APL Apollo Tubes

Operator: Ladies and gentlemen, good day and welcome to the APL Apollo Tubes Limited Investor Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anubhav Gupta from APL Apollo Tubes Limited. Thank you, and over to you, sir.

Anubhav Gupta: Good evening, everyone, and thank you for joining us at such short notice. I am sure many of you would be continuing from the Tata Steel investor call. With me, we have our Chairman, Mr. Sanjay Gupta; Mr. Deepak Goyal, the Executive Director; Mr. Ketan Khandelwal, the CFO; Mr. Rahul Gupta, the Executive Director; and myself, Anubhav Gupta.

Before we begin this call, please note that today's discussion may include forward-looking statements, which are subject to the risks set out in the safe harbor in our presentation. Every element of the transaction we discuss today is subject to all necessary regulatory approvals.

Over the last 24 hours, we announced a strategic partnership called Sampoorna, one that covers the whole steel chain from ore to the market. It has two parts. Number one is that Tata Steel will become the majority shareholder of APL Apollo Tubes Limited. It will buy a 26.6% stake from S. Gupta Holdings at Rs.2,100 per share and will make an open offer for a further 26% stake at Rs.2,301.40 per share.

Second, APL Apollo will become Tata Steel's downstream platform. APL Apollo will acquire Tata Steel's downstream business with 2.5 million tons of capacity, out of which 1.7 million tons is tubes and 0.8 million tons is roofing products, which they call color-coated steel. The purchase is for a consideration of 280 billion INR through an asset purchase and business transfer.

Why do we believe this is a strategic partnership? For APL Apollo, this will resolve the one thing that a downstream company never fully controls, which is the security of steel supply. We will now have the backing of Tata Steel's 27 million tons of crude steel capacity in India.

For Tata Steel, it gets a single-focus vehicle for downstream conversion, with the brand, distribution, and execution that APL Apollo has built over the last three decades. Together, the combined platform links upstream supply directly to the finished product and the end market.

If we talk about scale, APL Apollo has 5 million tons of ready capacity today. Adding Tata Steel's 2.5 million tons of capacity, which will be merged into APL Apollo, we will have 7.5 million tons of ready-to-go capacity from day one.

Our own expansion of 3 million tons is under way and will be ready in the next 3 years. In addition, Tata Steel is going to undertake contract manufacturing of a further 5 million tons of color-coated steel products. That would make us the world's second-largest downstream company, with a potential platform of 15.5 million tons.

Youfa, the Chinese company, is number one in the world, but it also does not have upstream backing. APL Apollo will therefore become the world's unique company with complete upstream

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steel backing.

It also gives us one of the broadest product portfolios in the industry, whether it is structural steel tubing, precision tubing, automotive tubing, large-diameter tubes, water-transportation tubes, and various color-coated and metal-coated products whose applications are growing several-fold in the construction and renewable sectors.

The plant network would cover 14 locations, from Jamshedpur and Angul to Hosur, Raipur, and Dubai.

Coming to the economics, we are paying Rs.28,000 crore for the purchase of assets: Rs.11,700 crore for the tube business and Rs.16,300 crore for the metal and coated steel business. An independent valuer arrived at this figure using 3 methods: reproduction cost, DCF, and the market price method.

The business made revenue of Rs.11,000 crore in FY26 and around Rs.14,000 crore in FY27. That is the current ongoing run rate.

The biggest point is what this platform can earn. With richer products and upstream support, we see EBITDA per ton potentially rising to Rs.7,000-Rs.8,000 per ton from the existing Rs.5,500-Rs.6,000 per ton.

At full scale, that adds up to an EBITDA opportunity of Rs.10,000 crore on pro forma revenue of more than Rs.1 lakh crore. We are targeting ROE and ROCE of more than 30% and zero net working capital days.

This is what APL Apollo has maintained over the last several years, which has expanded its ROE and ROCE to the best industry standards.

We believe this is a defining moment for APL Apollo. We will remain an entrepreneurial, fast-moving downstream company, now with the scale and supply security of the Tata Group behind us.

We believe our group's ambition of Rs.10,000 crore EBITDA will be achieved much faster than we would ever have thought. We will keep you updated at every phase of the approval process.

Now I would like to request Mr. Sanjay Gupta to add a few words, and then we will open the floor for Q&A.

Sanjay Gupta – Chairman: First of all, thank you to everyone for showing confidence in me, my organization, and my entire system over the last 20 years. I am really very grateful to all of you because you have given me so much love, respect, and support, through which I was able to bring the company to this level. [pause] In what words can I express my gratitude to you? I do not have the words.

Somehow, I do not know whether I did the right thing or the wrong thing, [hesitates] but I have always told you one thing: with me or without me, this company should reach Rs.10,000 crore of EBITDA. If you have ever heard me say anything on any of my calls, this is not important to me, my holding, or my work.

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What is important to me is the love I have earned from you over the last 20 years. I have no other goal greater than that. [long pause]

Right now, I have no answer. I have no answer for that. I am a very straightforward person. Let me tell you the incident of how the deal started.

I was negotiating with Tata Steel for raw material. We had a fight over Rs.200. So I told them, "If you cannot give me Rs.200 cheaper, then take over my company. I cannot run it. You hit me from one side, the customer hits me from another side, and the investor hits me from the third side. I have gone crazy. So take over my company."

But at that time, it was a joke. It was a bargaining and negotiating tactic, what I call negotiating the deal price with my supplier by making an emotional statement. But I agree that the matter gradually moved forward. It kept moving forward. Gradually, it seemed that [trails off]

Sanjay Gupta: Now it has gone to sleep. For me, this is my mother. I joined this business in 1986 at a small plant in Secunderabad. I was born in 1971. I was 15 years old. My father had come from a background of lending money on interest. We had moved into losses. I had to leave my studies and enter this business.

I did not know whether I was doing the right thing or the wrong thing. From day one, my father and I became involved in this business. Gradually, time moved forward, and we kept working. Then we kept receiving people's support, the caravan grew, and we kept moving forward.

I do not know when this company got listed or how all of you became associated with me. My entire stake had already been sold a long time ago.

I think after COVID, I took some money from the company, perhaps around Rs.1,000 crore. Otherwise, my stake had been sold at a valuation ranging from {? Rs.20 crore ?} to {? Rs.100-200 crore ?}. But I can say that I worked with this company with complete honesty.

Then, when my negotiations with Tata Steel began, they offered me a premium price for control, on the condition that I would remain in the business but would not run the pipe business. They offered me a premium for that. For the minority shareholders, they discussed an offer at the market price, or whatever price was applicable under the SEBI guidelines.

I said no. My first priority is my distributors, my channel partners who have supported me so much, my employees, and my shareholders. First tell me what needs to be done for them.

Then we decided on a premium price for the shareholders, and whatever the deal was, whatever the amount was, I was happy. Whatever I was given, I was happy. I do not have that kind of greed.

I am happy that I think I received a {? 21 index ?} price. Approximately Rs.1,500-Rs.1,600 crore will come to me, and after tax, whatever remains from the 12-13 thousand crores will be left. I am happy that whatever reward I was meant to receive in my life, if this was my destiny, then this is it.

The greatest thing for me is the love you have shown and the trust you have placed in me. This money is nothing compared with that money.

