

**Apar Industries Ltd**  
**Investor Update**  
**Q3 FY12**

**I. FINANCIAL PERFORMANCE**

(Rs. in Million)

Particulars	Q3 FY12	Q3 FY11	Nine- Month FY 12	Nine- Month FY 11	FY 11 (Audited)
Net Sales	8,593.77	6,485.10	22,839.29	19,397.20	27,184.69
EBIDTA ( <i>Before Unrealised Forex Loss / (Gain)</i> )	390.14	301.77	773.39	1,189.53	1,686.88
EBIDTA (%)	4.5%	4.7%	3.4%	6.1%	6.2%
Less : Unrealised Forex Loss/(Gain)	402.17	(85.41)	402.17	(85.41)	(14.78)
EBIDTA ( <i>After Unrealised Forex Loss / (Gain)</i> )	(12.03)	387.18	371.21	1,274.94	1,701.66
PBT ( <i>Before Exceptional Item</i> )	(35.96)	352.90	416.49	1,178.26	1,594.65
Less : Exceptional Item *			*57.29		
PBT ( <i>After Exceptional Item</i> )	(35.96)	352.90	359.20	1,178.26	1,594.65
PAT	2.08	249.46	281.90	832.14	1,058.53
EPS Rs :	0.06	1.38	7.93	25.73	32.74

**Highlights :**

**EBITDA performance ( before unrealised foreign exchange loss) for Q3FY12 is Rs 390.14 Million vs. Rs 301.77 Million in Q3FY11 and for Nine- Month FY12 is Rs. 773.39 Million vs. Rs 1189.53 Million in Nine-Month FY11.**

1. The Company has maintained its foreign exchange (forex) management policy in respect of both its division. The forex exposures in respect of its Oil division are hedged once the raw material is priced & converted into Rupee receivables. The Conductor division has a natural hedge after considering the finished goods inventory against export orders.
2. Due to unprecedented depreciation of Indian Rupee during August to December, 2011 the Company has incurred a Mark to Market ( MTM) total Forex loss of Rs. 1126.72 million in Nine Months Period FY12. It consists of a realized & crystallised loss of Rs. 724.55 Million, and unrealized loss of Rs 402.17 Million. The closing rate of Re : \$ has been taken at Rs 53.11. Appreciation in the Re will have a positive impact.
3. Conductor division has shown an improved performance and has a record Order book of Rs 20960 Million, with high visibility of execution till Q4FY13.

4. The impact of this forex loss/(gain) on various heads with break-up of Realised & Crystallised (actual) / Unrealised (provisional) loss/(gain) is as under:

Particular	Q3 FY12	Q2 FY12	Q3 FY11	Nine Month FY12	Nine Month FY11	FY 11
<b>1. Sales</b>						
Realised	9.34	(60.38)	(23.50)	(202.55)	(61.84)	(136.84)
Unrealised	(146.69)	(134.92)	17.96	(146.69)	17.96	75.87
<b>Total - 1</b>	<b>(137.34)</b>	<b>(195.30)</b>	<b>(5.54)</b>	<b>(349.24)</b>	<b>(43.88)</b>	<b>(60.97)</b>
<b>2. Consumption of Raw Material</b>						
Realised	248.64	168.26	96.33	925.07	105.42	172.17
Unrealised	520.99	421.68	(98.94)	520.99	(98.94)	(95.67)
<b>Total- 2</b>	<b>769.63</b>	<b>589.94</b>	<b>(2.61)</b>	<b>1,446.07</b>	<b>6.48</b>	<b>76.50</b>
<b>3. Others</b>						
Realised	(32.74)	23.90	25.04	2.02	30.87	37.05
Unrealised	27.87	6.27	(4.42)	27.87	(4.42)	5.03
<b>Total- 3</b>	<b>(4.86)</b>	<b>30.17</b>	<b>20.61</b>	<b>29.89</b>	<b>26.44</b>	<b>42.08</b>
<b>Total (1+2+3)</b>						
<b>A, Realised</b>	<b>225.24</b>	<b>131.78</b>	<b>97.87</b>	<b>724.55</b>	<b>74.45</b>	<b>72.39</b>
<b>B. Unrealised</b>	<b>402.17</b>	<b>293.02</b>	<b>(85.41)</b>	<b>402.17</b>	<b>(85.41)</b>	<b>(14.78)</b>
<b>Total (A + B)</b>	<b>627.42</b>	<b>424.81</b>	<b>12.46</b>	<b>1,126.72</b>	<b>(10.96)</b>	<b>57.61</b>
<b>PBT Before Unrealised exchange loss/(gain)</b>	<b>366.21</b>	<b>343.61</b>	<b>267.49</b>	<b>761.37</b>	<b>1,092.86</b>	<b>1,579.88</b>
<b>PBT After Unrealised exchange loss/(gain)</b>	<b>(35.96)</b>	<b>50.59</b>	<b>352.90</b>	<b>359.20</b>	<b>1,178.26</b>	<b>1,594.65</b>

\*Note : During previous quarter (Q1FY12) Company had provided for one time provision for Rs 57.29 Million on account of cancellation of Contract for supply of conductors. For details refer para 3 of Item no. III on Page 3 of Investor update for Q1FY12

