"APL Apollo Tubes Limited
Q1 FY27 Earnings Conference Call"
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MODERATOR: **MR. PALLAV AGARWAL – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to the APL Apollo Tubes Limited Q1 FY27 Earnings Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in the listen-only mode and there will be no opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pallav Agarwal from Antique Stock Broking. Thank you and over to you, sir.

Pallav Agarwal: Yes, thank you, Lizanne and good morning, everyone. Apologies for the delay in starting the call. So, we have the senior management of APL Apollo Tubes represented by Mr. Sanjay Gupta, the Chairman and Managing Director, Mr. Rahul Gupta, the Director, Mr. Deepak Goyal, the Director Operations, Mr. Anubhav Gupta, the Chief Strategy Officer and Mr. Chetan Khandelwal, the Chief Financial Officer. So, I'll now like to hand over the call to Anubhav for his opening remarks. Over to you, Anubhav.

Anubhav Gupta: Thanks, Pallav for hosting Apollo Tubes for its Q1 FY27 Earnings Call. I apologize to all the participants for starting this call a bit late. There was technical issue with the operator. Thanks for joining in. Just to highlight that Mr. Rahul Gupta, the Director and Chetan Khandelwal, the CFO, they have gone for an urgent meeting. So, the call is being attended by Mr. Sanjay Gupta, myself, Anubhav and Mr. Deepak Goyal, the Executive Director.

So, Q1 FY27 was the mixed quarter wherein the volume was below expectations, but the profitability was better than expectation despite declining the quarterly volume. So, we have to decode the volume of 745,000 tons for the quarter and if we map it with the Q4 FY26 volume, there were three, four factors which impacted the volume.

Number one, of course, being the UAE operations which were hit because of the geopolitical situation there and we lost almost 25,000 tons quarter-on-quarter. Number two reason was decline in the volume of SG premium brand which of course is in competition with the secondary material. So, because of price gap, which was pretty high, the volume suffered there.

Number three reason was the energy crisis in India which impacted our volume for some of the products like rust-proof pipes and roofing products. So, there also we lost 25,000-30,000-ton volume. And the last reason being high factory inflation during the quarter which led to the softer demand in the construction industry and it impacted both primary sales and secondary sales. Primary sales because prices were pretty high and there was fear of correction in all commodities. This led to destocking by our channel partners and secondary demand which comes from the EPC contractors and real estate developers and not only structural steel pipes, but other construction materials like cement, tiles, plywood, plumbing pipes, cables and wires, electrical fittings, bath fittings, every construction material product prices went up.

So, the EPC contractors and developers, they kind of delayed their purchases which impacted the primary sales, sorry, the secondary sales for Apollo Steel Pipes.

Now, the run rate was around 250,000 tons per month for the quarter one. Our focus was on maintaining the profitability because the situation was so uncertain because of the ongoing geopolitical situation. So, we chose to focus on profitability and as a result, you would see that our gross profit per ton increased by INR1,000 on quarter-on-quarter basis.

This was of course due to our better pricing power as we were holding on to prices. If steel prices were going up by INR1,000 per ton, we tried to improve our prices for our product by plus 100 plus INR200 per ton over and above steel price increase. And because of our strong brand positioning and pricing power, we could sustain that.

And because of improvement in gross profit by INR1,000 per ton, our EBITDA per ton was flattish above INR5,500 per ton on Q-o-Q basis despite the negative operating leverage which arose because of 20% decline in volume on Q-o-Q basis. But now that scenario is slightly improving, we are again focusing on volume growth and in month of July, the volumes are up by 20% on month-on-month basis.

We of course tweaked some pricing for some of the product categories. So, so we do expect that our EBITDA spreads will remain in range of INR5,000 to INR5,500 per ton throughout the year. For full year, we do expect and we are confident that we will be able to achieve 20% growth in absolute EBITDA.

Quarter-on-quarter basis, it is tough to anticipate absolute volume and absolute EBITDA per ton, but we are confident that for the full year, we will be able to achieve 20% EBITDA growth for FY27 versus FY26.

Now, the capacity which is coming online, whether it is Gorakhpur, which is 200,000-ton plant, then Siliguri 300,000-ton plant, then New Malur which is almost a 1-million-ton plant and another 0.5-million-ton plant which we are contemplating in either Maharashtra or North Karnataka. Put together 2-million-ton plant capacity will come online over the next two and a half years and over and above 1 million ton of new capacity through debottlenecking across our plants.

