

# Apar Industries Ltd.

Q1FY'15 Earnings Presentation

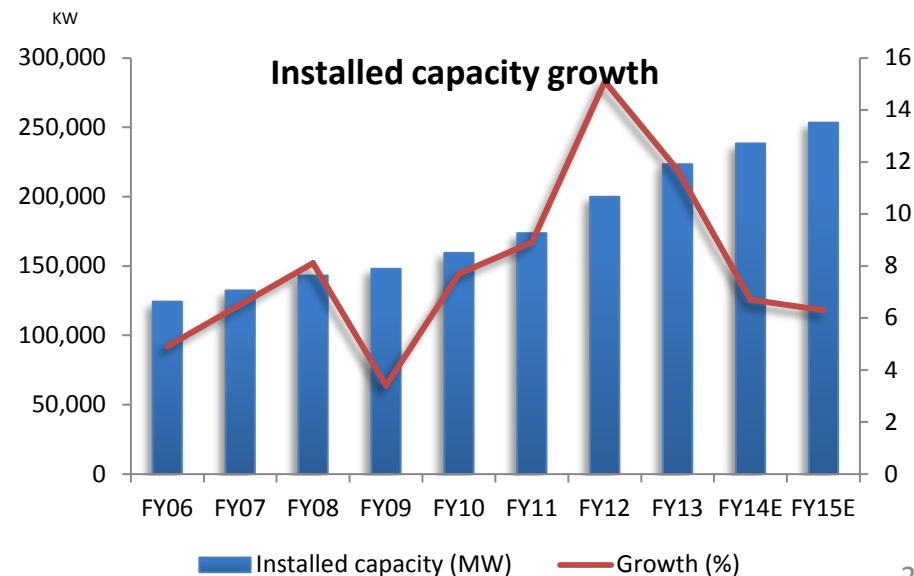
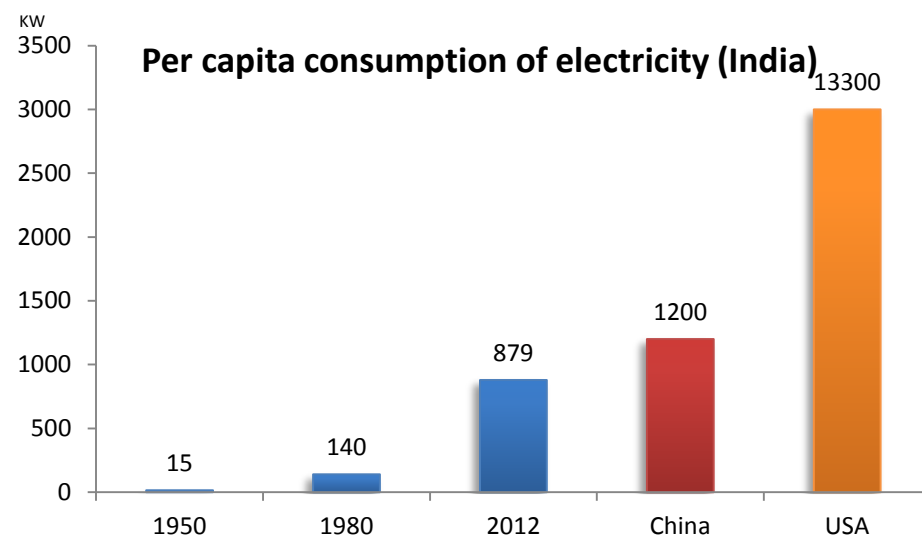


## Tomorrow's Progress Today

# Power sector expected to turnaround post recent govt initiatives

- ❑ **Coal imports issue resolved:** Government gives coal assurance to pre-2015 power plants; to allow power firms to pass on imported coal costs by raising tariffs
- ❑ **Discom's recovery plan:** Debt restructuring plan for Discoms to improve financial health
- ❑ **Pick up in demand from PGCIL expected:** With target to commission ~10,000 circuit kilometres in FY15 (50% increase over last year), PGCIL enters market after long gap. Major orders expected in H2FY15

**Power sector expected to receive investment of about US\$ 300bn due to large scale expansion plans over the next few years**



