Apar Industries Ltd.
Q1 FY18 Earnings Presentation

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Delivers strong growth in a subdued market. . .

Revenue up 19% led by robust growth in all businesses. Profits see dip due to aggressive pricing in domestic and exports market along with commencement of operations in the new Conductors and Oils plants, impact to be transient with ramp ups going as per plans.

Revenue
(In Rs Cr)
1,306
up 19% YoY

EBITDA
(In Rs Cr)
97
EBITDA Margin at 7.4%

PAT
(In Rs Cr)
39
PAT Margin at 3.0%

Conductors revenue up 9% in challenging market

- Overall volumes up 8%, key driver of revenue growth.
- HEC Revenue contribution at 18% from 9% in Q1FY17.
- Exports share at 44%.
- Order book at Rs 1,162 crore due to subdued demand in domestic and international markets.
- EBITDA per MT (post adj*) down at Rs 10,980 due to recently commenced Jharsuguda plant.
- Strategically invested in building capabilities for re-conductoring and new lines by taking turnkey projects –thus building service offerings, a key competitive advantage.

Speciality Oils delivers 19% revenue growth

- Volumes up 13%, sales at a historic high for the first quarter.
- EBITDA per KL (post adj*) impacted transiently at Rs 4,072 due to recently commenced Sharjah Plant and aggressive pricing in domestic as well as exports market
- GST rollout impacts June volumes as well as margins, expected to recover in next few quarters.
- Auto Lubes saw volume growth of 8.6%, but retail side effected in June due to GST, thereby effecting margins.
- Industrial Volumes down due to GST Impact in June.

Cables continue to deliver robust performance

- Revenue increased by robust 47%.
  - Led by strong growth in Power Cables (up 61%), Elastomeric Cables (up 40%) due to continued strategic positioning in Renewable sectors.
  - New CCV plant under commissioning – to expand Power cable capacity.
- EBITDA margin (post adj*) up 95 bps at 8.1%.

* After adjusting open period forex

Transmission Sector progress continues. . .

- Under UDAY, losses of state discoms have reduced 22% to Rs 40,295 crore. Of the 27 states and union territories that joined the scheme, 23 are exhibiting improvement in aggregate technical and commercial loss reduction or narrowing of gap between power costs and revenue. Improving health of the discoms will have a positive impact on T&D infrastructure spending.
- PFC is to raise Rs 70,000 crore as it plans to recast its portfolio by expanding in transmission and renewable energy projects, transmission projects awarded to private companies through tariff-based competitive bidding would also be eligible for PFC loans. Company’s funding for last mile transmission and distribution projects in states is increasing. The 24x7 power for all scheme alone envisages an investment of Rs 12 lakh crore.
- Orders received by key transmission and distribution players have increased 34% from Rs 8,320 crore in Q1FY17 to 11,126 crore.
- FY18 marks the beginning of 13th Plan (2017-2022) period which is estimated to involve transmission and distribution investment of Rs 2.6 lakh crore, including an estimate of Rs 30,000 crore in transmission systems below 220 KV.

Transmission sector progress until June’17

System Type	End of 10th plan	End of 11th plan	End of 12th plan(Target)	As on June'17	End of 13th plan
AC transmission Lines(In C Kms)	1,92,535	2,48,049	3,48,049	3,59,150	4,50,700
HVDC (In C Kms)	5,872	9,432	16,872	15,556	19,815
Total (In C Kms)	1,98,407	2,57,481	3,64,921	3,74,706	4,70,515
AC Substations Transformation Capacity (In MVA)	2,49,439	3,99,801	6,69,801	7,43,070	9,79,637
HVDC (In MVA)	8,200	9,750	22,500	21,000	30,500
Total (In MVA)	2,57,639	4,09,551	6,92,301	7,64,070	10,10,137
Inter-regional transmission Capacity (In MW)	14,050	27,750	65,550	76,550	1,18,050

Source: CEA Website

T&D Orders received in Q1FY18. .

