

Apar Industries Ltd.

Q1 FY14 Earnings Presentation



Tomorrow's Progress Today



Agenda

◆ Q1FY'14 Performance

- ▶ Q1FY14 Business Overview.....03
- ▶ Management's comment04

◆ Business Overview

- ▶ Conductor overview.....05
- ▶ Transformer & Sp Oil overview.....06
- ▶ Power & Telecom Cables Overview.....07
- ▶ Update on Automotive Lubricants.....08

◆ Company Overview.....09-15

◆ Annexure

- ▶ Shareholding pattern.....17
- ▶ Q1'FY14 : Profit & Loss Statement18
- ▶ Q1'FY14 : Key Ratios19
- ▶ Q1'FY14 : Segment Analysis20

Q1FY14 Business overview

Standalone

	Revenue	EBFTDA	Profit after Tax
Q1FY14	945	76	10
	↓ 16%	↑ 8%	↓ 7%
Q1FY13	1,126	70	11

Consolidated

	Revenue	PBT	Profit after Tax
Q1FY14	965	21	15
	↓ 17%	↑ 4%	↓ 1%
Q1FY13	1,159	20	15

Figures in Cr

Management's comment

- The total revenue drop by 16% is largely from the volume drop seen from the conductor segment on account of sluggish demand from PGCIL.
- Margin improved mainly on account of execution of higher margin orders in conductor division off set by lower margins in cable division.
- During the quarter new plant at Athola started manufacturing conductors and production was suspended at high cost Nalagarh Plant.
- New Cable plant at Khatalwad (Gujarat) started manufacturing Elastomeric Cables during the quarter and the E-beam facility was commissioned.
- Oil division has grown by 2% growth in sales volume in difficult market scenario with reasonable profitability and control on fiscal parameters. Transformer Oil and Industrial oil shipments have been higher compared to previous year.
- Cable volumes were affected from partly shifting facilities to the new location and some shutdowns taken in Power cables and Optical fibre production as part of the expansion of the facilities. This will be compensated with higher volumes for the rest of the year.
- The E-beam facility at Khatalwad has begun manufacturing in Q1 with formal approval to operate from AERB.
- Quarterly profits have been affected by mark to market FX losses as the rupee depreciated in June 2013. Price increase measures in the oil division have been taken to compensate for the higher cost.
- Tax expenses have increased on account of increase in corporate tax rates and elimination of tax shield of Nalagarh facility.

