23rd January 2025

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NSE Symbol : APLAPOLLO

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

Scrip Code : 533758

Re: Transcript of the Conference Call held on January 20, 2025

Dear Sir/ Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our letter dated 15th January 2025 intimating you about the schedule of conference call with Analysts and Investors held on January 20, 2025, please find attached the transcript of the aforesaid conference call.

This above information is also 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

VIPUL JAIN
Digitally signed by VIPUL JAIN
Date: 2025.01.23 15:26:55 +05'30'

Vipul Jain
Company Secretary and Compliance Officer

Encl: a/a

"APL Apollo Tubes Limited
Q3 FY '25 Earnings Conference Call"
January 20, 2025

MANAGEMENT:	**MR. SANJAY GUPTA – CHAIRMAN AND MANAGING DIRECTOR – APL APOLLO TUBES LIMITED** **MR. DEEPAK GOYAL – DIRECTOR, OPERATIONS – APL APOLLO TUBES LIMITED** **MR. ANUBHAV GUPTA – CHIEF STRATEGY OFFICER – APL APOLLO TUBES LIMITED** **MR. CHETAN KHANDELWAL – CHIEF FINANCIAL OFFICER – APL APOLLO TUBES LIMITED**
MODERATOR:	**MR. SAILESH RAJA – BATLIVALA & KARANI PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '25 Earnings Conference Call of APL Apollo Tubes Limited, hosted by Batlivala and Karani 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh Raja from Batlivala and Karani Private Limited. Thank you, and over to you, sir.

Sailesh Raja: Thanks Rayo. Good evening, and thanks to everyone who have logged into APL Apollo Tubes Limited 3Q FY '25 earnings conference call. Now let me introduce the management participating with us in today's earnings call. We have with us Mr. Sanjay Gupta, Chairman and Managing Director; Mr. Deepak Goyal; Director, Operations; Mr. Anubhav Gupta, Chief Strategy Officer; and Mr. Chetan, the CFO. Now I would like to turn the call to Mr. Anubhav Gupta for the opening remarks, followed by Q&A.

Anubhav Gupta: Thanks, Sailesh, and thanks B&K Securities for hosting APL Apollo for its second -- third quarter FY '25 earnings call. I welcome all the participants who are joining this call. Well, I welcome everyone with a lot of enthusiasm and excitement because it was a very critical quarter for us because of the very weak earnings in the previous quarter wherein our profitability had declined quite significantly. But we are glad to share that quarter 3 has been our best quarter ever where the all-time sales -- with all-time high sales volume, EBITDA and net profit.

During our second quarter earnings call, we had promised to deliver 10% sales volume growth on a quarter-on-quarter basis and report EBITDA range of between INR4,000 to INR4,500 per ton. And we have achieved the same. But I just like to highlight here that this has been only possible because of the resilient business model of APL Apollo Tubes.

The macro environment has been very difficult since the beginning of this year due to multiple factors such as weak retail demand and a slowdown in the government spending. Despite this, we have been able to achieve a 20% sales volume growth for the first 9 months.

Well, we were well aware of the situation and our focus was to increase sales volume and kill the competition. As you can see that 9 months FY '25 sales volume growth of 20%, which we reported, and we can bet that this is higher than any other competitor or players who have been producing and selling steel pipes.

This implies that APL Apollo steel pipes has gained significant market share in the overall steel pipe market, which also includes low-grade sponge iron pipes because of the transition from sponge iron to HR coil steel pipes as the prices for primary raw materials have fallen over the last 3 to 4 quarters.

Now going forward, we expect sales volume to increase quarter-on-quarter, which is backed by number one, market share shift from sponge iron steel pipes to HR coil steel pipes, where APL Apollo has a clear dominance and line market share.

Our international sales volume is also going strong with the commitment of Dubai plant. Now that plant is operating at 58% utilization, if we look at the third quarter volume. This was very much there on the cards because we knew that we must have access to cheaper steel outside India and Dubai was the perfect destination where we have access to cheap steel from Asian countries.

The third factor is our focus on adjacent round pipes, which is part of the building materials portfolio where we have the capacity. We have the same distribution network, and the pipes are going into buildings for HVAC and water piping and is part of the overall construction material portfolio, which contractors use while construction.

The fourth factor is the ramp-up of our innovative products from Raipur. If you look at the expanded capacity in Raipur, which is 1.2 million tons, the utilization rate is 55%, it would have been higher in Q3, but because of raw material situation like lack of raw material availability in Raipur from one of our steel suppliers, there was loss of volume. Otherwise, this utilization rate of 55% would have been definitely better.

