APAR CONDUCTORS

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Scrip Symbol : APARINDS	**Scrip Code : 532259**
Kind Attn.: The Manager, Listing Dept.	**Kind Attn. : Corporate Relationship Dept.**

Sub. : Submission of Transcript of Investors Earnings call on Audited Financial Results (Standalone & Consolidated) for Q4 and Financial Year ended March 31, 2022 (2021-22)

Ref.: Reg. 30 read with Para A (15) of Part A of Schedule III & all other applicable Regulations, if any, of the SEBI (LODR) Regulations, 2015 ("Listing Regulations"), as amended from time to time

Dear Sir,

Kindy refer to our letter dated May 30, 2022 under Ref. no. SEC/3005/2022 w.r.t. submission of link of Audio Recording of Investors Earnings Call on Audited Financial Results (Standalone & Consolidated) for Q4 and Financial Year ended March 31, 2022 (2021-22).

Pursuant to the provisions of Regulation 30 (6) of the Listing Regulations, we are submitting herewith the transcript of the Investors Earnings Call on the Audited Financial Results (Standalone & Consolidated) of the Company for the Q4 and Financial year ended March 31, 2022 made on May 30, 2022. We request you to take the above on record and the same be treated as compliance under the applicable provisions of the Listing Regulations.

The aforesaid transcript is also made available at the website of the Company viz. www.apar.com.

Thanking you,

Yours faithfully,

For APAR Industries Limited

Harishkumar Malsatter
(Deputy Manager - Secretarial & Legal)

Encl. : As above

Apar Industries Limited
Q4 FY22 Earnings Conference Call
May 30, 2022

Moderator: Ladies and gentlemen good afternoon and welcome to Apar Industries Limited Q4 and FY22 Earnings Conference Call hosted by 4S Services. As a reminder for the duration of this conference call all lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is recorded. At this time, I would now like to hand the conference over to Mr. Nitesh Kumar of 4S Services. Thank you and over to you, sir.

Nitesh Kumar: Thank you. Good day everyone. Welcome to the Apar Industries Q4 and FY22 earnings conference. Today on the conference, we have with us Mr. Kushal Desai – Chairman and Managing Director, Mr. Chaitanya Desai – Managing Director and Mr. Ramesh Iyer - Chief Financial Officer, Apar Industries. I would now like to handover the call to Mr. Chaitanya Desai for his opening remarks. Over to you sir.

Chaitanya Desai: Thank you. Good afternoon, everyone and a very warm welcome to the Q4 and FY22 earnings call of Apar Industries. I will start with an overview of our performance, followed by a quick industry update and then get into details on the segmental performance, post which we can open the floor for questions.

I'm happy to announce a good set of numbers for Q4 FY22 in what has been a very challenging environment on the commodity, inflation, freight and logistics front and in this geopolitical environment. All three business segments contributed to this performance. For Q4 FY22 consolidated revenue came in at Rs. 3,018 crores up 58% year-on-year, driven by commodity price increases and expansion in newer geographies. Exports revenue was up 67% year-on-year. Contribution was at 40% versus 38% in Q4 of FY21. EBITDA was up 70% year-on-year to Rs. 181 crores with an EBITDA margin of 6%. PAT came in at Rs. 83 crores up 73% year-on-year with a 2.7% margin versus 2.5% in Q4 of FY21. Consolidated revenue for FY22 came in at a record Rs. 9,346 crores, up 46% year-on-year driven by expansion in newer international markets and of course, supported by higher commodity prices. Export revenues were up 35% year-on-year with contribution at 38% of overall sales versus 41% in FY21. The oil business recorded all time high volumes at 4, 61,489 KL in FY22, up 16% year-on-year. FY22 EBITDA grew 36% year-on-year to Rs. 574 crores with steady margin at 6.1%. PAT was up 60% year-on-year to reach Rs. 257 crores with 2.7% margin versus 2.5% in FY21. It is noteworthy to mention that in spite of the sharp increase in commodity prices and also the cost of funds, the profitability improved which is fundamentally attributable to a better product mix across all three business segments.

