"APL Apollo Tubes Limited Q4 FY'25 Post Results Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the APL Apollo Tubes Limited Q4 FY'25 Post-Results Earnings Con Call hosted by Batlivala & Karani Securities India 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 once 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. Sailesh Raja from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Sailesh Raja: Yes, good evening, all. On behalf of B&K, I would like to thank everyone for joining APL's Q4 FY'25 Earnings Conference Call.

We are pleased to have with us today Mr. Sanjay Gupta – Chairman and Managing Director; Mr. Deepak Goyal – Director of Operations; Mr. Anubhav Gupta – Chief Strategy Officer and Mr. Chetan – CFO of the Company.

I will now hand over the call to Mr. Anubhav Gupta for his opening remarks following which we will open the floor for the Q&A. Over to you, sir.

Anubhav Gupta: Thanks, Sailesh, and thanks B&K for hosting our organization for our Quarter 4 FY'25 Earnings Call. I welcome all the participants who have dropped by.

If I have to start this call regarding our FY'25 Earnings, a few highlights I would like to make:

1. We crossed 3.1 million tons as sales volume for the full year. This makes APL Apollo as the world's largest downstream steel player outside China. And in terms of structural steel tube, we would be even bigger than the Chinese steel pipe Company. It has been a second year that we have closed our balance sheet with net cash. As at 31st March 2025, we stand with net cash of more than Rs. 300 crores on our balance sheet.
2. Our operating cash flow to EBITDA is more than 100%. Again, if you see last 3-4 years trend, our OCF to EBITDA has been around 90% consistently.
3. Our ROCE for FY'25 was 25%. This is slightly off last year, but we shall come back very strongly, and we shall give you reasons as we move forward. And it's the fifth consecutive year of almost zero working capital days.
4. We started the Cash n' Carry campaign in FY'21 and throughout 5 years, our distributors, dealers, customers have given a thumbs up to our strategy of Cash 'n' Carry and which has led to massive cash flow generation for a Company over last 5 years.

And if you look at the performance in the last 12 months, I would like to take a step back a bit more. The last two years, we have grown our volume by 45%, 15% in FY'24 and 20% in FY'25.

This came in the hindsight of weak macros, weak retail spends, low government spend on infrastructure, general elections, uncertainty on global trade and obviously the steel down cycle which started one and half years ago. So what it did is that it depressed our EBITDA spreads below Rs. 4,000 per ton in FY'25 as we close the year with Rs. 3,900 per ton. But this is not the real APL Apollo. We are capable of generating much better EBITDA spreads and will tell about the strategy how we are going to achieve that. But what this growth has done to us is that this volume growth of 45% in last two years it has made us reach at a market share within structural steel pipes where we can command massive brand premium.

Now if you look at the margin in our general product category we reported Rs. 2,800 per ton EBITDA. Now that's almost Rs. 1,000 per ton higher than what we have been reporting over the last five years. So even in the most competitive segment, which is general category, we are now minimum 5% higher premium than our nearest competitor. Now this is the realization of brand building, what we saw in 2020 when we moved to Cash ‘n’ Carry, because we knew that the steel pipe industry cannot survive without APL Apollo products. So we could command Cash ‘n’ Carry and after 5 years, now we are again sure that our brand is so strong, our market share is so strong that we can command more than 5% premium even in one of the base category product segments. So this is a big achievement I would like to highlight what we have been able to achieve in FY'25.

And with this positioning, we are confident that we will come back with EBITDA spreads near Rs. 5,000 per ton in FY'26, which will even improve going forward as our sales mix continues to improve and we continue to expand our markets internationally where we get higher EBITDA spreads.

As far as the volume guidance is concerned, we are highly confident that we can continue to deliver 20% growth YOY over the next 3-4 years. And this is the reason that why we are expanding our capacities to 7 million tons in next few years from current 5 million tons. The CAPEX for this is around INR 15 billion, which will be spread across the next few years and it will be easily funded from the internal cash flows.

Now this expansion is based on 4 strategies:

1. Expansion in the virgin markets – So virgin market number one is East India, where we are adding two plants with combined capacity of 500,000 tons. The next virgin market is Dubai in the international market, where we are adding an additional 200,000 tons. Then in South India, we are adding up a fourth plant with the capacity of 360,000 tons.
2. The next strategy here is the expansion in the new product segments – So one is the roofing sheet, which has done well for Apollo in the last 2 years since the launch. And we are increasing capacity by a further 500,000 tons in the segment and another 100,000 tons in the heavy segment.