And lastly, our penetration into Eastern market with the commencement of 2 plants, one in Gorakhpur and Siliguri. Gorakhpur will take care of Eastern UP and Bihar, Orissa belt. And Siliguri plant will take care of Northeast markets where a lot of construction activity is taking place, and it has been the focus area for Indian government.

Now talking about the margins, what levers we see are, number one, operating leverage benefits as we ramp up our capacity, which today stands at around 4.3 million to 4.5 million tons and ready to reach 5 million tons over the next 1 year. Right now, we are producing and selling around 3.3 million ton run rate. So, there is INR400 to INR500 per ton operating leverage benefit, what we see over the next 1 to 2 years as we utilize near 100% levels.

Then value-added product mix improvement coming from our Raipur and Dubai plants. Again, it gives us visibility for INR400 to INR500 per ton expansion in our EBITDA spreads. And thirdly is the ongoing discounting, which we shall pull off once we see strong demand pull in the end market, which right now is missing. So, we expect that Indian macro situation should improve in the coming quarters as the government starts spending. And as the monetary situation eases out, the retail demand should also recover in the second half of the ongoing calendar year.

So based on these factors, we are confident that we shall achieve 3.1 million to 3.2 million tons of sales volume for full year. And absolute EBITDA slightly better than last year because there was a lot of mix on the earnings front in the second quarter. So, we are trying to make that up in Q3 and Q4. So, we believe our full year EBITDA should be better than last year EBITDA.

Now that we are ready with 4.5 million tons capacity going to 5 million tons over the next 12 months, so we do maintain our sales volume target of 4 million tons by FY '26 and 5 million tons by FY '27.

The residual capex for these new plants and to reach 5 million tons is around INR6 billion, which will be funded from internal cash flows over the next three to four quarters. If you look at our balance sheet, it remains near debt zero, which is obviously backed by efficient working capital management, now that has been proven over many quarters.

The nine-month ROE/ROCE looked slightly depressed because of, again, poor profitability in second quarter, but same shall improve over the coming quarters as our earnings expand to normalized level and we ramp up our capacities.

That's all from our side. We are ready to take questions. Thank you so much.

Moderator: First question is from Amit Dixit.

Amit Dixit: Congratulations for a good set of numbers and strong rebound after Q2. I have a couple of questions. The first one is essentially, if I still look at your other expenses per ton, they are practically very static if I compare it with last quarter. So last quarter, you highlighted that there was an element of around INR493 in terms of per ton in terms of the discounting. What kind of discounting did we see this quarter? And where it is likely to settle let's say FY '26?

Anubhav Gupta: So, Amit, there are two things. The other expenses don't account the discounting, okay? That gets net off in our selling price.

Amit Dixit: Okay. So, what prompted the…

Anubhav Gupta: Go ahead, yes.

Amit Dixit: So, I'm asking then what prompted these other expenses to remain at a pretty high level of INR4,045 a ton?

Anubhav Gupta: Right. So, if you look at the other expenses, they are around INR3.35 billion in Q3 versus INR3.1 billion in Q2. This is like increase of around INR25 crores on a quarter-on-quarter basis, right? In this, the main element, if we see, one is the freight outwards, which has increased by INR15 crores, right? And then power and fuel, which has gone up by INR5 crores. Then, of course, some miscellaneous expenses, which are pertaining to the plant because plant utilization levels were going up. So, some INR10 crores, INR15 crores increase in the miscellaneous expenses, which pertain to the plant.

Amit Dixit: Okay. So, going ahead, will it remain at the similar level, or we can expect some kind of a drop here?

Anubhav Gupta: So, of course, I mean the major expenses there are freight outward and power and fuel. So, they are variable, right? They would go up as the volume expands, right? But rest of the expenses like consumption of stores and spares, branding expenses, legal professional expenses and miscellaneous expenses, they shall remain stagnant. And on a per ton basis, they will come down.

Amit Dixit: Okay, understood. The second question is on EBITDA per ton for general structures. Now compared to the loss that we made last quarter. I mean, this quarter, you have shown a very smart recovery. Of course, it might be due to the declining spread between HRC and Patra. So can we -- I mean, it's near INR2,000. So, can we see it further expanding as we go ahead? Or you think most of it is done?

Anubhav Gupta: Right. So, see, I mean, between Q2 and Q3, the difference is the inventory loss, which we booked of around INR2,000 per ton, right? That got negated and that's why the margins are up. So, going forward, we are very aggressive in taking market share from the sponge iron steel pipes, right? And we are being very aggressive in the sales push.