I will now cover a few industry highlights; outstanding dues of DISCOMS rose 11.8% year-on-year to 1,17,390 crores as of March, 2022. 14,885 circuit kilometers of transmission lines were added in FY22, down 11% year-on-year while substation transformation capacity addition grew 37% year-on-year to 78,982 MVA. With the focus upon PM Gati Shakti, the highest ever CAPEX has been planned by the Indian Railways for FY23 at Rs. 2.45 trillion, up 14% year-on-year. Under the Atmanirbhar Bharat initiative railways will bring 2000 kilometers of rail network under Kavach, indigenously developed world-class technology for safety and capacity augmentation. 400 new gen Vande Bharat trains will be developed in the next 3 years, along with 100 PM Gati Shakti cargo terminals for multimodal logistics facilities.

The current geopolitical environment has forced India to further expand its Defence capabilities. Budget FY22 has allocated Rs. 5.3 trillion, up 10% year-on-year, 68% earmarked for procurement from indigenous companies. For the automotive industry, higher inventory levels, lower replacement demand and negative retail sentiments due to higher retail prices are expected hamper demand of automotives in the first half of FY23.

I would now like to cover segmental highlights; conductors' revenue in Q4 of FY22 grew 80% year-on-year to reach Rs. 1502 crores with 9% year-on-year growth in volumes. Exports grew 72% year-on-year contributing 44% to revenues versus 49% in Q4 of FY21. The higher value-added products contribution increased to 51% from 36% in Q4 of FY21. The EBITDA for metric tons post adjustment was at Rs. 17,599. New order inflow came in at Rs. 1,095 crores, up 328% year-on-year. FY22 conductor revenues was Rs. 4,200 crores, up 45% year-on-year with increased commodity prices. Exports contribution to revenues was at 38% versus 52% in FY21. Higher value added products contribution increased to 49% from 33% in FY21 with high efficiency conductor contribution at 23% and copper conductors for railways at 20%. EBITDA per metric ton post FOREX adjustment came in at Rs. 17,095. New order inflow was at 123% year-on-year at Rs. 5,409 crores. The order book remains healthy at Rs. 3,079 crores with 53% share from higher value-added products. Exports constitute 56% of the order book.

In Q4 FY22 oil revenues were Rs. 928 crores, up 29% year-on-year with a 13% increase in volumes. Exports contribution increased to 39% versus 35% in Q4 FY21. Lubricants revenue was Rs. 211 crores, up 7%

year-on-year driven by strong volume growth in industrial oil business. The EBITDA per KL post adjustment payment at Rs. 5,979. Oil revenues in FY22 was Rs. 3,560 crores, up 51% year-on-year with 16% volume growth as the business recorded all time high volumes at 4,61,589 KL. Export's contribution increased to 44% versus 41% in FY21. Hamriyah's plant capacity utilization was up 104% from 79% in FY21. White oil sales volume was up 16% year-on-year, transformer oil volumes was up 10% year-on-year which remained impacted due to lower demand and financial health of utilities and low government spending. Lubricants revenue was Rs. 780 crores, up 28% year-on-year. Industrial oil volumes were also up at 20% year-on-year to all time high but automotive oil volumes were down 7% year-on-year due to reduced tractor volumes and overall sluggishness in retail segment. EBITDA per KL post FOREX adjustment came in at Rs. 6,370 above the target threshold level of Rs. 5,000. The recent impact of Russia-Ukraine conflict has resulted in a disproportionate increase in refined product prices including base-oils. This may impact the volumes in FY23 as customers struggle to accept significantly higher prices. The focus would remain on unit profitability versus volume sales. The ticket size of transactions would also limit the credit that can be offered to clients.