# Apar well poised with multiple growth drivers in place

## Expansion of capacity

### Domestic market turnaround on the horizon with renewed impetus from the Centre

- Apar well geared to meet growing demand post completion of Rs 250cr capacity expansion
- Conductors and oils expected to grow together despite different business cycles driven by growth in economy in next 4-5yrs

## New products to cater to changing demand

### Launched new products to cater to changing technologies

- High efficiency conductors (HeC) to meet power utilities demand for new gen equipment to increase transmission of power
- Higher grade 400KV and 765KV transmission oils & synthetic & semi-synthetic ind & auto oils to meet increased usage of high performance oils
- Optical Fibre Cables and elastomeric cables to meet the expansion of optic fibre networks and introduction of more complex cables in the country

## Continuing focus on Exports

### Increasing geographic reach – already exporting to 100 countries

- Exports have grown at a CAGR of 28% in the last 3 years buoyed by new technology products & low costs

## Turnaround of Cable division

### Product mix change drives margins

- Elastomeric and Optical Fibre cables drive improvement in EBFTDA margin.
- High margin cables contribution to total cable sales increased from 22% in Q1 FY' 14 to 50% in Q1 FY'15.

EBFTDA – Earnings before finance cost, tax, depreciation and amortisation

# Financial Performance



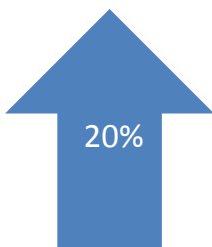
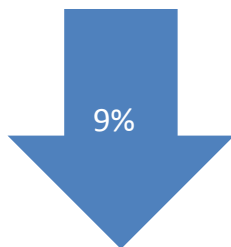
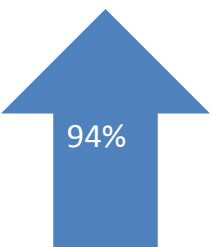
Business performance

Company Overview

Annexure

# Q1 FY'15 (Standalone): Revenue up 20% YoY

Figures in Rs Cr

Standalone	Revenue	EBFTDA (Margin %)	PAT (Margin %)
Q1 FY'15	1,131	70 (6.2%)	20 (1.8%)
	 20%	 9%	 94%
Q1 FY'14	945	77 (8.2%)	10 (1.1%)

- Revenue up 20% YoY from Rs 945cr in Q1FY'14 to Rs 1,131cr in Q1FY'15 due to strong growth in conductors, oils & cables segment
- EBFTDA down 9% YoY from Rs 77cr in Q1FY'14 to Rs 70cr in Q1FY'15 due to drop in margins on account of sluggish market conditions
- PAT up 94% YoY from Rs 10cr in Q1FY'14 to Rs 20cr in Q1FY'15 (includes dividend from 2 wholly owned subsidiaries amounting to Rs 6.67cr)

EBFTDA – Earnings before finance cost, tax, depreciation and amortisation

# Q1 FY'15 (Consolidated ): Revenue up 21% YoY

Figures in Rs Cr

## Consolidated

	Revenue	PBT (Margin %)	Profit after Tax (Margin %)
Q1 FY'15	1,163	25 (2.2%)	17 (1.5%)
	21%	22%	17%
Q1 FY'14	965	21 (2.1%)	15 (1.5%)

- Revenue up 21% YoY from Rs 965cr in Q1FY'14 to Rs 1,163cr in Q1FY'15 due to growth in conductors, oils and cables segment
- PBT up 22% YoY from Rs 21cr in Q1FY'14 to Rs 25cr in Q1FY'15 with improved margins in cables segment and drop in foreign currency transaction loss
- PAT up 17% YoY from Rs 15cr in Q1FY'14 to Rs 17cr in Q1FY'15

Financial Performance

**Business Performance**



Company Overview

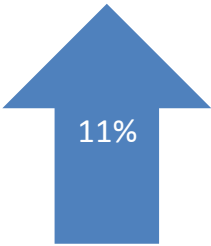
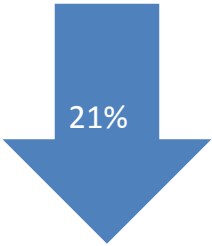
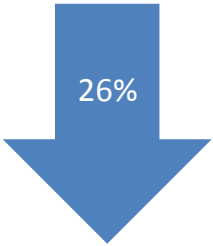
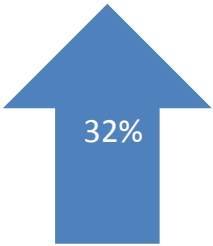
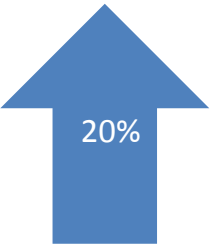
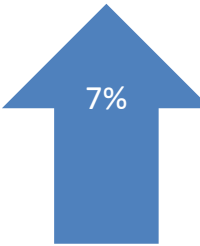
Annexure

