Apar Industries Ltd
Investor Update
Q1 FY12

I. FINANCIAL PERFORMANCE (Rs. in Million)

	Standalone			Audited)
Particulars	**Q1 FY12**	**Q1 FY11**	**Variance**	**FY 11**
Net Sales	6,869.08	6,172.91	11.3%	27,184.69
EBIDTA	408.44	368.75	10.8%	1,701.65
EBIDTA (%)	5.9%	6.0%		6.3%
PBT before Exceptional item	401.85	339.77	18.3%	1,594.65
Less : Exceptional item*	57.29	-	-	-
PBT after Exceptional item	344.55	339.77	1.4%	
PAT	230.94	240.15	-3.8%	1,058.53
EPS Rs :	6.42	7.43	-13.6%	32.74

HIGHLIGHTS :

Turnover higher by	**:**	**11.3%**
EBIDTA higher by	**:**	**10.8%**
PBT higher by	**:**	**18.3%**
PAT down by	**:**	**3.8%**
EPS down by	**:**	**13.6%**

* **Note :** ***During this quarter Company has provided for one time provision for Rs 57.29 Million on account of cancellation of Contract for supply of conductors. For details refer para III below***

II. SEGMENT PERFORMANCE ANALYSIS :

Rs in Million

Segment Performance Analysis						
Particulars	Stand alone Financial results			Stand alone Financial results		
	for Three Months Ended (Unaudited)			for the Year Ended (Audited)		
	30.06.2011	Var %	30.06.2010	31.03.2011	Var %	31.03.2010
Segment Revenue						
Conductors	2,807.14	-4.6%	2,943.07	13,258.17	34.5%	9,857.98
Transformer & Speciality Oils	4,060.42	23.2%	3,295.36	13,950.77	36.1%	10,251.52
Others	17.54	33.5%	13.14	55.15	30.1%	42.41
Total	6,885.09	10.1%	6,251.57	27,264.10	35.3%	20,151.90
Less: Inter - Segment Revenue	4.18	61.8%	2.58	10.38	39.9%	7.42
Revenue from Operations	6,880.92	10.1%	6,248.99	27,253.72	35.3%	20,144.49
Segment Results before Interest and Tax						
Conductors	11.57	-92.0%	144.12	467.63	-22.2%	601.03
Transformer & Speciality Oils	431.91	76.6%	244.58	1,360.07	54.6%	879.54
	-		-	-		-
Total	443.48	14.1%	388.70	1,827.70	23.4%	1,480.56
Interest (net)	(28.16)	1732.9%	(1.54)	(32.06)	-116.4%	195.60
Other Common expenses (net)	69.81	38.3%	50.47	265.11	11.9%	236.86
Profit before exceptional items	401.84	18.3%	339.78	1,594.65	52.1%	1,048.10
Less : Exceptional item *	57.29	-	-	-	-	-
Profit after exceptional items	344.55	1.4%	339.78	1,594.65	52.1%	1,048.10
Tax	113.61	14.0%	99.62	536.12	187.1%	186.74
PAT	230.94	-3.8%	240.16	1,058.52	22.9%	861.37
PAT Net Of Associate Profit/Loss						
Segment Results - as % to Segment Revenue						
Conductors	0.4%		4.9%	3.5%		6.1%
Transformer & Speciality Oils	10.6%		7.4%	9.7%		8.6%
Total	6.4%		6.2%	6.7%		7.3%

* Note : *During the quarter Company has provided for one time provision for Rs 57.29 Million on account of cancellation of Contract for supply of conductors. For details refer para III below*

III. <u>Company on standalone basis</u>:

- Net Sales increased from Rs 6172.91 Million to Rs 6869.08 Million; representing a growth of 11.3% over corresponding period of previous year.

- EBIDTA increased from Rs 368.75 Million to Rs 408.44 Million; up by 10.8% over corresponding period of previous year.

- PBT (before Exceptional item of Rs 57.3 Million) increased from Rs 339.77 Million to Rs. 401.85 Million; up by 18.3% over corresponding period of previous year

- PAT reduced from Rs 240.15 Million to Rs.230.94 Million; down by 3.8% over corresponding period of previous year, after adjusting for one time exceptional item of Rs 57.29 Million.

- Correspondingly EPS reduced from Rs. 7.43 to Rs. 6.42 ; down by 13.6% over the previous year. During the quarter paid up equity capital of the company increased by Rs 36.36 Million upon allotment of 3.36 Million Equity Shares of Rs. 10/- each at a Premium of Rs. 210/- per share to Templeton Strategic Emerging Markets Fund III, L.D.C.