In Q4 FY22 cable revenues reached Rs. 682 crores, up 54% year-on-year with strong growth across all sub-segments except optical fiber cable sales which were impacted by muted telco's business. XLPE cables revenue was up 52% year-on-year and elastomeric cables revenue was up 74% year-on-year. Sales in railways, Defense and wind sector which are all affected in the COVID period have all opened up. Exports contribution was at 31% versus 23% in Q4 FY21. The EBITDA post FOREX adjustment came in at Rs. 48 crores with 7% margin. Cable revenues in FY22 came in at Rs. 1,993 crores, up 57% year-on-year driven by 129% year-on-year jump in exports as the company continue to focus on international opportunities amidst challenging domestic environment. Elastomeric cables revenue was up 64% year-on-year with improved demand from solar, railways and Defence. EBITDA post FOREX adjustment was up 77% year-on-year at Rs. 106 crores and margin improved to 5.3%. New CCV lines and a new 2.5 Mev E-Beam are under installation to expand the rubber cable capacity especially for the Green Power segment. These should be commissioned in Q3 FY23.

Major focus on LDC business is planned with our new brand ambassador and a significant trust in network expansion. Business value in FY23 is targeted above Rs. 250 crores in the segment. With our unique and differentiated product, we remain confident on our aspiration to reach to a revenue of Rs. 500 crores by FY26.Overall, the outlook for the cables business in FY23 is strong with key strategic initiatives and multiple growth opportunities being addressed, both domestically and in overseas markets.

Overall, for the company we are happy with the performance in FY22 and are more optimistic to deliver a stronger performance in FY23. On the conductor front we enter with a strong order book with higher proportion in premium products and exports. On the cable front there are multiple growth drivers in exports to USA, Australia and Africa increased demand from the railways, Defence and non-conventional energy. Our distribution of LDC products will also see sharp increase in growth and increased branding activity to increase overall visibility of our production range. The oil business will likely get impacted from the sharp increases in prices but with the vast customer base and applications that we service, we still expect to navigate through this period. As a conclusion we are very optimistic to deliver a good performance in FY23. With this I come to the end of my comments. I would like to thank everyone for joining our conference call and open the floor for questions.

Moderator: Thank you sir. We will now begin the Q&A session. Our first question comes from the line of Pratiksha Daftari with Aequitas Investments.

Pratiksha Daftari: My first question was on conductors. If you could elaborate a bit on the opportunity and the pipeline that we have there. Secondly on the freight front, how are things looking at on freight front now and how do we expect margins to be impacted by freight?

Chaitanya Desai: On the conductor side, we have several product lines now. In the past few years which were affected due to COVID, the conventional conductor business was somewhat dampened and now things have opened up. The volume will increase on account of the conventional conductors. Secondly on the high efficiency conductors also we see a good potential in this coming year. There was another product line OPGW which was also affected the last couple of years but we've been getting a fair amount of business. We see good growth prospects in that as well. Again, on the other side, the copper railways we see a normal year and on the CTC-PICC products used in the transformer industry our base is lower, so we see growth in that as well. These will be the major growth drivers. There is a fair amount of reconductoring work for HEC and for OPGW. So, there's a service component as well in this segment.

With regard to the freight, international freight costs have been stable for a few quarters now. They are kind of remained at the higher levels. They have not really dropped but as long as the increase is not very sharp then what we see is that we will be able not to lose money going forward as we had in the last few years when we used to book business and then by the time we had to execute by that time the rates had gone up substantially, so that phenomena hopefully should not happen the way we see currently.

Pratiksha Daftari: Are we seeing any lever for margin expansion in our businesses?

Chaitanya Desai: The product mix as we are concentrating on more higher value added products that will help improve the margins.

Pratiksha Daftari: I think when the mix has improved with the higher value-added products, our EBITDA per ton has definitely increased but we are not able to see a margin expansion and in percentage terms our EBITDA margins have remained range-bound, for conductor division EBIT percentage is about 4%. Just wanted to understand if there are any levers that we see where we'll be able to expand this.

Ramesh Iyer: Normally we measure our EBITDA on a per ton basis and the reason being is that the higher the commodity prices that derives the revenues upwards. So, on a higher base with the same kind of quantum unit EBITDA, the percentage is looks lower. That's the reason we normally measure our business in terms of EBITDA per ton and that's where you see by the per ton basis it's higher but it doesn't get reflected on the percentage EBITDA, mainly because of the higher base value that it carries.

Pratiksha Daftari: And our CAPEX for cable division when do we expect to commission that?