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Through this call, I want to assure all the stakeholders, whether they are my shareholders, distributors, or employees, that I have done what was the best possible thing for everyone as of today. Believe me, if I felt that you believed in what I was saying, I did that work.

But even after this, I am not going away from anyone. I cannot stay away. I still have the option of holding a 4-5% stake with me, which I do not think I will leave to chance.

Number two, I have left Rs.2,000-Rs.3,000 crore on the table for my stakeholders. After that, a substantial amount will go in taxes. From whatever money remains, if I have a personal requirement of {? Rs.100-200 crore ?}, I can keep that much.

But whatever remains, I am investing that money in the welfare of Apollo, where I will receive only a fixed-deposit interest return.

Because Apollo is also my mother. A mother has 3 or 4 children. If the 4 children live separately, the mother cannot live with all 4 of them; she lives with only one of them. But that does not mean she does not love the other 3 children.

I have not seen this as leaving Apollo. In whatever way I can, as long as I am with this company, I will remain with it. Until my vision of {? Rs.10,000 crore ?} is achieved, I will not leave your side, Tata Steel's side, my distributors' side, or my employees' side.

The rest is that I am a little emotional, very emotional, because I do not want to lose my emotions. I am giving my company to an elder brother today, so I have to give it with a smile, not while crying. This is my strength.

I have done a good thing. I do not want to become emotional. But you must also understand my position. Seeing your love today, I have no words to express what I feel.

I always thought I was very talkative and could speak a lot, but all my words have ended after seeing your love. Thank you very much.

Operator: Thank you. Sir, shall we open the floor for questions and answers?

Management: [pause] Yes, let us open the floor for Q&A.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking their questions.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to all: you may press star and one to ask a question.

We have the first question from the line of Vishal Gutwani from Aditya Birla Mutual Fund. Please go ahead.

Vishal Gutwani - Aditya Birla Mutual Fund: Hi. Good evening, everyone. Sanjay sir, you announced these transactions last night and this morning. These are multiple transactions that have been

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announced. If I look at them, are these transactions contingent upon each other? Does one transaction have to happen for the other transaction to be counted, or how will it work?

Sanjay Gupta: [pause] Anubhav can answer this. Anubhav or Deepak can explain the details of these transactions. I can explain the transaction itself.

The transaction is that we acquired 5 plants from them: Apollo Pipes, 4 plants—one is Sahibabad, one is Khopoli, one is Hosur, and one is Jamshedpur. And one is Anmol. Sorry, 5 plants. One is in Anmol.

But I can tell you one thing. When I was living around this plant in Ghaziabad from 1986, this plant was more or less known as Jawahar Metal in 1994. After that, it was converted into Bhushan Metal.

From around 1998, 1999, or 2000, whenever I used to pass in front of this plant, I had a dream: could we build a plant like this? Could I acquire this plant?

People really do not understand this right now. If you visit the Sahibabad plant and the Khopoli plant, I think I can say that these are the world's best plants in the color industry. They are the best plants in the world, just as I feel proud when I see my APL Raipur plant.

So how the shareholder is reacting, I do not know. But the APL Raipur plant, the Sahibabad plant, and the Khopoli plant have become the triggers for Apollo.

I can take anyone to this plant and make them proud, boss. You cannot even imagine the asset value here. Even after the entire announcement yesterday, we acquired this plant for {? Rs.28,000 crore ?}. I cannot tell you how many congratulatory calls I received from the stock market and from this place: "Wow! Is this also possible?"

Take me around this plant tomorrow. It has been my dream since childhood to see it. Boss, visit the plant once. Just visit the plant, and then decide whether this is right or wrong, whether I have done a good job or a bad job. Do not make a decision based only on the numbers.

So that is one matter. I am trying to cover all the points one by one.

Number two, I think both transactions are different. One is an asset purchase and one is a company purchase. In one transaction, we also need shareholder approval from you. I believe you will understand what I am saying and give us your approval, and remain with me, because I have not taken a wrong decision.

Number three, my stake has nothing to do with this. There was a 9.9% block deal, there will be a discussion regarding approximately 12% in front of all the promoters, and I have an option for 4.5% up to March 28.

I can only say that I am with you. I have to undertake the journey to Rs.10,000 crore. Vishal, do you have any questions on the deal contours?

Vishal Gutwani – Aditya Birla Mutual Fund: Yes. Sir, regarding Tata Steel Colors Private Limited, for which we have proposed to acquire it at {? Rs.16,300 crore ?} [inaudible]

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Vishal Gutwani – Aditya Birla Mutual Fund: ...crores, whose net worth is Rs.1,000 crore, and whose valuation Tata Steel had acquired from BlueScope a year ago for Rs.2,200 crore. So, in this asset, the valuation was 2 times book value a year ago, and today we are paying almost 16 times book value for this asset. What is the rationale for this?

Again, our 5 million tons of capacity will later be outsourced from the S. Gupta Group, and APL Apollo will outsource it. That is also color-coated steel, which we are outsourcing. So, if we are paying Rs.16,000 crore for only 0.8 million tons of capacity, please help me understand the rationale for that.

Management: [pause] Vishal, the BlueScope deal you are referring to had sales volumes of color-coated steel of 200,000-250,000 tons per annum. What we have paid Rs.16,000 crore for is capacity of 750,000 tons, of which almost 90% is being utilized in terms of deliveries and sales deliveries.

Please do not relate the 2 transactions separately, because what we have acquired is 0.75 million tons of color steel capacity in color-coated steel, whereas BlueScope was around 0.25 million tons.

Vishal Gutwani – Aditya Birla Mutual Fund: If APL Apollo had decided to put up a greenfield plant for this 0.8 million tons of capacity, what would have been the cost?

Management: The cost would be {? Rs.3.4 paise ?}.

Vishal Gutwani – Aditya Birla Mutual Fund: I am saying that for this 0.8 million tons of color-coated steel that we are getting through the Tata Steel color acquisition, if we had decided to build it through a greenfield plant, what would have been the cost of constructing that plant?

Management: [pause] Rs.2,500 crore, Rs.2,500 crore, and a time period of 2-3 years, or 24-36 months.

In addition, there is the Tata brand, which sells at Rs.115,000 per ton, almost a 30% premium to the market. In this product, the EBITDA is 4 digits, Rs.10,000 per ton.

There is also the replacement value and asset value of the land being acquired. Mr. Neeraj also explained on the call what is upstream and what is downstream.

Let us not relate the 2 businesses. In upstream, you build capacity and start producing. In downstream, setting up a business and setting up capacity is not difficult. What is difficult is scaling up the plant, selling the product from that plant, creating the distribution network, and creating the brand.

It can take 5-10 years to scale up a 1 million-ton plant on which we might spend Rs.2,500 crore. The plant will take 3 years to come online. After that, there would be 5 years of building the distribution network and creating the brand for that premium, along with the premium itself.

Tata BlueScope and Tata color-coated steel products are sold at Rs.115,000 per ton. No downstream product in the mild steel segment is sold at such price levels, Vishal.

Vishal Gutwani – Aditya Birla Mutual Fund: I think we also have color-coated capacity, right?

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Management: Yes, but it is very small. That is 250,000 tons per annum.

Vishal Gutwani – Aditya Birla Mutual Fund: Right, and are we enjoying similar margins there?

Management: No. This price level is very high.

