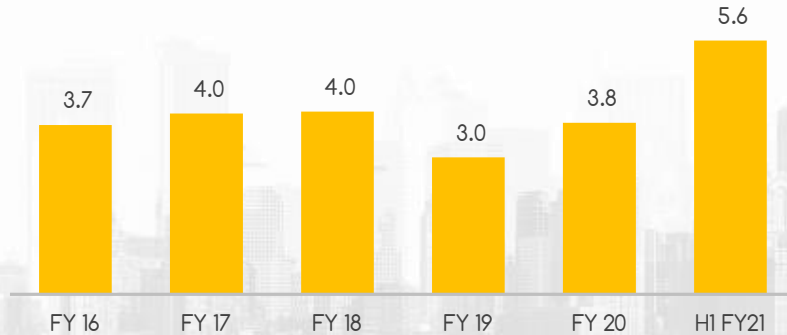
ROCE (%)



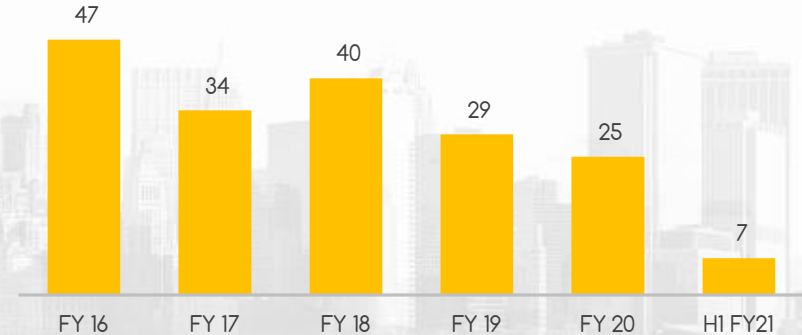
ROE\* (%)



Interest Coverage (x)



Net Working Capital\*\* (Days)

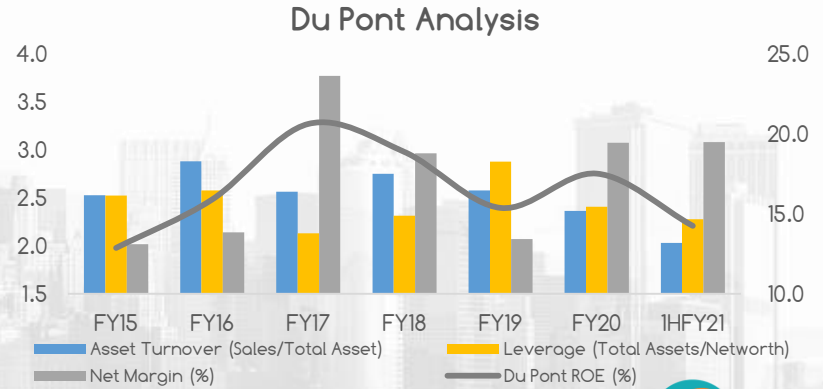
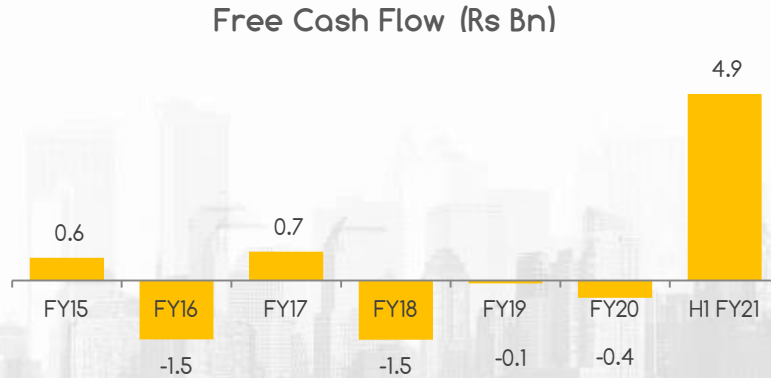
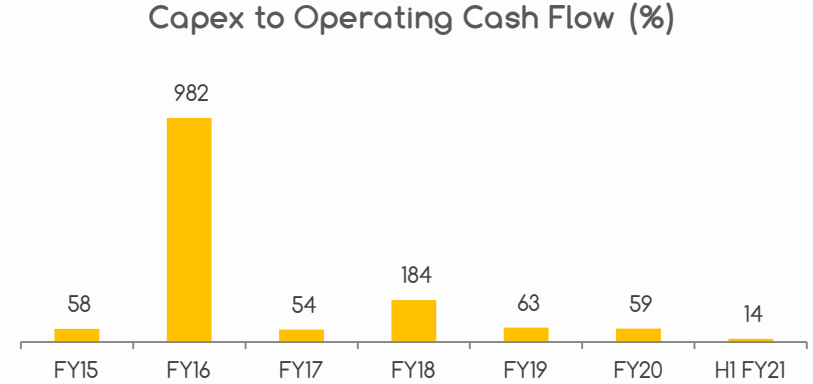
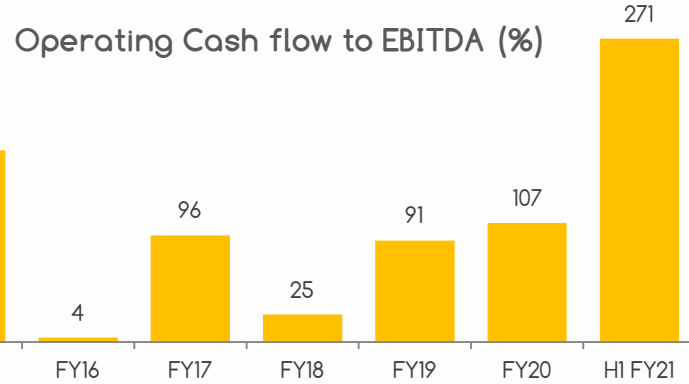


