

**Investor Update**  
**Q1 FY11**

**FINANCIAL PERFORMANCE**

Rs in Million

Particulars	Standalone			Audited)			
	Q1	FY11	Q1	FY10	Variance	FY	10
Net Sales		6,172.91		5,032.50	22.7%		19,980.54
EBIDTA		368.75		328.60	12.2%		1,385.11
EBIDTA (%)		6.0%		6.5%			6.9%
PBT		339.77		266.17	27.7%		1,048.10
PAT		240.15		244.79	-1.9%		861.37
EPS Rs :		7.43		7.57	-1.9%		26.64

**Highlights -Standalone :**

<b>-Turnover up by</b>	<b>:</b>	<b>22.7%</b>
<b>- EBIDTA up by</b>	<b>:</b>	<b>12.2%</b>
<b>-PBT up by</b>	<b>:</b>	<b>27.7%</b>
<b>-PAT &amp; EPS down by</b>	<b>:</b>	<b>1.9 %</b>

*\* Note : PBT, PAT & EPS for the previous financial year ended March 31<sup>st</sup> 2010 were before providing Extra-ordinary item (non-cash charge) of Rs 555.54 Million for Impairment in equity investment of Uniflex Cables Ltd, a subsidiary company on account of its losses and consequent erosion of its' net worth.*

**SEGMENT PERFORMANCE ANALYSIS :**

**Rs in lacs**

<b>Segment Performance Analysis</b>				
<b>Particulars</b>	<b>Stand alone Financial results</b>			<b>Stand alone Financial results</b>
	<b>for Quarter Ended (Unaudited)</b>			<b>for the Year Ended (Audited)</b>
	<b>30.06.2010</b>	<b>Var %</b>	<b>30.06.2009</b>	<b>31.03.2010</b>
<b>Segment Revenue</b>				
<b>Conductors</b>	29,430.70	3.6%	28,411.86	98,579.80
<b>Transformer &amp; Speciality Oils</b>	32,953.61	49.9%	21,979.57	102,515.16
<b>Power &amp; Telecom Cables</b>	-		-	-
<b>Total</b>	<b>62,384.31</b>	<b>23.8%</b>	<b>50,391.43</b>	<b>201,094.96</b>
<b>Less: Inter - Segment Revenue</b>	<b>25.81</b>	<b>5.9%</b>	<b>24.38</b>	<b>74.16</b>
<b>Revenue from Operations</b>	<b>62,358.50</b>	<b>23.8%</b>	<b>50,367.05</b>	<b>201,020.80</b>
<b>Segment Results before Interest and Tax</b>				
<b>Conductors</b>	1,441.23	-15.1%	1,698.11	6,010.25
<b>Transformer &amp; Speciality Oils</b>	2,445.77	31.3%	1,862.44	8,795.37
<b>Power &amp; Telecom Cables</b>	-		-	-
<b>Total</b>	<b>3,886.99</b>	<b>9.2%</b>	<b>3,560.55</b>	<b>14,805.63</b>
<b>Interest (net)</b>	(15.37)	-105.0%	307.99	1,955.99
<b>Other Common expenses (net)</b>	504.78	-14.6%	590.77	2,368.59
<b>Profit before Tax after exceptional items</b>	<b>3,397.58</b>	<b>27.6%</b>	<b>2,661.79</b>	<b>10,481.05</b>
<b>Tax</b>	<b>996.18</b>	<b>366.0%</b>	<b>213.78</b>	<b>1,867.38</b>
<b>PAT</b>	<b>2,401.40</b>	<b>-1.9%</b>	<b>2,448.01</b>	<b>8,613.67</b>
<b>PAT Net Of Associate Profit/Loss</b>				
<b>Segment Results - as % to Segment Revenue</b>				
<b>Conductors</b>	<b>4.9%</b>		<b>6.0%</b>	<b>6.1%</b>
<b>Transformer &amp; Speciality Oils</b>	<b>7.4%</b>		<b>8.5%</b>	<b>8.6%</b>
<b>Polymers</b>				
<b>Total</b>	<b>6.2%</b>		<b>7.1%</b>	<b>7.4%</b>
<b>Capital Employed:</b> <b>(Segment Assets - Segment Liabilities)</b>				
<b>Conductors</b>	16,737.34	226.0%	5,134.64	12,324.10
<b>Transformer &amp; Speciality Oils</b>	18,399.66	-16.5%	22,023.87	13,022.07
<b>Power &amp; Telecom Cables</b>	-		-	-
<b>Polymers</b>	-		-	-
<b>Unallocable Corporate/Segment Assets Less Liabilities</b>	14,262.01	3.6%	13,765.35	13,526.00
<b>Total Capital Employed in Company</b>	<b>49,399.01</b>	<b>20.7%</b>	<b>40,923.87</b>	<b>38,872.17</b>

### **Company on standalone basis :**

- Net Sales increased from Rs. 5032.50 Million to Rs 6172.91 Million; representing a growth of Rs 1140.41 Million up by 22.7% over corresponding period of previous year.
- EBIDTA increased from Rs.328.60 Million to Rs. 368.75 Million; representing a growth of Rs. 40.15 Million (12.2%) over corresponding period of previous year.
- PBT increased from Rs. 266.17 Million to Rs. 339.77 Million; representing a growth of Rs. 73.60 Million (27.7%) over corresponding period of previous year.
- PAT decreased from Rs. 244.79 Million to Rs. 240.15 Million; down marginally by 1.9% over corresponding period of previous year. This was due to increase in average tax incidence by 21.29% since tax exemption status for Silvassa plant of Oil division got over in the last quarter (Q4FY10) and the division contributed more to company's profit than Nalagarh plant of Conductor, which continues to enjoy tax exemption, has earned lower profit in this quarter.
- EPS decreased from Rs. 7.57 Rs. 7.43 ;down marginally by 1.9% over corresponding period of previous year due to increase in average tax incidence by 21.29%.