Vishal Gutwani – Aditya Birla Mutual Fund: If this transaction, which is going to be approved separately by the shareholders through a special resolution, does not go through, will the other transactions still go through because they are not contingent? Is that how it is?

Management: That is right. That is right, Vishal. Just to add a few more data points, this consideration of Rs.28,000 crore gives us 2.5 million tons of ready capacity in tubes and color products combined.

The combined revenue of this entity is Rs.19,000 crore, with EBITDA of Rs.5,500 per ton, approximately Rs.1,200 crore of EBITDA, and approximately Rs.750 crore of PAT. This is what we are getting for Rs.28,000 crore.

In addition, we are getting years and years of investment by Tata Steel to build the capacity, product portfolio, distribution, brand network, and everything else.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address all the questions from the participants in the question queue, we request you to kindly limit your questions to 2 per participant. If you have a follow-up question, please rejoin the queue.

We have the next question from the line of Omkar from Shri Investment. Please go ahead.

Omkar – Shri Investment: Am I audible?

Operator: Yes, you are audible.

Omkar – Shri Investment: Hello, sir. My question was that this deal was in the pipeline, but during your last Q2 conference call, there was no hint for the shareholders and no information or hint about any acquisition, which could have allowed shareholders to understand the company's future strategy.

What changed so suddenly within 1 month that you decided to do this sale? You explained it briefly...

Management: [pause] Wrong, boss, wrong. You are asking the wrong question.

You should ask me this: first, there was no such matter on the Q2 call. At that time, the deal was in the pipeline, but jokes and casual discussions kept happening.

Number two, I have repeatedly and consistently said one thing: I need Rs.10,000 crore of EBITDA by hook or by crook. With me or without me. It makes no difference to me. The seat is not important to me.

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What am I getting, basically, boss? I was sitting on Rs.2,000 crore of EBITDA with a 36% stake. I want the shareholder to benefit at any cost, at any cost.

I have earned goodwill, and I cannot walk away. If I am getting the opportunity to take the company to Rs.10,000 crore of EBITDA, how can I not do it? If I did not do it, it would be a great injustice to the shareholder.

Otherwise, it would mean that I was only looking after myself, taking a 26% stake and sitting there while enjoying Rs.2,000 crore of EBITDA. For me, this is a very big sacrifice. You are not able to understand my position or how big a sacrifice this is for me.

Omkar – Shri Investment: My question is regarding the Rs.10,000 crore of EBITDA you are referring to and the approximately Rs.1 lakh crore of revenue you are referring to. Can you give us a tentative timeline? How much will it be, and what will it be?

Management: [pause] Three to 5 years.

Omkar – Shri Investment: In 3–5 years, will the combined entity's revenue increase from Rs.20,000 crore to Rs.1 lakh crore? And will your EBITDA increase from around Rs.2,000 crore to Rs.10,000 crore in 3–5 years? May I understand that correctly, sir?

Management: Yes, that is absolutely correct.

Omkar – Shri Investment: So, in short, you are saying that in 3–5 years you will increase your EBITDA almost 5 times from this level, and your revenue will be 4 times higher.

Management: That is precisely why I made the sacrifice. It is a very big sacrifice for me. You are not able to understand my position or how big a sacrifice this is for me.

Operator: Thank you. We have the next question from the line of Amit Murarka from Axis Capital. Please go ahead.

Amit Murarka – Axis Capital: Hello, good evening. Thank you for the opportunity. I was trying to understand the roadmap for capacity and EBITDA that you are explaining.

First of all, your existing outsourcing of steel products from various companies—under Tata Steel, will it remain as efficient, and will the dealer network continue to remain with Tata Steel?

Management: Everything is the same. The DNA of the company will not change.

Amit Murarka – Axis Capital: It is still surprising. What was the need to undertake this type of transaction? If Tata Steel wanted to acquire it, it could have done so directly through a share purchase, an open offer, or a share swap. Why use this roundabout method?

Management: [pause] Boss, I am sorry to say that I do not know the legal systems in that much detail. I can give a very good answer about the business, but I cannot give such a good answer about the legal aspects.

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Anubhav or the Tata team or Deepak can answer this well. I can give a very good answer about whether I have done business well or badly. I cannot answer the legal aspects. Anubhav, you can answer, or Deepak can answer. Amit... [trails off]

Management: Amit... [cut off]

Anubhav Gupta: The primary reason for structuring the deal this way was that Tata Steel wanted to build a single platform for its downstream steel business.

This was the best way in which they could build a single platform where they would consolidate all their existing assets into these product categories within APL Apollo. They could then take the APL Apollo business from Rs.3,500 crore of EBITDA today, as a joint entity, to Rs.10,000 crore in the fastest way possible.

Amit Murarka – Axis Capital: The same thing could have been achieved through a simple share swap, right? Tata could transfer the business to APL, and APL could issue shares to Tata Steel in lieu of that transaction.

Anubhav Gupta: Shaumit, we will take this offline, right? There are many issues that I will explain to you after this call.

Amit Murarka – Axis Capital: Okay. Sure. Thank you. That is all from my side.

Operator: Thank you. We have the next question from the line of Ashish from Invesque PNFS. Please go ahead.

Ashish – Invesque PNFS: Hi, thank you for the opportunity. You just mentioned Rs.3,500 crore of EBITDA in the combined entity, and I think initially it would be about Rs.10,000 crore of debt, resulting in approximately Rs.1,000 crore of interest.

You also correctly mentioned the equity infusion that would probably take place. What would be the approximate dilution, or is there something you can indicate? As investors, we are trying to understand the long-term picture.

Anubhav Gupta: I would like to reiterate what Tata Steel also reiterated on its investor call: APL Apollo will be a debt-free company in the next 3 years.

The first phase of recapitalization will start within 12 months, and then the company's cash flows will be very strong. If required, there could be a further infusion. But the target is to make this company debt-free, including the entire {? Rs.28,000 crore ?} debt, within 3 years.

Ashish – Invesque PNFS: I understand that, but can you explain the pathway for how this happens over the next 18 months? What should we expect regarding the overall funding?

Anubhav Gupta: I do not think we have to wait for 18 months. Regarding the amount of dilution, pricing, and so on, there are many regulatory matters, and we will communicate with you at the relevant time.

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But both Tata Steel and APL Apollo are saying on record that the target is to make this company debt-free within 36 months.

Ashish – Invesque PNFS: Initially, there will be approximately Rs.10,000 crore of debt on the balance sheet. Is that correct?

Anubhav Gupta: Your voice is echoing, Ashish.

Ashish – Invesque PNFS: Hello? Initially, there would be approximately Rs.10,000 crore of debt on the balance sheet. Is that correct?

Anubhav Gupta: Your voice is not clear. Your voice is not clear.

Ashish – Invesque PNFS: Hello? Can you hear me now? Hello? Hello? Hello?

Operator: Sorry to interrupt, Ashish. I would request you to please rejoin the queue, as your voice is not clear. Thank you.

We have the next question from the line of Inderjeet Agarwal from CLSA. Please go ahead.

Inderjeet Agarwal – CLSA: Hi, thank you for the opportunity. I have a couple of questions for you, Anubhav.

First, I think Tata mentioned that it wants to have net debt-to-EBITDA of 2.5 times, which indicates external debt of Rs.10,000 crore. Since APL is a separately listed entity, what level of net debt, including the debt taken from Tata Steel, would you be comfortable with over the medium term?

