

Apar Industries Ltd
Investor Update
FY11

I. FINANCIAL PERFORMANCE

(Rs. in Million)

Particulars	Standalone		Consolidated	
	FY 11	FY 10	FY 11	FY 10
Net Sales	27,184.69	19,980.54	30,283.00	22,355.45
EBIDTA	1,701.65	1,385.11	1,878.26	1,532.77
EBIDTA (%)	6.3%	6.9%	6.2%	6.9%
PBT	1,594.65	1,048.11	1,538.45	1,004.08
PAT	1,058.53	861.37	960.41	780.22
EPS (before extra ordinary items) Rs :	32.74	26.64	29.48	26.21

HIGHLIGHTS -Standalone basis :

Turnover higher by : 36.0% in FY11

EBIDTA higher by : 22.8% in FY11

PBT higher by : 52.1% in FY11

PAT & EPS higher by : 22.9% in FY11

Note : * *PBT, PAT & EPS for the previous quarter (Q4FY10) and previous financial year (FY10) were before providing for Extra-ordinary item (non-cash charge) of Rs 555.54 Million for Impairment in equity investment in Uniflex Cables Ltd, a subsidiary company on account of its losses and consequent erosion of its' net worth.*

II. SEGMENT PERFORMANCE ANALYSIS :

Rs in Millions

Particulars	Stand alone Financial results			Consolidated Audited Financial Results		
	Twelve Months Ended (Audited)			for the Year Ended (Audited)		
	31.03.2011	Var %	31.03.2010	31.03.2011	Var %	31.03.2010
Segment Revenue						
Conductors	13,258.17	34.5%	9,857.98	13,258.17	34.5%	9,857.98
Transformer & Speciality Oils	13,950.77	36.1%	10,251.52	15,435.98	39.5%	11,065.49
Power & Telecom Cables			-	3,151.69		1,826.21
Total	27,208.94	35.3%	20,109.50	31,845.84	40.0%	22,749.67
Less: Inter - Segment Revenue	10.38	39.9%	7.42	1,545.59	453.8%	279.07
Revenue from Operations	27,198.57	35.3%	20,102.08	30,300.25	34.8%	22,470.60
Segment Results before Interest and Tax						
Conductors	467.63	-22.2%	601.03	467.63	-22.2%	601.03
Transformer & Speciality Oils	1,360.07	54.6%	879.54	1,602.34		1,099.37
Power and Telecom Cables				(113.78)		(127.46)
Total	1,827.70	23.4%	1,480.56	1,956.20	24.4%	1,572.93
Interest (net)	(32.06)	-116.4%	195.60	134.65	-59.4%	331.99
Other Common expenses (net)	265.11	11.9%	236.86	283.09	19.5%	236.87
Profit before Tax after exceptional items	1,594.65	52.1%	1,048.10	1,538.46	53%	1,004.07
Tax	536.12	187.1%	186.74	578.04	158.2%	223.86
PAT	1,058.53	22.9%	861.37	960.41	23%	780.21
Segment Results - as % to Segment Revenue						
Conductors	3.5%		6.1%	3.5%		6.1%
Transformer & Speciality Oils	9.7%		8.6%	10.4%		9.9%
Total	6.7%		7.4%	6.1%		6.9%

