

Apar Industries Ltd.

Q1 FY'16 Earnings Presentation



Tomorrow's Progress Today

Safe Harbor

This presentation may have certain statements that may be “forward looking” including those relating to general business plans and strategy of Apar Industries Ltd., its future outlook and growth prospects. The actual results may differ materially from these forward looking statements due to a number of risks and uncertainties which could include future changes or developments in Apar Industries Ltd.(Apar), the competitive environment, the company’s ability to implement its strategies and initiatives, respond to technological changes as well as sociopolitical, economic and regulatory conditions in India.

All financial data in this presentation is obtained from the audited financial statements and the various ratios are calculated based on these data. This presentation does not constitute a prospectus, offering circular or offering memorandum or an offer, invitation or a solicitation of any offer, to purchase or sell, any shares of Apar and should not be considered or construed in any manner whatsoever as a recommendation that any person should subscribe for or purchase any of Apar’s shares. None of the projection, expectations, estimates or prospects in this presentation should be construed as a forecast implying any indicative assurance or guarantee of future performance, nor that the assumptions on which such future projects, expectations, estimates or prospects have been prepared are complete or comprehensive .

This presentation is for information purposes only. This document and its contents should not be forwarded or delivered or transmitted in any manner to any person other than its intended recipients, and should not be reproduced in any manner whatsoever. The recipients further represents and warrants that : (i) It is lawfully able to receive this presentation under the laws of the jurisdiction in which it is located, and / or any other applicable laws, (ii) It is not a U.S. person, (iii) This presentation is furnished to it, and has been received, outside of the United States, and (iv) It will not reproduce, publish, disclose, redistribute or transmit this presentation, directly or indirectly, into the United States or to any U.S. person either within or outside of recipient’s organisation.

Apar growing profitably as power sector inches forward

Consolidated Revenue up

9%

*driven by 50% growth
in Conductors*

EBITDA Margin at

7.6%

*led by improved profitability
in Sp Oils*

Growth in PAT by

73.1%

*73% YoY growth to reach Rs
30 Cr compared to Rs 17 Cr in
Q1FY'15*

- **Conductors: Multiple growth drivers in place**
 - Improvement in domestic market on the back of more orders from transmission players.
 - Exports to see positive impact from reduction in Aluminum cost difference with Chinese competitors.
 - Profitability likely to improve with better order booking in the industry.
- **Specialty Oils:** Demand remains sluggish, expected to improve in Q3FY'16. Margins in the segment have improved due to better management of cost and product mix.
- **Cables** revenue up marginally by 1%. Increasing order inflow from **Renewable energy sector, Defence and Railways** to drive growth going forward. Utilization is expected to improve as business from **Solar Cables** start to flow in Q3FY'16.

Government push providing impetus

- **'Perspective Transmission Plan for 20 Years':** Govt is planning to launch a 20-year plan to keep pace with growing demand and its poll promise of '24x7 power for all'. Final draft is expected to be ready by September after consulting major states.
- **Launch of Integrated Power Development Scheme (IPDS):** IPDS was launched in July, a flagship scheme to ensure 24x7 power for all, aimed at strengthening the power sub-transmission and distribution network in urban areas across the country in which Govt of India will provide budgetary support of Rs 45,800 Cr over the entire implementation period.
- **Projects up for grabs in July-** Transmission projects worth Rs 4,000 Cr were bid in July by Power Finance Corporation and Rural Electrification Corporation.
- **Resolving fuel problems:** Coal India has shown significant improvement with an output of 121.33 MT in Q1FY'16 compared to a target of 123.04 MT, after consistently missing targets. It plans to boost annual production to 1 bn tonnes by 2019 to meet growing fuel demand.

Transmission emerging as high priority

- **Ending PGCIL's privileged position for Rs 1 lakh Cr bids-** Govt has started work on de-notifying PGCIL as the Central Transmission Unit (CTU) to ensure a level playing field to private-sector bidders. There is a conflict of interest in PGCIL being a prominent bidder for new projects as well as the CTU.