3. To focus on exports from the Indian mills – And that's the reason that why we have decided to put up a plant in Bhuj, Gujarat with capacity of 300,000 tons. Now that India is being seen as a favorable trade partner from the west side, we are confident that with our strength of steel buying and expertise in structural steel tube, we will be able to gain market share in international markets from Indian mills as well.
4. To maintain the brand premium for APL Apollo, which will keep our margins high in the coming years.

Lastly, I would like to tell you that after 12 months when we come on this call again, our ROCE will be around 35% and we would have covered all the earnings loss, what happened in FY'25 because of depressed margins and the Company will come out much stronger with more cash on books and higher and superior ROCE.

Thanks so much. Happy to take questions now.

Moderator: Thank you, sir. We will now begin with the question-and-answer session. The first question comes from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Hi. Good evening, everyone. And congratulations for a great set of numbers and announcing the capacity expansion plan, much awaited. I have a couple of questions. The first one is on the capacity expansion plan itself. So you have highlighted that you will also expand in roofing sheets and heavy structures. Now, I just wanted to understand what is our current capacity utilization in both these segments and what gives us confidence to launch capacities in these two particular segments where the traction has been a tad slower. That is my first question.

Anubhav Gupta: The roofing sheet is 100% utilized as of now, capacity front and that's why we are expanding. And in heavy structural, the utilization is 60% as of now.

Amit Dixit: Okay. So by the time this capacity comes up, you expect that this segment also would be maybe fully utilized or above 80% kind of utilization will be there?

Anubhav Gupta: That's right. It is a gradual increase, right, for next 3 years. So yes.

Amit Dixit: Of course. The second question is, in Slide #22, you have highlighted the opportunity in solar space. Now, in which of these capacity expansions this particular opportunity fits in?

Anubhav Gupta: For solar, see I mean there are like 2-3 kind of applications. One is the ground products which come under coated. Then the top tubes, which come under heads. Pre-Galv also which is rust proof and some of the pipes also come in the galv**.** So it is spread across category.

Amit Dixit: And is it true that for Solar, the support structure particularly, you can't use DFT? One of your competitors was highlighting that.

Anubhav Gupta: Yes, so as of now the top tubes are being produced on conventional mills, that is right.

Amit Dixit: Okay, sure. Thank you so much and all the best.

Moderator: Thank you. The next question comes from the line of Kumar Saumya from Ambit Capital. Please go ahead.

Kumar Saumya: Yes sir, so just one clarity I wanted to understand is QoQ, the steel prices had gone down by Rs. 5 and we had booked on an inventory loss of around Rs. 150 crores. This quarter, again the steel prices are up about Rs. 5. So if you could just help understand what is the inventory gain in this quarter?

Anubhav Gupta: So, in Q2, the decline in steel prices was around Rs. 8,000 a ton. That was very steep. That's why we had to book inventory losses. And in Q4, the increase in steel prices around Rs. 2,000 a ton which does not move the needle plus or minus. So this EBITDA of Rs. 4.13 billion is without any inventory gains.

Kumar Saumya: Okay. And sir lastly, what will be the utilization levels at Raipur and Dubai for the full fiscal as of 31st March?

Anubhav Gupta: So Raipur, if you see, it is around 60% on blended basis across the product segments. And Dubai, we have operational capacity of 300,000 tons. And in Q4, we did volume of around 45,000 tons.

Kumar Saumya: And for the year end, Dubai sir?

Anubhav Gupta: Year end is around 145,000 tons what we did for the full year, 145,000 tons. Out of that 45,000 tons came in Q4.

Kumar Saumya: Thank you, sir.

Moderator: Thank you. The next question comes from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Hi, Sanjayji. The capacity, you said the growth rate of 20% plus over next 3 years, but your own calculation suggests that it should be better than that because current demand for the structural steel tube is about 9 million ton, which is expected to double to 18 million in 5 to 6 years and essentially if we were to equal between HR virgin material and secondary root material for an half each but over 6 years we expect actually the secondary root to decline and therefore the entire increase to be taken up by the primary virgin material. Therefore that itself suggests close to 20% compounded growth for six years and if we gain the shares further as we expect to, then we should be doing better than that 20% isn't it?