So yes, as we ramp up the volumes, the margin in general segment should recover. But it will take a few quarters, right, where you see margins going up to INR2,500 or INR2,800 per ton in this specific segment. Because this is the segment which directly competes with sponge iron pipes.

Moderator: The next question is from Akshay from Canara Robeco Mutual Fund.

Akshay: Just two questions. So, Anubhav, first question is on the rustproof products. So there, at least I see that the margins are still lower. I mean usually, we used to do at least INR6,500, but still, we are INR1,500 off in rustproof. So, any specific reason, is it higher competitive intensity? Or what is it, if you can talk about that, that is first?

And secondly, Anubhav, as you said that we are trying to grab market share from the sponge iron side. So practically, it competes with our commodity side products. So then in this backdrop, does it mean that the VAP improvement, which we were earlier envisaging, will it happen at a slower pace versus earlier envisaged? Of course, your value-added products are also improving, but then if we see the overall mix, it doesn't reflect that much. So then how should we understand this VAP improvement?

Anubhav Gupta: So, Akshay, I'll address the second question first, right. See, I mean, if you look at APL Apollo, we have clear two business segments; one in general, second is value-added. Now APL Apollo is a company which doesn't have scarcity of resources, right, whether to produce general segment products or value-added products, right? We have enough capacity for both segments. We have enough manpower to run both capacities. We have enough distribution network to sell both products, and we don't have any limitation of working capital, right? Anyways, we are working on two days working capital.

So how we see is that both of the two segments are operating separately. Then there is good demand for general product because the natural transition is happening from sponge iron pipe through HR coil pipes. So, we are being aggressive, right? I'm not growing my general product sales at the cost of value-added products. Please understand that, right? I have enough capacity, enough resources to run value-added product portfolio.

It is just that the demand at the macro side is not favouring the overall growth for value-added products. And general segment is growing despite the weak macro because of this transition, which is taking place, right? So, this is industry phenomenon. And we are taking advantage of it. But we are not growing at a cost of value-added products. Whenever there is macro support coming, right, and demand for our -- whether it is coated products, whether it is Apollo Z, whether it is heavy structural pipe, whether it is light structural pipes, right. Whenever the demand comes, you will see similar growth to match general segment growth.

As far as the mix is concerned, at 5-million-ton capacity, the general segment is around 1.5 million tons and 3.5 million tons is the value-added product, okay. And as you know that we do not give nameplate capacity, right? We give sellable capacity. So, if the demand is more for general segment, we can produce and sell 1.6 million tons also from the same machinery, which today we, say, that the capacity is 1.5 million tons, right?

So as far as the capacity is concerned, out of 5 million tons, 1.5 million tons will be general, and 3.5 million tons will be value-added. But yes, if demand for general is more, we can produce and sell more from the same capacity. I hope this is clear.

And coming on question number one, on rustproof. See, I mean, right now, what we do is we give -- we have clubbed two segments under rustproof category. One is pipes and second is sheets. So, in pipes, we are still making INR6,000 per ton spread. In sheet, we are making lower margin. That's why on blended basis, it looks at INR5,000 per ton because we don't want to give too much of sensitive data, which can be seen by our competitors.

So, I mean, we are trying to club the segment. Like this quarter, we also clubbed big and super big into heavy structural, right? But it's not that my margins in galvanized pipes has come off, it's not the case.

Akshay Chheda: Thank you.

Moderator: Thank you. The next question is from Shaleen Kumar from UBS Securities. Please go ahead.

Shaleen Kumar: Congrats on a good set of numbers. Did I hear you say correctly that we will try to improve on the EBITDA of last year and for the full this year?

Sanjay Gupta: What do you mean? Sanjay here.

Shaleen Kumar: This year’s full year EBITDA, can it be better than last year's EBITDA?

Sanjay Gupta: I am talking in a straightforward line; I don't know how to twist and turn and talk. Last year, we had promised, this year we will do a volume of around 3.2 million tons. I am very confident that we can do between 31.5% to 32%. Our volume ratio will definitely go in this ratio.

Number 2, last year our EBITDA was INR1,192 crores. At any cost, we want to cross this figure. We can do all numbers better than last year but unfortunately, we can't do the EBITDA per ton. We can’t beat last year’s. We want to beat the number on the absolute amount of EBITDA on the volume basis. We want to take a growth of at least minimum 20%.