Companies	Q1FY18 (Rs. Cr.)
Larsen & Toubro	8,570
KEC International	1,702
KTPL	676
ABB	178
Total	11,126

Source: BSE Website

Section 1

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Q1FY18: Revenues up 19%

Figures in Rs Cr

Consolidated	Revenue	EBITDA (Margin %)	PAT (Margin %)
Q1 FY18	1,306	97 (7.4%)	39 (3.0%)
	↑ 19%	↓ 16%	↓ 17%
Q1 FY17	1,098	115 (10.5%)	47 (4.3%)

- Revenue increased 19% on account of strong growth in Cables followed by Specialty oils and Conductors.
- EBITDA impacted on account of base costs incurred from recently commenced Conductors and Oils plant. Lower retail sales of Automotive and Industrial lubes around GST;
  - EBITDA Margins at 7.4%.
- PAT at Rs 39 crore; Margin at 3.0%
  - Depreciation up 36% at Rs 13 crore on account of commencement of Conductors and Specialty Oils facility.

Section 2

Financial Performance

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Conductors revenue up 9% despite lacklustre market

Figures in Rs Cr, Consolidated Financials

	Revenue	EBITDA (Margin %)	EBITDA per MT (Rs per MT)	EBITDA (post adj*)	EBITDA post adj* (Rs per MT)
Q1FY18	542	43 (8.0%)	11,346	42 (7.7%)	10,980
	↑ 9%	↓ 4%	↓ 11%	↓ 2%	↓ 9%
Q1FY17	499	45 (9.1%)	12,784	43 (8.6%)	12,084

* After adjusting open period forex

- Revenue up 9% at Rs 542 crore with exports contribution at 44%.
    - HEC Revenue contribution at 18% compared to 9% in Q1FY17.
- EBITDA per MT, post forex adjustment, declined 9% to reach Rs 10,980 from Rs 12,084 in Q1FY17 on account of recently commenced Jharsuguda plant and uncertainty around GST.
- Order book as on June 30, 2017 is at Rs 1,162 crore compared to Rs 1,519 crore as on March 31, 2017 due to:
    - Subdued demand in domestic and international markets coupled with high competition. Chinese competitors had the benefit of lower Aluminium prices, saw increased competition in overseas business.
- Well placed on the back of Jharsuguda plant in current bidding. Order book likely to improve and normalise in Q2FY18.
- Strategically invested in building capabilities for re-conductoring and new lines by taking turnkey projects –thus building service offerings, a key competitive advantage for HTLS business.

Specialty Oils delivers robust revenue growth

Figures in Rs Cr, Consolidated Financials

	Revenue	EBITDA (Margin %)	EBITDA (Rs per KL)	EBITDA (post adj*)	EBITDA post adj* (Rs per KL)	Volume (KL)
Q1 FY18	499	37 (7.5%)	3,888	39 (7.9%)	4,072	96,445
	19%	37%	44%	29%	37%	13%
Q1 FY17	420	59 (14.1%)	6,924	55 (13.1%)	6,424	85,653

* After adjusting open period forex

- Revenue up 19%, led by strong growth in Transformer Oil, White Oil, and Automotive Oils.
- Volume up 13%, at historically highest level of sales for the first quarter as shipments from Hamriyah plant commenced.
- EBITDA per KL, after forex adjustment for the quarter, declined on account aggressive pricing in both the domestic and export markets. Have seen an increase in competitive intensity in the last quarter.
- GST Roll out had an impact on June volumes and margins especially in Auto (Retail) and Industrial Oils, expected to be recovered over next few quarters. Apar will be much more competitive in Q2 FY18 onwards with GST implementation as some of the key competitors will no longer have the CST benefit.
- Hamariyah plant has started off well with most critical operating parameters being in line with the plan.