Sanjay Gupta: Good evening, Bharat Bhai. I can explain you the growth is around 20% because you know that economy and the scenario is not helping us and we are also pressure to maintain the margin also. The margin has come to less than 4,000, it was pulled up again to 5,000 level. And we have to maintain this margin also. But our total, I can say you that our total plan for 2030 is 10 million tons minimum. 10 million tons, means that 5 million tons we are already ready for marketing. Our plan is ready for 5 million tons and 2 million tons capacity already we planned which in next 3 years, or in less than 30 months we will set up 2 million tons capacity. In this we one plant is Calcutta, one plant is Gorakhpur and Siliguri plant we have shifted to Calcutta, we got more advantage from there and Ahmedabad plant we shifted to Bhuj, because we more export market from there and one plant in Bangalore where we are short of material in lighter gauge, and one plant in Dubai for API Tube for exporting U.S. and Canada market and locally Dubai also and in coated product we are putting a capacity of 5 lakh-8 lakh ton in Raipur. So total for 2 million ton capacity for which investment of Rs. 1,200 crores will come. We have kept Rs. 200 crores-Rs. 300 crore for maintenance CAPEX for 3 years. We have taken a total of Rs. 1500 crore approval from board. Apart from that, we are doing 4 plants of 2.5 lakhs per ton each in value-addition which will be in 2030 depending on the cash flow and the balance sheet and economy, political institution also which remain in India, around 2.5 lakh tons of seamless pipe plant, 2.5 lakh tons of API plant, 2.5 lakh tons of Automated Tube Plant and 2.5 lakh tons of SS Pipe Plant. We have planned out 2.5 lakh tons of plants which will be set up by 2030 which we will incur around Rs. 1,000 crores total CAPEX. So total will be Rs. 2,500 crores for setting up plant by 2030. 2 million ton will be for light asset model and 2 million ton will be for outsourcing. The plants which are already there we have started talks, where our capacity pool is there. We will take that for outsourcing and our target we will be outsourcing 2 million tons. Total by about 2030 we have made a plan out of 10 million.

Bharat Shah: Okay, so you indirectly confirm that, that basically that number is a basic number but potential to do higher than that is evident in the capacity expansion that you are planning yourself.

Sanjay Gupta: Yes, sir.

Bharat Shah: Okay. Sanjayji. Second question, which is emanating to your first one. You talked about the profitability which was stressed, the kind of swings in the unprecedented swing in the steel prices which was beyond anybody's control. So that I can understand. But as a strategy, we have best products, best plants, best ability to cover and industry growth itself is in evidence as to why it will do well and structural, primary steel tube industry why it will do well. So our 20% or 22% or 25% volume growth, I definitely believe is something which is implicit. Now our focus is to increase the profit and to increase it in a solid way. Focusing that will give quality of the growth far superior, predictability and solidity.

Sanjay Gupta: Bharat bhai. The question of profitability we have taken the EBITDA around 5,000, in Q4 also we keep the result. And I think so our FY'25-'26 also it will be good with the pace we have started. Our focus now is on margin. Last February onwards the total focus in on margin, that along with growth, margin also is there. The important thing we are seeing is we are getting growth even after that. Nobody can replace us in the market. So we have lot of confidence because of that and margin we will increase slowly, plus our value-added product lines are coming, like next month or this month we will start our 1000 square feet mill will start, which is the first mill with capacity of 1 lakh tons, but now we are targeting 50,000 tons in that. So my target is that we at least have an extra EBITDA of around 10,000 tons. In rust proof pipe where our EBITDA margin which is around Rs. 7,000 per ton there we are increasing the capacity by 2 lakhs. It will start in this month, itself. In Dubai the margin is good. Dubai is ramping very well. Our 3 lakh ton capacity is already set up in Dubai, 2 lakh too will start in next 2-3 months. So 5 lakh tons plant is there. Our value addition will increase from there. Our EBITDA margin which Rs. 7,000-Rs. 8,000 per ton, from there our Europe, U.S. and Canada, good market will open up. So we are improving from here too. But I cannot commit more margin and don't want to take pressure on myself and the system, we have to see the growth and margin too, but no doubt margin will increase year-on-year.

Bharat Shah: That was what I was trying to say, basically our volume growth instead of 22%-23% it came to 20%-21% or 19%-20% then there won't be much difference, but profit pool needs to be increased more than volume growth, so overall…

Sanjay Gupta: Our focus is more on ROCE, like this year we are targeting, we take the target of ROCE of 35%. Our target is 35% ROCE, which was around 25% this year. And in next 2-3 years, our target is to increase this ROCE above 50%.

Bharat Shah: So that my last question on ROCE. You already answered it.

Sanjay Gupta: I have already answered your question.

Bharat Shah: Because structurally, per ton our CAPEX gain can be more than Rs. 8,000-Rs. 8,500 per ton and working capital we don't have. So, if we earn at least Rs. 5,000 EBITDA per ton, then 45% of ROCE will be there.