H1FY21 revenue is for period '22 April 2020 to 30 Sept 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

\*ROE calculated on Net Profit before Minority Interest

\*\*Net Working Cycle has been calculated including Other Current Assets & Liabilities

# Growing Strength to Strength



HIFY21 revenue is for period '22 April 2020 to 30 Sept 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic



# Growing Strength to Strength

Particulars	Q2 FY 20	Q3 FY 20	Q4 FY 20	FY 20	Q1 FY21	Q2 FY22
<b>Apollo Structural</b>						
Volume (k tons)	131	156	98	513	71	161
Revenue (Rsm)	5,322	6,119	3,995	21,351	2,880	6,494
EBITDA (Rsm)	121	330	137	827	103	333
<b>Apollo Structural (DFT)</b>						
Volume (k tons)	76	99	90	357	41	96
Revenue (Rsm)	3,107	3,890	3,672	14,908	1,678	3,873
EBITDA (Rsm)	122	291	218	898	78	245
<b>Apollo Standard</b>						
Volume (k tons)	48	61	54	216	24	54
Revenue (Rsm)	1,919	2,352	2,145	8,861	977	2,149
EBITDA (Rsm)	23	98	54	257	22	76
<b>Apollo Z</b>						
Volume (k tons)	63	88	95	335	57	92
Revenue (Rsm)	3,068	4,154	4,738	16,744	2,790	4,534
EBITDA (Rsm)	250	474	452	1,661	277	562
<b>Apollo Galv</b>						
Volume (k tons)	18	30	25	99	13	18
Revenue (Rsm)	881	1,432	1,265	5,032	678	926
EBITDA (Rsm)	50	128	94	388	46	102
<b>Apollo Tricoat</b>						
Volume (k tons)	28	47	38	113	32	61
Revenue (Rsm)	1,537	2,290	2,289	6,633	1,710	3,305
EBITDA (Rsm)	154	284	244	743	185	373
Trading Revenue (Rsm)	639	922	781	3,703	385	740
Total Sales Volume (k tons)	364	480	401	1,633	238	481
<b>Total Revenue (Rsm)</b>	<b>16,473</b>	<b>21,159</b>	<b>18,885</b>	<b>77,232</b>	<b>11,098</b>	<b>22,021</b>
<b>Total EBITDA (Rsm)</b>	<b>720</b>	<b>1,605</b>	<b>1,199</b>	<b>4,774</b>	<b>711</b>	<b>1,691</b>
<b>Net Profit (Rsm)</b>	<b>547</b>	<b>743</b>	<b>568</b>	<b>2,380</b>	<b>168</b>	<b>921</b>