- **State and Centre's plan in T&D segment:**
 - Cabinet Committee on Economic Affairs (CCEA) approved the creation of an intra-state transmission system in the 7 states at an estimated cost of Rs 8,550 Cr under the Green Corridors project.

 - Power utilities in Andhra Pradesh plan to expedite the ongoing projects by investing around Rs 30,000 Cr in strengthening the T&D network in the next 4 years.

 - Odisha Power Transmission Corporation Ltd (OPTCL) plans to execute projects worth Rs 11,471 Cr by 2017-18 which include Rs 10,666 Cr for 214 new grids and lines.

As well as a focus point of 13th Plan (2018-22)

- Total Investment of **Rs 2.6 tn**, Rs 1.6 tn for ISTS projects and the balance Rs 1 tn for the intra-state transmission network .
- **Opportunity in transmission segment:**

	11th plan end	12th Plan end	13th Plan end
Transmission Lines ckms			
HVDC Bipole lines	9,432	16,872	27,472
765 kV	5,250	32,250	54,450
400 kV	1,06,819	1,44,819	1,74,819
HVDC Terminal Capacity, MW	9,750	22,500	37,500
Substations transformation capacity (MVA)			
765 kV	25,000	1,74,000	2,53,000
400 kV	1,51,027	1,96,027	2,45,027

Source: CEA report on Perspective Transmission Plan for Twenty Years (2014-2034)

Financial Performance



Business performance

Company Overview

Annexure

Q1 FY'16 (Consol): Strategic initiatives driving profitability

Figures in Rs Cr

Consolidated	Revenue	EBITDA (Margin %)	Profit after Tax (Margin %)
Q1 FY'16	1,265	96 (7.6%)	30 (2.4%)
Q1 FY'15	1,163	69 (5.9%)	17 (1.5%)

- Revenue increases 9% YoY from Rs 1,163 Cr in Q1FY'15 to Rs 1,265 Cr in Q1FY'16 due to strong 50% growth in Conductors despite de-growth in Sp Oils segment.
- EBITDA increases 39% YoY from Rs 69 Cr in Q1FY'15 to Rs 96 Cr in Q1FY'16 driven by improved profitability in Sp Oils business. Company's focus on profitable growth stays strong.
- PAT increases 73% YoY from Rs 17 Cr in Q1FY'15 to Rs 30 Cr in Q1FY'16.

Financial Performance

Business Performance



Company Overview

Annexure

Conductors driving growth and margins

Figures in Rs Cr

	Revenue	EBITDA (Margin %)	EBITDA (Rs per MT)	EBITDA (post adj*)	EBITDA post adj* (Rs per MT)
Q1 FY'16	640	34 (5.3%)	8,205	28 (4.4%)	6,717
Q1 FY'15	426	32 (7.5%)	11,155	31 (7.3%)	10,893

* After adjusting open period forex

- Revenue increases 50% YoY from Rs 426 Cr in Q1FY'15 to Rs 640 Cr in Q1FY'16 due to increased ordering from domestic transmission players; exports contributing 32% of total sales.
- EBITDA post forex adjustment down 10% from Rs 31 Cr in Q1FY'15 to Rs 28 Cr in Q1FY'16 due to lower margin offset by higher volumes.
- Capacity utilisation at 100% for three consecutive quarters driven by strong order execution.
- Order book up 24% from Rs 1,452 Cr as on March 31, 2015 to Rs 1,794 Cr as on June 30, 2015. Export orders contributing 53% of order book.

Specialty Oils: Margins improve despite sluggish demand growth

Figures in Rs Cr

	Revenue	EBITDA (Margin %)	EBITDA (Rs per KL)	EBITDA (post adj*)	EBITDA post adj* (Rs per KL)	Volume (KL)
Q1 FY'16	480	59 (12.3%)	7,346	53	6,593	80,054
Q1 FY'15	619	32 (5.2%)	3,829	30	3,527	84,421

* After adjusting open period forex

- Revenue down 22% YoY from Rs 619 Cr in Q1FY'15 to Rs 480 Cr in Q1FY'16 due to sluggish market conditions and fundamental reduction in oil prices.
- Profitability improves significantly due to better cost controls, product and client mix.
- Expectation for increased demand in Q3FY'16 with focus on transmission sector and automobile sectors.
- Total shipment down 5% YoY from 84,421 KL in Q1FY'15 to 80,054 KL in Q1FY'16.