Sanjay Gupta: Yes, this year, around 25% will be for our combined, full year. This year we are taking a target of 35% and every year we will make it. My strength is controlling of the cost. My strength is to talk about the vision of future. We now improving the cost little bit more, like you would have seen this year our employee cost is almost close to Rs. 1,000 per ton. Now I think this year we will reduce to Rs. 800 per ton this year in FY'25-'26 and in FY'26-'27 we will bring it to Rs. 600 per ton. We are targeting in the two steps to reduce; it be difficult to bring down from Rs. 600, but we made our vision of Rs. 600 per ton. Number two, we have also given a signal to control the cost, I have withdrawn salary and all commissions everything, surrendered it. Number 2, we have more gap. Our per unit cost is, last year's cost is Rs. 7.6 per unit cost, electricity cost. We have signed lot of Solar and other contract. So I think this year 7.6 we will bring it down to less than 6.5 and next year we are targeting to bring it down to 5.5. So if we have spent 30 crores per unit, if we reduce the cost to Rs. 2 per unit and the consumption of the unit will increase, it will go around 50 crores unit. So our savings will be Rs. 100 crores. So, we are doing a lot of work in small-small parts to control the cost.

Bharat Shah: It is difficult to get cost like APL Apollo. I will acknowledge that from bottom of my hear. Just last comment I will offer, feedback as well as comment. Given the unprecedented volatility in the steel price and given overall challenging demand condition especially considering the fact that this happen to be a year where pre-election, post-election phase got combined and therefore it affected the demand and many other things. So in this challenging environment, the first half, the second half result is commendable. Would you say that this probably has been the most difficult year to manage in terms of the external challenges?

Sanjay Gupta: I don't know about the future geopolitical position, but last year of my life was very tough. It was very difficult to pull out good numbers in the second half. This is the toughest time of my life. I don't know how it will be going forward. I don't know but from February onwards, we are in the comfort position. Our April has gone well, we are on the right track. We were in very tough time.

Bharat Shah: Hearty congratulations, Sanjayji, entire APL team and all the very best for probably what is going to be the exciting phase ahead.

Sanjay Gupta: Thank you, Bharat bhai. We hope so that we live up to your expectation.

Bharat Shah: I have never seen a gap in the hard work that you do.

Sanjay Gupta: But there is a saying that "Jo Jeeta woh Sikkandar". We will be doing the hard work, but now will try to win and become Sikkandar.

Bharat Shah: All the very best for that.

Sanjay Gupta: Thank you, Bharat bhai.

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

Aditya Welekar: Thank you for this opportunity. My question is specifically on the guidance on sales volume which we provided in the last quarter for '26 and '27 of 4 and 5 million tons. And if we go with 20% volume growth, this guidance is likely exceeding that. So is it fair to work on these numbers of 4 and 5 million tons of sales volume for '26-'27, or it will be slightly lower than that?

Anubhav Gupta: I mean, see this number which we gave, this we gave with a lot of thought, right, and a lot of calculation behind. It should be backed with the market situation. It should be backed with the capacities in our all the plant. It should be backed with our distribution network. It should be backed with our, with this situation, what is panning out at macro level, global political level.

So, yes, I mean, we are confident that 20% year-on-year volume growth for next 3-4 years is highly achievable.

Aditya Welekar: Okay and the jump in the EBITDA per ton for general products from 1970 to 2800 one factor is it because of the drop in the spread between Patra and primary and discounts coming off and will it sustain going forward?

Anubhav Gupta: No, this is because of the market share at which now Apollo is positioned, right, where the replacement for our brand is not visible.

Aditya Welekar: Understood. So it will be sustained, right, going forward?

Anubhav Gupta: It will sustain, yes.

Aditya Welekar: Yes, last part is on the guidance of Rs. 1,500 crores of CAPEX. How it will be phased out for year-wise if you can throw some idea for '26-'27-'28?

Anubhav Gupta: Rs. 500 crores per year you can factor in.

Aditya Welekar: Okay, thank you. That's all from my side.

Moderator: Thank you, sir. The next question comes from the line of Sneha Talreja from Nuvama Wealth. Please go ahead.

Sneha Talreja: Good evening, team and congratulations on strong set of numbers. Just wanted to deep dive on your EBITDA per ton. Firstly, you have of course pulled up the discount and you mentioned there are no inventory gains but what could be operating leverage benefit that you would have received only in this particular quarter?

Anubhav Gupta: So Sneha, if you see, I mean, Q3 volume was 830,000 ton and Q4 volume is 850,000 ton. So sequentially, cost benefits will not be too much visible. They will be more visible in quarter one as the volume expands beyond 850,000 ton or second quarter. But yes, if you look at our employee cost, that has come down, right? Obviously, it is supported by the surrendering of salary by Sanjayji, but other than that we are working on all the fronts whether it is freight cost, it is power cost, whether it is steel wastage cost, right, so some benefits keep on coming in and then the volume ramp up whether it is 20,000 tons quarter-on-quarter increase some leverage you will continue to see over the coming quarter.