We want to take a growth and if there is in the absolute amount of EBITDA, we want a growth. Number two. We have pressure on the margins. Our pressure is on two areas. If you see, in light structure our margins are between 1900-2000 and in rust-proof our margin is around 5100. In this quarter, we are trying to improve both of the margins. We are trying to take 1900 to 2500 and we are trying to take 5,100 to 6,000. So, if you see the impact of both of them, you will get an impact of INR400-INR500.

So, it means we are targeting this quarter more than INR4,500 per ton EBITDA.

Shaleen Kumar: Okay. So, Sanjay sir, you are talking about INR400 crores plus in one quarter?

Sanjay Gupta: I am doing it perfectly, Shaleen ji.

Shaleen Kumar: And you are also talking about 4,500 per ton EBITDA?

Sanjay Gupta: Yes, I am. And I am doing it conservatively.

Shaleen Kumar: Sir, please tell me something. From the last few quarters, we have not been seeing growth. One thing happened between our HRC and Patra. That is in favor of us. But in large data [Inaudible-22:09] there is no HRC. In heavy structure there is no HRC, in value added. So, what is happening there? Where do you get the confidence there?

Sanjay Gupta: No, as we are seeing from the projects, we have received a lot of inquiries and orders that have been stopped since the last 2-3 quarters. Q2 was very clean. Q3 has revived a bit. I have seen that Q4 has revived a lot. It is very good. Plus, we have also got a very good order from Saudi Arabia. We have started a lot in new projects in Saudi Arabia. So, we are very confident. God knows but we are very confident that we will do better on every front.

Shaleen Kumar: Sir, as you said that you got an order from Saudi Arabia, will its supply be from Dubai?

Sanjay Gupta: Some parts are from Dubai and some parts are from India. The sizes of 300 to 500 are from India. 300 is from Dubai. Our 1000 square feet will start in February. We have a good order book for March. I have studied three things. I want to work on innovation, branding and cost controlling. I have been working on all three. Unfortunately, we have stopped our spending on innovation and branding due to the margins. Now we have been aggressive again.

I don't think we should face any issues. I am very clear about my roadmap plan. This year we could not give full number of inventory loss. But my vision of 4 million tons for next year is intact. My vision for next year's vision is 5 million tons. And Anubhav was saying that the [24:11-Inaudible] of INR500 crores are left. But not for 5 million tons.

Our capacity will increase and come to 5.5 million tons from 500 crores. Like we had, the capacity of the structure is decreasing due to cold rolling. So, we have added a new plant in Malur. We have added a new plant in Ahmedabad. We had an empty machine. So, we told them to go near the market and install it in Ahmedabad.

So, some of these capex have been added to it. So, the number of capex is increasing from 200-250. Otherwise, our capex were intact. Our capacity will reach around 5.5 million ton.

Shaleen Kumar: Sir, any new product like 1000 mm product?

Sanjay Gupta: We have a new product of 1000 mm square in this quarter. In next quarter, we will have a new product of Galvalume. In Q1, Galvalume – quarter-on-quarter we will keep bringing a product for innovation.

Shaleen Kumar: Sir, one challenge when we talk about distributors level, and this is more in South, they are saying that state government's capex is a bit less because…

Sanjay Gupta: I would have got all that in the same year I would have crossed 4 million tons. I crossed 3 lakh tons in October and 3 lakh tons in December unfortunately in November our slowdown was 238 in January we are going from 285 to 288.

Shaleen Kumar: Okay. What is our share in March?

Sanjay Gupta: We hit 3 lakhs in October and December. So, I am not saying that we will hit 4 million for next year. I take a target for tough. I believe in failing in my target. If I pass in my target, then what target did I take target for tough. I believe in failing in my target. If I pass in my target, then what target did I take?

Shaleen Kumar: No, no, sir. Okay, sir. Very good, sir. Thank you so much.

Sanjay Gupta: You can discount your target by 10%.

Shaleen Kumar: I hope, sir, that you achieve your target sir.

Sanjay Gupta: If I talk about conservative, my team will be more conservative I am bullish, I will follow that.

Shaleen Kumar: No sir. We will follow that too. We will follow your target; you will achieve it.

Sanjay Gupta: Thank you very much.

Shaleen Kumar: Congratulations and thank you so much sir. I will go back in the queue. Thank you.

Moderator: Thank you. Rohit Singh from Nvest Analytics Advisory.

