

Apar Industries Limited
Investor Update
Q3 FY11

FINANCIAL PERFORMANCE

Rs in Million

Particulars	Q3 FY 11	Q3 FY10	Variance	Nine Month FY 11	Nine Month FY 10	Variance	FY 10 (Audited)
Net Sales	6,485.10	5,200.04	24.7%	19397.20	15102.39	28.4%	19,980.54
EBIDTA	387.18	407.81	-5.1%	1274.94	1144.13	11.4%	1,385.11
PBT	352.90	291.22	21.2%	1178.26	847.62	39.0%	1,048.11
PAT	249.46	222.17	12.3%	832.14	691.35	20.4%	861.37
EPS Rs :	7.71	6.87	12.3%	25.73	21.38	20.4%	26.64

Highlights -Standalone :

- Turnover up by : **24.7% in Q3FY11**
28.4% in Nine month FY11
- PBT up by : **21.2% in Q3FY11**
39.0% in Nine month FY11
- PAT & EPS up by : **12.3% in Q3FY11**
20.4% in Nine month FY11

** Note : PBT, PAT & EPS for the previous financial year ended March 31st 2010 were before providing for 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 Million

Particulars	for the Quarter Ended (Unaudited)			For the Nine Months Ended (Unaudited)			for the Year Ended (Audited)
	31.12.2010	Var %	31.12.2009	31.12.2010	Var %	31.12.2009	31.03.2010
Segment Revenue							
Conductors	2,932.05	32.1%	2,220.16	9,102.08	22.4%	7,438.20	9,857.98
Transformer & Speciality Oils	3,552.72	18.9%	2,988.57	10,292.56	34.0%	7,680.19	10,251.52
	-		-	-		-	-
Total	6,484.76	24.5%	5,208.73	19,394.64	28.3%	15,118.39	20,109.50
Less: Inter - Segment Revenue	2.94	80.3%	1.63	8.15	41.9%	5.74	7.42
Revenue from Operations	6,481.83	24.5%	5,207.10	19,386.49	28.3%	15,112.64	20,102.08
Segment Results before Interest and Tax							
Conductors	58.30	-54.7%	128.81	360.88	-26.9%	493.88	601.03
Transformer & Speciality Oils	365.23	24.4%	293.59	1,004.91	43.1%	702.29	879.54
	-		-	-		-	-
Total	423.54	0.3%	422.40	1,365.79	14.2%	1,196.18	1,480.56
Interest (net)	(0.24)	-100.3%	82.77	(6.45)	-103.4%	187.43	195.60
Other Common expenses (net)	70.88	46.4%	48.42	193.98	20.4%	161.11	236.87
Profit before Tax after exceptional items	352.91	21.2%	291.21	1,178.25	39.0%	847.64	1,048.10
Tax	103.43	49.8%	69.05	346.11	121.5%	156.27	186.73
PAT	249.47	12.3%	222.15	832.14	20.4%	691.37	861.37
Segment Results - as % to Segment Revenue							
Conductors	2.0%		5.8%	4.0%		6.6%	6.1%
Transformer & Speciality Oils	10.3%		9.8%	9.8%		9.1%	8.6%
Total	6.5%		8.1%	7.0%		7.9%	7.4%
Capital Employed: (Segment Assets - Segment Liabilities)							
Conductors	2,537.54	17.7%	2,156.76	2,537.54	17.7%	2,156.76	1,232.41
Transformer & Speciality Oils	899.08	46.6%	613.30	899.08	46.6%	613.30	1,302.21
Others / Unallocated	2,023.57	16.2%	1,741.27	2,023.57	16.2%	1,741.27	1,352.60
Total Capital Employed in Company	5,460.19	21.0%	4,511.33	5,460.19	21.0%	4,511.33	3,887.22

Company on standalone basis :

For the Third Quarter :

- Net Sales increased from Rs. 5200.04 Million to Rs 6485.10 Million; representing a growth of Rs 1285.06 Million up by 24.7% over corresponding period of previous year.
- EBIDTA reduced from Rs. 407.81 Million to Rs. 387.18 Million; down by 5.1% over corresponding period of previous year.
- PBT increased from Rs. 291.22 Million to Rs. 352.90 Million; representing a growth of Rs. 61.88 Million up by 21.2% over corresponding period of previous year.
- PAT increased from Rs. 222.17 Million to Rs. 249.46 Million; representing a growth of Rs. 27.29 Million up by 12.3% over corresponding period of previous year. During the quarter average tax incidence was increased by 5.6% as 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 increased from Rs. 6.87 to Rs. 7.71 registering a growth of Rs 0.84 up by 12.3% over corresponding period of previous year.