Conductor business overview

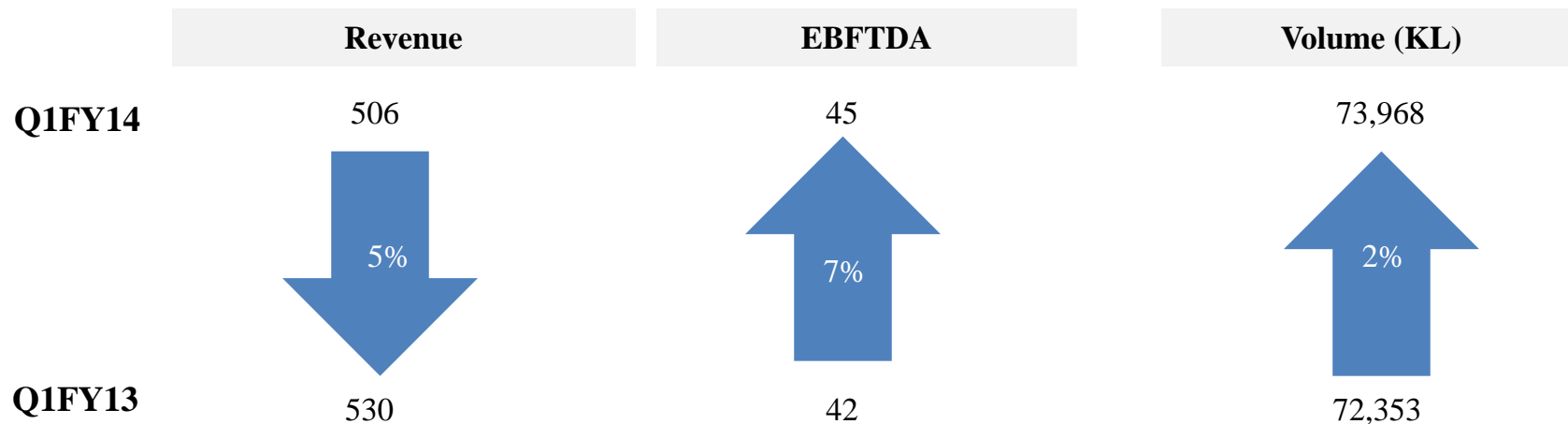
Figures in Rs Cr

	Revenue	EBFTDA	Order Book
Q1FY14	341	42	1,117
	↓ 34%	↑ 19%	↓ 45%
Q1FY13	518	35	2,026

- Volume drop on account of sluggish demand from PGCIL due to inventory build up at their end and the shifting of manufacturing from higher cost Nalagargh to Silvassa area. There was a delay in the start up of the new plant by 2 months due to various preproduction clearances.
- Margins improved on account of execution of better margin orders, tighter cost control and better sourcing of metals during the quarter.
- New plant at Athola started during the quarter and production suspended at high cost Nalagarh Plant. Proximity to port gives added advantage for export.
- Order book gone down due to sluggish demand from PGCIL but improved visibility seen on new generation high temperature conductors and exports. Order inflow in Q2FY14 expected to be higher.

Transformer & Sp Oils business overview

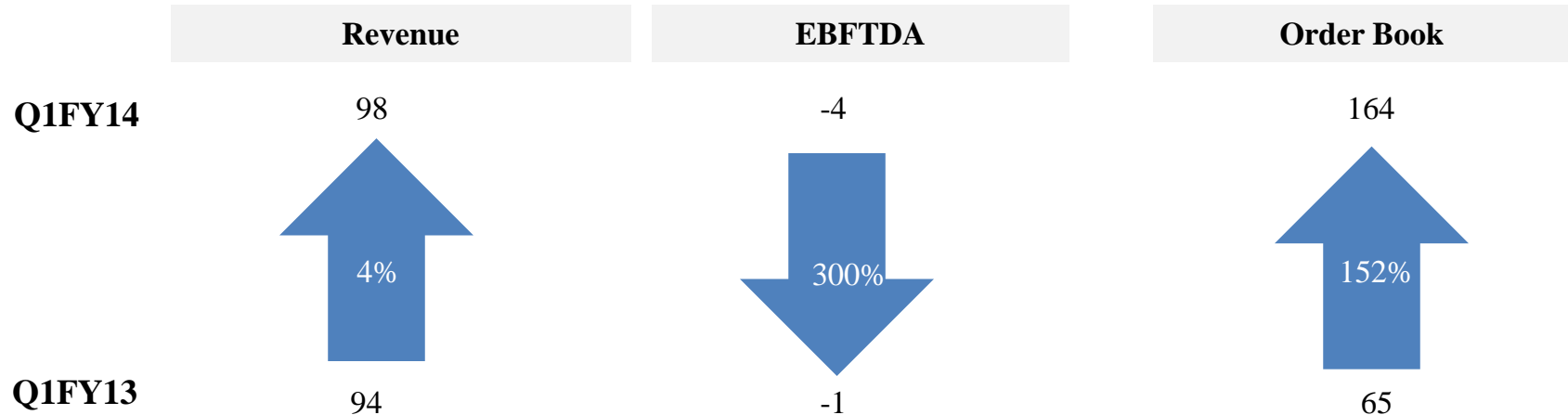
Figures in Rs Cr



- Volume growth seen in Transformer oil (domestic), overseas shipments and Industrial oils
- Market remains competitive, but there has been a slight improvement seen in tenders from SEBs which may have a slightly better demand in the months to come
- Shipments of transformers to PGCIL sub stations is likely to increase during the rest of the year, and the company should see higher shipments of Transformer oil for Ultra High Voltage transformers
- Sharp depreciation of the rupee has increased the forex losses for the quarter. The company has initiated price increases across the board for all domestically sold products