### **Segment overview :**

#### **Conductor :**

- Sales revenue in Q1 FY1 1 was up 3.6% over the corresponding period of previous year from Rs. 2841.19 Million to Rs. 2943.07 Million representing a growth of Rs 101.88 Million. The corresponding volume growth was 10.3%.
- Segment Level profit was down by 15.1% from Rs 169.81 Million to Rs 144.12 Million.
- The Q1FY11 had an improved level of operations with a good overall capacity utilization compared to the previous few quarters. The business with domestic & export customers has picked up, and the execution of orders in this quarter was smooth. This resulted in an improved quantum of production & sales.
- Certain orders executed in this quarter were taken under difficult competitive environment of last year when the order book position of major players was not very strong. Further, inflationary pressures affected input costs such as freight & packing resulting in a loss for these orders. This has affected the weighted average profitability of the Conductor Division.
- The company has executed some High Temperature TAL Conductor in the export business for the first time. Efforts are on to develop the domestic market for High Temperature TAL

Conductors; due to the Right of Way issues, the customers are more interested in this option. Also, the company is working on developing other types of High Temperature conductors.

- The domestic demand is growing at a healthy rate, and the company is planning to expand its capacities through a new plant in the Eastern part of India. The new Five year T&D plan announced by the Government has a significant investment in the Eastern & North-Eastern parts of the country.
- The orders on hand as of 31<sup>st</sup> July 2010 stood at Rs 12,258.9 Million.

### **Transformer and Specialty Oils :**

- Sales revenue increased from Rs 2197.96 Million to Rs 3295.36 Million, representing a growth of Rs 1097.40 Million (49.9%) over the corresponding period of previous year. The corresponding volume was up 12.3% as volume increased from 59,232 KL to 66,511 KL.
- Segment Level profit increased from Rs 186.24 Million to Rs 244.58 Million; representing a growth of Rs 58.34 Million (31.3 %) over the corresponding period of previous year.
- Sales volume across all the 5 sub segments of the oil division have shown growth both in the domestic market and in exports. Volume growth has been the highest in Transformer oils.
- Further, in the case of transformer oils, the sales mix has further improved for high performance oils targeted at EHV customers of 220 KV to 765 KV power transformers both in domestic and overseas markets. This has led to better profitability of the business.
- The company expects continued growth of at least 15% in the transformer oil segment for the next 3-4 years based on the ongoing expansions in the power sector in India. More specifically, the growth in the EHV segment as the transmission networks are built is expected to be strong, where the company has a clear leadership position with approvals from major transformer OEM's and Utilities like Power Grid Corporation Ltd.
- The company imports over 90% of its base oils. There has been continuous volatility in base oil prices and in foreign exchange rates. To protect itself, the company has been quoting prices only on a monthly basis or using the IEEMA price - variation formula for long term deals. It has also been following a hedging strategy to cover foreign exchange exposure as soon as it prices inventory for sale, there by converting \$ payables to Re at the similar exchange rates it uses for pricing products. There is a cost for taking forward covers which the company needs to absorb. However, given the current volatility, it believes that this is a prudent strategy to follow, resulting in more earnings stability.
- The business environment for base oils remains uncertain to some extent. There has been increased volatility in base oil prices and the refining margins on base oils has substantially increased relative to gas oil ( diesel) and other comparable derivatives. This is compounded by a shortage of base oils and higher pricing for these products. The company is better placed since it has long term strategic sourcing relationships in place for critical raw materials.

- The Net sales turnover of the “Agip” brand Automotive Lubricants produced by the Company with License and Technical Know-how of ENI-S.p.A of Italy and marketed by Apar ChemateK Lubricants Ltd, ( 50:50 Joint Venture Company with ChemateK SpA) (ACL) for the first quarter was Rs 264.79 Million. ACL has earned a Profit of Rs 8.19 Million for the quarter FY11 as against profit of Rs 1.39 Million during the corresponding period of previous year; representing a growth of Rs 6.8 Million (489.2%).

**Operations at Uniflex Cables Ltd (a subsidiary) (UCL) :**

- Net Sales increased from Rs. 384.48 Million to Rs 584.92 Million; representing a growth of Rs 200.44 Million ( 52.13% %) over corresponding period of previous year.
- Loss before tax was Rs. 96.17 Million as against Rs 42.48 Million in the corresponding period of previous year.
- EPS was Rs. (3.85 ) as against Rs (1.70 ) in the corresponding period of previous year.
- The cable market remains very challenging. There has been an improvement in order inquiries and consequent increase in sales volumes of UCL. However, the margins continue to remain under pressure and are at unsustainable levels. The management is working on improving the sales volume, product mix and reducing manufacturing and material costs. We expect a better working on all parameters in second quarter. Our objective is to reach a cash break even by the end of this financial year.

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