Rohit Singh: Good evening, sir. Congrats for a good set of numbers. Sir, can you please comment on why this slowdown in government spending like do you see any structural risk here like we were talking about growth. Last 2 quarters were also tough. But everyone was saying like economy will start recovering Q3 onwards. But now suddenly, macro tailwinds are getting converted into headwinds. So, what's wrong happening in this space? Can you comment on it?

Anubhav Gupta: It's very tough for us to -- I mean, tell you the exact answer. But we also read a newspaper, etcetera, what everyone is, or everyone must be reading that the government spending on infrastructure for the first 9 months has been below budget, right. That is one. And second, of course, because of new government formation and the delayed budgets and delay in release of funds, that is impacting some overall demand for the construction sector.

But that being said, some of the segments continue to do well. For example, railways, aviation, which have been the core focus areas for the government. There is some slowdown towards the water transportation infrastructure or other segments. But yes, I mean, everyone is hoping that with this budget, which is due over the next few days, the release of funds will start and that will give a push to the overall spending from the government side.

Rohit Singh: Got it sir. That's it from my side. All the best for the future.

Moderator: Thank you. Next question is from Gargi from Value Investments. Please go ahead.

Gargi: Hi, sir thank you for the opportunity. Sir my first question was that we buy HRC from steel companies, and it is usually supplied at a standard size which is then later reduced to see APL's requirement via this cold rolled mill that we have. So, with respect to that, what is the standard thickness size that you buy. And in cold rolled mill, how much do we reduce the thickness?

Anubhav Gupta: So, Sanjay Ji, she is asking like what is the standard size of coil thickness, which we get, right? And we have to cold roll to reduce the thickness.

Sanjay Gupta: We have taken a different type of thickness for different type of material. Like we have to make 0.8, so what will be the raw material for that, 1 mm, 1 ounce, what we require to make 1-2, what will be the USP, we have to make 1.6 or to make 1.4. So, we are taking all the different type of thickness with the different type of finished product we required. There is no standard method.

Gargi: Sir, I actually wanted to ask you because in the previous calls I've heard that, because of this cold rolled mill, the cost of production reduces in terms of the products wherein the low thickness HRC is required. So, what's the percentage of total APNs per product portfolio requires the low thickness coils? And are these the products of light structures and apologizes?

Sanjay Gupta: Almost 30% we require for the thinner gauges.

Gargi: And sir, entirely we are doing it inhouse?

Sanjay Gupta: 30% material we are doing is the cold rolling.

Gargi: Okay, sir. And as per the requirement, entirely, we are doing inhouse or cold rolled, are we also outsourcing?

Sanjay Gupta: No, no. So slightly, we are taking the house. We are now short of supply, so our capacity is full. So, we are taking some in the south with 5,000 to 10,000 tons per month. Otherwise, we are totally equipped with our finished product. So, we are putting a plant in South also for this product.

Gargi: Okay sir, so if the capacity of 5 million tons is there, what percentage of the product portfolio will require the cold rolled mill and how much will we do in-house?

Sanjay Gupta: Madam, this depends on the market, but the capacity of cold rolling was around 2 million tons. If we take 5.5, then we should have nearby 30% capacity of 1.65 million tons -- 1.7 million tons.

Gargi: And for this, we have set up the cold roll capacity in South India?

Sanjay Gupta: We have already, in South we got short. In South, we are planning to build a new plant in Malur.

Gargi: Okay, sir. And INR500 crores, INR600 crores capex you said, will be covered in that only?

Sanjay Gupta: Everything is there – Siliguri, Gorakhpur, Ahmedabad, Malur, 4 new plants and some capacity build up in Dubai, we are increasing it. So, all of that is there.

Gargi: Sir, second question is with respect to Shankara and SG Mart, with the current sales volume? So, what is the current sales volume of SG Mart and Shankara? And when we do it…

Sanjay Gupta: SG Mart, Apollo is not doing any business. If there is a coil shortage from the yard of SG Mart, we will take a little more than 1000 tons, 2000 tons of coil. I don't think we have perfect data. Shankara is doing almost 35,000 tons per month.

Gargi: And sir, how much is our target in 5 million tons to sales to Shankara?

Sanjay Gupta: We don't prepare this type of target and in so detail we don't get so much time on open call. This you can talk personally from Anubhav.

Gargi: Okay. Okay. And last question is with respect to in previous call, we had talked about our intention to expand distribution in US, Europe and Middle East. Sir, if you can talk about the export opportunities in these regions and what is our competitive strength?

Sanjay Gupta: Yes, Middle East, we are already -- we are doing 16,000 tons, 17,000 tons per month. So, our customer base is increasing a lot. And as our delivery and supply system is improving a lot, the import of the square pipe and the structural pipe has stopped. So, there is a little old stock, and we are just seeing that destocking is happening.