Power & Telecom cables business overview

Figures in Rs Cr



- Expansion of Elastomeric cables with added E-beam capability and capacity increase in Power Cables and Optical Fibre cables will be completed in Q2. This will result in higher production and better productivity giving a better financial result in the next 3 quarters.
- 1.5 MEV E-Beam plant and Elasto manufacturing started at Khatalwad. AERB permission received to start commercial production.
- Improved performance in terms of volumes and margins expected during Q2FY14. Higher order inflow expected across all the sub-segments in this division.
- Commercial execution of the first major E-beam cable order – a Rs 55 crore order for NPCIL – will commence in Q2FY13.

Automotive Lubricants business overview

- Volume growth in the first quarter was almost flat, but there was a substantial improvement in profitability through better product mix and higher sale of small packs vs. bulk packs resulting in higher contribution
- Volume sales for OEM Automotive accounts increased substantially with the total number of OEM accounts increasing to 9 in number.
- New coastal vessels were added that increased the sales to Marine Diesel engines. These are important qualitative changes that have resulted in better product mix.
- The company further strengthened its position in the 3-wheeler market segment in this quarter.
- A strong collection drive resulted in better debtors management from the sales channels. There was an impact on sales volumes, but the company sees fiscal prudence as a very important part of its operational strategy in the current market scenario.
- Volume sales for the auto segment in Q2 FY14 should be higher than in the previous quarter, with an improvement in rural demand from good monsoons and expansion in the distribution set up.