So, with this 8 million ton, our share of value-added products which right now is like 65%, it will increase to almost 75%, 80%. So, so as a portfolio, we are continuing to de-commoditize so that impact of steel price volatility and gap between primary and secondary steel, it continues to have lesser and lesser impact on our performance.

On balance sheet front, the working capital days remain below zero and the cash on books which we hit INR15 billion in March '26, it remains at similar level at INR14 billion in June quarter as well. And we continue to remain prudent in our working capital efficiencies. So, all in all, we can say that quarter two will be better than quarter one in terms of volume and absolute EBITDA.

And second half, the macro factors should come into play in positive manner which will boost second half performance for Apollo better than H1 and it will give us it will give us room to achieve our annual guidance of 20% EBITDA growth and the new capacity expansion which will start coming in phases from second half of this year till FY28, we will we will we will continue to improve our financial performance over the next three to four years from FY28 to FY30.

That's all from our side. We'll be happy to take questions now.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Shaleen Kumar from UBS India. Please go ahead.

Shaleen Kumar: Yes, thank you. Thank you and congrats for the good set of numbers despite tough macro. Thank you, Anubhav. Thank you, Sanjay. So, Sanjay, I have a question with you. Sanjay, our expectations in the beginning of the year was to do around 15% to 20% volumes in the year. 1Q.

Anubhav Gupta: Yes. It is that currently.

Shaleen Kumar: So, sir, 1Q so basically, I am saying we can do around 20% in the next nine months?

Sanjay Gupta: Shaleen, more or less we are trying our level best to achieve this numbers, that 15% to 20% in the volume growth and 20% and above EBITDA growth.

Shaleen Kumar: Okay. Okay. So, you are maintaining your guidance?

Sanjay Gupta: Yes. 101%.

Shaleen Kumar: Okay, that's very good to hear, sir. Sir, second thing I want to understand is about the UAE as a market, right? So where is it right now? And in this, is it right to assume that there will be a pent-up demand as well as a reconstruction demand going forward? And second part of that question is, yes, please go-ahead sir please. So, second part of that question is.

Sanjay Gupta: Yes, yes first you complete.

Shaleen Kumar: The first point is that there will be a pent-up demand because for the last three or four months, I don't know, you will tell how the work is going. Secondly, obviously in the Middle East, whatever issues have happened, the reconstruction demand will come. The third question will be how we will participate in that demand. Only with the capacity there or we can export from here as well? On this.

Sanjay Gupta: Shaleen, first of all, in Dubai, where we had almost reached zero, at 5,000 tons to 6,000 tons per month, because both incoming and outgoing were closed. Now from July onwards, the materials which were in transit have arrived in large numbers. No doubt we had to take some hits in pricing; demurrage on our ships has been high.

We have a stock of almost an inventory of 70,000 tons in transit at our plant. So, for two or three months, we have no problems there, and in July, we have done 10,000 tons to 12,000 tons in the month of July. This month we are targeting that our plant will reach 16,000 tons to 17,000 tons again. And in September, I think we will capture the 24,000 tons to 25,000 tons we had captured earlier.

Demand there, local demand is being created very well. There we have a small problem that currently we do not have a lineup of raw materials for 70,000 tons. So as the scenario improves, we will line up the raw materials again. So, we are very hopeful from Dubai that our margins and demand will be good.

Number two, our Gorakhpur plant in the east zone will start at any time in September. So, it will give us full ramped up volume in Q3. And we have a line for a roofing product starting in APL, which will also give us 20,000 tons of ramped up volume.

So, with these three or four extraordinary things, plus we have become quite aggressive in marketing from July. So, I don't think I will have any problem to cross 15% volume growth. Yes, some tailwinds will be needed to cross 20%. I cannot say that with confidence right now; I can say 15% confidently.

Shaleen Kumar: Sir, if you do 15% for the year, then the next nine months will be 20%.

Sanjay Gupta: Yes, I know Shaleen. We have to cross 4 million tons; I am also understanding what I am saying.

Shaleen Kumar: Okay, okay. So basically, we are confident because of the new capacity coming in and the Dubai market.

Sanjay Gupta: Absolutely Shaleen. I'm trying my best to cross 1 million ton in Q2. We have already crossed 3 lakh tons plus in July. In August we are targeting 3,30,000 tons, 3,35,000 tons. In September, we are targeting around 3,50,000 tons, 3,60,000 tons to cross 10 plus. Aside from that, the scenario changes quite fast, so I don't give these numbers very confidently. But for the full year, I am very confident that I will achieve the guidelines I have given by any means.

Shaleen Kumar: That's very good to hear, sir. That's very good to hear. Sir, one last thing. How was the commodity price inching up, the gap between Patra Segment and steel again increases. So how is it impacting us?