Note 1: APL Apollo Tubes acquired Apollo Tricoat during 1QFY20. Apollo Tricoat reported sales volume of 123k Ton,

Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

# Profit & Loss Statement (Consolidated)

Particulars (Rsm)	Q2 FY20	Q3 FY20	Q4 FY20	FY 20	Q1 FY21	Q2 FY21	Change yoy (%)
Sales Volume (k Ton)	364	480	401	1,633	238	481	32
Net Revenue	16,473	21,159	18,885	77,232	11,098	22,021	34
Raw Material Costs	14,334	17,633	15,867	65,785	9,308	18,477	29
Employee Costs	354	382	386	1,422	287	334	-5
Other expenses	1,065	1,539	1,433	5,251	793	1,518	43
<b>EBITDA</b>	<b>720</b>	<b>1,605</b>	<b>1,199</b>	<b>4,774</b>	<b>711</b>	<b>1,691</b>	<b>135</b>
EBITDA/ton (Rs)	1,978	3,343	2,992	2,923	2,982	3,514	78
Other Income	46	47	83	222	49	101	119
Interest Cost	269	280	241	1,073	212	159	-41
Depreciation	240	262	255	959	239	251	5
Tax	-341	277	178	403	90	356	-204
Net Profit	598	833	608	2,560	219	1,026	72
Minority Interest (MI)	51	90	40	180	51	105	107
<b>Net Profit (after MI)</b>	<b>547</b>	<b>743</b>	<b>568</b>	<b>2,380</b>	<b>168</b>	<b>921</b>	<b>68</b>

Note 1: The Q1FY21 sales volume figures are for period '22 April 2020 to 30 June 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

Note 2: Sales Volume and Financials are on consolidated basis and Net Profit is after Minority Interest