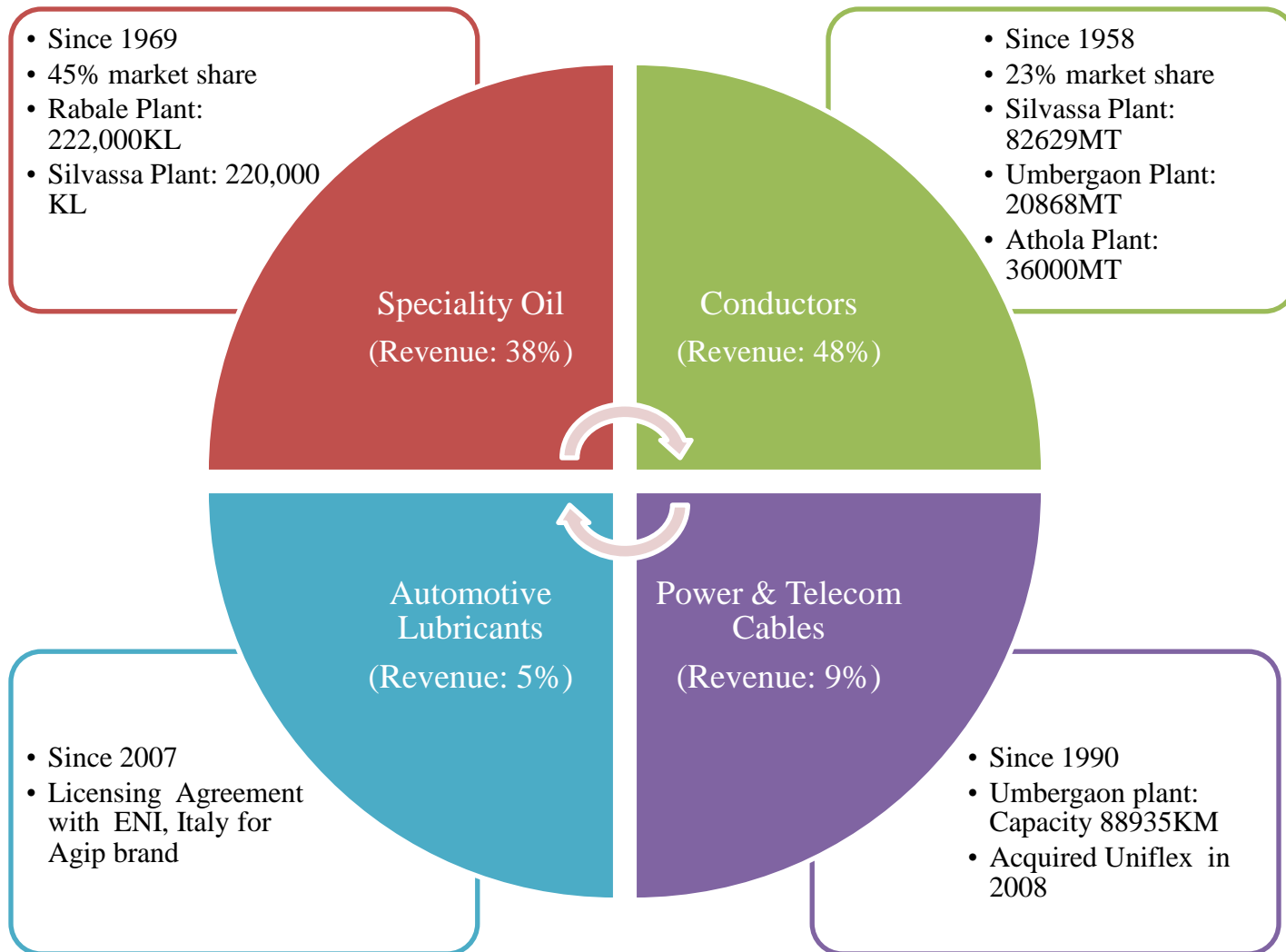
Company Overview

A global leader in Conductor and Transformer Oil

- One of the earliest company to start conductor business in 1958, diversified to transformer oils in 1969, to become a \$850mn corporation by FY13.
- Pioneers in overhead Transmission and Distribution Conductors .
- Among top five producers of conductors and specialty oils globally.
- Technology-driven and customer-focused enterprise with market reach in 90 countries
- Products approved by many reputed clients across the globe including (PowerGrid, NTPC, NEPC, NEEPCO, PGCB, KEGOC, Iberdrola, CEB, Rio Tinto, Eskom, SEC, DEWA BULFORBETTY).
- Acquired majority stake in Uniflex Cables in 2008 to venture into cables business successfully.
- Ventured into automotive lubricant space with license agreement with ENI, Italy to produce and market auto lubes under Agip brand.

55 Years Serving Customer & Community

Business Structure



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 relationship with large clientele

- Preferred supplier to over 80 % of its speciality oil customers in India
- The company got 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 more than 90 countries
- Exports grew to 43% of total sales in FY13 from 29% in FY12
- Developed green field conductor plant in Athola with focus on exports
- Largest Indian conductor exporter last year
- Developing export market in new territories. Exported conductors to USA for the first time in FY13

Diversified into new business for growth

- Entered in 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

Conductors

- AAC
- ACSR
- AAAC
- AACSR/ACAR
- ACSR/AW
- Earth wires
- AL59 & AL57
- TACSR/STACIR
- GZTACSR
- ACSS/TW
- ACCC

Transformer and Specialty Oils

- Transformer Oils
- Rubber Processing
- INK Oils
- Liq. Paraffin & White Oil

Power & Telecom Cables

- LT Cables
- HT Cables
- Special cables for control & Instrumentation
- Telecomm Cables
- Optical Fibre
- House Wires