Aditya Welekar: Understood. Given you mentioned about the salary, part of it, how sustainable is that? And when can we see those kinds of benefits continuing? That's one. Secondly, we could also see that, kind of there was a tug of war between volumes and margins. The reason I am saying is you did give guidance of 10% QOQ volume growth and you also gave 400 odd crores EBITDA, while we did not see volume growth at the same level, but we saw you exceeding the margins. So is it something that you know next year also there will be going to be margins is going to be something like your core focus or how are you planning out things here?

Anubhav Gupta: So Sneha see, when I started the call I said last two years we grew our volume by 45% right? So this volume growth came in the backdrop of very challenging environment which was macro at country GDP level, then elections, pre-election, post-election, and thirdly, our own industry, which was going through massive down cycles, right? Steel prices crashed by 25% in last 18 months. So that's what depressed the margins. But good part was that we could build the market share at a level, now where we stand, we can command a 5%-6% premium over our next competitor. So this gives us confidence that maintaining 20% volume growth like how we did in last 2 years, my EBITDA spread will continue to improve plus all the new capacities which are coming up they are also a lot of strategically located whether it is new virgin markets like East India, Bhuj for exports or it is international sales from Dubai plant or it is entry into new product segments, so we're ensuring that the existing capacity doesn't get cannibalized, which could again depress the margins. The incremental growth is coming from new geographies, new products, better sales mix, which will continue to improve our EBITDA spreads going forward. So EBITDA margin will continue to improve without stress on the volume, because volume is coming from new geographies, new markets. new products, new plants.

Aditya Welekar: Understood. And lastly, on the spread which has increased now between the Patra, the primary and the secondary spread, which is very much favorable for quite some time, 2 to 3, I think that's gone up to 7 to 8. What's the action that you have taken on ground? Can we hear more about it? That what are you doing additionally in the commoditized segment?

Anubhav Gupta: So Sneha, right now, see Rs. 7,000-Rs. 8,000 per ton spread is pretty much comfortable to continue to work with. We face challenge when the spreads increase beyond Rs. 15,000-Rs. 20,000 per ton. Under Rs. 10,000 per ton, the market is well positioned to go towards HR coil based structural steel tubes. Obviously, in month of October-November when the gap came down there was a boost of sales in that segment but like I said that this general segment of 1.5 million ton what we are doing, so our growth is coming beyond this 1.5 million ton which does not get affected from sponge iron steel pipes, whether it is coated, it is rust proof, whether it is heavy, whether it is light, whether it is galv, all these new products, Dubai market doesn't export market, right. So our incremental growth is coming from products and markets where sponge iron steel pipes don't impact the volume.

Aditya Welekar: I understood. Lastly, in case you can highlight on the Dubai market, what's the kind of opportunity we heard you saying on US-Canada opportunities also? Who are the existing players servicing on those markets currently? What's the growth rate like in those markets? Opportunity size, some flavor there could be helpful.

Sanjay Gupta: Earlier the US and Canada market is catered by the Korean and Japanese mills. But after the Trump government, they equal the duties. The US duty structure which they had, UAE was made equal to Korea and Japan. So all of a sudden US and Canada's market has opened up quite well and we are getting good realization. Number two in the Europe market, the difference in Euro and Dollar is close to 1.14. The Euro has become equal to Dollar. So, the Dubai market has also got lot of difference. We are already settled in Europe. We are dispatching 5,000-6,000 tons of material per month. But in US and Canada, we just started the supply. Our shipment is reaching there now. We are very bullish that as soon as our shipment reaches, then after that we will get a good response from them because our quality is well accepted in the Saudi market, UAE market and Europe market. So there shouldn't be any problem in US and Canada. And we have a good capacity there, already we have a capacity of 3 lakh tons. And 2 lakh tons will start in July and August. So it will be a total of 5 lakh ton old plant. So we are hopeful of getting more from there because of the cushion that got created.

Aditya Welekar: Understood, sir. Thanks a lot sir and all the very best.

Sanjay Gupta: Thank you.

Moderator: Thank you. The next question comes from the line of Akshay from AK Investment. Please go ahead.

Akshay: Hello. Good evening, sir. Congratulations on the strong set of numbers. My first question is based on our capacity expansion. So in the initial remarks, you have said that we are by 2030, our plan is to do 10 million tons and we will be coming up in the different segments like SS pipes and all these things. There are already other players in that segment. So what is the rationale by coming in that segment and would our margins be compromised because of that?