Anubhav Gupta: If we take debt at 2.5 times debt-to-EBITDA, or Rs.10,000 crore, we are talking about reducing {? Rs.18,000 crore ?} of debt within 12 months.

This will largely come from equity infusion, and operating cash-flow generation will also be quite strong in the next 12-15 months. So yes, you can do the mathematics regarding the equity infusion and so on.

Inderjeet Agarwal – CLSA: My second question is a follow-up to that, to understand the modalities. If there is an equity infusion at a subsequent date, hypothetically 12 months from now, would the valuation at which Tata acquires it be at the current price? It would not be linked to the price being discussed today. Is that understanding correct?

Anubhav Gupta: [pause] It will be friendly to minority shareholders. Just as the open-offer price was friendly to minority shareholders, the equity-infusion price will also be friendly to minority shareholders. This is also what Tata mentioned on its call 60 minutes ago.

Inderjeet Agarwal – CLSA: All right. Thank you very much.

Operator: Thank you. We have the next question from the line of Ambareesh Purushottam from Cogito Advisors LLP. Please go ahead.

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Ambareesh Purushottam – Cogito Advisors LLP: Thank you for taking my question. My first question is whether, during the 3-5-year journey to achieve Rs.10,000 crore of EBITDA, Sanjay sir and his entire team will be involved. Can you give us that assurance, sir?

Sanjay Gupta: I can absolutely give you that assurance.

Ambareesh Purushottam – Cogito Advisors LLP: The second point is very simple: with your body, mind, and wealth?

Sanjay Gupta: For me, it is my mother.

Ambareesh Purushottam – Cogito Advisors LLP: That is great, and good to hear, sir. My second very simple question is this: if I currently have 3 shares of APL Apollo, is my understanding correct that I will receive a buyback offer of {? Rs.2,301 ?} for 1 of those shares?

Sanjay Gupta: The calculations are very simple for me: 3 shares have been given for 1. Yes, more or less, that is in line.

Ambareesh Purushottam – Cogito Advisors LLP: Thank you very much, and congratulations to the team.

Sanjay Gupta: Thank you, boss. For the first time, it felt good to hear congratulations from someone.

Operator: Thank you. We have the next question from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari – Pictet: Hello, sir. Just to confirm again, will you continue to manage the business as the CEO?

Sanjay Gupta: No, no, no, no, no. I am just APL Apollo. I am not managing the business, but I am there to help them achieve the targets.

Prashant Kothari – Pictet: Will you become Chairman, sir, or what will your role be in this entity?

Sanjay Gupta: I do not know. It will depend on my new friends.

Prashant Kothari – Pictet: But when you say that you will remain with your body, mind, and wealth, in what capacity will that be?

Sanjay Gupta: Boss, I was running 26% of this company, was I not?

Prashant Kothari – Pictet: You ran it very well.

Sanjay Gupta: Then, with 26%, I can run 60% equally well.

Prashant Kothari – Pictet: No, but will your capacity be Chairman, Board member, or CEO?

Sanjay Gupta: Boss, I have no greed for any capacity or position. I have given 40 years of my life to this company.

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I have only one desire: to take this company to Rs.10,000 crore of EBITDA. I do not know anything else. I do not know whether I will be Chairman or not in the future, whether I will be a director or not, whether I will be CEO or not, or whether I will be a child. I do not know any of that.

I know only one thing: my objective, by hook or by crook, is to take this company to Rs.10,000 crore of EBITDA with the support of the Tata Group.

I also addressed my distributors today and spoke to my employees. You cannot know how significant and difficult today has been for me. For you, this is just an investment; for me, it is my entire life. I cannot tell you what phase I have gone through.

I only know that I have acted in favor of my shareholders.

Prashant Kothari – Pictet: Right. Right.

Operator: Thank you. We have the next question from the line of Bharat Shah from Bharat Shah Capital Ideas Private Limited. Please go ahead.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Anubhav, first of all, please tell the operator not to cut off the call by imposing any time constraint. I think this call should continue for as long as necessary for everyone to understand what is happening. Please inform these Chorus call operators not to intervene in between and disturb the flow of the dialogue between the participants and you. [trails off]

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Sanjay sir, your initial comments were quite emotional. I feel exactly the same when I stand at this important moment of change in the company's history, as a small shareholder of the firm for the last...

Sanjay Gupta: [hesitates] Bharat brother, first and foremost, I am interrupting you. I am sorry for interrupting you in the middle.

You are not a shareholder to me. You are my guide. What do we call it? You are my mentor and my guru. I have corrected many things with your guidance. Every human being has shortcomings. I have corrected many of my shortcomings by learning from you.

I have undertaken a good journey with you. That is why I respect you from the bottom of my heart. If someone asks me, I consider you my guru.

I will tell you only this: my intention is not wrong. Whatever work I have done, I have done it in favor of my shareholders. If you still feel that I have made a mistake, you have every right to slap me twice. You have every right to give me whatever punishment you think is appropriate.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Thank you for those very generous words. I do not think I fully deserve them, but thank you for those very kind and generous words. I only wanted to say this, Sanjay sir...

Sanjay Gupta: Yes, Bharat brother.

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Bharat Shah – Bharat Shah Capital Ideas Private Limited: You mentioned 2-3 things. One is generating Rs.10,000 crore of EBITDA. My only comment is that Rs.10,000 crore, Rs.15,000 crore, or Rs.8,000 crore is a number.

But the true purpose of the company is to optimize the value of the firm. We see that some firms may generate Rs.10,000 crore of EBITDA but have a lower value than a firm that generates Rs.5,000 crore of EBITDA.

So value does not lie only in the profit figure. Value is connected with many things, including where that profit comes from and where that value is created. Therefore, Rs.10,000 crore can be a tool, but it can never be the objective, Sanjay sir. Value will be generated automatically. That was one point I wanted to make. The second point is...

Sanjay Gupta: Yes, Bharat brother.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: I have believed for a long time that you know the operational capability that you have displayed, Bharat brother, and that the firm has been carried forward with full enthusiasm. That has made a difficult business into a valuable business.

It is not easy to create a business with 30-40% ROCE when your raw-material costs fluctuate so much and constitute a large part of your cost.

Sanjay Gupta: Yes, Bharat brother. You are not involved in it, when you have the shoulders...

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Bharat brother, please do not think that I am not involved. It is my mother. I keep saying that I cannot leave it.

It is true that I am not involved on paper, but emotionally I am involved. I am connected with the company from every side, Bharat brother. Believe me. But how will it happen? Practically, Sanjay sir, how will it happen? Practically, how...

Sanjay Gupta: [hesitates] Bharat brother, you have had faith in my decisions until today, have you not? Give me a little time. I am not saying that you should give me one or two quarters. Everyone is off-balance right now because of this matter.

Give us some time to settle down and show you the numbers. Will you not even give the children time to prove themselves?

Bharat Shah – Bharat Shah Capital Ideas Private Limited: No, that is fair. There is no difficulty with that. But Sanjay sir...

Sanjay Gupta: Bharat brother, you have known me from the beginning. Tell me one thing, Bharat brother. I will speak to you point by point.

