



APL Apollo Tubes Limited

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APL Apollo to acquire Shankara's 200,000 MTPA tube manufacturing unit in Southern India for Rs. 70 crore

- To further strengthen APL Apollo's leadership position in India by taking the Company's total capacity to 2.30 million MTPA
- Immense potential to turnaround the unit through operational efficiency
- Entity belonging to promoter category concludes infusion of Rs. 97 crore in APL Apollo through preferential allotment of equity and convertible warrants

New Delhi, April 13, 2019: APL Apollo Tubes Limited (APL Apollo), India's leading branded steel tubes manufacturer, today announced that it has entered into an agreement with Shankara Building Products Limited (Shankara) to acquire its 200,000 MTPA tube manufacturing unit based in South India for a total consideration of Rs. 70 crore. The Company proposes to fund this acquisition through internal accruals. The acquired facility has established manufacturing lines for GI pipes and GP pipes, which are APL Apollo's high margin and value-added product segments. Improving portfolio of these products will enable increased revenue and volume contribution of value-added segments while also leading to steady improvement in operating margins.

Capacity break-up of the acquired plant:

Products	Capacity (MTPA)
Total Capacity	200,000
- Pre-Galvanized Tubes (GP)	125,000
- Galvanized Tubes (GI)	30,000

APL Apollo's existing manufacturing units catering to the southern markets are operating at over 80% utilization levels. In addition, Shankara being the second largest player in the South India market, the Company believes that this acquisition was an excellent opportunity to build and consolidate market share of APL Apollo in South India markets. Further, it will also enable APL Apollo to add further capacities at attractive valuations, given the strong demand outlook over the next few years. The Company anticipates to ramp up volumes at a healthy pace in the acquired unit, which is currently operating at ~40% utilization. The target is to improve the operating efficiencies and the utilization levels of the acquired unit to APL Apollo's standard of 80-85%. Furthermore, Shankara has agreed to purchase 2.5 lakh tonne pipe from the Company in FY2020, which will assist volumes, as well as entered into an arrangement to buy exclusively from APL Apollo going forward. APL Apollo will be able to bring down costs related to raw materials, operating costs, and transportation costs owing to economics of scale in the region. This should further lead to a quick turnaround of the facility and will enable APL Apollo to achieve a payback period of less than 3 years.

Commenting on the operational developments, Mr. Sanjay Gupta, Chairman of the Company said, "I am pleased to announce that we have entered into an agreement with Shankara to acquire its 200,000 MTPA tube manufacturing unit based in South. The plant complements our existing operations in Bengaluru and Hosur and will further bolster our manufacturing capacity to meet the growing demand for steel tubes and pipes in South, East and South-Western markets. With improved production of our high-margin products of GI and GP pipes, we expect to further enhance our profitability going forward."

Across all its established lines, the Company operated at close to 85% utilization in Q4 FY19. To further enhance capacity, the Company undertook certain de-bottlenecking initiatives at the latest Direct Forming Technology (DFT) lines. This led to capacity enhancement of 1 lakh MTPA, taking the DFT capacity to 6 lakh MTPA and the total capacity to 2.1 million MTPA.

In Q4 FY19, APL Apollo registered its highest—ever sales volume of 418,355 MT, higher by 39% YoY from 300,830 MT in Q4 FY18. This, translated to a 19% volume growth of 1,339,174 MT in FY19 as compared to 1,130,305 MT in FY18. The growth in Q4 FY19 was primarily driven by strong demand recovery in the value-added product segments of hollow section pipes particularly Direct Forming Technology (DFT) pipes, Pre-galvanized pipes (GP) and Galvanized Tubes (GI) pipes. The Company continues to witness a healthy volume performance across product categories and remains confident of registering strong sales

momentum of over 20% in FY20 as well. Further, addition of increased production of GI and GP tubes through the acquisition, will further enhance volumes for APL Apollo, going forward.

In another development, the Board has promoted Mr. Arun Agarwal from South Head to Chief Operating Officer of the Company. Mr. Agarwal is a Chartered Accountant and brings with him over 20 years of rich experience in the Steel Industry. Currently, he is looking after the complete operation of Southern region including Sales, Purchase and Production activities. Mr. Agarwal will now be leading Sales, Purchase and Production activities across India and the domestic markets.

The infusion of Rs. 97 crore by an entity belonging to promoter category in APL Apollo has also been concluded through preferential allotment of equity and convertible warrants. The details of the allotment are as follows:

- Allotment of 400,000 Equity shares on preferential basis at Rs. 1,800 per equity share to entity belonging to promoter category
- Allotment of 500,000 fully convertible warrants of the Company at Rs. 2,000 per warrant to entity belonging to promoter category

Post the allotment of Equity shares, the paid up capital of the Company stands Increased from Rs. 23,85,03,810/- (2,38,50,381 Equity Shares of Rs.10/- each) to Rs. 24,25,03,810/- (2,42,50,381 Shares of Rs.10/- each). This equity infusion reiterates the promoter group's commitment towards the business and confidence in its growth outlook.

About APL Apollo Tubes Limited

APL Apollo Tubes Limited (APL Apollo) [BSE: 533758, NSE: APLAPOLLO] is one of India's leading branded steel products manufacturers. Headquartered at Delhi NCR, the Company operates six manufacturing facilities with a total capacity of 2.1 Million MTPA. It has a PAN-Indian presence with units strategically located in Sikandarabad (3 units), Bangalore, Hosur, Raipur and Murbad. APL Apollo's multi-product offerings include over 500 varieties of MS Black pipes, Galvanized Tubes, Pre-Galvanized Tubes, Structural ERW Steel tubes and Hollow Sections.

With state-of-the-art-manufacturing facilities, APL Apollo serves as a 'one-stop shop' for a wide spectrum of steel products, catering to an array of industry applications such as urban infrastructures, housing, irrigation, solar plants, greenhouses and engineering. The Company's vast 3-tier distribution network of over 600 dealers is spread all across India, with warehouses cum- branch offices in over 20 cities

For more information about us, please visit www.aplapollo.com or contact:

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