# Specialty Oils – Revenue up 11%, driven by industrial, process & auto oils



## Standalone

Figures in Cr

	Revenue	EBFTDA (Margin %)	EBFTDA (Rs per KL)	EBFTDA (After adjustment *)	EBFTDA (After adjustment *) (Rs per KL)	Volume (KL)
Q1FY'15	562	34(6.1%)	4,254	25(4.5%)	3,097	79,700
						
Q1FY'14	506	43(8.5%)	5,769	19(3.8%)	2,570	74,230
	11%	21%	26%	32%	20%	7%

\* After adjusting open time forex & dividend from subsidiary

- Revenue up 11% YoY from Rs 506cr in Q1FY'14 to Rs 562cr in Q1FY'15 driven by strong growth in Industrial, Automotive, Process oils and exports
- Total shipment up 7% YoY in Q1FY'15 from 74230 KL to 79700 KL
- Drop in unit margins due to business headwinds –inability to pass on increased costs in a sluggish market environment. However, effective sourcing of raw material and FX hedging provided a cushion



# Specialty Oils – Revenue up 18% consolidated basis

## Consolidated

Figures in Cr

	Revenue	EBFTDA (Margin %)	EBFTDA (Rs per KL)	EBFTDA (After adjustment*)	EBFTDA (After adjustment*) (Rs per KL)	Volume (KL)
Q1FY'15	594	32(5.4%)	3,829	30(5.1%)	3,527	84,421
Q1FY'14	523	47(9.0%)	6,027	24(4.5%)	3,000	78,422
	↑ 14%	↓ 32%	↓ 36%	↑ 27%	↑ 18%	↑ 8%

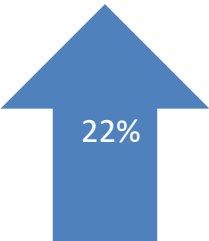
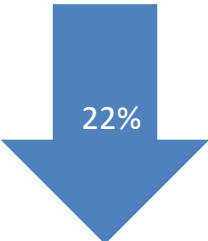
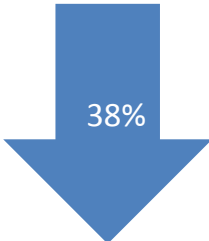
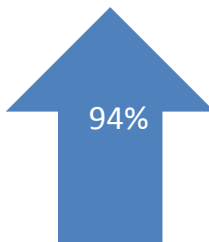
\* After adjusting open period forex

- Revenue up 14% YoY from Rs 523cr in Q1FY'14 to Rs 594cr in Q1FY'15
- Total shipment up 8% YoY in Q1FY'15 from 78,422 KL to 84,421 KL

# Conductors : Revenue up 22%

Standalone

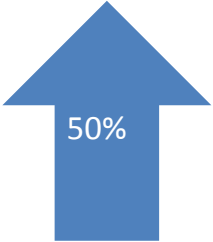
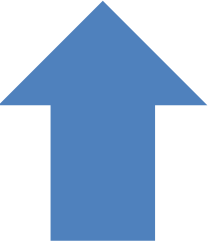
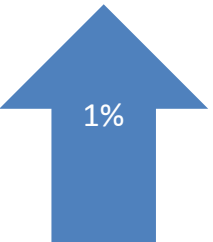
Figures in Cr

	Revenue	EBFTDA (Margin %)	EBFTDA (Rs per MT)	Order Book(Rs cr)
Q1FY'15	417	32(7.6%)	11273	2,164
	 22%	 22%	 38%	 94%
Q1FY'14	341	40(11.9%)	18304	1,117