Auto/Ind Lubricants

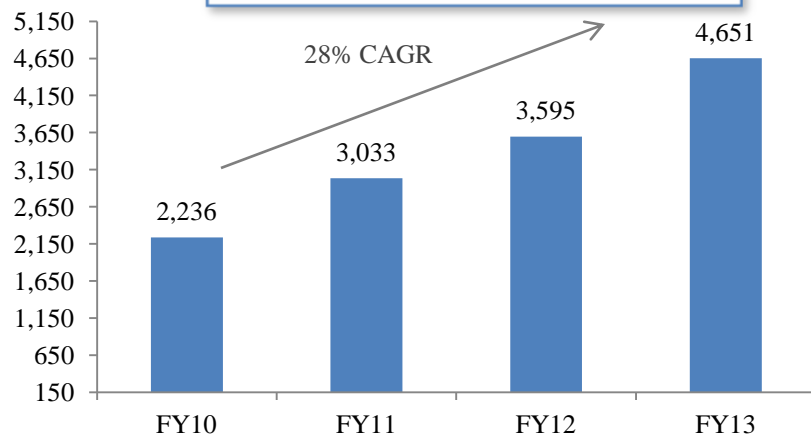
- PSMOs, DEOs, two-wheeler oils and gear oil greases
- Hydraulic oils and industry gear oils
- General machinery oils and heat transfer oils
- Extreme pressure greases, quenching oils, pneumatic oils, neat and soluble cutting oils
- Gas engine oils, marine oils and rust preventives