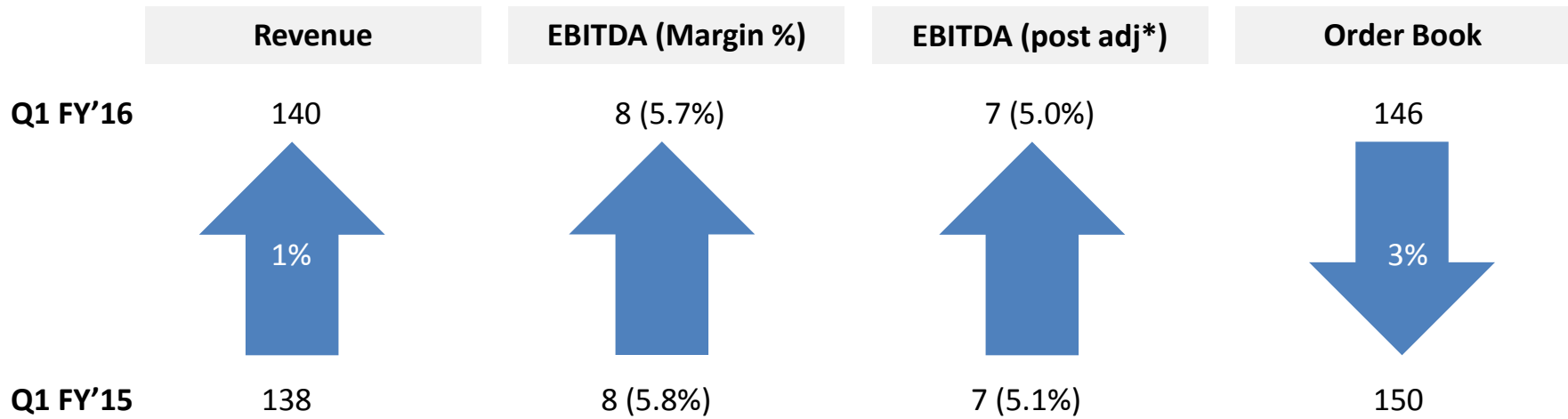
Profitability improves despite a challenging quarter



- The Automotive business had a slow quarter in terms of sales volume. The agriculture sector has been affected due to drop in sales of tractors.
- Profitability on the other hand has been benefiting from lower raw material costs and a tight control on sales prices and other promotional spends.
- Focus continues on increasing distribution reach and improving product mix to sell more high performance products.

Cables: Post positive EBITDA of Rs 8 Cr

Figures in Rs Cr



* After adjusting open period forex

- Revenue up 1% YoY from Rs 138 Cr in Q1FY'15 to Rs 140 Cr in Q1FY'16.
- EBITDA maintained at Rs 8 Cr and EBITDA Margin is at 5.7% as strategy of changing product mix is successfully executed.
- Revenue from Elastomeric Cables improves due to increased orders from Wind Mills. OFC & Elastomeric Cables contribute 55% of revenue in Q1FY'16 compared to 51% in Q1FY'15.
- Order book marginally down by 3% due to conscious efforts to reduce share of low value business.

Financial Performance

Business Performance

Company Overview



Annexure

Global leader in Conductors & Transformer Oils

Dominating global presence in power transmission & distribution

- 3rd largest conductors manufacturer and 4th largest transformer oil manufacturer in the world

Diverse Portfolio

- Over 400 types of specialty and automotive oils; largest range of conventional and new generation conductors and a comprehensive range of power and telecommunication cables

Driving growth through innovation

- Pioneer in adoption of new technologies and development of value added products creating new market segments through in-house research & development programmes

Trusted by prominent customers

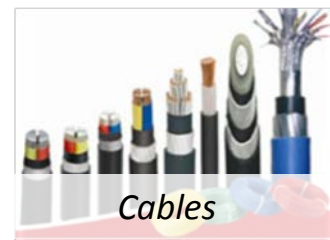
- Multi-year relationships with Indian and global majors. Exports to 100 countries; plants strategically located close to ports in India

