Apar Industries Ltd
Investor Update
Q1 FY13

I. FINANCIAL PERFORMANCE

(Rs. in Crores)

	Unaudited (Standalone)			Audited			
				* Standalone		Consolidated	
Particulars	Q1 FY13	Q1 FY12	Variance	FY 12	FY 11	FY 12	FY 11
Net Sales	1,116.92	727.33	53.6%	3,421.98	2,700.36	3562.22	3002.06
Earning Before Finance Cost, Depreciation & Tax (EBFDT)	70.60	43.80	61.2%	196.93	198.86	216.01	218.89
				-	-		
EBFDTA (%)	6.3%	6.0%		5.8%	7.4%	6.1%	7.3%
				-	-		
PBT	16.10	25.94	-37.9%	59.57	159.46	76.75	153.84
				-	-		
PAT	11.91	17.52	-32.0%	59.31	105.85	74.10	96.04
				-	-		
EPS Rs :	3.10	4.72	-34.3%	15.55	32.74	19.15	29.48

* Note : *Standalone results for the year 2011-12 include effect of amalgamation of erstwhile Uniflex Cables Ltd, Subsidiary Company (UCL) with the Company. However, the results for the year 2010-11 are without such inclusion and therefore not comparable. (Please see para III below)*

Highlights of Q1FY13

Turnover higher by	:	**53.6%**
EBFDT higher by	:	**61.2%**
PBT higher/(lower) by	:	**(37.9%)**
PAT higher/(lower) by	:	**(32.0%)**

II. SEGMENT PERFORMANCE ANALYSIS :

Rs in Crores

Particulars	Standalone Financial results For Three Months Ended (Unaudited)			Stand alone Financial Results for the Year Ended (Audited)		
	30.06.2012	Var %	30.06.2011	31.03.2012	Var %	31.03.2011
Segment Revenue						
Conductors	518.47	84.8%	280.51	1,362.56	2.8%	1,325.89
Transformer & Speciality Oils	530.68	30.7%	406.04	1,817.91	30.5%	1,393.20
Power & Telecom Cables	94.41	48.9%	63.42	354.30		-
Total	1,143.56	52.5%	749.97	3,534.78	30.0%	2,719.09
Less: Inter - Segment Revenue	21.11	32.3%	15.96	87.41	8333.0%	1.04
Revenue from Operations	1,122.44	52.9%	734.01	3,447.37	26.8%	2,718.06
Segment Results before Interest and Tax						
Conductors	33.28		(2.37)	58.39	13.4%	51.51
Transformer & Speciality Oils	41.39	-20.4%	52.00	140.11	-11.5%	158.39
Power and Telecom Cables	(1.79)	-57.0%	(4.16)	2.84		-
Total	72.88	60.3%	45.48	201.35	-4.1%	209.90
(i) Interest (net) and other borrowing cost	6.28	76.4%	3.56	20.13	206.0%	6.58
(ii) Applicable net loss on foreign currency transactions and translation	42.78	375.7%	8.99	93.99	396.9%	18.92
Total Finance Cost (i + ii)	49.06	290.8%	12.55	114.12	347.6%	25.49
Other Common expenses (net)	7.71	10.5%	6.98	27.65	10.9%	24.94
Profit before Tax after exceptional items	16.10	-37.9%	25.94	59.57	-63%	159.46
Tax	4.19	-50.3%	8.42	0.26	-99.5%	53.61
PAT	11.91	-32.0%	17.52	59.30	-44%	105.85
Segment Results - as % to Segment Revenue						
Conductors	6.4%		-0.8%	4.3%		3.9%
Transformer & Speciality Oils	7.8%		12.8%	7.7%		11.4%
Power and Telecom Cables	-1.9%		-6.6%	0.8%		
Total	6.4%		6.1%	5.7%		7.7%

III. A. Company on Standalone Basis:

Change in presentation of "Interest" to "Finance cost" due to revised Schedule VI to the Companies Act

From Q4 FY12 the company started presenting its financial statements as per the Revised Schedule VI notified under the companies Act 1956. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, the format of disclosure is different than the original schedule VI to the companies Act 1956. Accordingly the "finance cost" disclosed in the results comprises of interest cost (net), bank charges & other borrowing costs & applicable net loss on foreign currency transactions. Earlier the company used to include exchange loss/ profit, on letter of credit based foreign currency borrowings, in Raw material consumed & on other foreign currency borrowings (packing credit in foreign currency) under "Exchange rate difference". Now exchange loss if any, to the extent of difference between Domestic & foreign currency borrowing cost is included in "Applicable net loss on foreign currency transactions & translations" and forms part of "finance cost". For this purpose the interest rate for the Domestic borrowings is considered as the rate at which the company would have raised the borrowing locally had it not decided to raise the foreign currency borrowings.

For the First Quarter :