Sanjay Gupta: This has a huge impact Shaleen. If this impact were not there, I would have confidently told you 25% growth, which was going on in January and March. But the hopeful thing in this is that if you see, the steel capacity is building up significantly, Shalin. For that, I might have to bear pain for another one, two, or three quarters.

But the way steel capacity is coming across India, I am very hopeful. This is a matter of time; I am just waiting for that time when this gap will come down, the way the EBITDAs are coming at INR15,000 to INR20,000/ Ton for all upstream steel players, capacity will definitely come to India. And when capacity comes, secondary will have to end because its cost is very high compared to primary. The real tailwind for Apollo will come then, the capacity for which I am sitting prepared. If you ask me now, I am passing the time.

Shaleen Kumar: I hear you sir, I hear you.

Sanjay Gupta: You hear about any steel capacity; announcements are coming from everywhere. Lloyd Steel has announced a capacity of 15 million tons and work on it is going very fast.

AM/NS is putting up a capacity of 10 million tons to 12 million tons in Visakhapatnam. JSW is announcing a lot of capacity, Tata is announcing capacity, JSPL is announcing capacity, a new plant of JSL that I was just reading is coming near Nagpur. So, the way capacity will come, the time for downstream will come in India.

If you look at Patra material, then study it; you won't find Patra material anywhere except in India. This has a big impact on our 30% business, no doubt. We are carrying both plan A and plan B; on the other side, we are increasing our capacity significantly in the non-Patra segment as well, so that its impact also ends. Plus, if this comes, it will be the icing on the cake for us.

Shaleen Kumar: Okay, okay sir. Great sir. I think that's it from my side sir. I'll join back the queue and congratulations on a good set of numbers.

Sanjay Gupta: Thank you Shaleen. We will not disappoint you; my whole team is working very hard.

Shaleen Kumar: For sure sir. Thank you.

Sanjay Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Sneha from Nuvama. Please go ahead.

Sneha: Good morning team and thanks for the opportunity. Couple of questions from my end. One is you clarified the guidance already. I would like to ask, sir, you also mentioned that Tata, Jindal, everyone is adding capacity on the upstream segment. But what we also understand while doing channel checks sir, these like for example Tata is expanding capacity from two and has plans to even go up to four million tons to five million tons into pipes also. They are also getting aggressive with respect to servicing.

What's your take on the competitive intensity in the coming quarters, how is it at this point of time, and how is it likely to be going ahead? And what are the measures that we are taking in order to retain market share or in fact keep improving? That's first.

Sanjay Gupta: Good morning, Sneha. Steel capacity is coming, and in pipe too. I also heard and I also read that Tata is also adding a capacity of four million tons, but I don't know this is not fully described yet; how much structural tube, how much automotive tube, how much API tube. If you see, there are many other segments in pipes.

We are in only one segment. So, what is their target in this segment? I don't know. But so far, we are not getting any such feel from the market from any competitors. Until now, I don't feel that we are losing any market share. Okay, dealers keep doing a little up and down, that this has come, that has come. It's a part of life and business.

And we can never take 100% of the market share; if any player comes, then we have to share. If we take 60% to 65% of our market share from 50% to 55%, this is good enough for us. So, we don't bother much about who comes and who doesn't in the 35%. We can't even make a game plan for that. Our target is to maintain our 60% to 65% market share.

Sneha: Understood, sir. Sir, while you are already showing optimism that 20% growth will be achieved in nine months, how has July been for us and what has changed between June to July which is further giving an optimism? Like when April started, you already hinted for a slower quarter; you said 2.5 lakh tons happened.

If at all you could tell us that how July month has been and why you are so optimistic that Q2 onwards things are looking up. What changes have occurred between June and July? Has the primary and the secondary steel spread reduced? Has the demand on ground increased? Infra spend has gone up? What are the things we would like to hear?

Sanjay Gupta: Sneha, no such big change has happened, and steel prices are still up. But in April, I got a hint that because the price had increased by almost INR8,000 to INR7,000 in Q4, everybody was thinking that some price would soften. So, I knew that dealers would definitely destock themselves, no matter what we did. For that, I had already indicated a soft volume. Demand never goes up and down this much.

This destocking and restocking that dealers do, that always makes a difference in demand up and down. If you look at the demand at the last level, it remains the same. There is hardly a difference of 5% to 7% or 10% in that. But the dealers' destocking and restocking affects us big players a bit. Now what is there? The momentum of the price going downwards has ended.