Strong Alliances

- Brand and manufacturing alliance with global energy leader ENI S.P.A Italy and technical alliance with CTC Global (USA) for manufacture of new generation carbon composite conductors

Expanding growth canvas on the back of robust financials

- Successfully entering and expanding new markets and business segments
- 18% 5-year CAGR in revenues, 16% 5 yr CAGR in EBITDA



With established presence across diverse businesses

Conductors

23% market share
 Total Capacity:
 150,000MT
 Silvassa : 82629MT
 Umbergaon : 20868MT
 Athola : 46000MT



45% revenue contribution

Since 1958

Transformer & Sp Oils

45% market share
 Total Capacity:4,44,000KL
 Rabale : 222,000KL
 Silvassa : 220,000 KL



38% revenue contribution

Since 1969

Power/Telecom Cables

Acquired Uniflexin 2008
 Grew sales from Rs 129cr
 to Rs 556cr



11% revenue contribution

Since 2008

Auto Lubes

Licensing Agreement
 with ENI, Italy for ENI
 brand
 Successful national
 rollout
 Registered sales of Rs
 275cr in FY15



5.4% revenue contribution

Since 2007

Competitive strengths

Market Leader in key segments

- Top 5 largest producer in conductors and Sp Oil in the world
- 60% market share in power transformer oil and 40% in distribution transformer oil in India
- Among largest bare overhead aluminum conductor manufacturers in India with market share of 23%

Best in class technology & diversified products

- Technology tie up with CTC-Global, USA for ACCC conductors
- Pioneer in Aluminum alloy rod and conductors in India
- Manufactures over 300 different types of Specialty Oils
- Launched India's most advanced E-beam facility; will help make superior cables
- Among first to test successfully 765KV & 800KV conductors in India
- Best in class in-house R&D center and NABL accredited QC labs

Strong relationships with large clientele

- Preferred supplier to over 80 % of its speciality oil customers in India
- Product & plant approvals from many large clients across the globe
- Supplies conductors to all top 25 global turnkey operators and leading utilities