Anubhav Gupta: Which segment, can you please repeat, for what segment are you talking about?

Akshay: Stainless steel pipes and other segments.

Anubhav Gupta: No, I mean you will have to repeat the question.

Akshay: Like sir said that we will come up with 2.5 lakh tons of four different things of SS pipes and other things which you have mentioned. So if there are other players in this segment, so what is the rationale in that by doing the expansion in that segment?

Anubhav Gupta: So, that is our entry into super specialty tubes, right? We are going to come up with very, very small investments, right? 250,000 tons into four different categories, okay? So putting up and investing small amount of Rs. 300 crore-Rs. 400 crore and testing the market into a new product segment, as a Company we decided to do that. Our right to win will be of course, I mean, not immediate because we will start with small investment. We will ensure that there is no strain on the balance sheet. The initial CAPEX amounts are very, very minimal. We get into the space, we make our mark. Then we scale up the business if we are able to have right to win. But initial right to win for the industry is that in this super specialty tubes, we are now going to do run-of-the-mill products like plain API or plain stainless pipe kind of products. This will be specialty products where you will have where the competition is very, very less or there will be only a limited number of players existing in the country and it will be more of import substitution. So it will be very prudent in identifying these spaces and deploying capital.

Akshay: Okay, understood, sir. And sir, my second question is based on our competitive scenario in steel tube industry. So obviously we are the market leader in that industry, but I want to understand that what is the entry barrier in our industry and there are many big giants like Tata Steel and JSW. So I have seen the steel tubes of Tata Steel as well as other players as well. So, are there any threats if they expand their capacities and they grab some market share in that segment?

Anubhav Gupta: See, I would leave it to you to analyze what are the entry barriers here in our industry.

Sanjay Gupta: Good evening. Boss, we can't get anything comment on this subject because a lot of matter, they are also supplied to us for the raw material. I can only say that Tata Steel is very old than us and they are very well organized Company. They never throw the material in the market in the low margin. When someone don't throw low margin, there is no problem at all. They have own product range, we have own product range, so we don't want to discuss. Thank you.

Akshay: Okay, not an issue, sir. Not an issue. And my last question is the blended EBITDA. So what is our target for blended EBITDA in FY26?

Anubhav Gupta: Near about Rs. 5,000 a ton.

Akshay: Okay, thank you so much, sir. Thanks for answering the questions.

Moderator: Thank you. Participants, please restrict yourselves to one question. If you have any further questions, you may rejoin the queue. The next question comes from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Yes, good evening and congratulations on a good set of numbers. So just on the positioning of APL Apollo, so what was the branding expenses that we incurred this year and what are we planning to incur the next couple of years?

Anubhav Gupta: So advertisement spending we did for the full year, was around Rs. 31 crores. And this year it should be mild growth, not much.

Moderator: I would request you to rejoin the queue if you have any more. Thank you. The next question comes from the line of Vikas from Philip Capital. Please go ahead.

Vikas: Thank you for the opportunity and congratulations on a very good set of numbers. Sir, I just wanted to understand since our cash burn is much lower than the cash generation, what are our plans with the cash? And if any, if you could throw some light on if promoter willing to increase the stakes since it has been very low.

Anubhav Gupta: This is one good problem to solve, right? But in general, see, I mean, as part of our capital deployment strategy, if we earn $100 EBITDA, our operating cash flow is also $100, right? And we have created four buckets to utilize this cash. One bucket will go for tax payments. One bucket will go for dividends. One bucket will go for CAPEX because we are a growth-oriented Company. And at one bucket we will see if cash piles up on the books and then we will see how to reward shareholders. But I think over the next two, three years, we will have also these liabilities, which are current liabilities. We should have enough fixed deposits, enough cash surplus cash on the books to match these current liabilities. And then we will see what to do with the surplus cash.

Vikas: Noted. On the promoter's side, any further insights?

Anubhav Gupta: No, nothing as of now.

Vikas: Thank you.

Moderator: Thank you. The next question comes from the line of Garbi Singh, an Individual Investor. Please go ahead.

Garbi Singh: Thank you for the opportunity and congratulations on great performance. Sir, my question was that, could you please elaborate on your statement that MD has surrendered salary and a bit more on how, what is leading to commanding 5% higher margin even in the general products?