Automotive segment reports growth despite market challenges

- Automotive segment delivered sales volume growth of 7,232 KL in Q1FY18, 8.6% higher than Q1FY17, despite lower sales in the retail sector and Industrial customers due to GST rollout as most customers stopped buying towards end of June.

Cables business continue to deliver robust profitable growth

Figures in Rs Cr, Consolidated Financials

	Revenue	EBITDA (Margin %)	EBITDA (post adj*)
Q1 FY18	253	20 (8.0%)	20 (8.1%)
Growth	47%	52%	67%
Q1 FY17	172	13 (7.7%)	12 (7.1%)

* After adjusting open period forex

- Revenue up 47% driven by
  - Significant growth in Power Cables (up 61%) and Elastomeric Cables (up 40%) business due to continued strategic positioning in Renewable sectors along with Optical fibre Cable which grew by 26%.
- EBITDA margin, post forex adjustment, up 95 bps at 8.1%.
- Power Cables segment witnessing good demand but margins under pressure due to higher competitive intensity. Apar's Volume grew due to focus on Solar business.
- Elastomeric business improved on the back of increased ordering in Wind Mill, Solar & Defence segments.
- OFC volumes are lower as Fiber prices have increased while availability is low, received new order from BBNL for Q2FY18.
- Capex in the segment focused around investment in power cables to manufacture high-voltage cables using the latest CCV technology is going as per plan.

Section 3

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Apar Industries at A Glance

4th largest transformer oil manufacturer

Among top 3 conductors manufacturer in the world

One of **Leading** Cable Manufacturer, **largest** for Renewable Sector Cables

Conductors

Transformer & Sp Oil

Auto Lubes

Cables

Diversified Portfolio includes **over 400 types** of specialty & automotive oils; **largest range** of conventional & new generation conductors and a comprehensive range of power & telecommunication cables

Pioneer in adoption of new technologies & development of value added products. Increasing contribution from higher value added products i.e. High Efficiency Conductor (11%)

Multi-year relationships with Indian and global majors. **Exports to 100 countries**; Strategically located plants

Strong Alliances like with **global energy leader ENI S.P.A Italy** and with **CTC Global (USA)** for manufacture of new generation carbon composite conductors

Delivering Strong Financial Performance: **8.3% 5 year CAGR in EBITDA, Volumes grew across segments**

With established presence across diverse businesses

Conductors Since 1958

23% market share

46% Revenue Contribution

Total Capacity: 180,000 MT

Specialty Oils Since 1969

Transformer oil 45% market share

35% revenue contribution

Total Capacity:5,42,000KL

Cables Since 2008

Acquired Uniflex in 2008

Grew sales from Rs 129 Cr to Rs 864 Cr

18% revenue contribution

Auto Lubes Since 2007

Licensing Agreement with ENI, Italy for ENI brand

Successful national rollout

Registered sales of

Rs 222 Cr in FY17

5% revenue contribution

Capacity in place to fuel future growth. . .

Strategic investments of over Rs 550 Cr which can manufacture the new higher value added products.

Conductors - Rs 197 Cr

- **Commissioned Jharsuguda (Odisha) plant with 30,000 MT capacity in Sep'16.**
  - **Proximity to smelters, for logistical benefits.**
  - **To tap into increasing generation capacity in eastern India.**
  - **Fungible capacity for manufacturing of High Efficiency & Conventional conductors.**
- Setup green field Athola plant with fungible capacity for manufacturing of High Temp Conductors.

Oils - Rs 182 Cr

- **Port based Hamriyah (Sharjah) plant became operational in Jan'17.**
  - **Proximity to customers in Middle East and East Africa.**
  - **Opens new avenues for bulk exports.**
- Expanded T-Oils capacity and range (including 765KV & 800KV HVDC), doubled Industrial and Automotive blending and automated packing capacity and established a new R&D facility at Rabale.

