15th May 2024

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NSE Symbol : APLAPOLLO	Scrip Code : 533758

Re: Transcript of the Conference Call held on May 13, 2024

Dear Sir/ Madam,

With reference to our letter dated 8th May 2024 intimating you about the conference call with Analysts and Investors held on May 13, 2024, 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 CHARUVIL SANKUNNI
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Date: 2024.05.15 15:30:05 +05'30'

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

Encl: a/a

"APL Apollo Tubes Limited Q4 FY24 Earnings Conference Call"

May 13, 2024

MANAGEMENT:	**MR. SANJAY GUPTA – CHAIRMAN AND MANAGING DIRECTOR, APL APOLLO TUBES LIMITED** **MR. DEEPAK GOYAL – DIRECTOR(OPERATIONS) AND GROUP CFO, APL APOLLO TUBES LIMITED** **MR. ANUBHAV GUPTA – CHIEF STRATEGY OFFICER, APL APOLLO TUBES LIMITED**
MODERATOR:	**MR. RAVI SODAH – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to APL Apollo Tubes Limited Q4 FY24 Earnings Conference call hosted by Elara Securities Private Limited.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Sodah from Elara Securities Private Limited. Thank you and over to you, sir.

Ravi Sodah: Good afternoon welcome to the Q4 and FY24 Conference Call for APL Apollo Tubes. From management, we have Mr. Sanjay Gupta - Chairman and Managing Director, Mr. Deepak Goyal – Director; Operation and Group CFO and Mr. Anubhav Gupta – Chief Strategy Officer.

To start off, I will hand over the call to the Management for Opening Remark post that we can have a detailed Q&A. Over to you, sir.

Anubhav Gupta: Thanks Ravi and thanks to Elara Capital for hosting Apollo Tubes for its Q4 FY24 Earnings Call.

I welcome all the participants on this call. So, FY24, as it went by it has been a full of roller coaster rides when we have started in April last year, we had come out of a very tough FY23, which was highly disrupted because of the global commodity meltdown which impacted all the industries. So, FY24, we thought that it will bring a lot of optimism to the business model after 1 year of disruption and we thought that we would be able to do 3 million ton of sales volume for the full year and that is what we have guided to our investors as well, but after the 12 months what we did is 2.62 million tons which is almost like 13% shortfall of our own guidance or you can say around 350,000 tons of volume shortfall. So, first I would like to highlight that what got missed, why there is sort fall of target and how we plan to overcome that.

So, FY24, it started with India having its own problems like high interest rates, high inflation, the steel upswing sector getting transformed after almost 3 years - 4 years that the new capacity started to come online after new entrants like NMDC Steel and long-steel producer Jindal Steel and Power they have started flat steel production. So, lot of factors did impact the momentum for the whole year, so if I have to decode that 350,000 tons of volume loss, we would say that 100,000 ton got lost because of overall slowdown in the consumption activity, particularly in the retail sector, 100,000 ton volume got lost because of our late ramp up of Raipur and the Dubai plants which we had thought that they will be operational within the midyear, but ultimately both plants started production towards end of the year and also because of there is a new steel which was coming online in terms of upswing capacity, those two months in October and November, which impacted our Q3 FY24 pretty badly and our volumes declined to almost 604,000 tons versus a normalized 670,000 tons, 680,000 tons.

So, these were the factors which actually impacted our FY24, but if we look at the overall performance with 15% volume growth, 17% EBITDA growth and 14% PAT growth, we believe that we have moved our way from a very like non favorable situation and now we are sitting on a highly solid platform which will drive our earnings for the next 2 years to 3 years. Other than that, what we have achieved is 2,400 of capacity expansion program, which has taken our capacity to almost 4 million tons, right as at March 2024 and with just a paltry CAPEX of residual Rs. 600 crores our capacity will be 5 million ton up and ready.

We have closed our net cash balance sheet for the first time with a small cash of around Rs. 200 million, but it is highly appreciable that after doing CAPEX of Rs. 2,400 crores in last 4 years and our FY20 balance sheet was with Rs. 800 crores of net debt. FY24 we are almost closing with net cash balance sheet and with the low CAPEX intensity now one can imagine the kind of cash flows which our company is going to generate.