I think from February and March onwards, we have a good response from the Middle East market. And Saudi also we are doing 4,000 tons to 5,000 tons per month volume, and we are doing it in India. Our volume should increase there also. We are going to the second round of phase of capex in Dubai. Our capacity was of 3 lakh tons there. We are extending from 3 lakhs tons to 5 lakhs tons per month. In Dubai we can talk freely. We don't have to worry about Dubai. We can talk freely on the call.

Gargi: Okay. So, if you can expand. Destocking is happening, and imports have reduced in those regions, Middle East region. So, what is our late fees, is our cost of production lower or because it is a relatively new market for us. So, what is our churn?

Sanjay Gupta: The biggest game there is when we fixed our service, there was almost a dealer who used to run on a 4-month inventory cycle. Like India, we started reducing the demand there. Like if I give you an example, till October-November, we used to get orders of 3000 tons, 2000 tons per month. We used to send the goods.

Our service was not good, we used to supply. From last one and one and half months, we are not getting orders of 100 tons per month. We are confident that we will get to deliver the order within 48 hours. So, I can see this change in those market.

Management: The same change what we brought to Indian markets in 2017 with introduction of DFT.

Moderator: Thank you. The next question is from Devvrat Mohta from Capital Group. Please go ahead.

Devvrat Mohta: Congratulations on a good quarter. I have two questions. Sir the general commentary that macro is very weak. What gives you confidence that you go from INR350 crores EBITDA to INR400 crores EBITDA in Q4? That's my first question.

Sanjay Gupta: I have confidence in my work. What database can I say? And what I am doing is visible on its basis. That I should not have any problem in achieving it. I have seen that from January onwards, till December price will break and will break more. So, we had to push the goods and sell them. That push sale is also slowly getting over. Demand is also slowly getting created people are afraid that price will go down now steel price is on the bottom.

So, push sale is also getting finished we are also working very well we are focusing on everything, not just the cost.

Devvrat Mohta: Understood. And sir second, we are focusing on are saying INR400 crores in Q4 and on your volume, that means you have INR4,500 EBITDA per ton, so should we work with INR4500 EBITDA per ton as the base for FY '26?

Sanjay Gupta: My target is INR5,000 minimum. Going forward, INR6,000. I am stuck in this situation that I am not able to say more. First achieve this and then I will talk about the next. My system is very strong. I am not happy with 4500 or 4000 is not my aim. My aim is minimum 5000 and going forward 6000. But for that I need a lot movement and I need external fast. I don't want to talk about 4500-4000.

Devvrat Mohta: So, in worst case also you think you should be able target is 4500 and above that we will see?

Sanjay Gupta: Yes. My minimum target is 4500 or going forward my minimum target is 4500. Because we are doing our policy according to 5000 rupees per ton. Now there are marketing team, CEO, Marketing Head, people of branch level, people of RM level. They pass on discount. I am seeing a very low discount trend regarding December. We built our policies according to INR5,000.

Moderator: Thank you. Next question is from Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Congratulations on great set of numbers. Just a couple of questions. On the previous participant's question, you put discounting is reducing. Versus Q3, where are we at this point of time?

Anubhav Gupta: So, Sneha till now whatever trends we see in the first 20 days of the quarter, ongoing quarter we see INR100 to INR200 per ton discounting pull off has been done by our sales team.

Sneha Talreja: Okay. So currently we are around INR300-odd discounting on the channel?

Anubhav Gupta: INR300, INR350, yes.

Sneha Talreja: Understood. Secondly, just wanted to take some flavour. I know you have been mentioning one fact that HRC capacity is in India are getting added up. But what is -- still there's an ADD implementation? How do we make sure that the gaps will still remain? So just some comfort on the gap of Patra prices and primary prices remaining?

Anubhav Gupta: So Sneha see, I mean, the logic says that even with the ADD there will be recovery, not to the extent what we saw during COVID levels where HR coil prices started going above INR60,000 a ton and then Russian-Ukraine war taking HR coil to INR70,000 a ton. That was the period which hit us the most. So, whatever happens at the policy level, we don't believe that the spike in steel could be to that extent.

Sanjay Gupta: Number two Sneha in the secondary type of material, we never think about these products because there we don't have the business with us. Business is in the hands of the steel plant and if you see JSPL blast furnace has not started yet. JSW [inaudible 41:44] is getting stabilized. AM/NS blast furnace it will come in August, September. So, in India there is a rumour, but bid not been done yet.