Cables – Rs 198 Cr

- **Investing to expand Power Cable capacity to cater to increasing demand & improve profitability.**
- Setup green field Khatalwad plant for E-beam Elastomeric Cables, OFC Cables & other products.
- Doubled Optical fibre and Elastomeric cables capacity in FY14.
- Expansion & de-bottlenecking of HT/LT Cables capacity at Umbergaon plant.

Competitive strengths

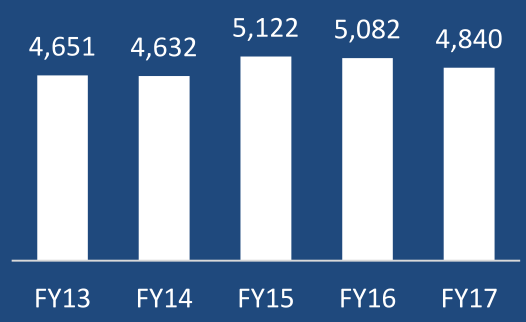
Market Leader in key segments	• Top 3 producer in conductors and Sp Oil in the world. • 60% market share in power transformer oil and 40% in distribution transformer oil in India. • Among largest bare overhead aluminum conductor manufacturers in India, market share of 23%.
Best in class technology & diversified products	• Technology tie up with CTC-Global, USA for ACCC conductors • Pioneer in Aluminum alloy rod and conductors in India • Manufactures over 400 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, contributes 32% of total sales in FY17. • 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.

Significant expansion in Profitability over the years. . .

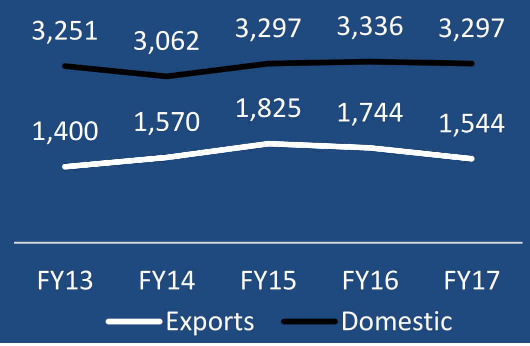
Margins increased across businesses led by increased share of value added products