- Revenue up 22% YoY from Rs 341cr in Q1FY'14 to Rs 417cr in Q1FY'15 driven by strong exports contributing 52% of total sales
- EBFTDA down 22% from Rs 40cr in Q1FY'14 to Rs 32cr in Q1FY'15 due to weak domestic demand and competitive pricing for orders especially in the domestic market
- Order book up 94% from Rs 1,117cr as on 30 June 2014 to Rs 2,164cr as on 30 June 2014, on account of strong export order book of Rs 1106cr

# Power & Telecom Cables: Revenue up 50%

Figures in Cr

	Revenue	EBFDTA (Margin %)	Order Book
Q1FY'15	148	9(5.9%)	166
	 50%		 1%
Q1FY'14	98	-5	164

- Power & Telecom cables grew 50% YoY from Rs 98cr in Q1FY'14 to Rs 148cr in Q1FY'15 driven by strong growth in Elastomeric and Optical Fibre cables
- OFC cables grew with commencement of execution of BBNL & Reliance Infocom orders
- With a significant change in order mix to OFC, Elastomeric and E-Beam cables the segment posted improved revenue and profits
- Segment level profit at Rs 5.42cr in Q1FY'15 from a loss of Rs 7.35cr in Q1FY'14

# Automotive Lubricants continues to grow



- Automotive group sales grew by 21% in Q1 FY15 compared to Q1 FY14
- Increased sales to OEM accounts and expansion in the retail distribution network
- Completed acquisition of the balance 2.5% equity stake in Apar Chematek Lubricants Limited to make it a wholly owned subsidiary
- Launched the change in brand of ENI from Agip with a larger range of high performance products, including the new range of 4T oils with “Clutch Lok” technology

**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
- 20% 4-year CAGR in revenues, 21% 4 yr CAGR in EBITDA





# With established presence across diverse businesses

## Conductors

23% market share  
 Total Capacity:  
 140,000MTA  
 Silvassa : 82629MT  
 Umbergaon : 20868MT  
 Athola : 36000MT



35% revenue contribution

Since 1958

## Transformer & Sp Oils

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



47% revenue contribution

Since 1969

## Power/Telecom Cables

Acquired Uniflex in 2008  
 Grew sales from Rs 129cr to Rs 597cr



13% revenue contribution

Since 2008

## Auto Lubes

Licensing Agreement  
 with ENI, Italy for ENI  
 brand  
 Successful national  
 rollout  
 Registered sales of  
 243cr in FY14



5% 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

- Export products to over 100 countries across the world
- Exports grew to 34% of total sales in FY14 from 30% in FY13
- 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

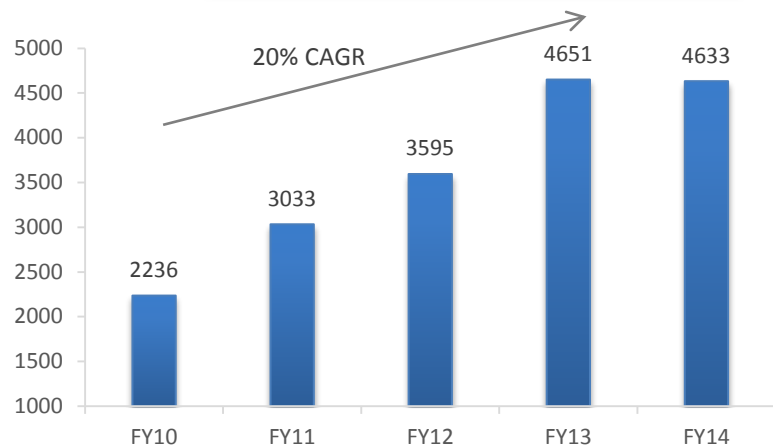
- Entered Auto lubes in 2007 under Agip brand through Licensing Agreement with ENI Italy
- Acquired Uniflex to enter Cables business
- Has setup Electron Beam irradiation facility for cables and other products