Kushal Desai: We have had, with capital expansion is continuing to run right now there are two very large projects which are there which will both get commissioned by the end of Q2 beginning of Q3 which are lines, two CCV lines which are going in for making cables for wind power generation. And our fourth E-Beam machine is on its way from Europe to India. That also will get commissioned over the next 4 to 5 months.

Most of the CAPEX you will see, the big ticket CAPEX will be in place by the third quarter of this year.

Pratiksha Daftari: Can we expect, how much time do we take to ramp up these new capacities?

Kushal Desai: On the E-Beam side our expectation is that in the fourth quarter we will pretty much fill it because there's a very large expansion as was explained earlier in the opening comments by Chiatanya that the number of these new trains which are coming up. The trains come along with the passenger vehicles and stuff. There is a pent-up demand because last 2 years as you will see from various commentary that we've had, production of both locomotives and the coaches was low. We see a pretty quick ramp up happening on the E-beam side at the end of the year. As far as the wind mills is concerned our expectation is to be at 70%-80% capacity utilization in FY24 because a lot of it will be actually a significant portion of it will be export. So, we currently service all the global major's projects in India but the main thrust for this is to then move globally and become a global supplier.

Pratiksha Daftari: So, this will be directly to the end customers?

Kushal Desai: Yes, because goes inside the windmill.

Pratiksha Daftari: This is predominantly North America exports opportunity that we are tapping, right?

Kushal Desai: No, so the manufacturers are spread out in different locations. Depending on where their plants are located. So, the plants are located in North America and in Europe as well as certain plants are located in Asia. You will see a spread of it…. for the windmills it will be going to the OEMs, depending on where their plant locations are but otherwise, we are finding that on the cable side, our export growth has been in

North America and in Australia and we've just won a few world bank projects in East Africa. These are the three geographic locations where we see maximum export in FY23.

Moderator: Our next question comes from the line of Samrat Singh with PPF Capital.

Samrat Singh: My questions are regarding our cables business. So, to the US when are we only exporting windmill cables or are we exporting also on the telecom and power distribution side?

Kushal Desai: As the moment we not exporting windmill. The export which we are talking about is all power cables. These are going into the building industry and for general purpose cabling. Those are big backlog of infrastructure spending that's there in the US right now. It's going across the power industry segment and most of the cables are actually light duty cables.

Samrat Singh: But the CAPEX that we are doing right now that would be for windmill cables?

Kushal Desai: Yes so, the CAPEX which is going in is for the windmill side and the electron beams are largely going in, so some of the photovoltaic cables that go to the US market are electron beam cable. There is basically two sets of cables going in at the moment. One is for light duty general purpose power cables going into the housing industry, building out basic infrastructure like warehouses etc. etc. and the other section is going into non-conventional energy installations and that includes a photo-voltaic cables over, they call PV cables which are used for connecting the solar panels. It’s a fairly wide range and we are the largest amount of you require what is called a UL approval, Underwriters Limited to be able to sell in the US so at the moment the cable division of Apar has the largest number of UL approvals of any Indian cable company. I hope that answers your question.

Samrat Singh: Yes, it does, thank you so much.

Moderator: Our next question comes from the line of Sachin Shah with Emkay Investment Managers Limited.

Sachin Shah: I think after 2-3 years all your hard work seems to be paying off. Kushal bhai, even 2-3 years back when we were discussing this Rs. 550-600 crores kind of EBITDA number was what we were thinking about and I think even to get a 750, I mean to get a 20% kind of ROE probably Rs. 750-800 crores kind of EBITDA number is what probably now will because over the next 2-3 years. But if you can give us some sense what beyond that because now, we are at a striking distance of that number, on those numbers. In the sense that because we are going to hit certain capacity utilization in terms of conductors or even on the cable side. So, if you can give us some sense beyond that, beyond the next 2 years or so?

Kushal Desai: I think at the moment Sachin what we've got clearly on the drawing board is what will take us through FY23-FY24 and in into FY25. So, we continue to see this case. The cable business actually will see the largest amount of growth over the next 3 to 4 years and in that there are three major segments where we see the growth coming from. The infrastructure spend in the United States is just about to begin. So, in fact, the actual formal allocation from the Biden government is still to come yet. This growth is being driven by the building industry and other infrastructure improvements which has started without the large amounts of allocation coming in. So, clearly that is a program that will run over the next several years. That's why we took a step of going ahead and getting the maximum amount of UL approvals for our cables.