Everybody is clear that the price will not go down. So, demand has started picking up again. Dealers have started going to normal stock positions. And in July we have done 3 lakh tons plus. We have done well in July. And in this scenario, we are very hopeful that our demand will remain good ahead too and we will complete it.

Sneha: Understood. That was quite helpful, sir. Of 3 lakh tons volume in the month of July. Last question from my end. You gave the guidance that value added product segment you are adding capacity in which your share of value-added will go to 75% to 80%. So, could you help us with what are the things that we are doing value-added?

Example 1000 by 1000 is the recently launched. And which are the other products like roofing products you said? Which other value-added portions are being added which will take this portion higher?

Sanjay Gupta: Sneha, our Gorakhpur plant and Siliguri plant which are coming, these two plants are in totally different regions which will directly impact increasing our volume because right now our market share there is nothing, very negligible because our freight cost is so high that we are unable to service.

And our Malur plant, which is coming, this plant is totally different, of 1 million tons. I cannot give this much detailed product-wise; Anubhav can talk one-to-one. But that 1-million-ton plant of ours is a totally value-added plant where we are thinking that our EBITDA margin will be 8,000 plus.

Sneha: Understood sir. That was really helpful. Thanks, thanks a lot sir. I'll take the rest with Anubhav. Thank you so much. All the best.

Sanjay Gupta: Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Shah from BCS Capital Ideas Private Limited. Please go ahead.

Bharat Shah: Sanjay-ji, namaskar.

Sanjay Gupta: Namaskar Bharat bhai, namaskar.

Bharat Shah: First of all, in a very challenging quarter, very difficult conditions, I think APL Apollo Tubes has performed with great degree of aplomb, I must say. Because this has not been an easy quarter to deal with, with too many variables and too many challenges around. So, while there may be perception of some volume decline, but I would say it is a very creditable delivery in a very, very difficult quarter where too many things were reflecting a moving part challenges.

Sanjay-ji, at what stage will it be sometime next year can we say that the focus on quarterly or periodic steel price fluctuation, volume up and down due to demand conditions, we can reasonably leave behind and we can purely confidently focus on profitable growth in a very considered predictable way with the rising share of value-added products etcetera?

Will we be able to say from next year that perhaps we should be at that situation where of course volumes will grow with the strategy and our strong product portfolio, but profitable growth in a very predictable way from next year, we may reach that position?

Sanjay Gupta: Bharat bhai, if you look at the last one and a half years, first we were struggling for INR4,000 per ton of EBITDA, then we increased ourselves to INR4,000 to INR4,500 per ton. From INR4,500 to we stabilized ourselves at INR5,000 per ton EBITDA margin. Now we are trying to reach the INR5,500 per ton EBITDA quarter-on-quarter basis.

We have been trying quite hard for the last two or three quarters to keep our margins stable at INR5,500. Even if you see in this quarter, in spite of the cost increase by INR1,000 per ton due to low volume, still we have maintained our margins at INR5,500. So, our margins are gradually becoming stable.

Volume, there is no doubt that it is becoming a bit up and down according to the scenario. That too I feel that when my Malur plant comes in the July-October quarter of next year, then this challenge of mine will also end and we will get a lot of stability in volume as well as margins when our entire 7-million-ton capex plan is finished.

Bharat Shah: FY27 Q3 means December '26?

Sanjay Gupta: Next year, until next year December.

Bharat Shah: You are talking about December '27, right?

Sanjay Gupta: Yes, Q3. So there, as soon as our entire 7-million-ton capex plan is finished, according to our business plan, we will come out of these things too.

Bharat Shah: Right. That means the second half or last quarter of next year.

Sanjay Gupta: FY28 Q4, FY27-28 Q4, our quarter will be very stable where we will stop talking about stocking, destocking, prices going up and down.

Bharat Shah: Absolutely. That means from that quarter, Sanjay ji, we will be in that position that profitable predictability and its growth will be almost reasonably under our control rather than worrying about many of these other variables which have engaged our mind time-to-time, sometime or the other. That will be fair.

Sanjay Gupta: Yes, it is even now, but okay, I can say that it is 70% to 75%. We will become 100% there.

Bharat Shah: Understood sir. And Sanjay ji, the share of value-added product that we are saying 75% to 80%, when do we expect that by?

Sanjay Gupta: That will come from our Malur plant, Bharat bhai, by December '27. By Q4 of next year, our share of value-added product will come to 75% to 80%.

Bharat Shah: Fantastic. Thank you Sanjay ji, and once again compliments to you and APL Apollo team. In very difficult situation, very I would say impressive performance. Congratulations.