Today, I reduced my raw-material price by Rs.2,000-Rs.3,000 on the table within 1 minute. When the market suddenly became difficult today, believe me or do not believe me, I do not know whether I will receive so many applications tomorrow, but I am ready for that as well.

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It makes no difference to me. I said that if my price could be reduced further, then reduce it. Do whatever is in the shareholder's interest.

Bharat brother, you know me. I keep saying that I have taken the decision in everyone's favor. My benefit will come last in this, if it comes at all. I do not know what will happen.

But I know this much: the shareholder, my employee, and my dealer are the 3 most important people for me. I never said that my dealer or my employee was not equally important. In every conversation and everywhere, I am referring to all 3 groups.

Look, Bharat brother, Rs.3,000 crore is a very large amount for me. My wife has not given me food for 2 days because I came back after leaving Rs.3,000 crore on the table.

But even then, I am telling you everything. You people are like God to me, Bharat brother. I will earn a lot of money with you; I have no concern about money. I will not be able to earn goodwill again if I damage it today.

Today, my entire goodwill—I also understand that my entire goodwill has been placed at stake.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Yes, Sanjay sir.

Sanjay Gupta: [hesitates] What did I do wrong, Bharat brother? Please tell me. You were the ones who always said, "Tata will make pipes, JSW will make pipes, JSL will make pipes. How will you shut your shop, Sanjay sir?" You were the ones who said this, Bharat brother.

You had placed such a large responsibility on me. Was I not afraid that your money could be damaged in the future? I joined hands with my elder brother. What did I do wrong, Bharat brother?

Bharat Shah – Bharat Shah Capital Ideas Private Limited: No, no. Sanjay sir, please listen to me. Let me put my point across. Give me 1 minute.

Sanjay Gupta: [pause] Bharat brother, I interrupted you for 5 minutes. Now I also want to speak from the heart. Absolutely, absolutely.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Sanjay sir, it was absolutely not my intention to say anything about you. I never even thought of a single drop of anything like that in my heart...

Sanjay Gupta: [laughs] No, Bharat brother. Whatever you say, I will accept it. I have learned a great deal from you. You have made a very significant contribution to my reaching this point.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: That was not what I intended to say. What I intended to say was that I know a person named Sanjay Gupta who has the ability to make something extraordinary out of something ordinary.

If that person named Sanjay Gupta, who has that special skill, is not involved with the business...

Sanjay Gupta: [pause] I will remain involved, Bharat brother. I will remain involved. How can I convince you? I will remain involved. I will remain involved; I am not going to leave the business. I

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will not be able to sleep at night if I leave it. All right...

Bharat brother, tell me one thing: will you give me an opportunity to retire at some point or not? At 55, 60, 65, or will you make me keep working until I am 80 years old?

We have built an organization, Bharat brother. Believe in this business. I cannot say whether there will be one or two quarters of ups and downs. Sales are somewhat weak in December, but I cannot say what will happen.

Everyone is under pressure today. First, we lost Shuku, who was one of the best among us. Brother, we are going through a very difficult time. Give us some time. Just as we have made comebacks every time, we will make a comeback twice as strong.

Earlier, I was alone. Now my brothers are with me, and the Tata Group is with me. We will make a tremendous comeback.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: In the last tranche, Sanjay sir, the remaining stake will be 4.63%...

Sanjay Gupta: I will sell it along with you. Bharat brother, I guarantee that I will sell it along with you. What else should I say?

In the third tranche, I have an option. Look, I do not have an option with respect to 22%. I will sell the 4.63% along with you. I will sell it on the day you tell me to sell it. What else should I say?

I have left Rs.2,500 crore—Rs.3,000 crore—on the table in front of you. I have promised you Rs.2,500 crore here. Rs.3,000 crore will go in taxes, and I am investing the remaining amount in contract manufacturing for a yield of 10-11%.

What else can I do beyond this, Bharat brother? Do I or do I not have to make the company safe?

Bharat Shah – Bharat Shah Capital Ideas Private Limited: I understand the business, Sanjay sir. My...

Sanjay Gupta: My company is very safe, Bharat brother. The company is very safe. Believe me. If you all support it, this company can become a Rs.5 lakh crore company from here.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: I want to make one last point, Sanjay sir.

Sanjay Gupta: Go ahead, Bharat brother. Make not 1 but 3 points, Bharat brother. I am also speaking from the heart today. I have also become emotional today. All my dealers and all my employees are crying today.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: No, I feel as emotional today as you do. Sanjay sir...

Sanjay Gupta: Bharat brother, we will build this together. We will build it. For whichever shareholders are facing difficulty, I will take you to the management at Tata and explain it to you while sitting with them.

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If there is any mistake on their part as well, I will request them to correct it. We will not leave anyone behind. We will not give up. Giving up is not Apollo's DNA.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: [pause] I only want to say that the reality is that a very unusual coincidence has occurred. Dev brother left from one side, and the value of the share that was sold also fell by 25%. The business profile is something... [inaudible] this is exactly the difficulty...

Sanjay Gupta: Bharat brother, I did not know that you loved me so much. I did not know that you would show such a significant reaction. I am saying that I have no words, Bharat brother.

Believe me, I will never cheat on this matter. Your love is very important to me, Bharat brother. Your love is greater than everything else.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: [pause] What can I say, Sanjay sir? I also feel emotional. I was never associated with this company as a shareholder; I was associated emotionally [cut off]

Sanjay Gupta: We are associated. We were not merely associated; we will remain associated in the future as well. My shares are with you. You consider me your child, so your shares are mine. You will have to forgive me tomorrow morning; this matter has now created some difficulty. We are all shaken from within.

But we will make a tremendous comeback.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Today, Sanjay sir, you have taken this child [cut off]

Sanjay Gupta: Bharat brother, we will take this child to the level that you and I dreamed of together. I will not leave the path.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: If this also disintegrates from here, then it would be a very big [cut off]

Sanjay Gupta: Bharat brother, would you or I allow it to disintegrate?

Bharat Shah – Bharat Shah Capital Ideas Private Limited: What? Sorry, I did not understand. What?

Sanjay Gupta: Would you or I allow it to disintegrate? Bharat brother, it has gone to a very good group. It is a very large group and a very ethical group. We know that they will take very good care of it.

It will take you some time to gain confidence because you are accustomed to me. It is very kind of you to show so much love.

But the company has gone into very good hands. It has gone to a very good group. I am learning a great deal from them to make the DNA of this company even better. We will take our good DNA forward, and we will bring their good DNA further into the company. We will eliminate whatever shortcomings we have.

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Bharat Shah – Bharat Shah Capital Ideas Private Limited: You have everything [cut off]

Sanjay Gupta: Bharat brother, my shares... Bharat brother, I have no doubt that my shares have gone into good hands. This company has gone to a better brother than me. I have no doubt about this. I have no doubt that the Tata Group is better than me.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: But, Sanjay sir, it will become your moral responsibility to manage the current situation, which has suddenly become unstable, and bring it out of this difficulty [cut off]

Sanjay Gupta: We will manage it and take it forward. Bharat brother, if you show trust in me, I will manage it and take it forward. If you break my heart in this way, I will also break down, Bharat brother. I am also a human being.

But if you show trust, I will take it straight to the top.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: That responsibility will remain yours, Sanjay sir, and that [cut off]

Sanjay Gupta: It will remain 100% mine. Where have I denied that?