And also, the conductor side we have started seeing the initial orders coming in from the infrastructure spend though we expect that as we get through FY23 that will pick up. So, getting to a 25%-30% growth at today's commodity prices over the next 3-4 years on the cable side looks very much on the cards. In addition to that the railways is going to spend a lot of money and we have got not only products for the locomotives and for the coaches but we also have started doing harness which is a forward integration step in that direction. We've also started making harnesses for solar installation and wind installations. Now for many of our clients rather than just supplying them wires on wheels we are buying the connector and setting up the framework and supplying it to them. So, the cable side these are the two major areas where we will continue to see growth. On the conductor front, as Chaitanya mentioned there's more and more reconductoring work going on and also OPGW is coming in, in place of just the normal earth wire. So, this year is the first year that you will see a big jump and part of that order book has OPGW ground wire in it. This also phenomenon should run for the next few years. The domestic side has limited potential compared to what we see happening in the United States and some of these overseas countries where there is much more aggressive non-conventional energy addition taking place. So, a lot of new networks are coming up. So, our sense clearly is that the cable business will actually have the fastest growth rate over the next few years and the conductor and oils will then continue to follow.

Sachin Shah: And Kushal bhai just one more thing that in the cables business if I recollect a few years back maybe about 3 years or so, our margins used to be double-digit, a little higher in the double-digit but now we are at closer to say mid-single-digit. So, some sense on that in terms of directionally where do we see in the next 2-3 years? Do we aspire to get that double-digit kind of margins?

Kushal Desai: Our aspiration certainly is to get there. If you see last quarter was around 7% for the quarter. This is over 5% for the full year. Next year we would expect to be in the 8% kind of range, 8% range. Also, the other area where we are focusing on the cable side is to build out our network for the building wires. So, initially the EBITDA will be lower because just putting our money in branding and network expansion etc. but that fundamentally carries a reasonably good value addition. Especially because our building wires that we sell, our electron beam and they are more premium compared to wires that are being offered, just using conventional method, so the cable business, you will see EBITDA increase also happening and our target would be that in FY24, we get closer to 10%. So, the 8 to 10% range is what expectation is, you got to keep in mind that in the cable side, the inflation has happen not only on account of metals. The polymers have actually increased at the same pace as metals. We are looking at a very inflated raw material cost.

Sachin Shah: Right.

Kushal Desai: So, you know, whenever that happens, a percentage is obviously come under a little bit of pressure. So, our sense is that you will see 8 to 10%, you know, that's what our target is on the, on the cable side. If the value-added products in the railways and all that increases, and if the defense spending continues, then that gives us a 1 or 2% additional top-up.

Sachin Shah: Right and one last thing from my side that on the conductor business, like as you mentioned in your opening remarks that the conventional conductors market is now starting to open up so obviously, next year, the conventional conductors will also increase, effectively, the current EBITDA that we are owning there should logically come down right by just the number of matches and will it be a significant down number from what we have done this year. Like earlier, we used to do about 10 to 12,000 rupees per ton, which we are not on about 18,000 So, where do you think we will now kind of settle with our balance overall portfolio of the conductor.

Ramesh Iyer: So, there are a couple of things here one is that as we get into the financial year, we have some of the products that we took up during pandemic time, and those are put at a low margin also, because of the freight increase, so, some of those orders will get executed in this year. Also, this business has multiple product lines with a mixture of conventional and high efficiency conductors, due to which the margin has been higher this particular year, the coming year, we actually will see this coming down to about 14,000 per metric tons, that is the kind of aspiration that we have for FY23

Kushal Desai: But then the volume will be higher. So, you will still the EBITDA per ton will as you rightly pointed out will come down as you start executing some of the conventional conductor orders, but the proportion that is there are these other orders also is not small, and the overall may come down from 17 to 18,000 closer to around 14,000, but overall EBITDA for the business will grow.