Our of OCF to EBITDA Operating Cash Flow to EBITDA has been upwards of 90% throughout and you can see the net working capital days which was just 1 as of March 2024 and again when we had moved to cash and carry business model in FY21, there were always tension that whether this is sustainable, but now we are glad that 3 years to 4 years of consistent working capital efficiencies we have been able to achieve and which is best in the construction material sector and the ROC's which you see optically at around 30% for the whole company, but this is after the fact that we have invested almost Rs. 1,400 crores Rs. 1,500 crores in Raipur plant and Rs. 150 crores to Rs. 200 crores in Dubai plant, so these 2 investments will fire in the next 2 years and then ROCs will go beyond 35%-38%, which is our target.

Other than that, the construction boom cycle on which India right now is sitting whether it is in terms of the record, presales order book with the real-estate developers or it is with the recovery in the retail construction demand which will come post elections and post reversal of interest rates and inflation and then the infrastructure spending which is going to take place in terms of any kind of infra which government or private sector are willing to bid. We can see one slide in our presentation slide #28 where we have given the demonstration of what the commercial and infrastructure projects can provide the opportunity for structural steel tubes that our share will be four times higher of what our cement as our construction material gets used or 10 times bigger than any other construction material products. So, with the product range starting from 8mm X 8mm in dia up to 1,000mm by 1,000mm dia this allows Apollo Tubes to service the construction industry for any kind of structure, any kind of construction, whether it is a small shanty being developed in slum of Bombay or it is a five star hotel or a $10 million condominium being built in Gurgaon, so everywhere and anywhere our portfolio is there to service the construction sector, the architects, EPC contractors or developers.

As far as Q4 is concerned, there were some adjustment in the steel market after the new capacity came in, steel prices were correcting which is good that finally India market is seeing steel deflation, which is very good for us because ultimately we compete against inefficient construction products like secondary steel, like Rebars, like steel angles and channels, like aluminum profiles, wooden structures, a HR plates, prefab structures with our base raw material in the deflation mode it opens a big market for Apollo's products and with the product SKU basket, with the distribution network, with our business development teams working 24x7 this is going to help boost our volumes significantly in the next 2 years - 3 years, but yes because of steel prices coming down, it has marginal impact on channel destocking, so we have to push our products aggressively to our clients for which we have to offer some discounts, so that is why there was like Rs. 200 to Rs. 250 erosion in the EBITDA per ton versus last quarter. But again, we are not too much worried about it as steel is making up with almost 10% to 15% lower prices what it was at the start of the year. It gives a very solid base for Apollo to push its products now.

The existing months April, May have been going pretty okay given we were afraid that election could give some disruptive environment, but April, May have been pretty good and the momentum for FY25 looks pretty solid. After the elections are over we expect all the private builder order book which is related to the pre sales or infra projects where we are already working you will see a lot of projects what we have given in our presentation how our designs, our products are getting approved. So, yes, we will be back on 20% - 25% growth trajectory in terms of volume, EBITDA impact for next 2 years - 3 years we are super confident about it.

Lastly, I would like to highlight on our ESG performance because this is one of the very important barometer for our management today. We did participate in DJSI Dow Jones Sustainability Index for last year and our percentile increased to 86 versus 80 and where on the overall Environment Social Governance score our score was 42 last year versus 29 in the previous year and just to strengthen the board, we got 2 new directors Mr. Rajiv Jain and Mr. Dinesh Mittal, who come from the varied industry experience. Mr. Rajiv has been the Chairman and Managing Director of Goodyear, the leading tyre manufacturer and Mr. Dinesh Mittal comes with Indian Administrative background, which will help us improve our compliances. So, that is it from our side I mean what we believe is that FY23, FY24 were among the worst years what we have seen in the recent past, but Apollo continued to do its work in terms of working Capital Management, generating cash flows, finishing its CAPEX, innovating, building the market for new products and we just need the tailwind from the macro and you will see Apollo getting back on 25% volume earnings CAGR. Thank you so much. We are happy to take questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: Sir my question is in terms of EBITDA per ton metrics, so if we see Q4 EBITDA per ton and compare it with Q3 and Q4, there is a drop in that except for general products on a sequential basis, so what explains that? So, that is my first question.

Anubhav Gupta: So, if you look at the drop, so general product, what we have been able to do is that the competition which Apollo faces, it is normally in the general segment which is the commoditized portfolio and in the last 4 years - 5 years the brand what we have built for our products against the small competition, so that has started to play that our price premium versus the second player, third player is now almost like 5% which used to be like 2% 3 years- 4 years back, but after our consistent investment into branding we have come to a situation where even in the highly competitive space, our margins are lying solid and as far as the other value added products, this is more function of the discounts which we are giving or the support which we give to our clients in the scenario of following the steel prices.