Strong revenue growth over the years

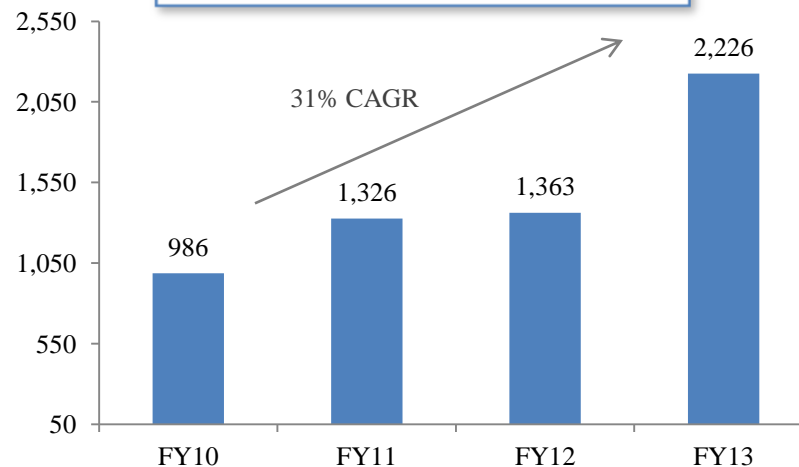


Figures in Rs Cr

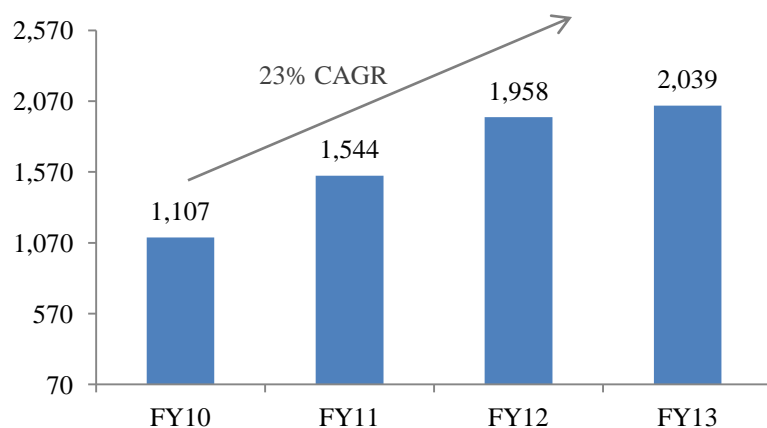
Consol Revenue



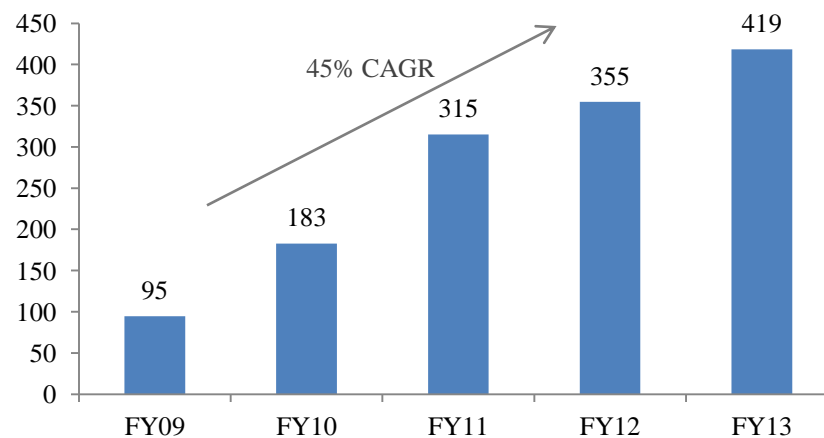
Conductor



Transformer & Sp Oil



Power & Telecom Cables



Global Presence



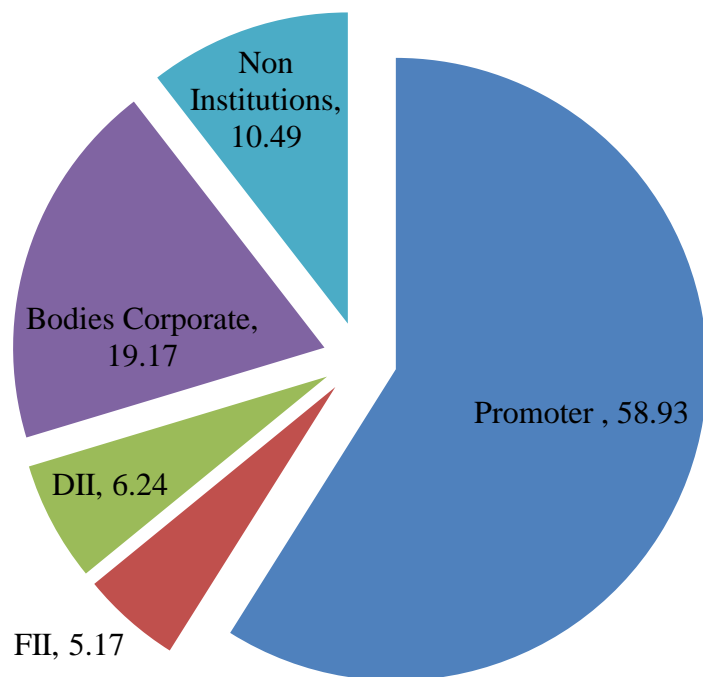
Presence across 90 countries



Annexure

Shareholding pattern

As on June 30, 2013
Outstanding shares – 3,84,70,431



Major Non-Promoter Shareholders	Shareholding (%)
Templeton Strategic Emerging Markets Funds	9.45
Shinny Ltd Mauritius	6.85
Reliance Capital	4.98
Raiffeisen Kapitalanlage	2.60
Mackenzie Cundill	2.11
Aadi Financial Advisors	1.11
Ashish Dhawan	1.05