III. COMPANY AS A WHOLE :

A. Performance for the Financial Year 2011 (Standalone) :

- Net Sales increased from Rs 19980.54 Million to Rs 27184.69 Million; representing a growth of 36.0% over corresponding period of previous year.
- EBIDTA increased from Rs 1385.11 Million to Rs 1701.65 Million; representing a growth of 22.8% over corresponding period of previous year.
- PBT increased from Rs 1048.11 Million to Rs. 1594.65 Million; representing a growth of 52.1% over previous year.
- PAT increased from of Rs 861.37 Million to Rs. 1058.53 Million; representing a growth of 22.9 % over previous year. This increase in PAT was in spite of increase in average tax incidence currently assumed by 15.8%.
- EPS increased from Rs. 26.64 to Rs. 32.74 ; registering a growth of 22.9 % over the previous year.
- The Company has allotted 3,636,363 Equity Shares of Rs. 10/- each at a Premium of Rs. 210/- per share to Templeton Strategic Emerging Markets Fund III, L.D.C., Cayman Islands in May 2011 and consequently Paid-up Equity Share Capital of the Company has increased to Rs. 359,723,940/- divided into 35,972,394 Equity Shares of Rs. 10/- each.
- The Board of Directors has recommended final dividend of Rs 3.50 (35%) per equity share of Rs 10/- each fully paid for the financial year 2010-11. Total dividend for financial year 2010-11 including Interim Dividend of Rs 2.50 per share already paid is Rs 6.0 Per share (60%).

B. Group Consolidated Performance (FY11):

- Net Sales increased from Rs 22355.45 Million to Rs 30283.00 Million; representing a growth of 35.5% over corresponding period of previous year.
- EBIDTA increased from Rs 1532.77 Million to Rs 1878.26 Million; representing a growth of 22.5% over corresponding period of previous year.
- PBT increased from Rs 1004.08 Million to Rs. 1538.45 Million; representing a growth of 53.2% over previous year.
- PAT increased from of Rs 780.22 Million to Rs. 960.41 Million; representing a growth of 23.1 % over previous year. This increase in PAT was in spite of increase in average tax incidence currently assumed by 15.3%.
- EPS increased from Rs. 26.21 to Rs. 29.48 ; registering a growth of 12.5% over the previous year.

C. Financials --Post amalgamation of Uniflex Cables Ltd (UCL)

Draft Rehabilitation Scheme (DRS) of Uniflex Cables Limited (UCL), a subsidiary company which, inter alia, includes Scheme of Amalgamation of UCL with the Company with cut-off date as 31st March, 2010 has been submitted to Board for Industrial and Financial Reconstruction (BIFR) by Operating Agency (OA) appointed by BIFR, for its final consideration. The shareholders of the Company have approved the DRS subject to the approval of BIFR and other regulatory approval. If the above Scheme of Amalgamation is approved by the BIFR, the financials of would stand as under:

Particulars	Rs in Million			
	Standalone (as at 31st March, 2011)		Consolidated (as at 31st March, 2011)	
	Pre-amalgamation	Post-amalgamation	Pre-amalgamation	Post-amalgamation
Sales (net of excise duty)	27,184.69	29,206.24	30,283.00	30,283.00
Profit before tax	1,594.65	1,311.83	1,538.44	1,538.44
Profit after tax	1,058.53	1,174.23	953.26	1,351.78
Earnings per share	32.74	33.71	29.48	38.81
Share Capital	323.36	348.34	323.36	348.34
Reserve and Surplus	3,423.93	3,468.47	3,190.85	3,589.37

IV Segment overview :

A. Conductor :

- Sales revenue in Q4FY11 increased by 71.8% over the corresponding period of previous year; from Rs. 2419.78 Million to Rs. 4156.09 Million. The corresponding volume increased by 74.0%; from 18292 MT to 31836 MT.
- Sales Revenue in FY11 increased by 34.5% ; from Rs. 9857.98 Million to Rs.13258.17. The corresponding volume increased by 29.3% from 79510 MT to 102793 Mt
- Segment Level profit was marginally down from Rs 107.14 Million to Rs 106.75 Million for the quarter and for the FY 11 from Rs 601.03 Million to Rs 467.63 Million.
- The order book as of 1st April FY12 was Rs. 12598.1 Million in confirmed orders and Rs. 5607.5 Million in the pipeline.