# Balance Sheet & Cash Flow Statement (Consolidated)

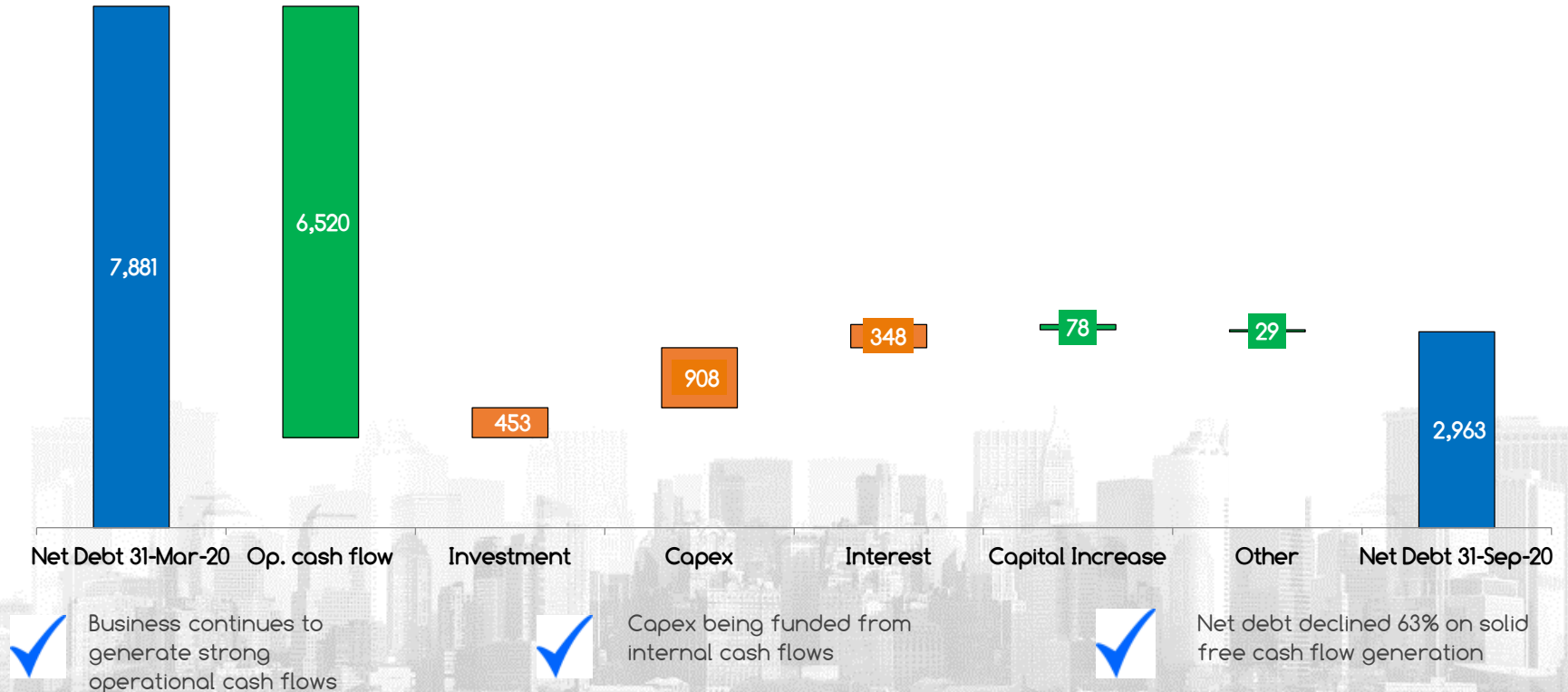
Balance Sheet - Assets (Rsm)	HI FY21	FY20
Cash & Bank Balance	5,049	456
Receivables	1,257	4,764
Inventories	6,040	7,842
Other current assets	1,669	1,422
Fixed assets (net)	15,112	14,839
Right to use Assets	961	971
Investments	16	15
Other assets/goodwill	2,494	2,352
<b>Total Assets</b>	<b>32,599</b>	<b>32,660</b>
Balance Sheet - Liabilities (Rsm)	HI FY21	FY20
Trade payables	6,922	7,644
Other current liabilities	289	309
Debt	8,012	8,338
Others	1,989	1,854
Minority Interest/Provision	1,065	954
Shareholders' funds	14,322	13,562
<b>Total Equity &amp; Liabilities</b>	<b>32,599</b>	<b>32,660</b>

Cash Flow Statement (Rsm)	HI FY21	FY20
EBITDA	2,402	4,783
Accounts receivables	3,487	847
Inventory	1,799	284
Other WC changes	-947	-215
Tax	-370	-816
Other Income	150	212
<b>Operating cash flow</b>	<b>6,520</b>	<b>5,095</b>
Capex	-908	-3,014
Investments	-453	-1,335
Interest	-348	-1,193
<b>Free cash flow</b>	<b>4,811</b>	<b>-447</b>
Dividend payments	0	-411
Capital increase *	78	1,775
Other	29	-695
<b>Net change in cash flow</b>	<b>4,918</b>	<b>222</b>
Net debt beginning	-7,881	-8,104
<b>Net debt end</b>	<b>-2,963</b>	<b>-7,881</b>

HI FY21 revenue is for period '22 April 2020 to 30 Sept 2020' as the company had shut its operations in April 2020 owing to COVID 19 pandemic