Anubhav Gupta: See, like Sanjayji said that his strength has always been working on the cost, right? During one of our discussion with leadership, we were sitting and we were having intense discussion on how to cut down cost, right? So employee cost is something which is coming a bit high because we have expanded our capacity ahead of time. So right now the employee cost per ton which is around Rs. 1000 and our own target is to bring it down to Rs. 600 per ton. So Sanjayji just took the lead and he wanted to set by an example and he said okay let me surrender my salary all my commissions for FY'25 and FY'26, right and I encourage everyone to come out with innovative ideas and thoughts, right? How we can reduce the cost per ton, right? And bring down every cost, not only employee, but work on every front. So that's what he kind of decided to surrender his salary for FY'25 and FY'26. And on the second question on the premium on our general products. Yes, I mean, again, this is the strength of brand APL Apollo, which has been built over number of years. The first realization we did in 2020 when we moved to Cash ‘n’ Carry. The second realization is in 2025 when we increased our prices for general products by 5% versus our competitor, and we are able to sustain that. So, and we are confident that we should be able to sustain this because of our ever-improving servicing to our distributors, ever expansion of our product portfolio and innovation and ever improvement of our distribution network.

Garbi Singh: Thank you.

Moderator: Thank you. The next question comes from the line of Udit Gajiwala from YES Securities. Please go ahead.

Udit Gajiwala: Yes, hi, team. Congratulations on great set of numbers. Just one question, if you can highlight what would be our EBITDA per ton for export markets. So right now from Dubai, how much is it and what could be the target that we are aiming from Bhoj when we start those operations?

Sanjay Gupta: Hi, good evening. EBITDA per ton for the Dubai export market is close to Rs. 7,000-Rs. 8,000 per ton. And from India, right now the margin is not good, maybe Rs. 2,000-Rs. 2,500 per ton. But there is a reason, the local steel prices are high than the import price. So now we are importing some quantity for exporting the material. Then we should think our margin is go to 8 to Rs. 10,000 per ton. Our import, what we are exporting, our import is arrived in the month of July. From the Q2, our margin of export is also from India is going to Rs. 7,000 to Rs. 8,000 per ton or maybe Rs. 8,000-Rs. 9,000 per ton. But till now we not got the cheaper raw material. Our margin is Rs. 2,000-Rs. 3,000 per ton.

Udit Gajiwala: Got it, sir. Thank you, sir and all the best.

Moderator: Thank you. The next question comes from the line of Anupam Gupta from IIFL Capital. Please go ahead.

Anupam Gupta: Thanks for opportunity sir. Just one question on the volume guidance. So 20% full year is understandable but how are you seeing the near term per se first order of course, are you seeing an uptake in demand already or we are still looking at second half being the major part of volume for this year?

Sanjay Gupta: Right now, we are right on track. April is just slightly little bit from our target. Like every year the April is on the downside. We are less than our target, volume target by 5% to 6%. And May is going good. So I don't think like first half of the month we can do 17-18 lakh ton, in the second half we crossed 2 million ton.

Anupam Gupta: Understood. That is it from me.

Moderator: Thank you. The next question comes from the line of Shweta Dikshit from Systematix Group. Please go ahead.

Shweta Dikshit: Hello. Hi, good evening. Congratulations on a good set of numbers. My question is primarily, what's your EBITDA per ton guidance on 20% volume growth each year? Also, to be taking care of the fact that if at all fuel prices fall again, is the most likely of sustainable rate of EBITDA per ton? Is there a chance that once again, when we push higher volume when our focus goes to volume growth, could there be a scenario where we again push discounts to the market to gain a better market share? So more like the question that largely revolves around as a sustainable EBITDA per ton?

Anubhav Gupta: For FY'26, guidance is near Rs. 5,000 a ton. And over the next few years, EBITDA spreads will continue to improve beyond Rs. 5,000 per ton because of improving sales mix and increasing sales from international markets and getting the operating leverage plus working on the cost reduction factors. So we are confident that EBITDA spread should improve year-on-year for the next 3-4 years. As far as steel down cycle is concerned, we don't see that steel could crash again by 25% as it did in the last 15 months. So since we don't foresee such sharp decline, it should not lead to any decline in our EBITDA spreads. 4%-5% increase/decrease does not impact us at all.

Shweta Dikshit: Understood. And if I could squeeze in one more question out of the total…

Moderator: I am sorry to interrupt, Sweta. Could you please rejoin the queue if you have any more questions? Thank you. The next question comes from the line of Bhavin Pande from Athena Investments. Please go ahead.

Bhavin Pande: Hi, congratulations on great set of numbers. So when we look at heavy product in the Apollo structural segment, EBITDA per ton is around 8,700. So how do we look at this run rate on a sustainable basis?

Anubhav Gupta: It should be in the same range Rs. 8,000 to Rs. 9,000 a ton.

Bhavin Pande: Okay, thank you.

Moderator: Thank you. The next question comes from the line of Mayank Bandari from Asian Markets. Please go ahead.