And when this capacity will build up the cost of production from secondary material it is almost 10,000 per ton it is less, short term maybe there is a future, but in long term if we see it will be sold in less rate and it will be costly. So, this business won't sustain according to me and apart from India nowhere secondary business runs.

Sneha Talreja: Understood sir. That was quite helpful. Thanks a lot, and all the best.

Moderator: Thank you. Next question is from Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Good evening, sir. I had a question on the realization. So, this quarter on an average HRC prices did fall from the previous quarter, but we have shown our blended realization there's an increase over the second quarter. So, any particular reason for that? Is it due to our value-added product or what has led to the better realization?

Anubhav Gupta: So, if you look at our NSR. So, if you look at NSR there is a stock in trade like in our cost if you see. So, if you remove that, then you don't see increase in the NSR. We've got to see it without increasing in stock in trade.

Pallav Agarwal: So, I have to reduce the stock in trade, what was the purchase even from the sales to come to the blended NSR?

Anubhav Gupta: That is right.

Pallav Agarwal: Okay. And will this trend continue of external purchases because I would guess the margins over there would be lower than in house products or this was more tactical thing or short term in nature?

Anubhav Gupta: Say it again, please?

Pallav Agarwal: So, I am saying will this trend of higher purchase of stock in trade continue because I thought that margins on a trading portfolio would be lower than our in-house products.

Anubhav Gupta: Trading is almost zero.

Pallav Agarwal: So, you did this because of to gain market share or any particular logic if it was not very profitable?

Anubhav Gupta: So, this is not manufactured product. This is raw material which gets traded. So, 828,000 ton for the quarter 3 is by manufactured volume which we give. And you remove stock in trade from the revenue, you will get the NSR for the manufactured.

Pallav Agarwal: Okay. So basically, the stock in trade was HRC, not the finished?

Anubhav Gupta: That is right.

Pallav Agarwal: Okay. Also in our presentation, you are mentioning, we were talking about the solar opportunity. So right now, what would be the proportion of volumes that go into the solar pipes?

Anubhav Gupta: So, there are like three products, which APL Apollo manufactures today which go into solar sector. One is from Raipur which is our alu zinc coils which go into the solar mounted structures for ground-mounted solar park. So that capacity started 6 months back, and we have started selling specifically for the solar sector.

Then there are some specialized tubes which go for the solar trackers. So that's a slow-moving product because you get -- we need a lot of approvals from the consultants of the independent power producers who are installing solar tracker and solar tracker anyways is anyways a new product for the Indian market.

Although we have exported a lot of pipes for international trackers, but Indian tracker market is very new, and it is expanding at a slower pace. And third product is our standard pipes, which go on the residential rooftop solar. They are replacing angles and channels. Again, we have -- what we are doing here is that we are educating the EPC installers, EPC contractors to go over rooftops for -- at residential terraces and install small solar plants.

So, yes, it’s a new segment for us, but these are three categories, and we are working across all the three categories to boost volumes. Right now, the proportion is small, but over the next two, three quarters we see good volume coming from solar segment.

Pallav Agarwal: Okay. Because I think the tracker, is that the top tubes that we are talking about which we need approvals from?

Anubhav Gupta: That is right.

Pallav Agarwal: Because there I think the opportunity could be pretty big once you get the approvals in place?

Anubhav Gupta: Of course, and again here the idea is to come up with like just -- not run of the mill tubes which a lot of our competitors are in the market and selling run of the mill tubes where margins are very less. And they are selling to the large players, very large conglomerates who don't give margins to their OEM vendors. So, we are not talking to those large customers.

We are talking to midsized customers where we help them with the design. So, then they are bound to buy tubes from us at our margin. Otherwise, whatever some players are in the market trying to sell solar top tube, there is no margin which any large developer will offer. Now we also tried, but we backed out because margins were like as low as INR2,000, INR3,000 a ton.

There could be some freight arbitrage, some players may be getting if they have their mill near to the solar park, but otherwise it's not a profitable segment with the large conglomerates where they have their design and they just ask you to roll the material to make pipes.

Pallav Agarwal: Sure. Yes, thank you so much.

Moderator: Thank you. The next question is from Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Congratulations for a wonderful set of numbers. So, sir, when we look at heavy structure as a category even when we look at difficult quarters we had, metrics are fairly consistent. So how do we look at the demand scenario here and the customer base that we have, because it seems pretty much immune to demand scenario in the general space.

