



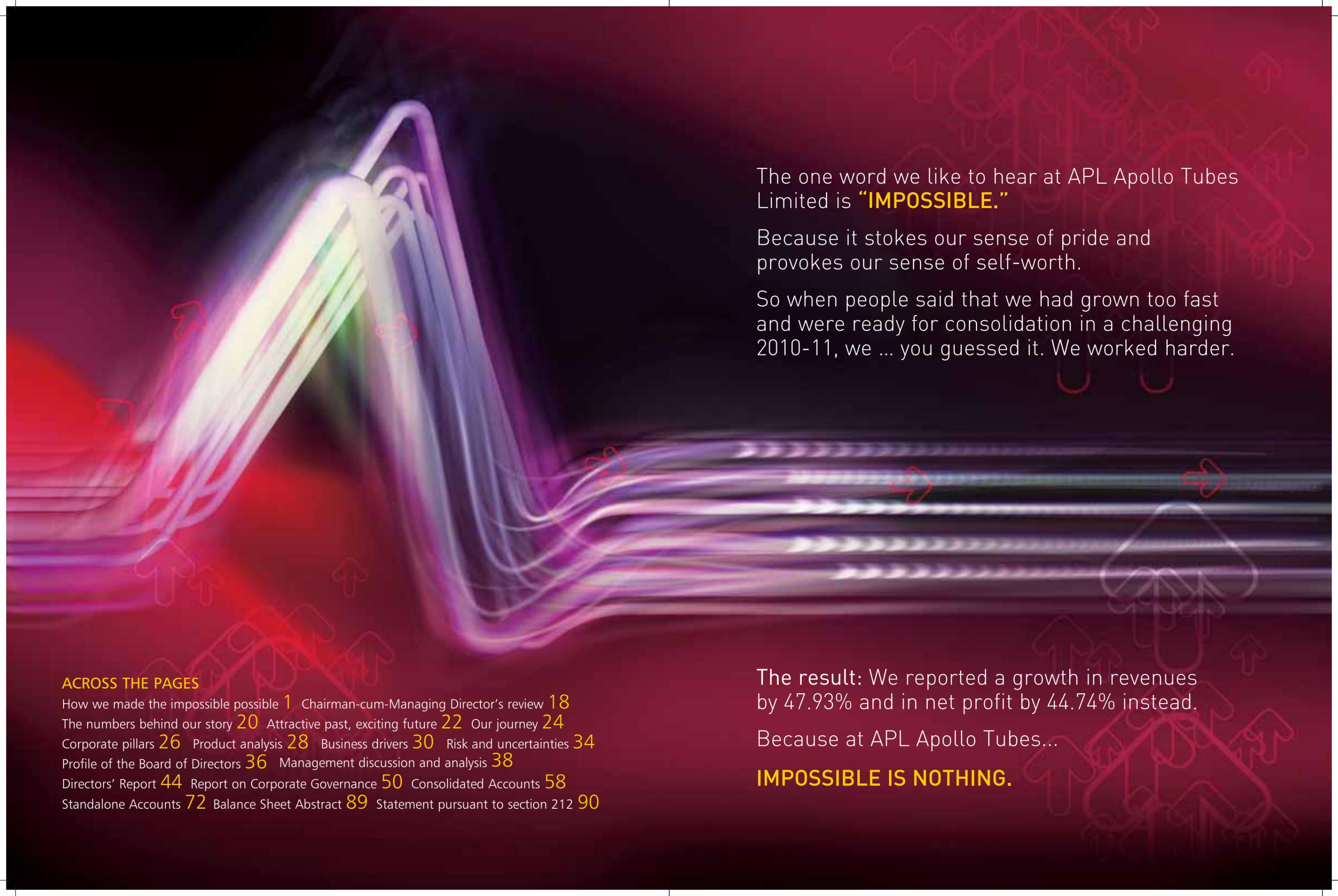
"IMPOSSIBLE"

APL APOLLO TUBES LIMITED | ANNUAL REPORT 2010-11



APL Apollo Tubes Limited

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The background features a dark red gradient with numerous faint, glowing red arrows pointing upwards. Overlaid on this are several bright, multi-colored lines (purple, blue, green, yellow) that form a large, stylized 'A' shape on the left side, which then transitions into a series of horizontal lines extending towards the right. Some of these horizontal lines have small red arrows pointing to the right.