Q1'FY14 : Profit & Loss Statement – Standalone

Particulars (Rs Cr)	Q1 FY'14	Q1 FY'13	% Chg YoY	Q4 FY'13	% Chg QoQ
Net sales	937.8	1,116.9	-16.0	1154.8	-18.8
Other operating income	7.6	8.9	-15.3	9.7	-22.3
Total Operating Income	945.4	1,125.8	-16.0	1164.5	-18.8
Total Expenditure	869.8	1,055.9	-17.6	1084.4	-19.8
Consumption of Raw Materials	719.2	932.0	-22.8	877.1	-18.0
Purchases of stock-in-trade	9.9	7.6	29.7	4.7	111.9
(Increase) / Decrease In Stock In Trade & WIP	1.2	(43.8)	-102.8	9.7	-87.6
Employees Cost	13.7	13.4	1.8	12.7	8.0
Other Expenditure	125.9	146.7	-14.1	180.4	-30.2
EBITDA	75.6	69.9	8.1	80.1	-5.6
Depreciation	6.0	5.4	11.6	7.5	-20.2
EBIT	69.6	64.5	7.8	72.5	-4.1
Interest & Finance charges	(3.6)	6.4	-155.6	-2.0	82.8
Applicable net loss on foreign currency transactions and translation	58.7	42.8	37.2	37.8	55.4
Other Income	1.9	0.1	1656.9	6.1	-69.1
Profit from ordinary activities after finance costs but before exceptional items	16.3	15.4	5.6	42.8	-61.9
Exceptional items	0.1	0.1	11.4	4.5	-96.7
PBT	16.2	15.3	5.6	38.3	-57.8
Tax Expense	5.8	4.2	37.8	8.7	-33.6
PAT	10.4	11.1	-6.5	29.6	-64.9

Q1'FY14 : Key Ratios – Standalone

Key Ratios	Q1 FY'14	Q1FY'13	Q4FY'13
EBITDA Margin	7.99%	6.21%	6.88%
Net Margin	1.10%	0.99%	2.54%
Total Expenditure/ Total Operating Income	92.64%	94.27%	93.77%
Raw Material Cost/ Total Operating Income	77.24%	79.57%	76.55%
Staff Cost/ Total Operating Income	1.45%	1.19%	1.09%
Other Expenditure/ Total Operating Income	13.32%	13.03%	15.49%

Q1'FY14 : Segment Analysis – Standalone

Segment (Rs Cr)	Q1FY14	Q1FY13	%YoY	Q4FY13	% QoQ	FY13
Revenue						
Conductors	341.1	518.5	-34.2	556.1	-38.7	2,226.3
Transformer & Speciality Oils	506.1	530.7	-4.6	501.2	1.0	1,920.9
Power & Telecom Cables	98.4	94.4	4.2	108.1	-9.0	418.5
Others/Unallocated	3.9	3.4	13.8	4.2	-8.8	15.1
Total	949.5	1147.0	-17.2	1169.7	-18.8	4,580.8
Less: Inter - Segment Revenue	4.1	21.1	-80.6	5.2	-20.8	48.6
Revenue from Operations	945.4	1125.8	-16.0	1164.5	-18.8	4532.2
Segment Results before Interest and Tax						
Conductors	40.1	33.3	20.7	45.2	-11.3	197.1
Transformer & Speciality Oils	43.7	41.4	5.5	41.1	6.1	113.2
Power and Telecom Cables	(6.4)	(2.4)	163.5	(1.7)	285.7	(0.9)
Others/Unallocated	0.4	0.3	40.7	0.2	86.3	1.1
Total	77.8	72.5	7.3	85.0	-8.4	310.5
Interest (net) and other borrowing cost	(3.6)	6.4	-155.9	-2	78.8	9.3
Applicable net loss on foreign currency transactions	58.7	42.8	37.2	37.8	55.3	125
Total Finance Cost	55.1	49.2	12.0	35.8	54.0	134.3
Other Common expenses (net)	6.6	7.7	-14.9	10.6	-38.2	35.9
Profit before Tax after exceptional items	16.1	15.6	3.2	38.6	-58.1	140.3
Tax	5.8	4.2	38.1	8.7	-33.3	38.1
PAT	10.2	11.1	-8.1	29.6	-65.5	102.2
Segment Results - as % to Segment Revenue						
Conductors	11.8	6.4		8.1		8.9
Transformer & Speciality Oils	8.6	7.8		8.2		5.9
Power and Telecom Cables	-6.5	-2.6		-1.5		-0.2
Others	11.2	9.1		5.5		7.6
Total	9.1	6.4		7.3		6.8

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