Anubhav Gupta: You're talking about heavy segment, right?

Bhavin Pande: Yes, heavy and premium products.

Anubhav Gupta: Heavy and?

Bhavin Pande: The premium products.

Anubhav Gupta: Premium products, which segment are you referring to in specific?

Bhavin Pande: Coated in Apollo Z and Apollo galvanized?

Anubhav Gupta: Yes. Okay. So, see, heavy structural tubes are definitely prone to the macro environment because these pipes go into infrastructure projects like railway stations, airports, health care infrastructure, etc., okay? So, the first 9 months have been tough in terms of demand from the infrastructure projects, like any other building materials.

But because of our high market share, we've been able to grow this segment at 20% in first 9 months, okay? Then comes the Apollo Z or the light structure, this is a residential product, okay, that goes into homes. This is part of our 60% of our portfolio that goes into residential homes.

Now again, the demand from retail side has been weak over the last 3, 4 quarters consistently, right? So here also, we are not getting any tailwind as such, right? We expect consumer demand to pick up from the second half of the current calendar year. And then we'll see good pickup in light structures and Apollo Z. Light and Apollo Z are like maximum going into residential segment.

Bhavin Pande: And when we look at our ability to penetrate into markets where the market still has not grown or there's no mature market, like we are doing for Eastern market. So, is it safe to assume that we can put up more plants wherever we feel that demand visibility is there?

Anubhav Gupta: The Eastern market, we are starting with 2 new plants, right. Normally, any company would go for one plant, right? But we being Apollo, we are straightaway putting up 2 plants, right? One in Gorakhpur to capture Eastern UP and Jharkhand. And then we are putting our plant in Siliguri, which will take care of these second sister states, right? And some exports maybe to Burma, etcetera. Bhutan, we keep on getting good inquiries from there.

So yes, I mean, the idea is to seeding these plants first, so the minimum investment. If -- I mean the response would be good because our market share in that market is very low, right? And then we don't mind expanding capacities as our plants ramp up. That has been our strategy, right? We go slow and then we become aggressive once we see the trends for market share gains.

Moderator: The next question is from Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: My question has been answered. So, thank you.

Moderator: Thank you. We'll move to the next question. Next question is from Aditya Welekar from Axis Securities.

Aditya Welekar: Yes, sir, just one clarification on the residual capex. So, in the last call, if I recall, it was near about 3 billion to 3.5 billion. And now it's 5 billion. So that is for the capacity expansion earlier it was 5 million tons. Now it is 5.5 million tons, right? Is my understanding correct?

Anubhav Gupta: That is right. Yes.

Aditya Welekar: That's it from my side. Thank you.

Moderator: Thank you. The next question is from Arpit Tapadia from IGE Family Office. Please go ahead.

Arpit Tapadia: Congratulations on a great set of numbers. My question is, as you highlighted in your opening remarks about the scarcity of raw material availability in our Raipur plant. So, what exactly is that raw material and how scarce it is. And what the company is doing to mitigate the same?

Anubhav Gupta: So that was like a minor shutdown from our Tata Steel plant, which impacted our volume. So, this was not a significant -- this was not a significant loss, right, to the volume, which would have made us to change our strategy in sourcing of steel. Yes, I mean the volume could have been higher 5,000 tons to 10,000 tons, right? But it is stable now from Jan onwards, it's been pretty stable.

Arpit Tapadia: Okay, great. That's it from my side. Thank you.

Moderator: Thank you. The next question is from Mann Ashar from GrowthSphere Ventures. Please go ahead.

Mann Ashar: Congratulations for the set of numbers. I just wanted to understand as the demand is shifting from, say, secondary prices to HR coil pipe. So how do you see narrow-width HR coil pipes as a market, because there are competitors emerging from that area as well and the pricing is very much similar in the market to HR coil prices? And so just wanted to understand your view from a competition perspective, of that particular segment?

Anubhav Gupta: You mean the Patra, right?

Mann Ashar: Narrow with HR coil?

Sanjay Gupta: Well, there is no quality of Narrow with HR coil. There is HR coil or there is secondary. Whatever you share narrow with, Patra, secondary whatever. But there is only 2 type of material in the market, one is primary, one is secondary.

Mann Ashar: Okay, sir, got it. Thank you so much.

Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Anubhav Gupta: Thanks, everyone, for dropping by and listening to our Q3 Investor Call. And thanks to B&K for hosting us. We look forward to speak to everyone during the earnings call. Thank you so much.

Moderator: Thank you very much. On behalf of Batlivala and Karani Private Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.