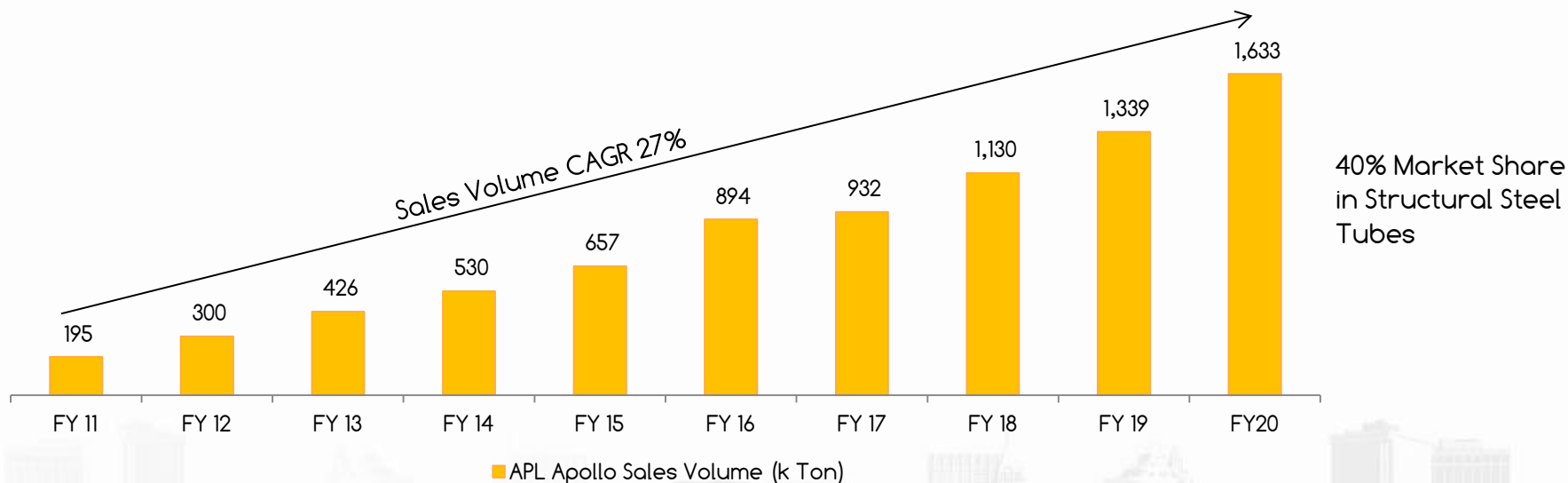
\*Employee Stock Option Plan

# Consolidated Cash Flow Bridge (Rsm)



# Market Creation

# Growing Strength to Strength



- Developed Structural steel tube market in India
- Focused on steel strength and building material application
- Innovation of new sizes and shapes
- Introduction of new applications