Aditya Welekar: So, my next question is on volume sales guidance, so we had a guidance of 4.6 million ton to 5 million ton sales for FY26, are we sticking with that kind of guidance for FY26? And also, in Q1 if you can indicate what kind of sales volume we can expect? Are we seeing improvement in demand atmosphere? And from when we can expect this headwinds which we are witnessing currently during this election season to go away? So, something on demand front and sales volume guidance for 25-26, if you can throw some color?

Anubhav Gupta: Can we do 5 million ton in FY26? Yes, we can do. We have the capacity, we have the distribution, we have the working capital available, we have the product basket, we have everything in place, but yes, given we do say 20%-25% growth in FY25 and then we are talking about 40% jump to achieve 5 million ton next year for that we need macro support and given the fact that India is now finally into steel deflation mode, this opens up a almost a parallel industry which we are going to attack very aggressively which is secondary steel substitute product. In last 5 years because of the high inflation in steel prices that market became almost parallel to our HR coil based tube markets and we have been highly vocal about it that this trend has to reverse with the capacity which India is going to see in the steel sector and that deflation will come and we are now seeing the trends already, which is visible in our April, May numbers despite the fact that India is going slow because of elections. So, yes if we get the market, we can hit 5 million ton next year, nothing stops us, but right now in our business model, we are projecting 20%-25% volume CAGR for next few days.

Aditya Welekar: Last question what is the current spread or gap between the primary and secondary? So, in last call you said that the spread is coming down, the gap is coming down to Rs. 12 per kg from Rs. 15. So, is this trend will continue because more and more Hot Rolled coils get commissioned, so that may be beneficial for you, so currently are you witnessing that trend?

Anubhav Gupta: Definitely, that is why I said no despite elections, our April, May both months have been pretty okay and as far as the spread is concerned, which was as high as Rs. 15,000 a ton today, it is around Rs. 6,000 to Rs. 7,000 a ton.

Moderator: Thank you, sir. We have our next question from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Couple of questions from my side. If I look in Q4, the rise in realization was lower than the rise in cost per ton and there was a significant gap over there. Steel prices of course they kept on falling through the quarter, so did we see some kind of, I would say impact of inventory on the cost that has now got normalized, if so, is it possible to quantify the inventory impact of it in Q4?

Anubhav Gupta: Amit see, there are 2, 3 factors to this. If you look at my product NSR, which must be coming around Rs. 69,000 - Rs. 70,000 a ton, now I sell a product which starts as low as Rs. 57,000 a ton and goes up to Rs. 100,000 a ton, that is my product basket, then I have elements like Zinc because of my coated products because of my pre gal products because of my GI products galvanized product, then we have color as a raw material, which we are using for our roofing sheets and other super value-added products. So, in raw materials, now it is just not steel which is there, we are using much more products now and we are selling more high-grade steel as well, so even that steel is higher by like 5% to 10%. So, we are, supplying 1 product for a solar project where my raw material is Rs. 80,000 a ton, the landed because it is a super high grade raw material. So, I guess as our volume mix keeps on improving towards all these high value-added products, they will be like Rs. 400, Rs. 500 per ton of like you will see you won't be able to totally kind of reconcile with the steel, because steel has element of a total raw material cost is going down this is one and second yes, I wouldn't say there is any inventory write down what we do is we offer discounts to our clients, multiple center schemes which go that is what depicts our spread, but as of now there is no inventory loss, which we took on our balance sheet.

Amit Dixit: The second question is essentially, is it possible to quantify the capacity utilization at Raipur plant for Q4 and for the year and Dubai plant? And what do you expect the capacity utilization in FY24 on an average at both these plants?

Anubhav Gupta: So, if you see, our Raipur plant today is around a million ton for the full year, 90,000 ton a month, 270,000 ton a quarter and a million ton a year. The utilization from Raipur was around 55% on Q4. If I annualized Q4, it was around 55% and this year, we expect this ramp up to go to around 70%-75%. And as far as Dubai plant is concerned, Dubai we were to install 4 mills, right now 2 mills are operational. The volume which I did in Q4 based on 2 mills, my utilization was 45%. 2 mills will start in next one and two months.

Amit Dixit: So, what will be the utilization in FY25 considering the entire plant, I mean 4 mills?

Anubhav Gupta: Dubai we are projecting around 150,000 tons with a capacity of around 300k tons so will be around 50% on all 4 mills running.