Sanjay Gupta: Thank you, Bharat bhai. Thank you, Bharat bhai, for showing confidence on us. If we go up and down in one or two quarters, then forgive us. Otherwise, we will leave no stone unturned from our side.

Bharat Shah: No, I believe yesterday, today and tomorrow too that Sanjay ji is a unique entrepreneur in this country. So, hearty respect.

Sanjay Gupta: Thank you. So nice of you, Bharat bhai. Now we will try our best from our side; we will not leave any lack. It should just be beyond our approach. Thank you and all the best. Thank you, Bharat bhai.

Bharat Shah: Thank you and all the best.

Sanjay Gupta: Thank you Bharat bhai.

Moderator: Thank you. We'll move on to the next question that is from the line of Akshay from AK Investments. Please go ahead.

Akshay: Hi sir, thanks for the opportunity and congratulations on the good set of numbers in difficult times. So, sir, my first question is about EBITDA per ton. So, as you have already guided that INR5,000 to INR5,500 will be the range for FY27. So, going forward in FY28, FY29, how much EBITDA per ton are we expecting? How much year-on-year increment in EBITDA per ton are we expecting going forward?

Anubhav Gupta: So, Akshay, see I mean, right now the focus is to maintain EBITDA spreads between INR5,000 to INR5,500. Of course, last two quarters have been good at INR5,500 per ton, but now that for the next nine months we need to cover up on the volume which we lost, so there could be some tweaking which we did in our pricing and there could be INR100, INR200 here and there.

Sanjay Gupta: Because cost of production will also cover up.

Anubhav Gupta: But then again, as the volumes ramp up, we could gain traction from the operating leverage benefits which could come as a surprise. So, we'll wait for that, how much it comes up. Going forward as our more value-added product portfolio keeps on increasing, right, idea is to improve EBITDA spreads INR100, INR200 per ton on yearly basis and our target is that Apollo at 8 million ton should be generating INR6,000 per ton EBITDA right over the next two, three years when we ramp up this capacity.

Akshay: Okay sir, fair enough. Thank you for the opportunity. All the best.

Moderator: Thank you. The next question is from the line of Dhananjai Bagrodia from Alchemy. Please go ahead.

Dhananjai Bagrodia: Hello, firstly congratulations on a fantastic set of numbers on EBITDA per ton in such a tough environment. So, I wanted to understand, in pre-engineered buildings, do we have any thought process of how that could be for us let's say a year from today? Is that a segment we are looking at actively growing it and with steel prices stabilized, should then we be targeting a higher EBITDA per ton?

Anubhav Gupta: So, Dhananjai, currently for the pre-engineered building structures, 20% is steel pipes. Okay, if it's a 100 ton structure, 20%, 20 ton is approximate steel pipe which is used, right, and the sizes range from 150 millimetre by 150 millimetre, it goes up to 1000 millimetre by 1000 millimetre with thickness starting from 4 millimetre in general and goes up to 40 millimetre.

Right, so in this category our market share is again 65%, 70%. So, all the top PEB companies in India, I mean they will be buying 60%, 70% of the requirement from APL Apollo. They buy from us directly also and they also buy from our distributors. Larger players they want to have contracts directly with Apollo and medium to small-sized players they buy through our distribution channel. So, it's a growing segment and we continue to focus heavily to service this industry.

Dhananjai Bagrodia: But is this a sector which we would look to directly speak to an end customer because if we have the raw material, we have the know-how, is that something we would look to do more in-depth?

Anubhav Gupta: No, we are happy servicing this sector. That's all.

Dhananjai Bagrodia: Okay, fine. Sure. Thank you so much.

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

Aditya Welekar: Yes, thank you for the opportunity. So, my question is to Anubhav. So just wanted to understand what's happening between Q1 FY26 to Q1 FY27 on a year-on-year basis? We have seen that the volumes have declined, but EBITDA per ton has increased. And if I see the branded products where we earn higher premium like APL Apollo brand and Dubai operations, the volumes have decreased.

But despite of the low operating leverage and higher cost, our EBITDA per ton has increased. So, within this specific brands like APL Apollo brand, what's happening? Are we able to generate a higher EBITDA per ton within the brand because of the product mix? I want to understand.

Moderator: Sorry to interrupt, sir, your voice is breaking up.

Aditya Welekar: Hello, is it audible now?

Moderator: Yes sir, please proceed.

Aditya Welekar: Yes, so my question is to Anubhav. I want to understand on a year-on-year basis if we see the EBITDA per ton has increased despite the drop in the volumes. And within volumes also if we see the branded products like APL Apollo brand and Dubai operations, the volumes have decreased. So, despite the lower operating leverage, our EBITDA per ton has increased.