# How have we created market..

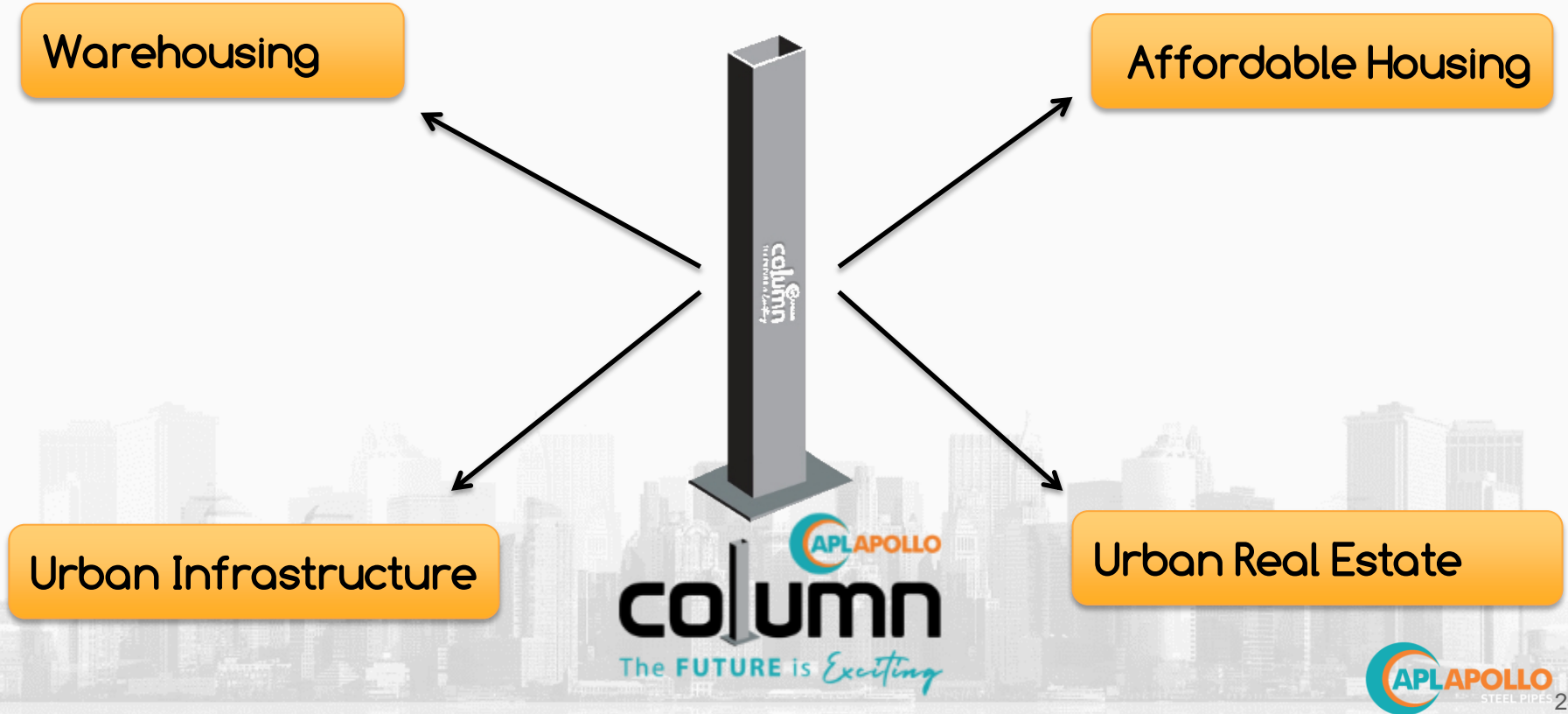
Conventional Construction Products	Applications	Why Structural Steel Tube replaces these products?
Steel Angle/Channels	Structural support, Towers infrastructure	Uniform Strength, Lower steel consumption
Wood	Furniture, Door Frames, Planks	Cost Effective, Termite Proof, Environmental Friendly
Aluminum Profiles	Facades & Glazing	Cost Effective, Higher Strength
Reinforced Cement Concrete	Construction of Buildings	Faster Construction Environmental Friendly
Fabricated Metal Sheet	Pre-Engineered Steel Buildings	Lower steel consumption Reduces overall project cost

How to replace the conventional products ??