Strong export market

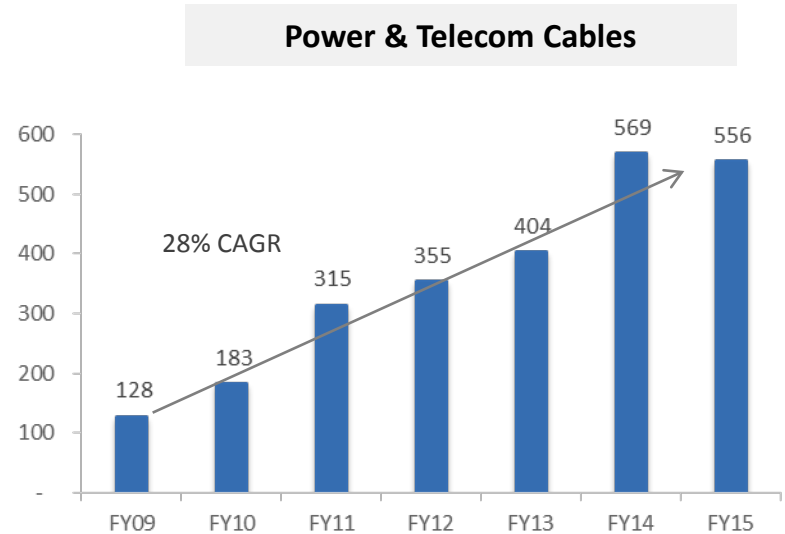
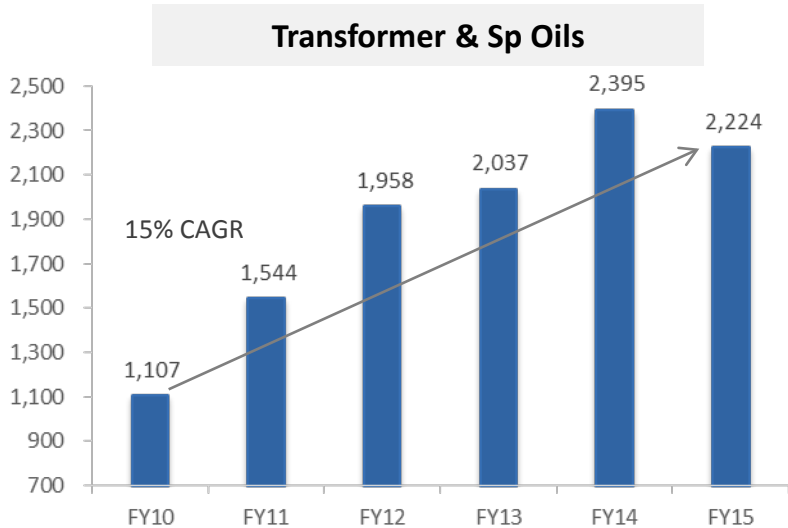
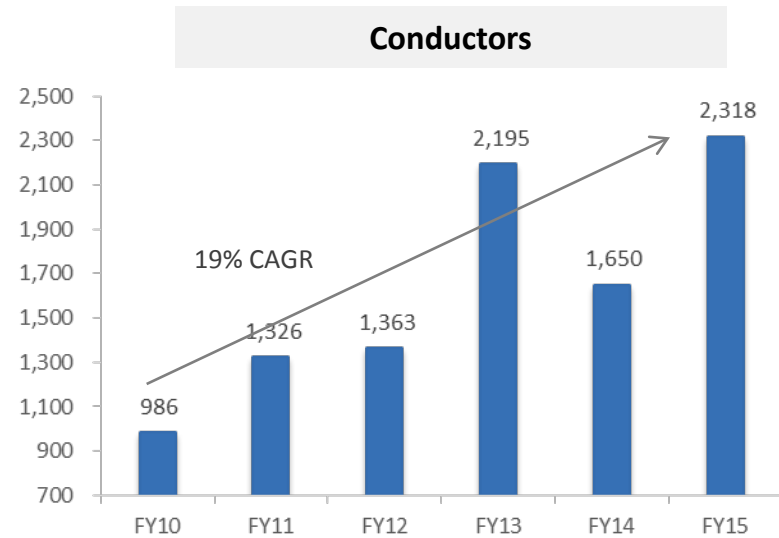
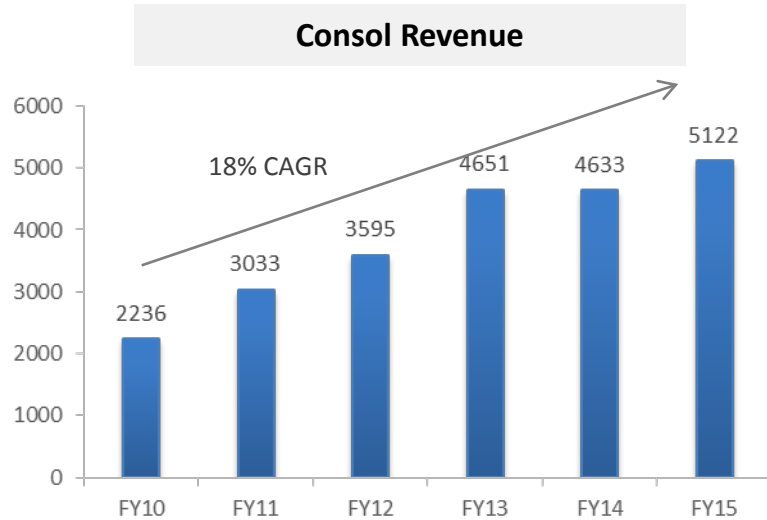
- Exports to over 100 countries across the world
- Exports grew to 34% of total sales in FY15 from 32% in FY14
- Developed green field conductor plant in Athola with focus on exports
- Largest Indian conductor exporter
- Developing export market in new territories. Exported conductors to USA, EU, middle east, Africa and Latin America

Diversified into new business for growth

- Entered Auto lubes in 2007 under ENI brand through Licensing Agreement with ENI Italy
- Acquired Uniflex to enter Cables business
- Has setup Electron Beam irradiation facility for cables and other products