Bharat Shah – Bharat Shah Capital Ideas Private Limited: That is all I wanted to say, Sanjay sir.

Sanjay Gupta: Bharat brother, come to Delhi, and I will come to you in Bombay so that we can speak privately about how you should understand me better and how we should take this journey forward.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: No, no. If I say anything now, I will also become too emotional, so I will remain quiet.

Sanjay Gupta: That is the right answer, Bharat brother. My condition is also very difficult, Bharat brother. I do not want to interfere. I want to hand over the company to them with a smile; I do not want to interfere. Yes, yes, thank you.

Bharat Shah – Bharat Shah Capital Ideas Private Limited: Thank you, Bharat brother, and all the very best.

Sanjay Gupta: Thank you, Bharat brother. Thank you.

Operator: Thank you. We have the next question from the line of Sneha Talreja from Verma. Please go ahead.

Sneha Talreja – Verma: Hi, sir. Good evening. Just a couple of questions from my end. First, you mentioned visibility of Rs.10,000 crore either from FY25 or [cut off]

Sanjay Gupta: Sneha sir, 1 minute, 1 minute. Sneha sir, I am stopping you once, and I am sorry for the interruption. Why are you not congratulating us for taking the company to such a good place? Please answer that first.

Sneha Talreja – Verma: Congratulations, sir.

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Sanjay Gupta: Thank you. Now ask your question. Tell me honestly, you congratulate me on every call. Now I feel that I have made the best decision of my life, and you are not congratulating me. My heart is breaking.

Sneha Talreja – Verma: No, sir. There are just a couple of confusing points that I wanted to clarify [cut off]

Sanjay Gupta: [hesitates] All right, all right, Sneha sir. When such a large deal takes place, I think this is one of the top 5 deals in India.

A few mistakes were also made by us. This should have been announced after market hours; it should not have happened earlier. We had no idea that the reaction would be so significant. We treated the matter somewhat casually.

We feel sorry for this. If anyone suffered a loss today or anyone was hurt, we feel very sorry on behalf of our organization. But I can say with my hand on my heart that nothing better could have been done for this company.

Sneha Talreja – Verma: I am sure you have a vision. That is why I wanted to focus on this point [cut off]

Sanjay Gupta: Yes, please tell me. Sneha sir, on the previous call you said, "If Tata Steel builds it, what will you do?" You asked that question, did you not?

Sneha Talreja – Verma: Yes, sir, you are right. I was the one who said it, and you are absolutely right.

Sanjay Gupta: So now that I have joined hands with them, why are you panicking?

Sneha Talreja – Verma: Sir, let me reframe the question. Why could it not have been Tata and you together? It could have been a joint venture, where the trust we had in your group would have remained and Tata's global integration would also have remained.

Sanjay Gupta: [hesitates] Sneha sir, Tata Steel is a very large organization. It is an institution. It is such an institution that no one in India, or in the world, can question it.

They have their own norms and their own rules and regulations. I cannot put my own things into that. Please understand my problem.

But I know that I have handed it over to a very good organization. Tell me, does the Tata Group have any shortcomings? Is it not 10 times, 100 times, or 200 times better than me?

They are giving confidence that they will take the EBITDA to Rs.10,000 crore. What is Sanjay Gupta compared with them? They have 27 million tons and Rs.50,000 crore of EBITDA.

Sneha Talreja – Verma: Hmm.

Sanjay Gupta: You are going into such safe hands. I do not understand why you are upset with me. I should have been upset. I have become free and exited because of all of you. I had to exit because of my efforts to protect all of you.

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On every call, you used to frighten me: “What will happen if this does not happen? What will happen if that does not happen?” I had become so worried about your valuation that it was extremely important for me to deliver the company into safe hands.

If the numbers were lower in this quarter, you would have attacked me. What answer would I have given that day?

Sneha Talreja – Verma: Coming to the question, [cut off]

Sanjay Gupta: Yes.

Sneha Talreja – Verma: If you could provide some visibility on the Rs.10,000 crore...

Sanjay Gupta: [pause] Listen to me, Sneha sir. Yes, Sneha sir, this is a very good question. I will enjoy explaining to you why I did this.

I already have 5 million tons of capacity. If we complete our sales, our Rs.3,000 crore of EBITDA is already secured. That Rs.3,000 crore of EBITDA will come directly from this.

Our capacity of 1 million to 1.5 million tons will ramp up within the next year. If we get an additional 3 million tons of order backing, we can comfortably manufacture and sell 7 million tons.

According to our raw-material agreement, you will have no difficulty in generating EBITDA of approximately Rs.6,000 per ton, or Rs.4,000 crore of EBITDA, with raw-material backing, not without it.

Number two, they have an EBITDA business of 2 million tons. They have this 2 million-ton business, which generates EBITDA of approximately Rs.6,000 per ton, or Rs.1,500 crore of EBITDA.

If we perform well next year, Rs.5,000 crore of EBITDA will come out. I have no doubt that Rs.4,000 crore will come out. It will take some time for the ramp-up and for the 2 organizations to combine their synergies.

A concentric construction business of 4-5 million tons is coming into this, and Apollo will ramp up by 1-2 million tons here. Therefore, the total company will reach a significant scale.

I did not know that they were more aggressive than me. They have a vision of 15-20 million tons. But I believe that 12-13 million tons is certainly achievable. I did this after thinking that 12-13 million tons would definitely be achieved.

They are saying that they will take it to 15 million tons. They are more aggressive and more confident than me.

But I am proceeding according to my vision that 12-13 million tons will be achieved, and at Rs.7,000-Rs.8,000 per ton of EBITDA, Rs.10,000 crore of EBITDA will come out easily.

If I believe what they are saying, the EBITDA of this company could reach Rs.12,000-Rs.13,000 crore. You call me aggressive, but I believe that they are far more aggressive than me.

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Sneha Talreja – Verma: Understood.

Sanjay Gupta: They have the power. They have the power because they are Tata. I am nothing compared with them. Do not underestimate me so much.

You are in very safe hands. I explained the same thing to the employees: "You have become employees of Tata, so why are you crying? I have not handed you over to some unknown people."

When I was a child, I used to hear in my family that if you got a job at Tata, 3 generations of your family would be safe. That is why I requested a job and work for my children, so that my children [trails off]

Management: ...the entire team is also feeling very proud. This is with the Tata Group, this Tata {? [unclear] ?}

Management: ...Sanjay Gupta has worked very hard. Sanjay Gupta has been working for the last 20 years. Please respect him. I am nothing compared with him. Thank you.

Sneha Talreja – Verma: We have always respected you, Sanjay sir, and we still believe that you will [inaudible]

Management: No, the respect will be very good. It will be very good.

Sneha Talreja – Verma: Understood, sir. All the best for...

Management: Thank you, Sneha sir.

Sneha Talreja – Verma: Thank you.

Operator: Thank you. We have the next question from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda – Enam Holdings: Yes, Sanjay sir. I have been listening to the call. I would like to congratulate you for building such an excellent company over the last 2 decades.

This platform being created in the value-added steel industry is the first such platform to be created. Tata and you have also given guidance of Rs.10,000 crore of EBITDA, which looks very positive.