So, I understand that we are increasing our value-added products, but on the face of it if we see the absolute volumes of APL Apollo brand and UAE operations, those have decreased. So, what explains this EBITDA per ton increase on a year-on-year basis?

Anubhav Gupta: Aditya, this pertains to our pricing strategy which we adopted in the month of January of 2025 wherein we decided that we need to reposition APL Apollo branded products in the market and we increased the pricing by almost INR500 per ton. So that is what boosted our EBITDA spreads starting Q4 FY25 and all four quarters of FY26. I mean you saw the better spreads, right, and it continued in quarter one of FY27.

So, despite the drop in volume, our better pricing strategy has worked to boost the EBITDA spreads.

Anubhav Gupta: Understood. And second question, Anubhav, is on the solar opportunity. So, if we refer to your slide, we are saying almost 30 to 35 gigawatts of annual solar additions and that translates to almost 830 KT of addressable market. So far have we catered to, I mean so far have we started supplying to this market and out of that total opportunity, how much is our share?

Anubhav Gupta: So yes, there are two, three types of products which we have launched in the market and which is supporting this industry. The traction is there. Right now, the contribution is a bit low, but over the next two, three years we expect this to contribute 4%, 5% to the total volume.

Aditya Velekar: Understood. Why I am asking is because this solar capacity addition, the NEP has a huge target, I mean they want to, this theme of solar capacity addition will persist for next five years and more. So, this will be an additional lever for our volumes if I understand.

Anubhav Gupta: Definitely yes, Aditya. And that's why we got into this space and like I said, we are as optimistic as the government is to boost the renewable energy contribution in India and we have good portfolio to support this industry also.

Moderator: Thank you. The next question is from the line of Darshan Mehta from Dolat Capital. Please go ahead.

Darshan Mehta: Yes, hi, thanks for giving the opportunity. So, my first question was for this SG Premium brand. So how should we look at the realizations? I mean what are the current realizations and what kind of EBITDA per ton do we make in this product and how would that product go as a percentage of total volumes for FY27 and '28? So that was my first question. Hello?

Anubhav Gupta: Yes, Darshan, for SG Premium right now, I mean the current pricing will be around INR58,000 per ton which is almost 6% to 7% lower than brand APL Apollo products. EBITDA spreads range from INR0 to INR1,000 per ton depending on market opportunity, what kind of volume we want to gain in one micro market.

So, EBITDA spreads would vary from micro market to micro market. We also use this as strategy to boost volume to cut down competition to take market share from patra players. So, it plays differently in different micro markets.

Darshan Mehta: Okay. And so currently as you said it is hovering around INR0 to INR1,000 per ton depending on the market conditions and the volume you choose to make over here. So, can let's say in next two years, I am referring to let's say after FY28, can we see this INR1,000 per ton increase to maybe around let's say INR1,200, INR1,500 per ton or you would basically take, I mean how are you looking at this product? Will you be making higher EBITDA per ton or is it something to control the patra players?

Like whenever you think you want to control patra players, that is when you start delivering high volumes on this side? I just want to understand the strategy for this product.

Sanjay Gupta: Darshan, good morning. We have no strategy in this. This is totally played against capturing the market share and this is totally dependent on the pricing difference between the primary and the secondary. If there is a gap of 10 to 12 rupees a kilo between the primary and secondary, as it is today, we don't have much of a play in it and there is no benefit in selling goods by losing cash.

But when this gap came down to like quarter four, INR3 to INR4, INR5 Kg, then this becomes a masterstroke. Then our EBITDA margin can also be INR1,500, INR1,600, INR2,000, INR3,000, and we can also play a large volume in it. But this strategy is totally dependent on the difference between the secondary and primary pricing.

Because today there is a gap of INR10, INR12 a kilo, we will not get much volume even if we sell INR2 a kilo cheaper. But when our gap is INR4, INR5 rupees a kilo and we sell INR2 a kilo cheaper, then our volume is a lot. So, this plan we had made with this stuff of gap between the secondary and the primary can't work.

Darshan Mehta: Okay. Thank you, Sanjay ji. And sir, our Gorakhpur capacity would be coming in Q3, you said, right? And one more capacity you said would be coming in Q4, which one was it?

Sanjay Gupta: Siliguri.

Darshan Mehta: Siliguri. Okay. So basically, I think when you are saying this 20% volume growth, you are considering both these capacities.