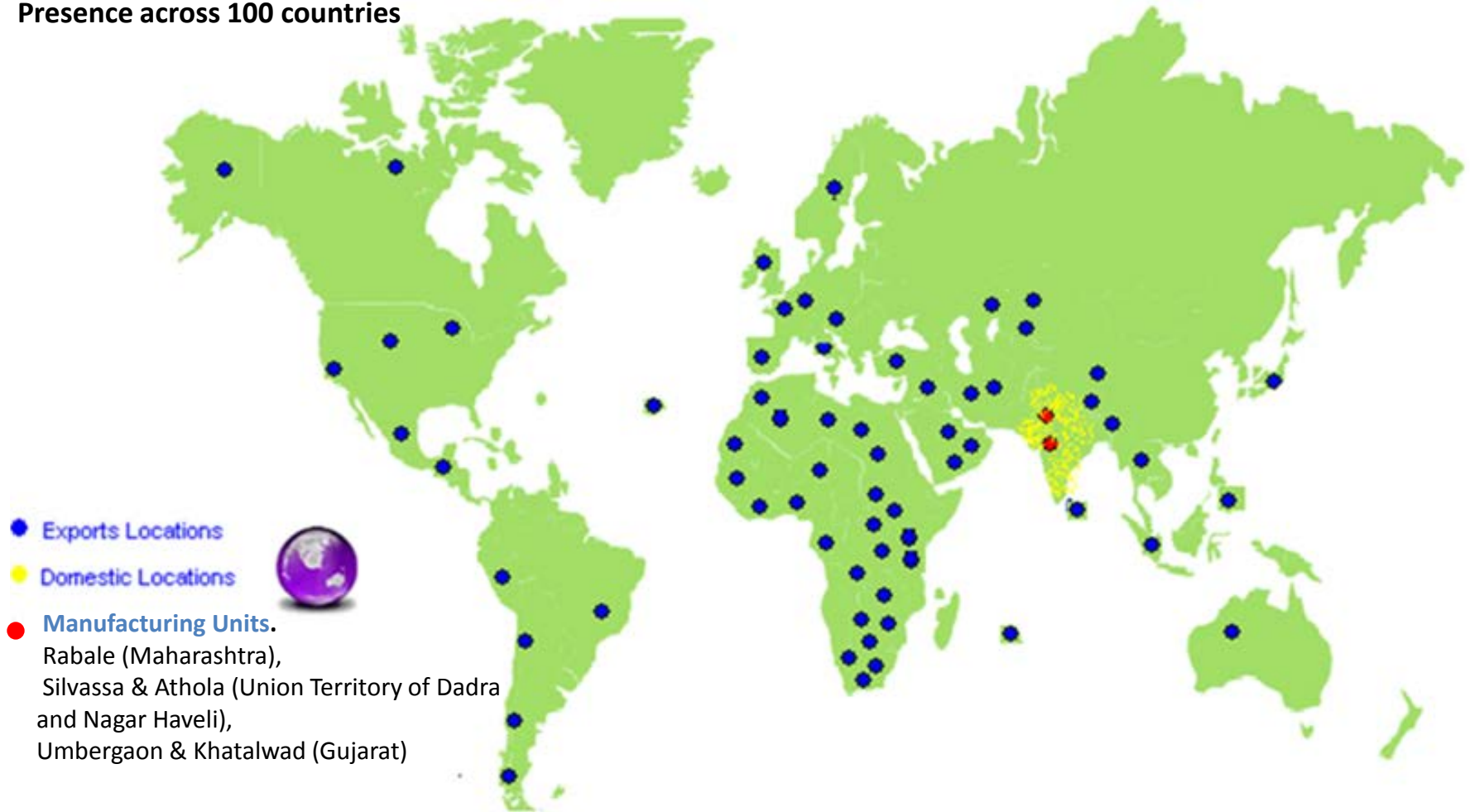
Strong revenue growth over the years

Figures in Rs Cr



Global Presence

Presence across 100 countries



Financial Performance

Business Performance

Company Overview

Annexure



Q1 FY'16 : Profit & Loss Statement- Standalone

Particulars (Rs Cr)	Q1 FY'16	Q1 FY'15	% Chg YoY	Q4 FY'15	% Chg QoQ	FY'15
Net Sales	1,240.6	1,121.4	10.6%	1,323.8	(6.3%)	4,968.7
Other Operating Income	7.2	9.2	(20.9%)	14.2	(48.9%)	42.3
Total Operating Income	1,247.8	1,130.6	10.4%	1,338.0	(6.7%)	5,011.0
Total Expenditure	1,155.3	1,067.2	8.3%	1,293.6	(10.7%)	4,769.7
Cost of Raw Materials	960.3	882.4	8.8%	1,096.5	(12.4%)	3,985.9
Employees Cost	20.1	16.7	20.3%	17.5	14.7%	70.0
Other Expenditure	175.1	168.2	4.1%	179.6	(2.5%)	713.8
Transfer to Capital Asset	0.1	-	NA	0.0	876.2%	0.0
Profit from operations before other income, finance costs and exceptional items	92.5	63.4	46.0%	44.4	108.3%	241.2
Other Income	0.1	6.9	(99.0%)	0.1	(39.1%)	8.4
EBITDA	92.6	70.3	31.8%	44.5	107.9%	249.6
Depreciation	8.2	7.0	18.0%	8.2	(0.1%)	31.0
EBIT	84.4	63.3	33.3%	36.3	132.4%	218.6
Interest & Finance charges	18.4	17.0	8.3%	16.4	12.3%	65.4
Applicable net loss on foreign currency transactions and translation	24.0	19.6	22.7%	5.5	335.5%	84.7
Profit from ordinary activities after finance costs but before exceptional items	41.9	26.7	56.9%	14.4	191.1%	68.5
Exceptional Items	-	-	NA	0.2	NA	0.2
PBT	41.9	26.7	56.9%	14.2	196.2%	68.2
Tax Expense	14.4	6.6	118.4%	4.9	190.3%	20.4
Net Profit	27.6	20.1	36.9%	9.2	199.3%	47.9
Minority Interest (profit)/loss	-	-	-	-	-	-
Net Profit after taxes, minority interest	27.6	20.1	36.9%	9.2	199.3%	47.9

Q1 FY'16 : Key Ratios – Standalone

Key Ratios (%)	Q1 FY'16	Q1 FY'15	Q4 FY'15