- As reported in earlier periods, the company had entered into back-to-back hedge positions on the London Metal Exchange against fixed-priced contracts. The Aluminium positions pertaining to one particular contract remained open against a formal sales contract for an overseas project. In the quarter April to June 2010-11, the company precipitated a termination of the contract on a mutually agreeable basis since the company was holding these positions for a considerable time and there were still uncertainties for the timing of this project completion due to environmental reasons etc. Consequently the LME positions were closed and the loss on account of the difference in price as well as the shifting cost incurred was legally payable by the customer. Even though the company had legal recourse, it was prudent for the company to settle the matter such that a minor part of the loss was borne by the company and the majority was borne by the customer. On account of this Company has provided for Rs 57.29 Million during this quarter. Although the accounting requirement was to book the loss pertaining to forward LME positions, the company would be recovering approximately Rs. 13.33 Million of it over the next one year as the positions get formally closed out. Post the financial crisis of 2008, this was the only major issue that the company had to settle. The company continues to hedge its exposure on the commodity risk, but has increased its due diligence on counter-party risk assessment.

IV <u>Segment overview</u> :

A. <u>Transformer and Specialty Oils</u> :

- Sales revenue in Q1FY12 on a standalone basis increased by 23.2 % over the corresponding period of previous year from Rs. 3295.36 Million to Rs.4060.42 Million.

- Segment Level profit in Q1FY12 increased from Rs 244.58 Million to Rs 431.91 Million representing a growth of 76.6% over the corresponding period of previous year.

- The growth in profitability for the Specialty oil segment can be attributed to a better mix of product sold. In Transformer oils, the company continued to grow its portfolio of oils sold to the Extra High Voltage (EHV) segment, special transformers and higher specification transformer oils in the export markets. There was also an increase in sale of Industrial and Automotive products which was more than 25% over the same period previous year. Due to several refinery shut downs and turn around schedules, the availability of base oils in the spot markets were tight and at considerably higher price. The company consciously focused on higher value added products in this period, to optimise the volume margin equation.

- There has been a lot of fluctuation in currency and commodities markets during this past quarter arising from the uncertainties in Europe and the US. The company continues to take currency hedges to safeguard against these fluctuations. It is pertinent to mention, that the cost of these hedges has increased substantially to about 6.5% to 7.5% range. However, the company has continued with a policy to take the hedges even though the cost is higher as a matter of prudence.

- The company has been witnessing a temporary slowdown in transformer oil shipments from the second half of June. These can be attributed to slow progress at the sites for various reasons and the advent of the monsoon. The company believes that this will have a temporary effect on shipments, but the longer term prospects remain strong. It is pertinent to mention that Transformer oil is the last major component filled into transformers before commissioning at site. Site activities for EHV transformers are slower in this season. Hence, any delay in site commissioning has an impact. On the other hand, when the sites start getting commissioned, the volume should see a surge. We will continue to focus on the transformer oil, Industrial and Automotive oil segments all of which should see good growth in sales value and margin over the next few years.

- 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 385.85 Million for the quarter. ACL has earned a Profit of Rs 8.38 Million during the quarter. The sale of Agip brand products grew by approximately 27% in volume over the corresponding period of previous year.

- Several new products have been introduced for launch in the second quarter in the Passenger car, Diesel Engine oil and motorcycle market segments under the Agip brand, which are very high performance Synthetic oils and would be at the top end of the performance levels in the Indian market. All these products have been localised and will be manufactured in India, giving the company; optimised cost and service levels. The real impact of this will be realised in second half of this year.

B. <u>Conductor</u> :

- Sales revenue in Q1FY12 down by 4.6% over the corresponding period of previous year; from Rs. 2943.07 Million to Rs. 2807.14. Million.

- Segment Level profit reduced from Rs 144.12 Million to Rs 11.57 Million.

- The order book as of 1st. July was Rs. 11358 Million and the orders in pipeline at Rs. 8884 Million. The flow of orders has gained momentum this quarter. The newer orders are having better margins & will start execution in 3rd. Quarter onwards.

- The quarter's operating results were subdued due to execution of low margin Orders. These Orders were booked last year when the main customer PGCIL was absent from the market. The reduction in the overall demand created a difficult market condition, and the industry was witnessing reduction in margins. The performance was also further affected on account of delays in off-take by customers since their projects' execution is undergoing delays. As a result, there was some idle capacity resulting in under recovery of overheads.

- The company has continued its efforts to increase its sale of High Temperature Conductors, which gives better value addition. The order book for these type of conductors stood at Rs. 351 Million.

V <u>Operations at Uniflex Cables Ltd (a subsidiary)</u>(UCL) :

- Net sales for Q1FY12 stood at Rs 616.16 million as against Rs 584.92 million in the previous Quarter Q1FY11. Net loss for the quarter reduced to Rs 87.5 million as against the loss of Rs 96.2 Million in Q1FY11.

- Draft Rehabilitation Scheme (DRS) of UCL submitted to BIFR is pending for it's final approval. DRS envisage amalgamation of UCL with the Company with effect from 01st April 2010.

****