Sanjay Gupta: When I talk about 20% growth, then my Gorakhpur will also play, Siliguri will also play, and the export market on which we have worked a lot. Dubai, and as well as currently the export from India is closed due to high container prices. As soon as the container prices slow down, our export will also increase a lot. So, these 2 or 3 factors are also included in that. And they will give a ramped-up volume as well.

Darshan Mehta: Sure. Sir, and earlier I think this west -- our plant at west coast, I think we were thinking about Bhuj, right? So now that Bhuj is out and I think maybe...

Sanjay Gupta: No, no, we changed our plan. From Bhuj we shifted to our Mumbai plant, because we are shifting our Mumbai plant entirely to export because and right now, we used to cater to the Pune market from Mumbai. We have a freight cost of almost INR1,100, INR1,200 per ton. So now the new plant of 5 lakh tons that we are putting up, we will set it up around the Pune corridor from where our freight cost for the Pune market will be INR200 to INR300 per ton.

Darshan Mehta: Okay. And sir, we have made some investment in this Group Shared Services company. So, what would be the function and what purpose will it serve?

Sanjay Gupta: This is a small company we have started since we have many common activities like HR, IT, branding. We want to deal with all these by gathering them at the group level so that our cost from it -- currently every company has a separate HR head, every company has a separate IT head. So, we want to reduce our cost by creating a cost company and giving it all the contacts.

Darshan Mehta: Okay. So, you were saying there would be a common HR head for maybe SG Mart and our group company?

Sanjay Gupta: SG Finserv, SG Mart and APL Apollo as well as Apollo Pipes.

Darshan Mehta: Understood sir. Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: Thank you for taking my question. Congratulations for a good performance in difficult conditions. I had a very small question. Your employee costs last quarter have gone up significantly. So, is there an explanation for that? And how should we look at this employee cost going forward? Is it likely to remain and is that going to have any effect on dampening margins?

Sanjay Gupta: Due to low production, the employee cost has gone high and plus some part of annual increment.

Andrey Purushottam: Sorry?

Sanjay Gupta: Our employee cost has increased because of our annual increment, which is our annual increment. And number two, if you look at it per ton, then due to our low production, the employee cost has increased. If you look at it amount-wise, then it has increased due to increment.

Andrey Purushottam: Okay. So, I mean it's absolutely normal. There's no special reason for this.

Sanjay Gupta: No, no, normal. In this quarter, as soon as we bring our volume back on track, it will decrease again.

Andrey Purushottam: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Vikas Singh from ICICI Securities. Please go ahead.

Vikas Singh: Good afternoon, sir, and thank you for the opportunity. Sir, in this quarter, what was our value-added versus general product mix? And secondly, like you said, previous year you took a conscious decision that you won't lower the price. But looking at current commentary in order to gain the market share, are we reversing that strategy and now you will go for a higher volume even if it is in general category versus the pricing management?

Sanjay Gupta: It is very difficult to define this, but some of our product range of -- 15% to 20% of our total basket, we have done some aggressive pricing policy.

Anubhav Gupta: So Vikas, this is for the 20% of the portfolio, not across the segment that we are saying we will reduce the pricing. Only for the 20% of the portfolio, we have tweaked some pricing to gain volumes.

Vikas Singh: Okay. Because if I see that even if I do 8 million tons in this quarter despite monsoon, my asking rate would be 4 lakh tons per month to reach even the 15% volume growth. So where will I do an additional 1 lakh per month? And would it be more of a general or value-added, this was my major concern?

Sanjay Gupta: Boss, it's very difficult to define it this briefly. Our understanding is clear that we have done 3 lakh tons in July. 3.25 is what we are targeting for August. And September we are targeting 3.5 plus. Now in which segment 10,000 tons more will be sold, in which 10,000 tons less, we can't explain this. Not possible.

Vikas Singh: Understood sir. Just tell me what was my general product percentage in this quarter?

Anubhav Gupta: Total 35%.

Sanjay Gupta: It was around 35%.

Vikas Singh: Okay sir. Thank you.

Sanjay Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Durgesh Shukla from InCred Capital. Please go ahead.

Durgesh Shukla: Hello sir, thank you for the opportunity. I just wanted to confirm one thing. Actually, you were not audible at that time. The guidance for this year EBITDA growth for the whole FY27 is 20% and the volume growth guidance is also same, right?

Sanjay Gupta: Its 15% to 20%.

Durgesh Shukla: Volume is 15% to 20% than EBITDA is 20%, right?

Sanjay Gupta: More than 20%.

Durgesh Shukla: Sorry, EBITDA is more than 20%.

Sanjay Gupta: And volume growth is 15% to 20%.

Durgesh Shukla: And what about next financial year, any guidance on FY28?