Low Diameter Steel Tubes/Low Load Bearing

High Diameter Steel Tubes/High Load Bearing

# New Opportunities to revolutionise construction industry

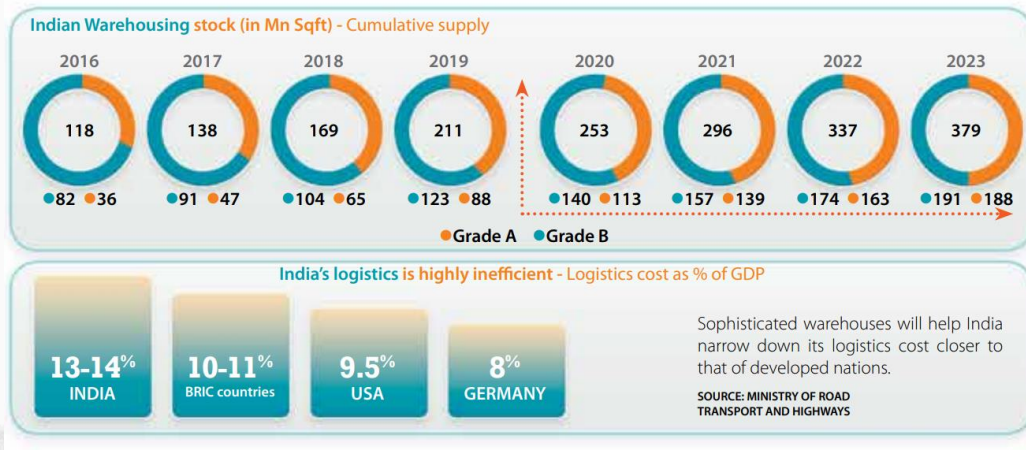




# Structure Steel Tube: Revolutionise the Construction Industry

## Warehousing

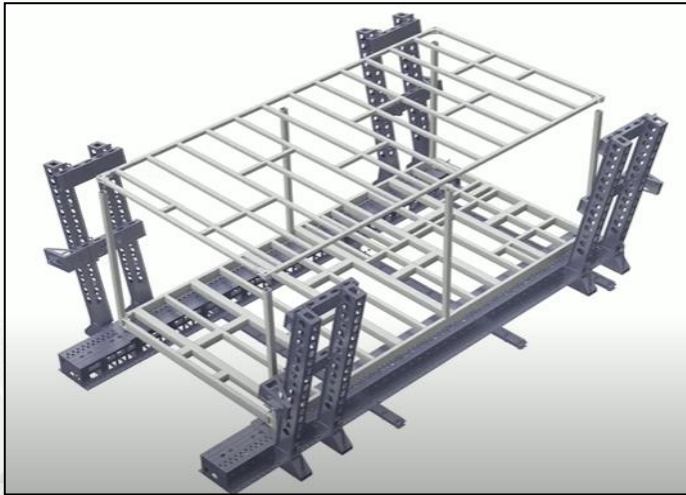
- JLL projects that there will be 344 mn sq. ft of warehousing space in India by 2022
- Logistics, engineering, auto and ancillaries, e-commerce, FMCG, retail and telecom, and white goods have remained the biggest demand drivers.



# Structure Steel Tube: Revolutionise the Construction Industry

## Affordable Housing

- Trends for affordable housing with low cost & faster completion is picking in India
- Modular Building will be the future construction methodology
- Modular steel structures are constructed in-house with final assembly occurring on-site, where the steel modules are stacked and connected together



Modular Building Concept

# Structure Steel Tube: Revolutionise the Construction Industry

## Urban Infrastructure

- Govt plans to start 100 additional airports by 2024
- To invest Rs19,000 crore in upgrading airport infrastructure in the country, especially in smaller cities over next three years

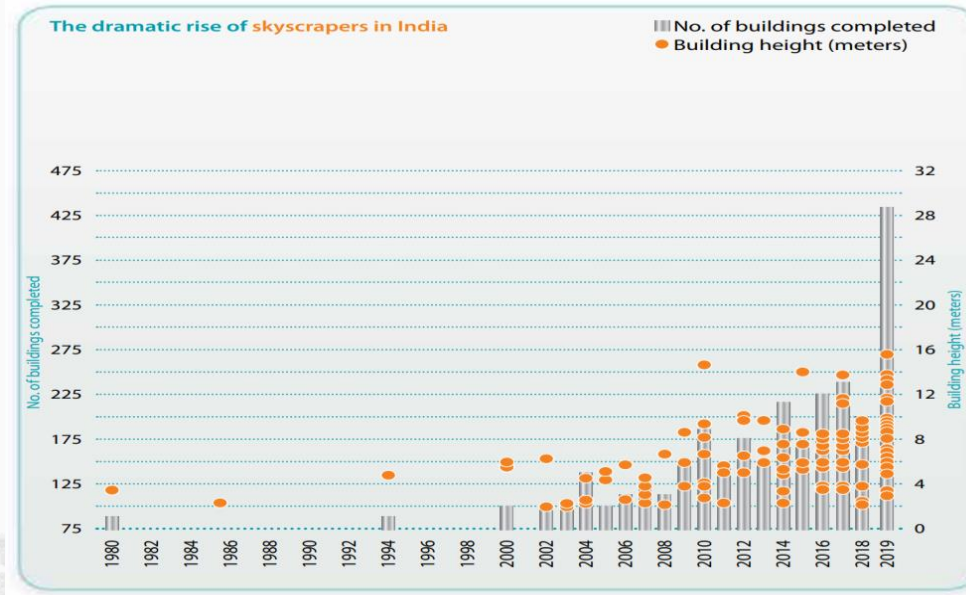




# Structure Steel Tube: Revolutionise the Construction Industry

## Urban Real Estate

- India's vertical growth pushed high-rises buildings with G+20 floors or more to record highs in 2019
- Government has formed a panel to look into the upward revision of FSI norms in all major cities