Moderator: Thank you, sir. We have a next question from the line of Akshay from Canara Robeco. Please go ahead.

Akshay: Just two questions, sir. I understand that because the demand scenario was bad, and you had to give around Rs. 2 - Rs. 2.5 extra discount, but then what explains the balance part of the EBITDA per ton contraction? I mean on one side if I see sequentially, at least in the commodity product, we have done good actually, which is either not the case in the normal scenario because that gets impacted, but there actually we have shown sequential improvement, but then in the other categories where we have relatively better share so there, so why so much contraction, I mean just in case of Apollo Z also, there was so much contraction that was there. I mean, we had the benefit of leverage because in the previous quarter we did 600,000 tons, but now we are at 680, so even operating leverage was there, so sir why so much contraction beyond Rs. 250 what explains that if you can help, sir? That was the first question.

Anubhav Gupta: So, let me address that part. See Apollo Z, there are two types of product that we sell one is the finish tube, which goes as a roofing structure and second just the GP sheet are just galvanized. What has happened in Q4, the mix of the roofing sheet is pretty high compared to what it used to be in the first 9 months or in Q3 and in selling GP sheet obviously the margins are lower than what you generate by selling complete finished tube, so that explains the deterioration in the EBITDA spread for Apollo Z in Q4. And secondly, see, last year also if you look at FY23, our EBITDA spread was Rs. 4,500 a ton and full year also FY24 our EBITDA spread is like marginally up by Rs. 1,500 a ton, so please understand that Apollo has started its 2 large plants, the Raipur and Dubai lot of fixed costs are loaded upfront as of now, so unless we hit the threshold of like 60%-70% utilization the operating deleverage will come into the accounts. That is what is keeping our margin depressed and when environment is not too conducive to get 15% growth which we did in FY24, then yes, the sales team is told to give some extra incentives to push volumes, so just like Rs. 150 a ton that is what we are talking about on 700,000 ton volume, that is like Rs. 100 a ton is like Rs. 7 crores for the full quarter on an EBITDA of Rs. 300 crores, so it doesn't impact too much to my overall profitability. What guidance right now till March 24th, the sales team had was that go aggressive on sales because we knew that market is going to become conducive after steel capacity coming online, so let us go and hit for like 70%-80% market share in HR coil-based tubes. I would urge you to please check with the large steel pipe traders in the country to please understand that what is the kind of market share which APL Apollo is right now having in the HR coil tube market and none of the dealers will tell you below 75%. So, yes, giving Rs. 5 crores - RS. 10 crores here and there, but we are able to get market share and when the prices are stabilized, then we know that how to get the premium from the market and anyway we have established the premium of 4% to 5% versus my competitor. So, just allow us like time till Q1because Indian steel sector has gone through a very disruptive year after a gap of 5 years, new capacity came in. So, we are just trying to play around that to move forward which we have done pretty well and you will see that the momentum from like after elections, end of Q1, Q2 you will see that all whatever got lost we will cover up.

Moderator: Thank you. We have our next question from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: What was your export in FY24? And what is your target for FY25 and FY26?

Anubhav Gupta: So, Sneha export sales for FY24 were around 110,000 tons, and obviously for FY25 now we are projecting almost 150,000 ton from Dubai plant, so that will be incremental, so overall, my international business will be around 200,000 tons to 250,000 tons. There will be some obviously cannibalization from Dubai plant, which we will not buy from India, but overall we expect it to grow to 200,000 tons to 250,000 tons.

Sneha Talreja: And what would be your total volumes which will be sold to Shankara this year FY24 versus FY23?

Anubhav Gupta: Shankara is like in single digit, my contribution 7%-8%.

Sneha Talreja: 7%-8% of your total volumes?

Anubhav Gupta: Yes.

Moderator: Thank you. We have our next question from the line of Vikash Singh from Phillip Capital. Please go ahead.

Vikash Singh: So, just first question while we have a tall target of 40% kind of a growth, so are we ditching the EBITDA per ton guidance of 5,500 plus because we have to be very aggressive and can't have both EBITDA per ton improvement as well as that kind of volume?

Sanjay Gupta: Vikash when we cross 5 million, I have no doubt if my margin is more than Rs. 5,500 per ton.

Vikash Singh: So, we will be able to target both the expansion in the margins as well as that kind of volume as well?