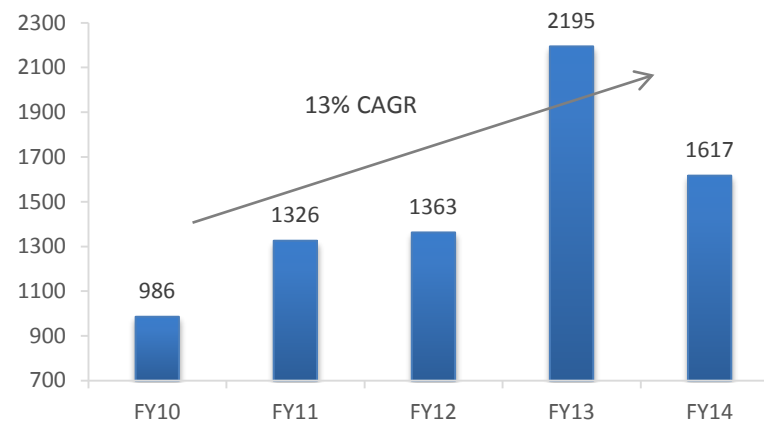
# Strong revenue growth over the years

Figures in Rs Cr

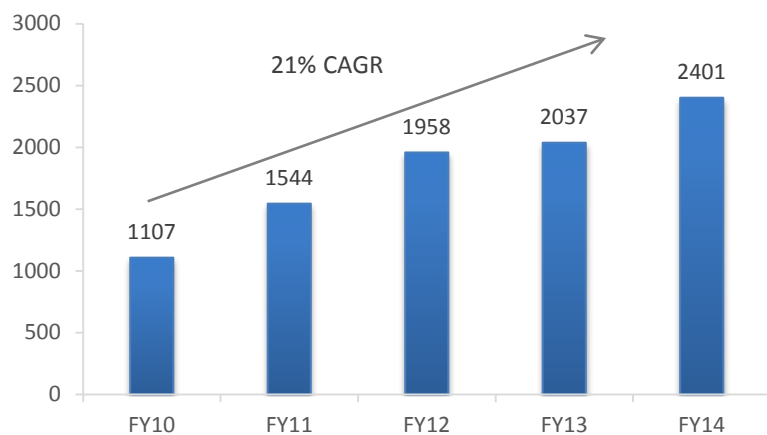
## Consol Revenue



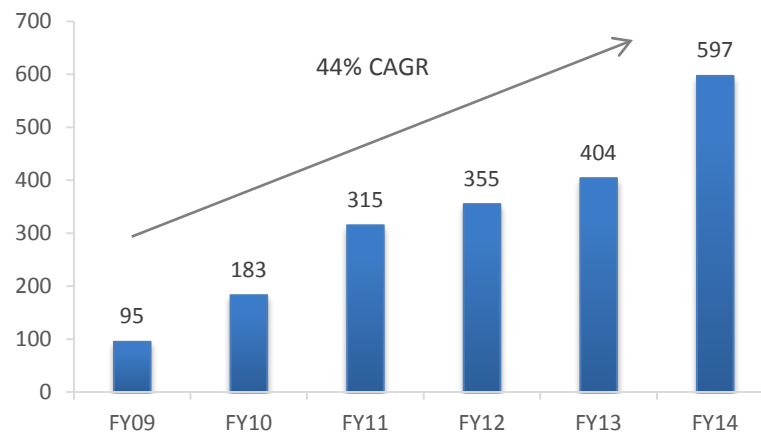
## Conductor



## Transformer & Sp Oil



## Power & Telecom Cables



# Global Presence



## Presence across 100 countries



**Financial Performance**

**Business Performance**

**Company Overview**

**Annexure**



# Q1FY'15 : Profit & Loss Statement – Standalone

Particulars (Rs Cr)	Q1 FY'15	Q1 FY'14	% Chg YoY	Q4 FY'14	% Chg QoQ	FY'14
<b>Net sales</b>	1121.4	937.8	<b>19.6%</b>	1294.9	<b>-13.4%</b>	4434.2
Other Operating Income	9.2	7.6	21.2%	22.9	-59.9%	49.0
<b>Total Operating Income</b>	<b>1130.6</b>	<b>945.4</b>	<b>19.6%</b>	<b>1317.7</b>	<b>-14.2%</b>	<b>4483.2</b>
Total Expenditure	1067.2	869.9	22.7%	1276.2	-16.4%	4211.3
Cost of Raw Materials	882.4	731.2	20.7%	1098.8	-19.7%	3570.1
Employees Cost	16.7	13.7	22.1%	14.6	14.1%	59.2
Other Expenditure	168.2	125.9	33.5%	162.9	3.3%	585.6
Transfer to Capital Asset	0.0	-1.0	-100.0%	-0.2	-100.0%	-3.5
<b>Profit from operations before other income, finance costs and exceptional items</b>	<b>63.4</b>	<b>75.6</b>	<b>-16.1%</b>	<b>41.6</b>	<b>52.4%</b>	<b>271.9</b>
<b>Other Income</b>	6.9	1.9	268.1%	0.3	2062.5%	4.5
<b>EBFTDA</b>	<b>70.3</b>	<b>77.4</b>	<b>-9.2%</b>	<b>41.9</b>	<b>67.7%</b>	<b>276.4</b>
Depreciation	7.0	6.0	16.0%	7.5	-6.6%	26.9
<b>EBIT</b>	<b>63.3</b>	<b>71.4</b>	<b>-11.4%</b>	<b>34.4</b>	<b>83.8%</b>	<b>249.5</b>
Interest & Finance charges	17.0	-3.6	-574.9%	6.8	149.3%	-4.0
Applicable net loss on foreign currency transactions and translation	19.6	58.7	-66.6%	9.4	107.5%	149.8
<b>Profit from ordinary activities after finance costs but before exceptional items</b>	<b>26.7</b>	<b>16.3</b>	<b>63.8%</b>	<b>18.2</b>	<b>47.0%</b>	<b>103.7</b>
Exceptional items	0.0	0.2	NA	0.0	NA	0.9
<b>PBT</b>	<b>26.7</b>	<b>16.2</b>	<b>65.3%</b>	<b>18.2</b>	<b>47.0%</b>	<b>102.8</b>