EBITDA Margin	7.4%	6.2%	3.3%
Net Margin	2.2%	1.8%	0.7%
Total Expenditure/ Total Operating Income	92.6%	94.4%	96.7%
Raw Material Cost/ Total Operating Income	77.0%	78.0%	82.0%
Staff Cost/ Total Operating Income	1.6%	1.5%	1.3%
Other Expenditure/ Total Operating Income	14.0%	14.9%	13.4%

Q1 FY'16 : Standalone Segment Analysis

Segment (Rs Cr)	Q1 FY'16	Q1 FY'15	%YoY	Q4 FY'15	% QoQ	FY'15
Revenue						
Conductors	639.7	426.1	50.1%	674.6	(5.2%)	2,320.1
Transformer & Specialty Oils	463.5	561.5	(17.5%)	487.3	(4.9%)	2,115.2
Power & Telecom Cables	140.0	138.3	1.3%	171.9	(18.5%)	560.1
Others/Unallocated	6.9	5.9	16.8%	5.8	18.3%	23.4
Total	1,250.0	1,131.8	10.4%	1,339.6	(6.7%)	5,018.8
Less: Inter - Segment Revenue	2.2	1.2	79.6%	1.6	37.0%	7.8
Revenue from Operations	1,247.8	1,130.6	10.4%	1,338.0	(6.7%)	5,011.0
Segment Results before Interest and Tax	-	-	0.0%	-	0.0%	-
Conductors	31.4	30.1	4.3%	14.0	124.7%	117.4
Transformer & Specialty Oils	54.1	32.5	66.4%	20.3	166.2%	98.1
Power & Telecom Cables	4.5	5.3	(13.8%)	6.3	(27.8%)	20.1
Others/Unallocated	0.8	0.7	22.9%	0.5	65.5%	2.1
Total	90.8	68.6	32.5%	41.1	121.1%	237.6
Less : Finance costs (net)	42.5	36.6	16.0%	21.9	93.9%	150.1
Less : Unallocable expenditure net of income	6.4	5.3	22.4%	5.0	27.8%	19.3
Profit before Tax	42.0	26.7	57.1%	14.2	196.4%	68.2
Segment Results – % to Segment Revenue						
Conductors	4.9%	7.1%		2.1%		5.1%
Transformer & Specialty Oils	11.7%	5.8%		4.2%		4.6%
Power & Telecom Cables	3.2%	3.8%		3.7%		3.6%
Total	7.3%	6.1%		3.1%		4.7%
Segment contribution- as % to total revenue						
Conductors	51.2%	37.7%		50.4%		46.2%
Transformer & Specialty Oils	37.1%	49.6%		36.4%		42.1%
Power & Telecom Cables	11.2%	12.2%		12.8%		11.2%