Sanjay Gupta: Yes, sure because what my thinking is that our Q1 will be a bit soft as per the election in quarter, we are not sounding so loud, but Q2 onwards I don't think last year what we were facing is gap between the secondary and the primary almost 15,000 ton of gap it was a little bit difficult for us to beat that because in 15,000 gap with a same base slightly their low quality material the Indian culture has not understood, so had to face a lot of problems, but what I think is that gap has narrowed down to 7,000 and slowly steel plants like NMDC and JSW Steel hot rolled mill has started and JSW Steel Bellari also started in month of June or July. As these steel plants become operational the gap which is currently 7,000 will come back to 3,000-4,000 which it used to be earlier. I think as soon as it comes to 3,000-4,000 suppose this will start based on the same very theme we have ramped up our capacities according to this theme. Right now, we have a capacity almost close to 4 million ton. Till June our capacity will increase to 4.5 million ton. Only four to five lines are left to come on stream. It is in last phase and after that our 2 plants are coming which is in Siliguri and Gorakhpur with which our PAN India purchase is fulfilled such small plants are there of 2 lakh tons, 2.5 lakh tons where we don’t have a big CAPEX, so from it our capacity of 5 million ton will be completed by June.

Vikash Singh: So, given this spread has already come down to 7,000, so can we expect 2Q onwards, our margin going back to at least to 5,000 levels or that thing will take more lag?

Sanjay Gupta: Maybe not because it is election month now, so we are also aggressive in sales, but Q2 onwards I have no problem.

Vikash Singh: Second question is basically my line got dropped so I don't know whether it is asked or not are we still giving that RS. 250, Rs. 300 discount which we were giving last month, or we have actually pulled back that discount? And why APL Apollo's debt EBITDA per ton decline was very sharp versus the other segment?

Sanjay Gupta: You can say like that, not Rs. 250 and Rs. 300 discount, maybe this discount is more, but not in whole basket. So, average is close to Rs. 250 - Rs. 300. But my discount maybe this is Rs. 500, Rs. 1,000 maybe some product Rs. 2,000 also because we are aggressive in the marketing right now. My first aim is to cover my 5-million-ton capacity. In margins some 100, 200, 300 is up or down I am not caring. My single agenda is how I reach 5 million ton and how I improve my ROCE because if you see that when we cross 5 million ton and we have EBITDA of maybe Rs. 2,500 crores, Rs. 3,000 crores, my aim is right now first time after a long time we had net cash in net cash position. This year, my target is at least we cross 4 figure with the net cash position to Rs. 1,000 crores plus, how can we take this to net cash, after that we will decide that the net cash of Rs. 1,000 crores which came in our books, this year our liability which is around Rs. 1,900 crores in our balance sheet if we get good discount from steel plants then we can eliminate those liabilities or we go for some alternate element.

Vikash Singh: And, sir, the gap for Apollo Z because my line got dropped, so I couldn't hear that answer?

Anubhav Gupta: That was because Vikash, the product mix within Apollo Z we sell finished tube and we sell roofing sheet, so this quarter roofing sheet volume was higher which carries a lower margin than a finished tube.

Vikash Singh: But our annual mix should not change? And what kind of value-added ending sales mix we are expecting for FY25?

Anubhav Gupta: So, we closed at 60% in FY24. Idea is to take it to 70%-75% when we hit 5-million-ton volume Vikash.

Moderator: Thank you. We have a next question from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: My first question is on the shift between primary and secondary, two parts to it, one in your estimation over the last 2years-3 years because of this increased delta, how much incremental share the secondary segment has taken from the primary that is one? And second, sir you have mentioned in previous calls that the secondary market is basically dying want to understand the intrinsic factors behind it, because some industry participants also believe that the markets will coexist as they have for past few decades, and there is a certain price sensitive segment which would still opt for secondary, so just want your perspective on if anything is changing in terms of customer preference etc., or that particular segment need?