The one word we like to hear at APL Apollo Tubes Limited is **"IMPOSSIBLE."**

Because it stokes our sense of pride and provokes our sense of self-worth.

So when people said that we had grown too fast and were ready for consolidation in a challenging 2010-11, we ... you guessed it. We worked harder.

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The result: We reported a growth in revenues by 47.93% and in net profit by 44.74% instead.

Because at APL Apollo Tubes...

IMPOSSIBLE IS NOTHING.

APL Apollo Tubes is the only Indian player manufacturing steel tubes, pipes and hollow sections, across multi-location manufacturing facilities, supported by a nationwide dealer and own distribution network.

The Company intends to double production capacity and emerge as an industry leader.

Leaders

Pioneered pre-galvanised tubes manufacture in India. Produces over 300 varieties of ERW steel tubes ranging from 0.5" to 14" (outer diameter) comprising ERW black, hot-dipped galvanised, pre-galvanised tubes and hollow sections.

Expansive

Manufacturing facilities strategically located in North, South and West India. A pan-India dealer network distributes products efficiently, supported by 10 warehouse-cum-branches.

Customers

Prominent Indian engineering, automobile, refinery, construction and infrastructure companies, namely –

Engineers India Limited, Mecon, BPCL, L&T, Metro Railway, Simplex Infra, Suzlon, Gammon India, Afcons, Firepro, Ashok Leyland, Tata Marco Polo, AGCL, BHEL, Gujarat Gas, Mundra SEZ, IRCON and Airports Authority of India, among others.

Listing

Listed entity with a market capitalisation of ₹ 30,000 lacs.

Certifications

ISO 9001:2008

Integrated Management System

ISO 14001:2004

Environment Management Systems

OHSAS 18001:2007

Health & Safety Management Systems

Products:

- IS 1239 – Water and gas application
- IS 1161 – Structural application
- IS 3601 – General engineering
- IS 3589 – Water, gas and sewerage
- IS 4270 – Water wells and casing pipes
- IS 4923 – Structural tubes for infrastructure
- IS 9295 – Idlers for conveyors

The Company possesses prestigious accreditations like Underwriter Laboratories, CE and SGS France; it is a recognised Export House. Its products are endorsed by Bureau of Indian Standards and British Standards.



When we were a 0.05 mn TPA company after two decades of existence and drew out a blueprint to become the country's largest manufacturer with a 0.5 mn TPA capacity in just five years, the industry hissed...

“IMPOSSIBLE.”

At the outset, APL Apollo Tubes established a credible rationale for aggressive expansion.

One, the country would grow faster than before.

Two, the country's economy would need a larger proportion of premium tubes, pipes and hollow sections.

Three, the country's infrastructure would emerge as a larger proportion of

the overall economy.

Four, new applications like fire-fighting, city gas grid, metro network and public transport systems would catapult demand.

The result: We grew our capacity ten-fold in five years, growing faster than our sectoral average and projected to produce 75% of this capacity in 2011-12.



When we created a medium-term budget with a margin estimation higher than the industry average, most advisors laughed away our intent with one word...

“IMPOSSIBLE.”

At APL Apollo Tubes Limited, a few years ago we created a meticulous plan to reconcile volume and value into our business model.

One, we would invest in cutting-edge technology for ensuring efficiency in operations.

Two, we would commission a large capacity to reap economies of scale.

Three, we would create better niche products that would enhance realisations.

Four, we would negotiate aggressively for volume-based raw material discounts.

Five, we would market our products through our own distribution network to extend our value chain and generate superior realisations.