- Net Sales increased from Rs 727.33 Crores to Rs 1116.92 Crores; representing a growth of 53.6% over corresponding period of previous year.
- Earning Before Finance Cost, Depreciation and Tax (EBFDT) increased from Rs 43.80 Crores to Rs 70.60 Crores , representing a growth of 61.2% over corresponding period of previous year.
- PBT stood at Rs 16.10 Crores as against Rs. 25.94 Crores in the corresponding period of previous year. Decrease in PBT was mainly due to increase in Finance cost from Rs 12.55 Crores to Rs 49.06 Crores. As explained above, Finance Cost includes Rs 42.78 Crores on account of net loss on foreign currency transactions / translations for the quarter as against Rs 8.99 Crores in Q1FY12.
- PAT stood at Rs 11.91 Crores as against Rs 17.52 Crores in the corresponding period of previous year and EPS stood at Rs 3.10 as against Rs 4.72 in the corresponding period of pervious year.
- Pursuant to the Order of the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) dated 13th September 2012 erstwhile Uniflex Cables Ltd, Subsidiary Company (UCL) has been amalgamated with the Company w.e.f. 01st April 2010. In terms of the Scheme of amalgamation, Company will allot one equity share of Rs 10 each against 10 equity shares of Rs 10 each on pari passu basis to the shareholders of UCL. After the allotment paid up equity share capital will increased to Rs. 384,704,310/- divided into 38,470,431 Equity Shares of Rs. 10/- each fully paid-up. Record date for issue new shares has been fixed on 01st October 2012 to ascertain eligible shareholders of UCL.
- For the financial year 2012, Board of Directors of the Company recommended final dividend of Rs.4/- per share (40%) on the above enhanced paid up capital of the Company.

B. **Company on Consolidated Basis (Unaudited)**:

- Net Sales in Q1FY13 increased from Rs 777.31 Crores to Rs 1,158.93 Crores; up by 49.1%
- PAT in Q1FY13 stood at Rs 14.97 Crores as against Rs 18.48 Crores in Q1FY12 and correspondingly EPS stood at Rs 3.89 per share as against Rs 4.98 in Q1FY12.

IV **Segment overview** :

A. **Transformer and Specialty Oils** :

- Sales revenue in Q1FY13 on a standalone basis increased by 30.7% over corresponding period of previous year from Rs. 406.04 Crores to Rs. 530.68 Crores. The corresponding growth in total volume of oil products grew by 21.3%.
- Segment Level profit for Q1FY13 stood at Rs 41.39 Crores as against Rs 52.00 Crores in the corresponding period of previous year. Based on the requirements of Schedule VI, the presentation has changed for the Finance cost. The Applicable net loss on foreign currency transactions and translations pertaining to Oil business consists of hedging/forward cover costs of Rs. 16 Crores and other Foreign exchange loss of Rs. 18.51 Crores.
- Even though there was growth in segment level revenue and volume, margin pressures continued in the business. In this quarter, they could be largely attributed to the continuous depreciation of the Re, due to which the cost of goods increased, and this was not possible to pass through either fully and in the required timeframe.
- Towards the end of the quarter, sales volumes also started coming under pressure, especially for the Transformer oil domestic market. Transformer OEMs are facing significant margin and cash flow pressures, the spillover effect of which has affected our business.
- There has been growth in volumes in other segments including Industrial oils, Process oils, Automotive oils. However, the benefit from the volume increase has been offset by the reduction in margins due to pressure on cost of materials from depreciation of the Re.
- The general business environment continues to be challenging. The Discoms are in precarious financial conditions resulting in severe delays in payment for materials procured and also delays in further tender finalizations due to lack of funds. This has affected the distribution transformer market very adversely. Several projects and substations execution has also been delayed for various reasons, which has also resulted in the Power transformer segment, which otherwise has good order backlogs from being able to perform. This has in turn affected our business.
- Going forward, we see uncertainty and lack of visibility. However, the Government is in the process of announcing several measures with special packages for the power sector especially the distribution companies. If these measures are implemented, there will be a significant change in the off take pattern and business prospects will look healthy again. Needless to say, we are well positioned to take full advantage of such opportunities as they are presented.
- 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, stood at Rs 46.00 Crores in Q1FY13 as against Rs 38.59 Crores in Q1FY12.

B. Conductor :

- Sales revenue in Q1FY13 increased by 84.8% over corresponding period of previous year; from Rs. 280.51 Crores to Rs. 518.47 Crores.

- Segment Level profit for Q1FY13 increased by Rs 35.65 Crores over corresponding period of previous year; from Loss of Rs. 2.37 Crores to Profit of Rs. 33.28 Crores.

- The performance of the Conductor Segment was better in this quarter on account of quantum of orders. The main customer Power Grid Corporation (PGCIL) had placed multiple orders in the past year (after a few years' slowness in order placement) which are being executed in this financial year. Further, the company had concurrent export orders and other parties' domestic orders, which helped in improving its overall production in this quarter.

- The company is making increased efforts to reduce its dependence on PGCIL since the purchase of conductors by PGCIL is not evenly distributed. With the Tariff based bidding for new identified projects, PGCIL will also be competing with private transmission line companies. The company has already been catering to the private transmission line companies, and these sales are expected to increase in the future. Simultaneously, new export markets & new products are being developed.

- The order book as of 1st July 12 stood at Rs. 2026.2 Crores and the Orders in pipeline stood at Rs. 191.0 Crores.

C Uniflex Cables :

- As reported, erstwhile Uniflex Cables Limited (UCL) has been amalgamated with the Company w.e.f 01st April 2010 pursuant to Order of Hon'ble BIFR and UCL has been considered as Cables Division of the Company.

- Net sales of the division in Q1FY13 increased from Rs 63.42 Crores to Rs 94.41 Crores over corresponding period of previous year. Segment level Loss reduced from Rs 4.16 Crores to Rs 1.79 Crores over corresponding period of previous year.

- Eventhough there have been opportunities to grow volume sales with increased customer approvals, the market environment continues to be difficult, with significant pressure on margins and cash flows. The position of the Discoms is precarious, and of the three Business Segments that the company participates in, the Cable division has the highest exposure to the distribution power companies.

- The company has successfully increased focus and sales revenues in Elastomeric cables, Fiber optic cables and other special application cables.

- With the approval of BIFR for the merger of Uniflex with Apar, the company sees some positive benefits of being able to further increase the customer base and reduce banking and finance costs.

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