All Figures in Rs Cr

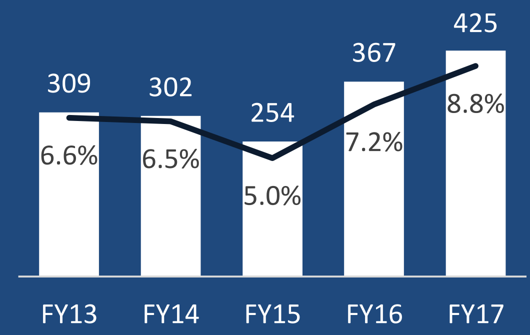
Consolidated Revenue



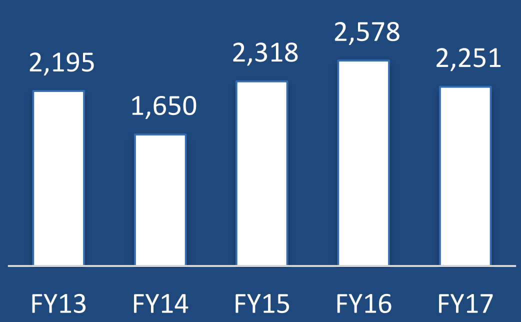
Exports contribution at 32%



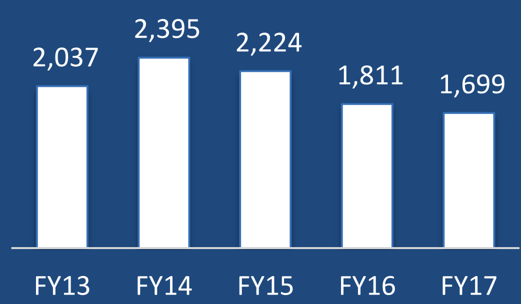
EBITDA margin up at 8.8%



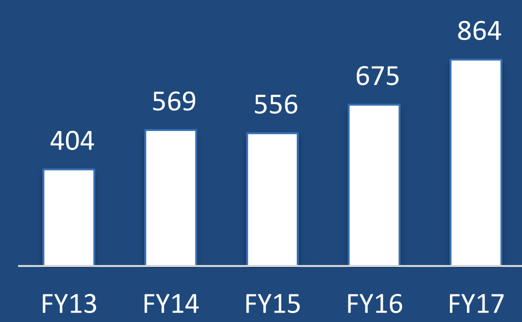
Conductors



Specialty Oils



Cables



Huge global presence driving exports

Presence in 100 countries, Exports contributing 32% to FY17 Revenue

- Adopted a hub and spoke manufacturing and distribution model for specialty oils - allows efficient delivery cycles to global transformer OEM's across Asia, Africa and Australia
- Presence in over 100 countries with a focus on South East Asia, Middle east, Africa and South America

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Q1 FY18: Consolidated Profit & Loss Statement

Particulars (Rs Cr)	Q1 FY18	Q1 FY17	% Chg YoY	Q4 FY17	% Chg QoQ	FY17
Gross sales	**1,424.5**	**1,206.1**	**18.1%**	**1,419.3**	**0.4%**	**5,288.8**
Total Operating Income	**1,424.5**	**1,206.1**	**18.1%**	**1,419.3**	**0.4%**	**5,288.8**
Total Expenditure	1,329.1	1,095.1	21.4%	1,321.2	0.6%	4,872.1
Cost of Raw Materials	991.4	770.0	28.8%	978.9	1.3%	3,572.8
Employees Cost	30.7	26.0	18.1%	28.2	8.9%	107.4
Other Expenditure	187.1	188.4	-0.7%	211.3	-11.5%	748.1
Excise Duty	120.2	111.7	7.6%	113.3	6.1%	456.8
Transfer to Capital Asset	0.4	1.0	-60.0%	10.5	-96.2%	13.1
Profit from operations before other income, finance costs and exceptional items	**95.4**	**111.0**	**-14.1%**	**98.1**	**-2.8%**	**416.8**
Other Income	2.2	4.0	-45.0%	5.6	-60.7%	16.0
EBITDA	**97.7**	**115.0**	**-15.0%**	**103.7**	**-5.8%**	**432.7**
Depreciation	13.4	9.8	36.7%	13.2	1.5%	45.0
EBIT	**84.3**	**105.2**	**-19.9%**	**90.5**	**-6.9%**	**387.8**
Interest & Finance charges	24.2	35.0	-30.9%	23.8	1.7%	114.4
Profit from ordinary activities after finance costs but before exceptional items	**60.1**	**70.2**	**-14.4%**	**66.7**	**-9.9%**	**273.4**
Exceptional items	-	-	NM	-	NM	-
PBT	60.1	70.2	-14.4%	66.7	-9.9%	273.4
Tax Expense	21.2	23.9	-11.3%	26.3	-19.4%	97.1
Net Profit	**39.0**	**46.3**	**-15.8%**	**40.4**	**-3.5%**	**176.3**
Minority Interest (profit)/loss	-	0.6	NM	-0.3	NM	0.3
Net Profit after taxes, minority interest	**39.0**	**46.8**	**-16.7%**	**40.1**	**-2.7%**	**176.6**
Other comprehensive income	-16.2	16.3	NM	9.5	NM	19.7
Total comprehensive income	**22.7**	**63.1**	**-64.0%**	**49.6**	**-54.2%**	**196.3**

Q1 FY18 Key Ratios- Consolidated

Key Ratios (%)	Q1 FY18	Q1 FY17	Q4 FY17	FY17
EBITDA Margin	7.4%	10.5%	7.9%	9.0%
Net Margin	3.0%	4.3%	3.1%	3.7%
Total Expenditure/ Total Net Operating Income	92.7%	89.9%	92.5%	91.4%
Raw Material Cost/ Total Net Operating Income	76.0%	70.4%	75.0%	73.9%
Staff Cost/ Total Net Operating Income	2.4%	2.4%	2.2%	2.2%
Other Expenditure/ Total Net Operating Income	14.3%	17.2%	16.2%	15.5%