I have 2 suggestions, sir, because of the way the market reacted to both shares. My suggestion is that many promoters have done this in the past as well. When such a reaction has occurred, if this funding transaction in APL Apollo could be funded through an interest-free loan until it becomes EPS-accretive, and until Tata Steel infuses funds in the second round, it would provide relief to shareholders.

In my view, this would make the transaction very attractive. We have confidence that this platform will achieve Rs.10,000 crore of EBITDA [inaudible]

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Management: [pause] Thank you very much, sir. You have made me very happy. Regarding point number 2, it is well noted. I cannot give you any guarantee, but I can assure you that I will take your request to the highest level at Tata.

Bhavin Chheda – Enam Holdings: I wish both teams the best of luck. But if the interim period is {? dilutive ?} to EPS, that is why the market has reacted...

Management: [pause] That is true. For this quarter, we will also apologize. November is also going poorly for us. October was very good, but November is going poorly because everyone has become somewhat puzzled.

The Sanjay Bali order from last Friday also had an impact. He was a trader with a 2,000-ton order in Delhi. Apart from that, there are many reasons, including Diwali, the festival season, and Dubai.

For approximately 10 days, our employees and dealers were also quite puzzled. No one really understood what was happening. Under the SEBI guidelines, we could not disclose anything.

But now we are working with full strength and are fully geared up because I have only one dream: Tata has trusted me, and I have to live up to their trust. I must not hand over a poor company to them. I have handed over a very good company.

I have to fulfill their trust. This is my moral and every responsibility.

Bhavin Chheda – Enam Holdings: Sure, Sanjay sir, and best of luck.

Management: Thank you, boss.

Operator: Thank you. We have the next question from the line of Vikas Mistry from Moonshot Ventures. Please go ahead.

Vikas Mistry – Moonshot Ventures: Thank you for the opportunity. Sanjay sir, nothing takes away from the fact that you and the entire team have built a very good platform over the last 2 decades.

Our small point is that when we ourselves wanted to reach 10 million tons by 2030, on every call we thought we could do it...

Management: [pause] Boss, I wanted that. This is what I have worked for. But I did not find it possible compared with what I have now done for the shareholder.

Vikas Mistry – Moonshot Ventures: No, Sanjay sir. Our small point is that the journey we now have to undertake together, which we are undertaking with Tata, could have been undertaken on our own. Why did we need to become brothers with someone else? That is the biggest concern of the shareholder...

Management: [pause] Boss, look, you have a great deal of trust in us, and you had trust in the capability of your team. The team is the same, boss. The team is the same, and I am also here. Where am I going? The entire team is still here. There is no change in the team.

Vikas Mistry – Moonshot Ventures: No...

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Management: [pause] Sanjay sir, we could have built an entirely new category and taken it to 13 million tons ourselves. Bharat brother also said this...

Management: [pause] Boss, I am with you. I am with you. Where am I going, boss?

Why do things not feel like America? There, companies are trusted with 1%, 2%, or 5% equity. Companies worth Rs.3-Rs.5 trillion are built, boss.

Leave this equity mentality, boss. Adopt a company mentality. We have to build companies worth Rs.2-Rs.4 trillion. Companies are not built by holding shares. Companies are built through business, boss. I will work 24x7, and harder than that.

Vikas Mistry - Moonshot Ventures: Sanjay sir, regarding the transaction that has taken place, we could have done it ourselves and grown organically...

Management: [pause] No, boss, no, boss. It is very easy to inflate expectations. On our own, such a battle could not... [hesitates] be caught up with, boss.

I have no hesitation in openly admitting this truth. I cannot fight this battle alone.

I had received such a significant opportunity for the shareholder with such a large company. If I had not accepted it, it would have been a betrayal of the shareholder.

Boss, there were many discussions at my home and in my office. I discussed it with many people around me. No one liked the idea of my leaving Apollo. But everyone said only one thing: if you want the best for everyone, you will have to leave. If you want what is best for yourself, continue running the company.

Vikas Mistry - Moonshot Ventures: Sanjay sir, there is not much more to add. We believe in your acumen, and we think...

Management: [pause] Boss, believe in me. Believe that I have given you a very good company, and we will undertake a very good journey from here.

Vikas Mistry - Moonshot Ventures: Our small point was that we could have grown the same business with less capital. That is what we...

Management: [pause] It would not have happened, boss. It would not have happened, boss. There are many ifs and buts. I cannot openly discuss much about that, boss.

The amount of competition entering the steel industry was increasing. Tata was coming with 4 million tons, JSPL was coming, and JSW World was coming.

Then there was the small-scale Patratu material. There was a very large difference between Patratu and steel at high prices, boss.

Our journey would have become very long. I believe we will tackle the journey much more easily and quickly. We could have done it, but it would have taken a great deal of time. Now we will do it very quickly, like a cakewalk.

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One thing, Sanjay sir: the last point I want to add is that you should not consider yourself so weak. We have a great deal of faith in you.

Management: [pause] Believe in me. I will not allow your gut feeling to be broken.

Vikas Mistry – Moonshot Ventures: Okay, thank you, Sanjay sir, and thank you, Anubhav.

Management: Thank you.

Operator: Thank you. We have the next question from the line of Ronak Mukherjee from Bitset. Please go ahead.

Ronak Mukherjee – Bitset: Hello, can you hear me?

Management: Yes, you are audible. Please go ahead.

Ronak Mukherjee – Bitset: First, congratulations, Sanjay sir, on securing such a large transaction with one of the premier business houses in India. Congratulations on that.

My question is more technical and may be best answered by Anubhav, so that we are prepared as shareholders for the next steps.

I wanted to understand the sequence of events after the antitrust approvals. We have the fundraise at the APL level to fund the business transfer, and then the open offer as well.

What would be the sequence of these events? Second, which parts require a simple majority of all shareholders, and which parts require majority-of-minority approval?

Management: We will start 2 processes in parallel. One is shareholder approval, and the second is antitrust approval.

Once antitrust approval comes, the second tranche of the SPA will be executed, and the open offer will be triggered. When shareholder approval is received for the transfer and purchase of assets, the 2 businesses will be merged into APL Apollo.

Ronak Mukherjee – Bitset: The shareholder approval for the business transfer will happen after the second tranche, is that correct?

Management: No, no, no. The process will start in parallel with the antitrust process.

Ronak Mukherjee – Bitset: So the process will start in parallel. If shareholder approval does not come through for the business transfer, but the other elements are not contingent and will still go through, is that correct?

Management: That is right.

Ronak Mukherjee – Bitset: Thank you.

Operator: Thank you. We have the next question from the line of Aditya Vedekar from Fyers AMC. Please go ahead.

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Aditya Vedekar – Fyers AMC: Thank you, and congratulations, Sanjay sir, for setting up such a large business and sub-segment within the steel industry. All credit to you.

My question is for Anubhav... {? [unclear] ?}

Aditya Vedekar – Fyers AMC: Regarding the color-coated divisions we are acquiring from Tata Steel, what is the current EBITDA per ton or ROCE? Does it require any turnaround before merging it into our business? And if so, will our consolidated ROCE remain above 30% after the transaction?

Anubhav Gupta: The current annualized run rate is 2.1 million tons of volume sales and deliveries. Revenue is approximately Rs.20,000 crore. EBITDA per ton is Rs.5,500. Absolute EBITDA is approximately Rs.1,150-Rs.1,200 crore, and PAT is around Rs.750 crore.