Sanjay Gupta: Currently, it is difficult to do even for each month. Our target is always 20% plus.

Durgesh Shukla: Okay sir. That's it from my side. Thank you.

Sanjay Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Hi sir, good afternoon and congrats on a good set of numbers on the margins front. My question pertains to first, the change in volume reporting which you have done this quarter, which I believe is more representative of the business.

So, would you also like to share the EBITDA per ton number for the segment as you were declaring earlier across Apollo Structural, Apollo Z and Apollo Galvanized? So, for the new business segments now -- the new reporting segments that you have created, would you like to report the EBITDA margin number also? Am I audible?

Anubhav Gupta: Yes. So, Rajesh, see, I mean, there are like 4 broad categories, Apollo branded products, SG Premium branded products, UAE operations and roofing products. Rajesh, For Apollo and roofing products, we are targeting an EBITDA of INR6,000 per ton to INR7,000 per ton, with an SG premium of around INR500 per ton. As for the UAE operations, it is difficult to define the figures right now; a lot will depend on the achievable volumes and the cost of production there. It is hard to pin down the numbers at this stage, but if operations ramp up successfully, that figure should also reach the INR5,000- INR6,000 range.

Rajesh Ravi: Okay, and roofing also you are getting according in the INR6,000-INR7,000 bracket, right?

Anubhav Gupta: Yes, right now, we are operating in the range of INR6,000 to INR7,000.

Rajesh Ravi: Understood. No, I was referring to earlier in preceding quarters in your presentation, you used to share segmental EBITDA margins. So, I was talking from that perspective. Would you like to start with that practice? We have given the volumes for the past two years for a like-to-like comparison?

Sanjay Gupta: Rajesh, our business was getting a lot of impact. With the competitors the more our margin was seen, we used to get a hit there. So technically we have finished it.

Rajesh Ravi: No issue, sir. Understood, understood, sir. Coming on to the volume growth, even if I look at 15% full-year volume growth target, do you believe there is a risk of missing that guidance? Because given the Q2 traction which we have mentioned, volume in Q2 may be higher by 10% to 15% year-on-year, and hence the second half H2, the volume requirement would be closer.

As one of the early participants asked, the ask rate for H2 will be closer to INR4 lakhs per ton on a monthly run rate basis.

Sanjay Gupta: Rajesh Our main game play will be Q4. Technically, if you ask, Q1 was around 7.5 lakh tons. Q2 we are targeting about 10 lakh tons. Q3 we are targeting 10.5 lakh tons. In Q4, we will operate at full capacity, which is 5 million tons, plus our Gorakhpur and Siliguri plants will start. So, we will try to reach 12 lakh tons.

Rajesh Ravi: Understood, understood. But in this, sir, what will drive the volume growth? Is it your Apollo brand or the SG premium will take massive share?

Sanjay Gupta: Apollo brand roofing and SG premium, we cannot say anything right now. It will depend on the secondary or primary market difference. Mainly, the Apollo brand will depend on UAE and roofing products.

Rajesh Ravi: Understood. So, I was just trying to understand when you, you know, write this strong growth, your margins of this 5,500 may not be at risk. This is what the basic purpose of the question.

Sanjay Gupta: Currently, with the pricing policy, we have a hit. But we feel as we go into operational leverage, it will cover up.

Rajesh Ravi: Understood. Understood. So, anything north of 5,000 is doable?

Sanjay Gupta: No, no, there is no point in going below 5,000.

Rajesh Ravi: Understood.

Anubhav Gupta: Rajesh just to add to it, to close your question by saying that we are targeting 20% EBITDA growth on an absolute basis, right? So, that is the goalpost for us. Now, volume is 15%, 16%, 17% growth. EBITDA per ton is INR5,500, INR5,600, INR5,400. That will depend on quarter-on-quarter how things shape up. But our goalpost is 20% EBITDA growth on an absolute basis.

Rajesh Ravi: Understood. 20% absolute EBITDA growth is the goalpost. That's great. I'll come back in queue. Thank you and all the best.

Anubhav Gupta: And our target is to come back to the ROC of 30% that we had in the previous quarter and bring it back to 40%.

Rajesh Ravi: Super. Great, sir. I'll come back in queue. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Anubhav Gupta: Thanks everyone for joining our call and apologize again to start this call a bit late. Thanks, Antique for hosting us. Look forward to see you again. Thank you everyone. Have a good day.

Moderator: Thank you, members of the management team. Ladies and gentlemen, with that we conclude today's conference. We thank you for joining us and you may now disconnect your lines. Thank you.