Note: All Ratio’s are calculated on Net Operating Revenue (excluding Excise duty)

Q1 FY18: Consolidated Segment Analysis

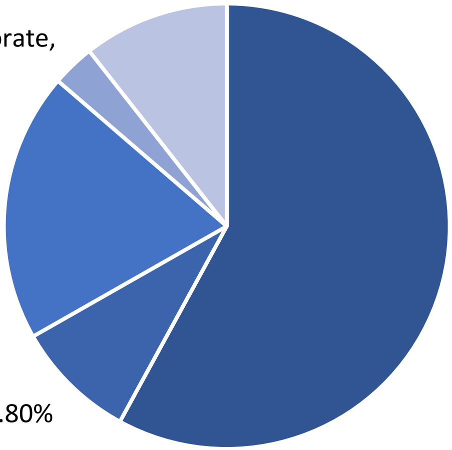
Segment (Rs Cr)	Q1 FY18	Q1 FY17	%YoY	Q4 FY17	% QoQ	FY17
Revenue						
Conductors	587.8	545.0	7.9%	636.5	-7.7%	2,461.5
Transformer & Specialty Oils	555.3	464.9	19.4%	478.9	16.0%	1,881.0
Power & Telecom Cables	271.0	192.7	40.6%	298.0	-9.1%	926.8
Others/Unallocated	13.1	8.7	50.6%	10.9	20.2%	40.9
Total	1,427.2	1,211.3	17.8%	1,424.3	0.2%	5,310.2
Less: Inter - Segment Revenue	2.6	5.2	-50.0%	4.9	-46.9%	21.4
Revenue from Operations	1,424.5	1,206.1	18.1%	1,419.3	0.4%	5,288.8
Segment Results before Interest and Tax						
Conductors	38.9	42.2	-7.8%	41.9	-7.2%	179.0
Transformer & Specialty Oils	34.0	56.6	-39.9%	36.4	-6.6%	168.9
Power and Telecom Cables	16.4	10.1	62.4%	19.4	-15.5%	61.4
Others/Unallocated	0.3	0.8	NM	0.2	50.0%	2.2
Total	89.7	109.7	-18.2%	97.9	-8.4%	411.5
Less : Finance costs (net)	24.2	35.0	-30.9%	23.8	1.7%	114.4
Less : Unallocable expenditure net of income	5.3	4.5	17.8%	7.4	-28.4%	23.8
Profit before Tax	60.1	70.2	-14.4%	66.7	-9.9%	273.4
Segment Results – % to Segment Revenue*						
Conductors	7.2%	8.5%		7.2%		8.0%
Transformer & Specialty Oils	6.8%	13.9%		8.5%		9.9%
Power and Telecom Cables	6.5%	5.9%		6.9%		7.1%
Total	6.9%	10.1%		7.5%		8.5%

Segment contribution- as % to total revenue	Q1 FY18	Q1 FY17	Q4 FY17	FY17
Conductors	41.2%	45.0%	44.7%	46.4%
Transformer & Specialty Oils	38.9%	38.4%	33.6%	35.4%
Power and Telecom Cables	19.0%	15.9%	20.9%	17.5%

* % to segmental revenue is calculated on Net Revenue (excluding Excise duty) basis

Shareholding pattern

As on June 30, 2017
Outstanding shares – 3,82,68,619



Major Non-Promoter Shareholders	Shareholding (%)
HDFC Trustee company	8.06
Reliance Capital	4.94
Goldman Sachs	2.96
L & T Mutual Fund	2.59
Ocean Dial Gateway	1.58
Raiffeisen Kapitalanlage	1.52
Kedia Securities	1.11

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