Mayank Bandari: Thanks for the opportunity. I just wanted to have a look at the console number for earlier. Is it possible for you to share what was the PAT contribution from the APL Apollo building products that is your Raipur plant? The number for last year was almost 26 crore of the PAT

Anubhav Gupta: Let's take it off the call please. You can reach out to us later.

Mayank Bandari: Okay. And just one more thing I wanted to understand from the industry competition perspective as we are seeing that a lot of players have come and capacity wise there seems to be over capacity in the industry. Would you agree to that point to at this moment?

Anubhav Gupta: It could be in the general segment, but not in the value-added products where we have dominant market leadership.

Mayank Bandari: Okay. Thank you.

Moderator: Thank you. The next question comes from the line of Shweta Dikshit from Systematics Group. Please go ahead.

Shweta Dikshit: Thank you for taking my question again. Could you define what is the total share of exports as of now, including the exports from India and Dubai both? And how is it likely to pan out in the next two years? What's the target to take the proportion of exports to?

Anubhav Gupta: As of now we are at 6% and target is to take it beyond 10%.

Shweta Dikshit: Thank you.

Moderator: Thank you. The next question comes from the line of Deepak Pandey from Sagun capital. Please go ahead.

Deepak Pandey: Sir, in the Slide #11, you have mentioned about some new specialty tube capacity. So can you just throw some light on it and what sort of EBITDA per ton are we looking at here?

Anubhav Gupta: So here the focus will be to service some industries like oil and gas, refineries and mechanical tubes, right? Could be some highly specialized water line pipes. We are still working on it. But that's the vision till 2030 that we must have some presence outside structural steel tubes, which could be like 5% to 10% of our total capacity by then. Maybe in next six months we will have a better answer to this that what's the game plan, actual game plan there.

Deepak Pandey: Got it. Thank you.

Moderator: Thank you. The next question comes from the line of Krishnam Saraf, an Individual Investor. Please go ahead.

Krishnam Saraf: Hi. Thank you for the opportunity. I am a bit new to this industry. I just have a basic question as to why doesn't anyone hedge their steel exposure in the market?

Anubhav Gupta: You will have to say it again, please?

Krishnam Saraf: Yes, the question is, why don't players hedge their steel inventory exposure in the market?

Anubhav Gupta: There is no such product to do this. So there is no way, there is no instrument to do this.

Moderator: Thank you. The question comes from the line of Anupam Gupta from IIFL Capital. Please go ahead.

Anupam Gupta: Yes, thank you for opportunity. So you highlighted a very strong cost reduction target for employee cost from 1000 to 600 over the next few years. So obviously next year Mr. Sanjay Gupta not taking salary will help. But let's say you're still looking at a meaningful greenfield capacity expansion coming up over the next 2-3 years. This will again add to your cost and this will again depend on how far those capacities get utilized in terms of cost reduction. So is this 600 actually doable over the next couple of years and what will enable you to drive this over the next couple of years apart from operating level? Is that any other lever, apart from operating leverage, that enable you to drive the cost down?

Sanjay Gupta: Good evening. Anupam, salary cost from 1000 to 600 is not a big task. These are just the tasks of automation and discipline. Like, our plant's salary cost is close to Rs. 400 per ton. And our expense of our HO which is almost the same for example if we make 10 million ton it will be the same, if we make 5 million ton it will the same or whether we make 4 million ton it will be the same. As our volume increases, our cost will come down a bit. We are doing some automation in some plants, like I told you we will incur a CAPEX of Rs. 200 - Rs. 300. Our lines are operating at 80 to 90 meters; we are trying to take it to 120 meter to 130 meter. We have to assign people for bundling so we are bringing bundling into automation. We are working to put an end on handling by using as much as automation is possible. We are targeting that to bring down our plant cost. We are trying to bring the plants to optimum utilization so that the cost of the plant which is right now Rs. 400 per ton we want to bring it to Rs. 300 per ton. And our HO, brand, and marketing cost of 500 crore to 600 crores we want to reduce that to Rs. 300. So this is more or less, we have to maintain the discipline. We have capacity utilization we have to take it to 100% and some automation. All the 3 mixer, we can find the result. And till we don’t think about it, we won't target it, so how can we do? So our try will be to at least do 700 if not 600, or 550. But we have to try.

Anupam Gupta: This is helpful, sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Anubhav Gupta to give his closing remarks,

Anubhav Gupta: Thanks everyone for dropping by. Look forward to talk to you again during Quarter 1 FY'26 Earnings Call. Thank you so much.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Private Limited that concludes this conference. You may now disconnect your lines.