- The current environment continues to be challenging. There is a clear increase in volume opportunities but the tough pricing environment is resulting in reduced margins. Power Grid is expected to release orders of about 270,000 mts of conductors in FY12, an increase of about 22% over FY11. There is also increased activity from BOOM projects and through EPC contractors. All this should result in improved sales volumes for the company which is targeted to grow by about 30% over the previous year. Even though the pricing environment remains tough, the company expects to deliver higher profitability through a better mix of product sale and economies of scale.
- One of the risks the company will have to continue to face is the re-scheduling of deliveries to Power Grid and some of the transmission lines evacuating power from the Ultra Mega Power projects. Delays are taking place essentially due to right of way issues. However, as company move later in FY12 and in the following years of FY13 and FY14, the company expects a significant rise in demand for conductors. The company could further benefit from large orders that would need to be delivered in shorter time periods. The company continues to diversify its client base, project base and geographic concentration.
- During the year the company continued its focus on high temperature conductors. It has received total orders of Rs.248.2 Million . This segment is expected to mature over the next 3-4 years and the company is leading the effort to improve transmission productivity as right of way results in limitations on transmission corridors.
- The company has followed a conservative hedging strategy both on foreign exchange and metal front. All fixed price orders have been hedged on a back to back basis. The mark to market losses as of 31st March 2011 stood at Rs 280.40 Million and is largely due to a single large export order which has a delayed delivery schedule. . The company is in negotiation with this client to expedite the same.

B. Transformer and Specialty Oils :

- Sales revenue in Q4FY11 on a standalone basis increased by 42.3 % over the corresponding period of previous year from Rs. 2571.33 Million to Rs.3658.22 Million. The corresponding volume increased by 4.9% .
- Sales Revenue in FY 11 on a standalone basis increased by 36.1 %; from Rs. 10,251.52 Million to Rs. 13950.77 Million. The corresponding volume increased from 247709 KL to 259344 KL on standalone basis representing a growth of 4.7%. Sales Revenue on a global consolidated basis for the year stood at Rs.15435.98 Million as against Rs 11065.49 Million in the previous year (FY10); increased by 39.5%.
- Segment Level profit in Q4FY11 increased substantially from Rs 177.24 Million to Rs 355.17 Million representing a growth of 100.4% over the corresponding period of previous year.
- Segment Level profit for FY11 increased from Rs 879.54 Million to Rs 1360.07 Million representing a growth of 54.6% over the previous year.

- The company has continued to focus on its strategy to sell higher value added performance based products. Shipments for high performance transformer oil grew by 79% in volume in FY11. Company continue to see a rise in performance products as the Extra High Voltage transmission lines are built. This focus is evident from the improved mix and profitability the company has had in this past year. With a trend in rising raw material prices and tighter availability of high quality base oils, it is imperative that the company continues to relentlessly focus on performance based products across its range to deliver predictability in revenues.
- The ordering cycle for transmission and distribution systems has continued to be erratic. However, the company is well positioned relative to its competition from the fact that it has the largest range of Transformer oil products globally approved and has a very large distributed client base.
- The company has also increased shipments of performance specialty oils and lubricants across its Industrial, Rubber Process and Automotive range of products leading to higher value delivered to clients.
- 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) stood at Rs 1212.08 Million for FY 11. ACL has earned a Profit of Rs 44.61 Million during FY 2010-11 as against Profit of Rs 49.98 Million in the previous year. The sale of Agip brand products grew by 34.7% in volume over the previous year.
- 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 due to a number of refinery maintenance shut downs through the period April to July. This has resulted 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 in general continues to remain strong through FY12.

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

- Net sales for the financial year 2010-11 stood at Rs 3112.73 million as against Rs 1806.18 million in the previous financial year 2009-10; increased by Rs 1306.55 Million (72.34%) Net loss in Q4FY11 was Rs 71.70 million and for the financial year 2010-11 stood at Rs 282.53 Million (standalone) as against the loss in the previous financial year 2009-10 of Rs 274.58 Million.
- The company has grown its higher margin business of special rubber and communication cables from Rs 521 Million to Rs 841 Million. However, the gain from this has been offset with a drop in margins in the high volume Power Cables segment, and from higher interest cost of Rs 154,49 Million compared to Rs 122.04 Million in the previous year.
- The company expects to increase sales to Rs 4000 million in FY12, with an EBITDA of Rs 148 Million.