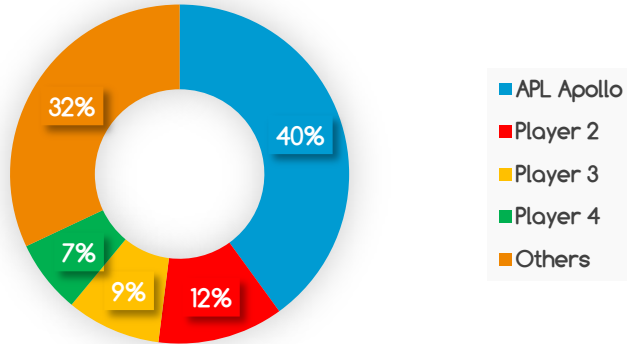
# **CORE** **COMPETENCE**

# Our Business Moat...

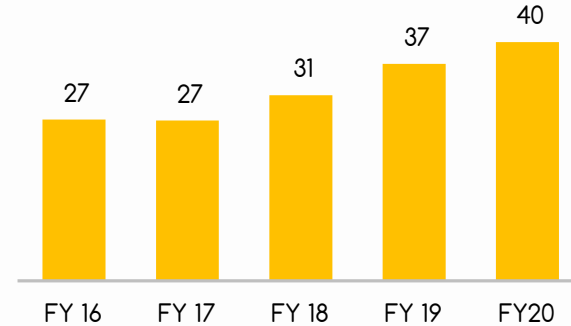


# Dominant Leadership

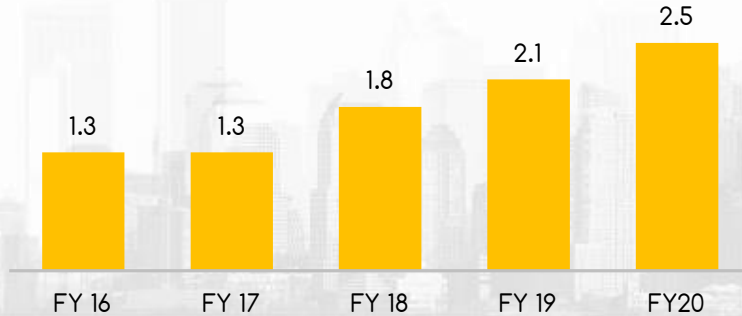
## Peer Market Share FY20



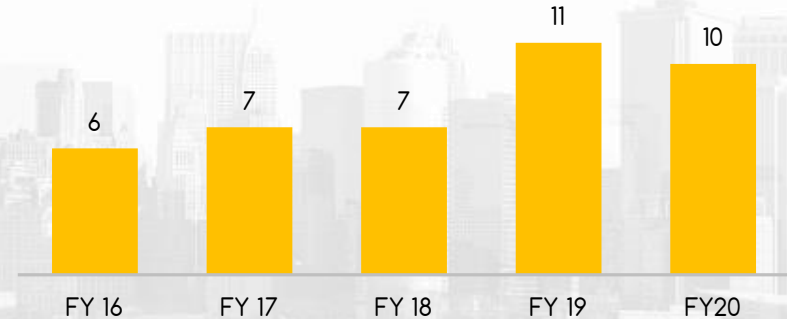
## APL's Market Share (%)



## Capacity (Mn Tons)



## Number of Plants





# KEY TAKEAWAYS



# 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
- ROCE  $\geq$  25%

## Capital Allocation

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

# 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
- ✓ 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

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

## Executive Team

### Sanjay Gupta

Chairman & Managing Director

### Vinay Gupta

Director

### Romi Sehgal

Director

### Ashok Khushu

Head – New Projects

### Arun Agrawal

Chief Operating Officer

### Deepak Goyal

Chief Finance Officer

### Anubhav Gupta

Chief Strategy Officer

### Ravindra Tiwari

Head-Sales & Marketing

# Thank You

For further information, please contact:

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