Sanjay Gupta: You have to just understand that from last 4 years - 5 years in India there is no steel capacity addition due to that whatever the growth is coming from that inflation came in steel prices. Till date this expense has never been above Rs. 4,000, Rs. 5,000 in history in any countries and if you look anywhere other than India, there is no secondary steel it doesn't exist which is possible in India only. If you see our last 1 year or 2 year is bad in case of our industries for primary steel producers. We have maintained our margins despite such gaps, and we have maintained our growth also. It is impossible that this Rs.10,000, Rs. 15,000 gap is maintained because if you go for cost then always the cost of the primary steel is less than the secondary steel. This capacity was fully de-matched, and that capacity is again revamping. I have no doubt, no question in my mind that it has to be wiped up. I am making a complete theme of 10 million tons for Apollo; and my whole theme of 10 million tons is dependent on this and not only in India but anybody on the second part of the world it is not possible. In India almost 50 lakh ton HR coil per month is manufactured which in next 1 year it is going to become 50 lakh ton to 75 lakh ton. Capacity will take time to adjust so this de match of 12,000-ton, 15,000 ton spread between the secondary and primary will be over because the cost of primary steel is less than the secondary steel and the export marketing is also not good like any particular steel will be exported from India. And further steel plants should get a reasonable EBITDA of Rs. 10,000, Rs. 15,000 and we also get steel at reasonably gap from secondary I don't think these days are far away from us and the customer, consumer understands the difference of 3,000-4,000 very easily and our growth is not affected. And whether they have taken from the market or not, in India there is no particular data for secondary steel. If you see that demand is growing from 7%, 8% then maybe they have not taken from any market. If this demand is growing from 20%, 25% then maybe they have taken the growth there, but in India there is no data available that we can give a proper statement, so it is not correct to comment on that.

Nitesh Dutt: Thanks for the elaborate answer. One more question from my side. So, if we look at the pipe player side or steel tube there including you, everyone is expanding capacity estimating good demand growth, so basically, every player is increasing their capacity by 2x to 3x over the next 3 years, 4 years, 5 years, but the demand is expected to grow in 8% to 10% or at low-teens, so do you believe that this can create an over capacity situation in the industry over next 3 years-4 years? Or do you think the demand will be sufficient to absorb the new capacities that are coming up?

Sanjay Gupta: What you just told about 2x, 3x capacity increase, frankly I am not seeing at the ground level. I am seeing only in the announcements. The only one I am seeing is Tata who is quoting for a 3x capacity in 6 years. I am not bothered by other. Tata's capacity is not increasing that much that I press the panic button. It is not a big challenge to made capacity from 2 million ton in 5 years because we are also talking for 5-million-ton capacity addition in the next 5 years. Number 2 when we are talking in the steel plants and the government we are talking that in India the steel consumption which is around 130 million ton, 130 million ton it will increase up to 300 million ton. In growing country if you see that near 10% tube is utilized of total steel consumption. If India is going to consume 300 million ton steel in next 5 years, 6 years, 7 years then it will require 30 million tons tube capacity will be required by India and in India you can see better than us that where and how strong is the balance sheet and who can quickly ramp up this 30 million ton capacity, so to comment more on that I don't think time will be safe that how it will be done, but we are very sure that our first landmark is going to 5 million ton then maybe 1 year before or 1 year after and the second benchmark is for 10 million ton we are very sure.

Moderator: Thank you. We have our next question from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: My question is on the capacity expansion, which you have highlighted in the presentation in 9-month presentation, the capacity expansion now is more in heavy and super heavy and that plant in light and general structures is lower now. So, where this change happening? And what is the thought process behind this?

Anubhav Gupta: So, this is what the kind of when we had laid down the vision for 5 million ton capacity, so were seeing that what all segments we should focus, but the success what we saw in big and super big section in last 8 months, 9 months, so this made us to believe that we need to install more such mills, because the demand which we project is going to come and also stay ahead of the competition because we installed 300x300 mill in 2017, and now competition is talking about installing such mill after 4 years-5 years and now they are tracking us they see that our 500x500 square mill is gaining momentum. So, by the time they think in next 3 years - 4 years they will want to install such we will be ready with 1,000x1,000, 600x600, so it is just to give a statement in the industry and to our clients that the demand which is going to come up we are ready to cater that demand, so just like minor tweaking in our capacity expansion program which got more skewed towards heavy and super heavy sections.

Anupam Gupta: In terms of the CAPEX and the capital allocation, so obviously your cash flows are very strong as is visible, so the next couple of years' cash flows would obviously be significantly positive. So, what is the plan in terms of allocating that between CAPEX incrementally over the next 2 to 3 years, if you can outline that a bit? And also, any plans of any sort of a buyback which can happen over the medium term?

Sanjay Gupta: Right now, if you see further going to 5 million ton, we have 0 outflows for CAPEX because we are going to make CAPEX of around Rs. 500 crores and we have a some non-core assets with us which will be deleveraged**.** Here our cash flow is 0 till 5 million tons and next for 5 million ton we don't require a lot of money because we have a lot of infrastructure already laid out. According to our business plan, we will have a CAPEX of around Rs. 2,500 crores and Rs. 3,000 crores for another 5 million ton. Our liabilities of about Rs. 1,900 crores were closed in our books. First our aim is to this year we go for Rs. 1,000 crores cash flow and net cash. Then we mentioned with the steel plant that how much discounts we get or don't get in cash flow, either it is better to go for the buyback or either better for remove the treated part from the books or either go for the debate whatever is best for the shareholder and the stakeholders we go for that.