For the Nine Month Period :

- Net Sales increased from Rs. 15102.39 Million to Rs 19397.20 Million; representing a growth of Rs 4294.81 Million up by 28.4% over corresponding period of previous year.
- EBIDTA increased from Rs. 1144.13 Million to Rs. 1274.94 Million; representing a growth of Rs. 130.81 Million up by 11.4% over corresponding period of previous year.
- PBT increased from Rs. 847.62 Million to Rs. 1178.26 Million; representing a growth of Rs. 330.64 Million up by 39.0 % over corresponding period of previous year.
- PAT increased from Rs. 691.35 Million to Rs. 832.14 Million; representing a growth of Rs. 140.79 Million up by 20.4 % over corresponding period of previous year. This increase in PAT was in spite of increase in average tax incidence by 10.9 %.
- EPS increased from Rs. 21.38 to Rs. 25.73 registering a growth of Rs 4.35 up by 20.4% over corresponding period of previous year.

Segment overview :

Conductor :

- Sales revenue in Q3FY11 was up 32.1% over the corresponding period of previous year from Rs. 2220.16 Million to Rs. 2932.05 Million representing a growth of Rs 711.89 Million. The corresponding volume growth was 24.8%.
- Sales revenue for the Nine Month Period of FY 11 was up 22.4 % over the corresponding period of previous year from Rs. 7438.20 Million to Rs. 9102.08 Million representing a growth of Rs 1663.88 Million. The corresponding volume growth was 15.9%.
- Segment Level profit for the Third Quarter was down by 54.7% from Rs 128.81 Million to Rs 58.30 Million.
- Segment Level Profit for the Nine Month Period was down by 26.9 % from Rs 493.88 Million to Rs 360.88 Million.
- Conductor segment order book stood at Rs. 12157.4 Million as of 31st December 2010. Orders worth Rs 2230 Million were received during this quarter which consisted of about Rs 357 Million from overseas markets and Rs 1873 Million domestically. Orders received from Power Grid (PG) amounted to Rs.1780 Million. Supplies for the same are expected to commence from June 2011. It is further expected that a significant portion of the backlog of tenders that PG has not finalized from November 2009 onwards should be cleared in the next few months.
- The segment level profit to revenue for the third quarter and nine months is at 2 % and 4 % respectively. This is largely due to execution of orders taken during a period of intense competition following a lack of tender finalization from PG.
- There has also been an impact of higher freight costs especially in export orders and to some project sites domestically where the freight component was firm eroding profit margins. However, the company expects both margin and volume expansion as we move further into FY12 based on the current order backlog.

Transformer and Specialty Oils :

- Sales revenue in Q3FY11 increased from Rs 2988.57 Million to Rs 3552.72 Million, representing a growth of 18.9 % over the corresponding period of previous year. Sales revenue for the Nine Month Period increased from Rs 7680.19 Million to Rs 10,292.56 Million, representing a growth of 34.0 % over the corresponding period of previous year.
- Segment Level profit for the Third Quarter increased from Rs 293.59 Million to Rs 365.23 Million up by 24.4 %. Segment Level profit for the Nine month period increased from Rs 702.29 Million to Rs 1004.91 Million up by 43.1 %.
- The improved performance can be attributed largely to a better mix of product sold during the quarter in the transformer oils and industrial oils product segments.
- 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, Italy) (ACL) for the Third quarter was Rs 325.94 Million. ACL has earned a Profit of Rs 27.49 Million for the said quarter. For the Nine month period ended, Net sales turnover was Rs 894.86 Million and Profit was Rs 52.69 Million.
- There has been a sharp increase in the price of crude oil, Gas oil (diesel) and base oils. The availability of high quality base oils is currently tight. This is likely to result in some short term pressures on the supply chain and the inventory levels that the company carries. Due to the increase in base oil prices, some of the product lines can experience a short term impact on margins. The outlook however continues to remain strong through FY12.

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

- Net Sales for the Third quarter increased from Rs. 381.91 Million to Rs 611.67 Million; representing a growth of 60.1 % and for the Nine Month period it increased from Rs 1156.95 Million to 2243.69 Million representing a growth of 94.1%.
- Loss before tax for Third Quarter reduced from Rs. 109.17 Million to 88.17 Million; less by Rs 21.00 Million and for the Nine month period it reduced from Rs 223.08 Million to Rs 210.83 Million.
- Even though the order inflow has increased, the margins for standard cables remains depressed. There has also been a pressure on margins from an increase in raw material costs, freight charges and packing material costs. The company expects a better performance in sales volume and margins in Q4, with a target to close the year with a turnover of about Rs. 300 crores.

- Subsequent to declaration of UCL as Sick Company by BIFR, UCL , for it's expeditious revival, has prepared Draft Rehabilitation Proposal which includes scheme of amalgamation of UCL with the Company w.e.f. 01st April 2010(Transfer date)(DRS). Board of Directors of the Company have approved in principle, the scheme subject to approval of shareholders and other regulatory bodies. DRS has been circulated to the Operating Agency (OA) appointed by BIFR and to all concerned parties. OA convened the Joint Meeting on January 14, 2011 and it's report to BIFR in that regard is awaited.