The result is that in an environment where growing competition thinned the margins of most industrial products, APL Apollo Tubes protected its EBITDA margin at around 9.5%, higher than its industry average.



When we indicated our intention to expand our manufacturing presence from one zone in India to multiple zones – something that had never been conceived in our industry – the first thing that the trade dismissively said was...

“IMPOSSIBLE.”

At APL Apollo Tubes Limited, we embarked on a daring plan to rewrite an unwritten mindset a few years ago. A manufacturer generally had manufacturing facilities in one region and marketed material from this chosen region only. As a result, the industry was fragmented across small regional companies.

APL Apollo Tubes countered this convention. The Company emerged

from its 22-year presence in North India to spread its footprint across South and West India through acquisitions and expansions.

The result is that what was a complete North Indian presence until a few years ago is now 50% in South India and 19% in West India.

What was a regional company is now a pan-India organisation .



In a volume-driven business, when we decided to customise our end-products with selective capex, the first thing that our industry observers, looking at potential returns, said was...

“IMPOSSIBLE.”

At APL Apollo Tubes Limited, we thought differently.

In our business, the conventional response was to manufacture products in large volumes while leaving customisation to downstream processors.

This had a number of limitations: Delays in product delivery and inconsistency in quality and precision.

APL Apollo Tubes made a daring extension. Latest technology from Kusakabe, Japan, is installed at all manufacturing plants to ensure efficient operations, better capacity

utilisation and higher yield. The Company is now implementing the rotary sizing mill (RSM) technology for the first time in India which will serve two benefits: While customers will receive finished products with higher quality, precision and delivery speed, the Company will be able to capture a larger slice of the value chain. Also, the use of RSM technology will lead to ovality reduction, ensuring product uniformity.

Our ability to provide customised products helps us to retain customers at one end and strengthen profitability at the other.



In a volume-driven business,
when we first indicated that we
could innovate our way out of the
commoditisation trap, a number
of analysts passed their
judgement with one word...

“IMPOSSIBLE.”

At APL Apollo Tubes Limited, we felt that the
quickest growth was through a combination
of volume and value.

This counter to the conventional mindset
where companies in our business generally
stayed within their product segment,
preferring to grow scale or range.

APL Apollo Tubes is contemplating
something unprecedented: We are
graduating from conventional tubes and
pipes to an entirely new segment of
sophisticated hollow sections and seamless
equivalent low diameter high thickness
tubes. This cutting-edge product finds use in
various industrial applications customised
around client requirements and applications.

Over time, this extension will widen revenues
and deepen the Company's presence in
adjacent business spaces.

In our industry, material is usually sold business-to-business. When we made a daring suggestion that we would also market material to consumers, the trade sat up and announced...

“IMPOSSIBLE.”

At APL Apollo Tubes Limited, we went against industry wisdom.

We achieved the untried – an alternative own distribution network (in addition to the existing dealer-distributor network) that linked the Company to end-users.

This decision proved to be business-strengthening: The Company enjoys a first-hand experience of end-user preferences, enabling it to customise products

accordingly, reduce its dependence on business-to-business sales and spread marketing risk across a wider consumer spread.

The Company has reconciled good volumes and margins, while increasing the number of its warehouse-cum-branches from five to ten.



At APL Apollo Tubes, we intend to double our production capacity and emerge as a \$ 1 billion revenue company by 2015. Heads have begun to shake again...

At APL Apollo Tubes Limited, even as a number of well-meaning advisors suggest that it would be a good idea to consolidate or make only incremental capacity increases through de-bottlenecking, we are readying for the big leap – doubling our production capacity to 1 million TPA by 2015 – for some good reasons.

One, we believe that the government's decision to almost double infrastructure spending to US\$ one trillion in the Twelfth Plan will lead to an

unprecedented growth in the demand for our products.

Two, the Company proactively created its own distribution network to market the additional production across a wider regional spread.

Three, the Company widened its product range to service relatively underexplored niches that can be gradually scaled to maturity.

So the big message at our Company is... our growth story has only just begun.