## II. SEGMENT PERFORMANCE ANALYSIS :

Particulars	Stand alone Financial			Stand alone Financial			Stand alone for the Year Ended (Audited)
	for Quarter Ended (Unaudited)			for Nine Months Ended (Unaudited)			
	31.12.2011	Var %	31.12.2010	31.12.2011	Var %	31.12.2010	31.03.2011
<b>Segment Revenue</b>							
<b>Conductors</b>	3,784.47	29.1%	2,932.05	9,405.51	3.3%	9,102.08	13,258.17
<b>Transformer &amp; Speciality Oils</b>	4,831.20	36.0%	3,552.72	13,454.49	30.7%	10,292.56	13,950.77
<b>Others</b>	20.52	73.1%	11.86	57.35	51.4%	37.88	55.15
<b>Total</b>	<b>8,636.19</b>	<b>32.9%</b>	<b>6,496.62</b>	<b>22,917.35</b>	<b>17.9%</b>	<b>19,432.52</b>	<b>27,264.10</b>
<b>Less: Inter - Segment Revenue</b>	3.12	6.2%	2.94	9.89	21.3%	8.15	10.38
<b>Revenue from Operations</b>	<b>8,633.07</b>	<b>32.9%</b>	<b>6,493.68</b>	<b>22,907.46</b>	<b>17.9%</b>	<b>19,424.37</b>	<b>27,253.72</b>
<b>Segment Results before Unrealised Foreign Exchange loss/(gain) and Interest and Tax</b>							
<b>Conductors</b>	170.68	300.1%	42.66	193.30	-44.0%	345.24	511.50
<b>Transformer &amp; Speciality Oils</b>	216.51	-26.7%	295.46	716.29	-23.4%	935.14	1,301.43
<b>Total</b>	<b>387.18</b>	<b>14.5%</b>	<b>338.13</b>	<b>909.59</b>	<b>-29.0%</b>	<b>1,280.38</b>	<b>1,812.92</b>
<b>Segment Results before Interest and Tax</b>							
<b>Conductors</b>	148.48	154.7%	58.30	171.10	-52.6%	360.88	467.63
<b>Transformer &amp; Speciality Oils</b>	(163.47)	-144.8%	365.23	336.32	-66.5%	1,004.91	1,360.07
<b>Total</b>	<b>(14.99)</b>	<b>-103.5%</b>	<b>423.54</b>	<b>507.42</b>	<b>-62.8%</b>	<b>1,365.79</b>	<b>1,827.70</b>
<b>Interest (net)</b>	(13.27)	5409.6%	(0.24)	(95.11)	1373.8%	(6.45)	(32.06)
<b>Other Common expenses (net)</b>	34.24	-51.7%	70.88	186.04	-4.1%	193.98	265.11
<b>Profit before exceptional items</b>	<b>(35.96)</b>	<b>-110.2%</b>	<b>352.91</b>	<b>416.49</b>	<b>-64.7%</b>	<b>1,178.26</b>	<b>1,594.65</b>
<b>Exceptional item *</b>	-		-	57.29	-	-	-
<b>Profit after exceptional items</b>	<b>(35.96)</b>	<b>-110.2%</b>	<b>352.91</b>	<b>359.20</b>	<b>-69.5%</b>	<b>1,178.26</b>	<b>1,594.65</b>
<b>Tax</b>	<b>(38.04)</b>	<b>-136.8%</b>	<b>103.43</b>	<b>77.30</b>	<b>-77.7%</b>	<b>346.11</b>	<b>536.12</b>
<b>PAT</b>	<b>2.08</b>	<b>-99.2%</b>	<b>249.47</b>	<b>281.89</b>	<b>-66.1%</b>	<b>832.15</b>	<b>1,058.52</b>
<b>Segment Results - as % to Segment Revenue before Forex Unrealised Exchange loss/(gain)</b>							
<b>Conductors</b>	4.5%		1.5%	2.1%		3.8%	3.9%
<b>Transformer &amp; Speciality Oils</b>	4.5%		8.3%	5.3%		9.1%	9.3%
<b>Total</b>	<b>4.5%</b>		<b>5.2%</b>	<b>4.0%</b>		<b>6.6%</b>	<b>6.6%</b>
<b>Conductors</b>	3.9%		2.0%	1.8%		4.0%	3.5%
<b>Transformer &amp; Speciality Oils</b>	-3.4%		10.3%	2.5%		9.8%	9.7%
<b>Total</b>	<b>-0.2%</b>		<b>6.5%</b>	<b>2.2%</b>		<b>7.0%</b>	<b>6.7%</b>