It has no debt. It also operates on a negative 10-day working-capital cycle, as Apollo does. Therefore, the ROE and ROCE in this business also match what APL Apollo generates today.

Aditya Vedekar – Fyers AMC: You were referring to tubes and colors combined, correct?

Anubhav Gupta: That is right.

Aditya Vedekar – Fyers AMC: Understood. That was my question. Thank you, and all the best.

Operator: Thank you. We have the next question from the line of Rajesh Majumdar from HDFC Securities. Please go ahead.

Rajesh Majumdar – HDFC Securities: Good evening to the team, and congratulations, Anubhav sir, on this deal.

I have a question regarding the color acquisition price of Rs.15,500 crore. The presentation and the Tata Steel press release mentioned that it generated approximately Rs.80 crore of PAT in FY26, while you mentioned combined PAT of Rs.750 crore, including tubes.

That means tubes generated approximately Rs.650 crore of PAT. What is the EBITDA for the tubes [crosstalk]

Anubhav Gupta: Ravi, Ravi, Ravi. What you saw in the press release was the FY26 number.

Rajesh Majumdar – HDFC Securities: Right, I am talking about FY26.

Anubhav Gupta: What I am telling you is the FY27 run rate.

Rajesh Majumdar – HDFC Securities: What is the breakup between both units? I am asking because [crosstalk]

Anubhav Gupta: I will tell you. These are estimated numbers. The tube business has approximately Rs.225 crore of PAT, and the color business has more than Rs.500 crore of PAT.

Rajesh Majumdar – HDFC Securities: At the EBITDA level, for the Rs.1,100-Rs.1,200 crore of EBITDA you mentioned, what is the breakup [crosstalk]

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Anubhav Gupta: Color is more than Rs.700 crore, and tubes are more than Rs.400 crore.

Rajesh Majumdar – HDFC Securities: EBITDA in terms of crores, right. How should we interpret this? We asked Tata Steel's management the same questions. This transaction has a valuation of Rs.15,500 crore, whereas 10-12 months ago, in December, it was valued at approximately Rs.2,000 crore. It is now receiving a valuation 6-7 times higher.

How can we justify the replacement value of that asset? From a cash-outflow perspective [crosstalk]

Anubhav Gupta: Ravi, Ravi, Ravi, Ravi. In this acquisition amount, we are getting more color assets apart from BlueScope, which you are referring to.

BlueScope was an annual business of 0.2-0.25 million tons. The color business we are acquiring is 0.75 million tons. It is 3.5 times larger than BlueScope.

The deal is therefore not comparable with what Tata did 2 years ago and what we at Apollo are doing today.

Rajesh Majumdar – HDFC Securities: Even if it was 3 times larger, Rs.2,000 crore becomes Rs.7,000-Rs.8,000 crore, which is still double. That is the concern many people have in understanding the valuation. The valuation of tubes can be related, but [crosstalk]

Anubhav Gupta: Ravi, Ravi, Ravi. Again, to make the point, what EBITDA and PAT did BlueScope have [pause] Hello? What was the EBITDA and PAT there for a Rs.2,200 crore valuation?

Rajesh Majumdar – HDFC Securities: We do not have Tata's numbers for last year with certainty. We only had the December 2022 valuation. So what I am [crosstalk]

Anubhav Gupta: Let us forget what BlueScope was. Let us see what we are buying today for Rs.15,000 crore.

What am I buying for Rs.15,000 crore? I am buying 0.75 million tons of capacity, 700,000 tons of sales volume, Rs.7,500 crore of revenue, more than Rs.10,000 of EBITDA per ton, more than Rs.700 crore of absolute EBITDA, and more than Rs.500 crore of absolute PAT.

The numbers are all positive. We can sit together and I will explain the exact details to you.

Rajesh Majumdar – HDFC Securities: Does this also include the pre-engineered building solutions segment, or is it only the color-coated sheets business?

Anubhav Gupta: No, no, no. It includes only our color-coated and tube businesses.

Rajesh Majumdar – HDFC Securities: There is no pre-engineered building element in this?

Anubhav Gupta: No, no.

Rajesh Majumdar – HDFC Securities: Regarding the timeline for this transaction, you mentioned that there are 2 shareholder approvals and the antitrust approval.

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The full payout of Rs.28,000 crore will happen when all 3 matters are completed, somewhere in FY28 [crosstalk]

Anubhav Gupta: The Rs.28,000 crore depends on the success of the open offer. But yes, shareholder approval and antitrust approval will proceed in parallel.

Once antitrust approval comes in, the second tranche of the S. Gupta Holdings SPV will be executed, and the open offer will be triggered.

Rajesh Majumdar – HDFC Securities: I am asking when the payment from APL Apollo to Tata Steel will happen, from the equity perspective [crosstalk]

Anubhav Gupta: For that, the first shareholder approval will be received. Then the transfer will happen.

Rajesh Majumdar – HDFC Securities: So the money will be paid in one go, correct? The transfer from APL to Tata Steel will happen in one go, somewhere in FY28, when the antitrust and shareholder approvals are fully in place.

Anubhav Gupta: That is right.

Rajesh Majumdar – HDFC Securities: From a balance-sheet perspective, the carrying value will be much lower because the net block for these 2 assets is lower. There will be a large amount of carrying value that will come as goodwill.

How will that be treated in the books of APL Apollo? Will it inflate the asset side, or will it be deducted from the reserves, leading to negative reserves or negative net worth for APL Apollo?

Anubhav Gupta: Out of Rs.28,000 crore, approximately Rs.24,000 crore of goodwill will be created.

Rajesh Majumdar – HDFC Securities: So that goodwill in the balance sheet will be reflected under a goodwill line item on the asset side? Or, because this is a Tata Steel subsidiary, is this a transaction where the pooling-of-interest method under Ind AS 103, Appendix C, requires it to be deducted from the reserves?

I am trying to understand whether that understanding is correct, or whether what you mentioned earlier is the case [crosstalk]

Anubhav Gupta: We will come back to you separately on this.

Rajesh Majumdar – HDFC Securities: Regarding the capitalization that we are discussing, which Tata Steel also discussed, will that happen at the time of the fund outflow from APL Apollo to Tata Steel?

Or will you have a bridge loan or bridge financing, or some other financing or debt borrowing at APL Apollo, through which you make the payment and subsequently undertake the equity valuation and raise funds to repay the debt and reduce the debt on the books?

Anubhav Gupta: That is right. What you described will happen later.

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Rajesh Majumdar – HDFC Securities: Understood. Thank you, and all the best. We look forward to more clarity on this transaction. Thank you.

Anubhav Gupta: Thank you.

Operator: Thank you very much. Ladies and gentlemen, we will take that as the last question. With that, we conclude the question-and-answer session. I now hand the conference to Mr. Anubhav Gupta for his closing remarks. Thank you, and over to you, sir.

Anubhav Gupta: Thank you, everyone, for joining us. It has been a very exciting last few hours.

We believe that what we are trying to build for APL Apollo will make us much prouder than we are today. We look forward to your support during this journey, and we will come back to you with our quarterly earnings call. Thank you very much.

Operator: Thank you. Thank you to the members of the management. On behalf of APL Apollo Tubes Limited, we conclude this conference. Thank you, everyone, for joining us today. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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