Sachin Shah: Okay, so do you think that it will make up for the entire thing which means if the overall EBITDA type you have done about closer to Rs. 180 odd crores that number should grow for FY23 over a year.

Kushal Desai: If you take the multiplication of a hundred thousand odd tons we did last year multiplied by 17,500 at 14,000 and then the volume will be higher for this financial year because as the metal prices are steady. So, many of the EPC guys who have placed orders but were not actually pricing the metal, we will price the metal and start taking delivery now. So, you will have a little bit of reduction in the per ton basis, but the tonnage will go up and we have a capacity in place to actually execute all that.

Sachin Shah: Right speculating 20-30% kind of volume growth should be there with 100 to 120 and 130,000.

Kushal Desai: Yes.

Sachin Shah: Okay and our capacity is about 150,000 so does that mean that we can manufacture so much I mean I am not saying next year but the FY24-FY25 whenever as we grow but typically what is the utilization level for this kind of business an optimum utilization level.

Chaitanya Desai: So, we have several product lines and we have a fungible capacity nowadays and we have built in a lot of capabilities to move from one product to another. So, that as per the demand we can sort of optimize the utilization. So, we are at about 180,000 tons of rated capacity. But depending on the product mix, it would range from about 160,000 to 180,000 tons.

Moderator: Thank you. Our next question comes from the line of Arshad Koti, an investor. Please Go ahead.

Arshad Koti So, what I would want to understand is with rising top line, when do we see our net margin improving reasonably well, whereby any commodity down cycle or adverse movement in commodities can be managed much better.

Ramesh Iyer: So, we do have a risk management framework set up, wherein we can kind of hedge our commodity cost commodity raw material. So, to that extent the risk for the variations in metals are being hedged properly, and appropriately these are being passed on to our customers. So, again, as mentioned earlier, the value top line may not be a factor that we should see because it gets driven by the changes in the price of commodities there, but what we more measure is on the per unit EBITDA, which could be a number that that we kind of look forward

Kushal Desai: So, we don't really see, you know, we don't see the same concern that you brought out over here, if the risk framework is run properly, where there is a movement in the commodity prices, we are focusing on absolute margins being maintained or controlled, there is no way in which our business can run on a percentage basis, because an aluminium goes up from $2,000 to $3,000 like it went up in value addition that a customer will pay us alone increased by 50%. Because your cost of conversion, manufacturing all that does not proportionately go up with the cost of the metal with the purchase price of the metal. So, the whole risk framework actually takes into account all absolute costs, where you will have a percentage movement is to cover the financial side, the working capital is the rate of interest that is paid for the working capital cycle. So, our business, we do not run it based on a percentage basis at all, we are always running it on an absolute margin basis, that is why our reporting also is on a per kl basis or a per ton basis. In the case of cables, we are forced to give it as a percentage because of variety of product is so vast, and the value per kilometer produced if that is the unit that one can measure very-very dramatically can vary by 5 to 10 times depending on the nature of copper polymers composition, etc. It can go from one lakh rupees per kilometer to 10 lakh rupees a kilometer so, that's the only part of the business which is being forced to give it in rupee terms to find a common denominator, but, otherwise, the businesses will be managed on an absolute margin per ton basis.

Arshad Koti: So, how do we plan to control our interest charges, which has been fourth quarter specifically, it is got substantial jump. So, if that would continue.

Kushal Desai: There also we will see an increase happening, because, you have just had a hardening of rates taking place and our working capital cycle has been, we have been quite tight in terms of controlling the cycle. So, the value addition, or the EBITDA per ton will have to take into account to compensate for that. So, as you price that is part of the pricing framework, that portion is on a variable basis, the working capital component of the total conversion cost.

Arshad Koti: Do we plan to raise equity to bring down our to further reduce our dependence on outside capital requirement?

Kushal Desai: Not really, because we really do not need to raise CAPEX, our whole focus is actually to raise our earnings per share, which we have been concentrating on and we are able to access the required working capital. So, equities are very expensive fall and we want to finally get 20% return on capital. So, borrowing today is still sub 10% even with the expected increase in the rates, so our capital structure, we do not want to raise any more equity. Focus is going to continue to be on increasing equity, meaning earnings per share and then hopefully with the business growing and the profitability of the business growing the price to earnings will also hopefully will have reflection of that.