Moderator: Thank you. We have our next question from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Sir, I think in the opening remarks, Anubhav had mentioned solar pipes, so just wanted a little more details on this. So, is this basically solar torque tube that we are manufacturing, or this is more of the mounting structure of the solar thing, I remember a few years back we had a JV with a tracking company and that I think did not go through, so some more details on the solar thing will help?

Anubhav Gupta: So, what I meant with solar was our steel tubes being used for the solar structure, so what has happened is that now if you see any solar installation which has taken place, whether on ground or rooftop, it is has happened with the built-up sections it means IBs. But what you see is that these steel tubes they offer a better design in terms of tonnage optimization. So, this is where we are pushing the designers of solar structures to go for a tube that is one. Second the big shift which is happening is that whatever on ground solar installation has taken place it is time scale. Now the world is moving towards tracking solar systems. Tracking solar system needs to be built only on a tubular structure. Structure cannot move on conventional built-up section. So, this is where the market opportunity lies, and we are working with all the large solar power producers to develop their tracking structures with help of our tubes. So, this is where the opportunity lies, so it is for the structure. We are not getting into solar panel manufacturing or something, it is just we are using our tubes to make the solar structure more efficient, so that the solar power producer can increase its efficiency from solar.

Pallav Agarwal: I got that part. So, I am talking about solar torque tubes which are using the tracking system, so right now we also manufacturing that, or we empaneled with some of the vendors who supply that or this is?

Anubhav Gupta: I would not like to name our clients, but yes, we are working with the solar power producers directly.

Pallav Agarwal: So, as of now, this may not be a very significant portion, but maybe going ahead, this can form a significant….

Anubhav Gupta: Just for the reference point 1MW of solar tracker requires 25 tons of torque tubes.

Pallav Agarwal: And this would be sort of an empanelment process, so like an auto OEM approval process, would that be the right way to look at this opportunity?

Anubhav Gupta: I don't think so because we worked with one of India's largest solar power producer 8 months back they told us that can you develop this product of a pentagonal shape tube, within eight months we were ready with the innovative design and the supplies also started within 8 months.

Pallav Agarwal: And lastly, I think a special grade of steel is used, so maybe recently one or the two Indian companies have started manufacturing it, but otherwise this more often an imported thing, so is that why the prices you mentioned were very high for a particular period of business?

Sanjay Gupta: Yes, all the Indian steel manufacturers are working on the graded steel, and they improve lot of.

Moderator: Thank you, sir. We have our next question from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: I don't want to ask question, but I just wanted to make a point. I understand that movement of steel price in 2023-2024 and 2022-2023 was unexpected and was violently high. And I think it is to the credit of APL Apollo, that very difficult period of downward and very volatile prices of the steel on we have been able to deal with it without surrendering or succumbing. But I also believe that now we have a capacity is coming and we are fully prepared with our assets with the opportunity externally significant, even new opportunity of exports is something that we have opened up. We have one of the highest innovation ratio in STO's compared to any other player, domestic or the global even people like Zekelman, they have much lower level of innovation than we have. And with the kind of rigor and energy with which we pursue every cost line, whether it is logistics, whether it is freight, energy cost or whatever and with the premiumization value added portfolio keeping all these sectors in mind we don't have any other option, but to perform remarkably higher the way APL Apollo always has been known for and has been doing. These last 2 years may have been somewhat slow, in someone else definition it maybe 0%, for APL Apollo that 15% is slow only, but now we have all the things ready, definitely ready everything is set and for not just '24-25, but for years ahead it is our responsibility that right now we have so many sectors in favor of us and after that I believe that our delivery should have been better than the APL Apollo which was there 2 years ago, so I wanted to hear from you, what do you think of that?