### III Segment overview :

#### A. Transformer and Specialty Oils :

- Sales revenue in Q3FY12 on a standalone basis increased by 36.0% over the corresponding period of previous year from Rs. 3552.72 Million to Rs. 4831.20 Million representing a growth of Rs 1278.48 Million.
- Sales revenue for the Nine Months Period FY12 increased by 30.7% over the corresponding period of previous year from Rs. 10292.56 Million to Rs. 13454.49 Million representing a growth of Rs 3161.93 Million.
- Segment Level profit (before unrealized foreign exchange loss/(gain)) for Q3FY12 stood at Rs 216.51 Million as against Rs 295.46 Million in the corresponding period of previous year.
- Segment Level profit (before unrealized foreign exchange loss/(gain)) for the Nine Month Period stood at Rs Rs 716.29 Million as against Rs 935.14 Million in the corresponding period of previous year
- Segment Level profit (after unrealized foreign exchange loss/(gain)) in Q3FY12 stood at (-) Rs 163.47 Million as against Rs 365.23 Million in Q3FY11 and for the Nine Months Period FY12 it stood at Rs 336.32 Million as against Rs 1004.91 Million in Nine Month FY11.
- The company had covered net foreign exchange outstanding by the end of December 11 through till end March 12 ( which is approximately 90 days). Any appreciation in the Re from a level of Rs 53.11 vs USD from December 2011 onwards will result in a reversal of unrealised loss. The exchange rate stands at Rs 48.87 vs USD as of the close of business 3<sup>rd</sup> February 2012.
- Results of this quarter for the oil segment were affected by several factors. The Re depreciation increased the cost of raw material sharply. There was a correction downward in the prices of base oils which was more pronounced in the month of November and December. The net effect of this was that the prices of finished products should have substantially been increased. However, in the backdrop of sluggish demand especially in the transformer oil segment in this period, it was possible to increase the prices of finished products only marginally. The combination of these effects resulted in a net price erosion for oil products. This was partly anticipated by us in our last earnings call, but the severity of the impacts realised from these twin effects were much higher.
- However, as we move in Q4FY12, there are signs of stability in the market in terms of both the Re exchange rate and prices of base oils. There will be a reversal of the unrealised forex loss to some extent in this quarter, and with more stable base oils prices, once the higher cost inventory is sold off, margins should move closer to historical levels.
- Shipments in Transformer oils generally pick up in the last quarter given the delivery and performance pressures in major infrastructure Project. We are optimistic of a better performance in Q4FY12.
- During the 9 month period, the oil division's overseas business in both transformer oils and white oils has grown by 10% in volume terms.
- 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 427.59 Million in Q3FY12 as against Rs 325.94 Million in Q3FY11 and for Nine Months Period it stood at Rs 1,212.68 Million as against Rs 894.86 Million in Nine Month Period FY 11 .

- The total Sale volume of automotive grades grew by about 31% in the 9 month period compared to the corresponding previous period of the same year.

**B. Conductor :**

- Sales revenue in Q3FY12 increased by 29.1% over the corresponding period of previous year; from Rs. 2932.05 Million to Rs. 3784.47 Million representing a growth of Rs 852.42 Million
- Sales revenue for the Nine Month Period increased by 3.3% over the corresponding period of previous year; from Rs. 9102.08 Million to Rs. 9405.51 Million representing a growth of Rs 303.43 Million.
- Segment Level profit (before unrealized foreign exchange loss/(gain)) for Q3FY12 stood at Rs 170.68 Million as against Rs 42.66 Million in Q3FY11; increased by 300.1% and for the Nine Month Period FY 12 it stood at Rs 193.30 Million as against Rs 345.24 Million in the corresponding period of previous year.
- Segment Level profit (after unrealized foreign exchange loss/(gain)) for Q3FY12 stood at Rs 148.48 Million as against Rs 58.30 Million in Q3FY11; increased by 154.7% and for the Nine Month Period it stood at Rs 171.10 Million (before exceptional item of Rs 57.29 Million) as against Rs 360.88 Million in Nine Months FY11. The deliveries to customers increased during the current quarter, with the commencement of increased manufacturing clearances from clients.
- The order book as of 1<sup>st</sup>.January 12 stood at Rs. 20960 Million and the orders in pipeline stood at Rs. 680 Million. Order received in Q3 was Rs.7704.9 Million, which suggests an improvement in ordering cycle. Order received from PGCIL in Q3 was Rs. 2747.1 Million
- With the increased demand, margins are gradually improving closer to historical levels. Order received in Q3 will be executed primarily during FY 13.

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

- Net sales in Q3FY12 stood at Rs 842.88 Million as against Rs 611.67 Million in Q3FY11 and for the Nine Month Period of FY12 it stood at Rs 2131.29 Million as against Rs 2243.69 Million in the corresponding period of previous year.
- Net loss in Q3FY12 stood at Rs 110.04 million as against the loss of Rs 88.17 Million in Q3FY11 and for the Nine Month Period of FY 12 it stood at Rs 272.75 Million as against Rs 210.83 Million in corresponding period of previous year.
- During the quarter company has incurred one time expenses for Rs 14.72 Million on account Voluntary Retirement Scheme which has been charged to Profit & Loss account. There is also a forex loss of Rs 31.7 Million a portion of which will get reversed in Q4.
- The company has a good order book in Q4 and expects substantially improved result compared to the first 3 quarters.
- Draft Rehabilitation Scheme (DRS) of UCL submitted to BIFR is still pending for its' final approval. DRS envisages amalgamation of UCL with the Company with effect from 01<sup>st</sup> April 2010.