Tax Expense	6.6	5.8	14.0%	6.3	4.9%	34.0
<b>PAT</b>	<b>20.1</b>	<b>10.4</b>	<b>93.8%</b>	<b>11.9</b>	<b>69.1%</b>	<b>68.8</b>

## Q1FY'15 : Key Ratios – Standalone

Key Ratios (%)	Q1 FY'15	Q1FY'14	Q4FY'14
EBFTDA Margin	6.2	8.2	3.2
Net Margin	1.8	1.1	0.9
Total Expenditure/ Total Operating Income	94.4	92.0	96.8
Raw Material Cost/ Total Operating Income	78.0	77.3	83.4
Staff Cost/ Total Operating Income	1.5	1.4	1.1
Other Expenditure/ Total Operating Income	14.9	13.3	12.4

# Q1FY'15 : Standalone Segment Analysis

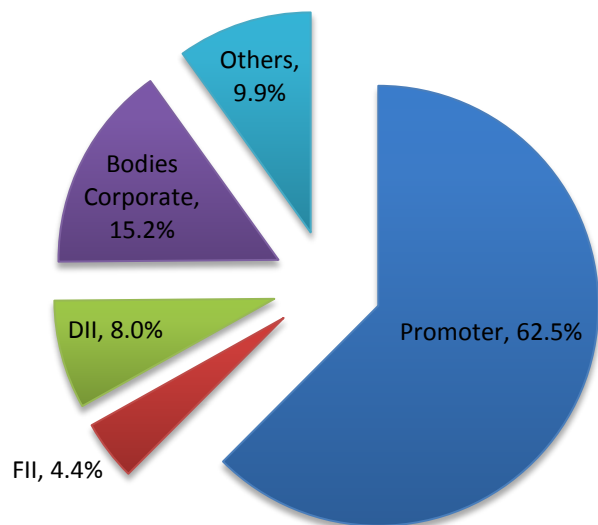
Segment (Rs Cr)	Q1 FY'15	Q1 FY'14	%YoY	Q4 FY'14	% QoQ	FY14
<b>Revenue</b>						
Conductors	417	341	22.4%	548	-23.8%	1625
Transformer & Specialty Oils	562	506	10.9%	594	-5.4%	2253
Power & Telecom Cables	148	98	50.4%	174	-15.2%	601
<b>Others/Unallocated</b>	6	4	51.9%	4	33.9%	18
<b>Total</b>	1133	949	19.3%	1321	-14.2%	4497
Less: Inter - Segment Revenue	2	4	-45.5%	3	-24.1%	14
<b>Revenue from Operations</b>	1131	945	19.6%	1318	-14.2%	4483
<b>Segment Results before Interest and Tax</b>						
Conductors	30	39	-22.5%	21	41.3%	109
Transformer & Specialty Oils	32	41	-21.5%	20	60.0%	158
Power and Telecom Cables	5	-7	-173.7%	-3	-292.9%	-3
<b>Others/Unallocated</b>	1	0	116.1%	0	103.0%	1
<b>Total</b>	68.6	73.0	-6.1%	39.0	75.6%	266
<b>Less : Finance costs (net)</b>	37	55	-33.6%	16	125.0%	146
Less : Unallocable expenditure net of income	5	2	196.6%	5	13.9%	17
<b>Profit before Tax</b>	27	16	65.4%	18	47.1%	103
<b>Segment Results – % to Segment Revenue</b>						
Conductors	7.2%	11.3%		3.9%		6.7%
Transformer & Specialty Oils	5.8%	8.2%		3.4%		7.0%
Power and Telecom Cables	3.7%	-7.5%		-1.6%		-0.5%
Others	11.4%	8.0%		7.5%		7.0%
<b>Total</b>	6.1%	7.7%		3.0%		5.9%
<b>Segment contribution- as % to total revenue</b>						
Conductors	36.9	35.9		41.5		36.1
Transformer & Specialty Oils	49.6	53.3		45.0		50.1
Power and Telecom Cables	13.1	10.4		13.2		13.4
						22