Sanjay Gupta: Bharatjhi first of all, thank you for giving such a nice statement, but you have to understand a little bit that Bharatji we are gone with the period where steel prices were very volatile and we are doing the biggest CAPEX we were doing the biggest CAPEX of our lifetime where in 2 years we did a CAPEX of almost Rs. 1,700 crores – Rs. 1,800 crores by combining both Raipur and Dubai and Rs. 600 crores, Rs. 700 crores CAPEX in other plants to improve our capacity and the value addition our total CAPEX was around Rs. 2,500 crores CAPEX in 2 years. CAPEX is only seen in books, but behind that many other reasons and many other factors are there which is not seen in books. If you see our last year's salary cost, then it is almost close to Rs. 250 crores which is close to Rs. 1,000/ton. Earlier it was Rs. 600/ ton, Rs. 700/ ton. As soon as capacity is improved, my cost will come to Rs. 600 ton, Rs. 700 ton. Such type of other fixed administrative cost which were there due to not completion of timely CAPEX of Raipur and the Dubai plant has impacted our margins plus this steel price was one of the major reason that this Rs. 15,000 gap we have to go by maintaining our market shares, so there no doubts we have to sell the material on the pressure selling and now as I feel that the things are onwards capacities of plants are ramp up, raw material availability is very good and 4, 5 HR coil mill to be commissioned is almost ready and standing on the edge to the point that capacity will be ready. I don't think that old Apollo which you want to see will be back soon. I can say only that you can believe on us that as much as we can work hard, our entire management is engaged in that, but unfortunately timing could not support us where we are stuck in and in Q1 we are a bit slow due to elections period as we don't want to be aggressive so that nothing bad happens. We are not going in any big risk aggressively. I feel that you will be able to see old Apollo in Q2.

Bharat Shah: I was saying that only. I was not saying about 1 quarter - 2 quarter or 1 year - 2-year Sanjayji.

Sanjay Gupta: Bharatji, believe on my words that this company 10 million ton with Rs. 10,000-ton EBITDA I will take this 100%. This 5,000, 6,000 are things for saying only. All these are written in books by people who have to work on salary basis. My only aim is 10-million-ton Rs. 10,000 per ton EBITDA which you want to hear I am working on that aim itself I will definitely try on that only. I don't know whether I will fail or pass, but I will try. Zekelman in America can cater an EBITDA of Rs. 16,000 ton then why not in India we can cater Rs. 10,000 ton. My target is the same, but not able to do, so sorry I have disappointed you all, but if you ask me about the target it is the same.

Bharat Shah: No, I am not disappointed at all. I am just putting a pointer that APL Apollo has always performed.

Sanjay Gupta: Leaving all this aside, let me just tell you few things like Anubhav and everybody talk about value addition about 60% is our value addition, 70% is our value addition. If you go into the channel and see that a year ago our material was sold at a premium of Rs. 1,000 ton today my premium is almost close to Rs. 3,000 per ton my own opinion is that my entire product will be value added just give me sometimes, so much work has been done on like my branding, innovation, distribution, costing that there is no leakages and if there is water in this mountain then I will take it out and show you and if no water is there then I can do nothing.

Bharat Shah: This is typically the statement which can be certified as statement of Mr. Sanjay Gupta.

Sanjay Gupta: You go to market, check the channel today any other brand besides us their material is sold below Rs. 3,000. We have been commanding at least Rs. 3,000 of premium in the market. This is not my statement to give up the con-call which is a statement to go and study the channel that in HR coil material Apollo's material is sold at Rs. 3,000 plus.

Bharat Shah: Yes, I know that. I was just provoking that last 2 years were little low.

Sanjay Gupta: You don't need to provoke. I am already provoked. Bharatji I have made the biggest CAPEX of my lifetime. I was earning Rs. 1,000 crores with a CAPEX of Rs. 1,500 crores then how can I let that number be like that with a CAPEX of Rs. 4,000 crores.

Bharat Shah: All the very best wishes and it is really remarkable with the kind of volatility in the steel prices this '23-24 as well as in '22-23, it is not easy to handle and in a short period to deal with it without any sufferance is a phenomenal achievement. I was just saying that I wish the same numbers or even better numbers can be seen and all of the sectors are in our favor, we have products, we have marketing organization, we have channels, we have plant and capacity in the value-added segment, and we have huge amount of focus and try to make it happen, so just in next 5, 6 years…..

Sanjay Gupta: Bharatji I can assure you one thing is that the organization which I am leading, we will leave no stones unturned in proving you are right in any situation. We will try our best.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that would be our last question for today. And I now hand the conference over to management for closing comments.

Anubhav Gupta: Thanks, Manav. Thanks to all the participants for dropping by. Hope to see you soon for our next quarter earnings call. And thanks again to Elara for having us here. Thank you so much.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.