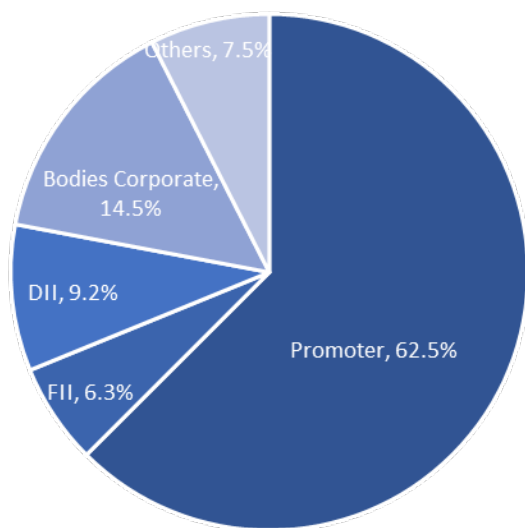
Balance Sheet Statement : Consolidated FY'15

Figures in Rs Cr

	FY'15	FY'14
Liabilities		
Total Shareholder's Funds	729.8	696.2
Minority Interest	1.2	1.8
Non-current Liabilities:		
(a) Long-term borrowings	94.8	70.1
(b) Deferred tax liabilities (net)	27.4	22.5
(c) Other-long term liabilities	2.2	6.7
(d) Long-term provisions	4.0	3.1
Total Non-Current Liabilities	128.4	102.3
Current Liabilities:		
(a) Short-term borrowings	386.7	708.0
(b) Trade payables	1,573.0	1,367.3
(c) Other current liabilities	121.0	98.1
(d) Short-term provisions	15.8	24.3
Total Current Liabilities	2,096.5	2,197.6
Total Liabilities	2,955.9	2,998.0
Assets		
Total Non-Current Assets	449.6	422.1
Current Assets:		
(a) Current investments	5.3	1.5
(b) Inventories	944.3	1,017.0
(c) Trade receivables	1,267.0	1,103.6
(d) Cash and bank balances	100.5	230.6
(e) Short-term loans and advances	150.7	174.8
(f) Other current assets	38.6	48.4
Total Current Assets	2,506.3	2,575.9
Total Assets	2,955.9	2,998.0

Shareholding pattern

As on June 30, 2015
Outstanding shares – 3,84,96,769



Major Non-Promoter Shareholders

Shareholding (%)

Templeton Strategic Emerging Markets Funds	9.45
HDFC Trustee company	4.40
Reliance Capital	3.74
Goldman Sachs	2.87
Raiffeisen Kapitalanlage	2.54
ICICI Lombard	1.30
Aadi Financial Advisors	1.11

Contact us

For any Investor Relations queries, please contact:

Sanjaya Kunder

Apar Industries Ltd

Phone: +91 22 67800400

Email: kunder@apar.com



Nisha Kakran

Phone: +91 22 4215 3659

Mumbai

Nisha.kakran@four-s.com

Seema Shukla

Phone: +91 124 425 1443

Gurgaon

seema@four-s.com