# Balance Sheet Statement : FY'14

Particulars (Rs Cr)	Standalone		Consolidated	
	As at 31.03.2014	31.03.2013	As at 31.03.2014	31.03.2013
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	38.5	38.5	38.5	38.5
Reserves and surplus	568.3	521.7	657.8	588.2
<b>Total Shareholders' funds</b>	<b>606.8</b>	<b>560.2</b>	<b>696.2</b>	<b>626.6</b>
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>1.8</b>	<b>1.8</b>
<b>Non-current liabilities</b>				
Long-term borrowings	70.1	32.9	70.1	32.9
Deferred tax liabilities (net)	22.5	11.0	22.5	10.3
Other long-term liabilities	6.6	13.8	6.6	13.8
Long-term provisions	2.9	2.6	3.1	2.8
<b>Total Non-current liabilities</b>	<b>102.1</b>	<b>60.3</b>	<b>102.3</b>	<b>59.8</b>
<b>Current liabilities</b>				
Short-term borrowings	708.0	940.3	708.0	940.3
Trade payables	1,386.4	1,503.8	1,367.2	1,484.1
Other current liabilities	97.3	117.2	98.1	121.5
Short-term provisions	24.3	24.2	24.3	24.3
<b>Total Current liabilities</b>	<b>2215.9</b>	<b>2585.6</b>	<b>2197.6</b>	<b>2570.2</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>2,924.9</b>	<b>3,206.0</b>	<b>2,998.0</b>	<b>3,258.4</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fixed assets	355.8	287.7	356.1	288.0
Non-current investments	-	-	20.6	20.6
Long-term loans and advances	28.5	28.5	-	-
<b>Total Non-current assets</b>	<b>44.6</b>	<b>45.7</b>	<b>45.3</b>	<b>50.0</b>
<b>Current assets</b>				
Current investments	1.5	79.6	1.5	79.6
Inventories	1,010.4	740.8	1,017.0	751.5
Trade receivables	1,044.2	793.6	1,103.6	813.8
Cash and cash equivalents	227.2	1,032.1	230.6	1,054.9
Short-term loans and advances	164.2	131.5	175.4	133.5
Other current assets	48.3	66.5	48.3	66.5
<b>Total - Current assets</b>	<b>2,495.9</b>	<b>2,844.1</b>	<b>2,576.5</b>	<b>2,899.8</b>
<b>TOTAL - ASSETS</b>	<b>2,924.9</b>	<b>3,206.0</b>	<b>2,998.0</b>	<b>3,258.4</b>

# Shareholding pattern

**As on Jun 30, 2014**  
**Outstanding shares – 3,84,70,431**



## Major Non-Promoter Shareholders

## Shareholding (%)

Templeton Strategic Emerging Markets Funds	9.45
Reliance Capital	5.02
ICICI Lombard	2.60
Raiffeisen Kapitalanlage	2.60
Ashish Dhawan	1.38
Aadi Financial Advisors	1.11



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