Moderator: Thank you. Our next question comes from the line of Akshay Kothari with Envision Capital Services Private Limited. Please go ahead.

Akshay Kothari: Sir thanks for the opportunity. Sir just wanted to know, recently, around six, seven months back, there was an opportunity where in DRDO had developed a thing called quantum communication and it also used some photovoltaic beams to use cables or photovoltaic beams to establish quantum communication. So, are we seeing any development on that side?

Kushal Desai: We are not part of that program, but we work, we are one of the partners with DRDO in developing a whole lot of indigenization or Atmanirbharization of cables which are used in the defense sector. So, every year, there is a whole set of new products, which, we continuously do R&D on with support from DRDO and the Indian Navy, if we are not part of that project, but we have a number of new cables that have been produced, in fact there are two new warships which was commissioned just in the last 15 days, our wiring has find its way into the instrumentation of both those warships.

Akshay Kothari: Currently, our revenue from our defense sector would be around.

Kushal Desai: The business has been varying it has been relatively low in the last couple of years, because there was a lot of delays in terms of production happening at different particular see our concentration in defense is largely around the Indian Navy and instrumentation cables are going to naval vessels. So, this year, we were expected to about, I reckon, in the range of around 60 to 70 crores of cables that would go into the defense.

Akshay Kothari: And going forward, how do we look at the working capital cycle.

Kushal Desai: So, I think our working capital cycle will still remain within the same, we have concentrated on keeping it relatively as tight as possible and we end up giving extended credit, it is generally given on letters of credit. So, it allows us the flexibility to then discount the document and bring it into the cash flow, but we are going to look at trying to contain the number of days focuses on number of days of credit which has been given in terms of debtors and inventory, but even if we contain the same number of days, there is a increase that is happening because of the interest rate. So, that is something that we are factoring into our cost, as we calculate cost for us for quoting purposes tenders or to customers.

Moderator: Thank you. Our next question comes from the line of Samarth Singh, from TPF Capital. Please go ahead.

Samarth Singh: Thank you for the follow up. On the windmill cables that we are doing. Is there any sort of qualification or approval that is required when we are supplying to North America?

Kushal Desai: Absolutely. So, those are already we have already worked our way into getting those approvals.

Samarth Singh: Okay, and how long was that process?

Kushal Desai: Anywhere it has taken over two years because the product is tested in multiple test environments and in multiple laboratories.

Samarth Singh: Right. And all the other suppliers from India that also have similar qualifications.

Kushal Desai: Meaning there are suppliers who were also qualified. But currently, our sense is that we have over 70% market share of the cables that go inside the windmill in the domestic market and that is the reason why we have been shortlisted to be a global vendor and for the over two years, we have been working on the overseas approval. So, we have today approvals in place from GE, Nordex, Vestas Siemens Gamesa who are the big international players. So, we have global approvals in place. We are currently servicing their domestic requirements with a small portion going overseas, because we have to increase our capacity to be able to service that business larger and with this capacity increase taking place, we should be in a position to do that. So, in the contracts that run in the years 23 onwards, we would be in a position to participate with larger volumes.

Samarth Singh: So, these approvals are global approvals, they are not country specific. Is that how it works?

Kushal Desai: Yes, some companies only offer a global approval. So, either you are approved in terms of quality to supply worldwide, they may buy your products locally, but the approval is on a global basis. So, and some of them follow a differential between regional and global, but for all the top five international mean European and US companies, we have global approvals in place.

Samarth Singh: The cables for the windmill that will we be supplying to North America, who would be up competitors for that.

Kushal Desai: So, competitors would be companies like Prysmian, which is the largest European cabling company Nexans has just sold the non conventional energy and some of these flexible cable business, LS cables is there and there are a few US companies like Hendrik cables, so there are many cable companies around the world that also supply on these projects. The advantage we have here is that we are completely integrated. We make our own polymer as we do our own compounding and we started right from basic copper rods, and make the full finished product. Right. So, and these competitors, you name them, they are largely European, North American, and Korean. So, LS cable is in the top five cable companies in the world, part of the LS group of Korea.

Samarth Singh: Okay and so for these energy cables is my understanding correct that there is almost a full pass-through of course at least at this point.

Kushal Desai: Generally it is because you have, pricing of copper, tin all the things which go into the equation. So, the metal portion is pretty straightforward. It's the polymer that requires a negotiated discussion from time to time because it is based on proprietary formulations that different companies have.

Samarth Singh: Right, right. Okay. So, metals, the contract itself will have a pass through.

Kushal Desai: Exactly and then you have periods where you can sit and then negotiate for changes and other costs.

Samarth Singh: So, a lot of these European competitors of yours in the space, I am assuming with sanctions on Russia will have some sort of increase costs in obtaining aluminum and Copper, so, would that benefit us in any way.

Kushal Desai: In fact, involving just the metal, where conversion costs have increased very substantially, because producing a windmill cable consumes a lot of power given that the compounding and there are so many different manufacturing steps before you make a finished product and it is reasonably power intensive. So, utility costs in Europe have increased substantially. So, I think, sitting here in India, we are in a relatively sweet spot. In fact, the dampener today is freight. But as Chaitanya has mentioned earlier in the call, we have seen freight rates have stabilized and if some of the consumer products which has been going from China and other parts getting imported into these into Europe and the US, if that starts tapering off, then we could see maybe freights coming off a little bit, not substantially but may see it coming off. So, once the pricing becomes steady, then an overseas supplier like us are also able to provide more stable pricing. So, we see actually us being a relatively sweet spot as we get into the next two, three years.

Samarth Singh: Right. No, I agree, I just do more questions on the same topic. If a wind power turbine is repowered with a more efficient higher capacity turbine than is there any additional cable usage that comes into play.

Kushal Desai: So, what is happening is that as you go with a larger size turbine, the height of the tower increases and as a consequence, the length of the cable that you use within the tower also changes. Secondly, the design of the cable changes because when you go from a 1.5 megawatt to a 5 megawatt, basically, there is a transformer that is connected to where the blades are and so the amount of power that you need to then bring down through the shaft is also higher. So, bigger turbine automatically more complex and larger the amount of cable.

Samarth Singh: And we would be supplying to the bigger turbines as well.

Kushal Desai: Right. So, we have got approvals that go up to now 5 megawatts.

Samarth Singh: Okay and last question from my side, do we, I guess we are doing this CAPEX for North America. But you said the rules are global. So, I mean I think there is the German Renewable Energy Act, which is supposed to have 10 gigawatts of annual onshore wind additions by 2025 in Germany. So, would we have any exposure to that?

Kushal Desai: So, these approvals and all I mean, the product is not just going to North America, what I mentioned earlier was that we are seeing currently a growth in the export order book to North America, but two of the largest companies that we are hoping to service are based in Europe, which is Vestas sort of Denmark and Siemens Gamesa, which is out of Spain, so the windmill cables will go to Europe and the US and in fact, some of the manufacturing or assembly operations which are in Asia, also. There is a separate set of UL cables, which are going into the United States today and that business we see growing substantially in this FY23 compared to. It all started in FY22. So, we see a full year impact on that in FY23 and hopefully carry forward into the next year also.

Samarth Singh: Okay, and then hopefully, we start seeing these this European orders coming in later in our order book.

Kushal Desai: Absolutely.

Moderator: Thank you. Our next question comes from the line of Himanshu Upadhyay with O3 Capital. Please go ahead.

Himanshu Upadhyay : I had a very basic question see its CAPEX which is happening on the renewables and we expected significant CAPEX on renewables across the globe, would it not mean that it will also lead to higher CAPEX on transmission and distribution because the generation has become far more fragmented and multiple sources of power will be there rather than the traditional power plants, which used to be large single source 500 megawatt gigawatt type of power plants, small small various number of generator stations. So, and even in case of us when we are saying that renewables will play a bigger role, so, would you expect the other businesses of conductors and transformer oils also should be benefiting in a similar proportion or just because we are we were not present in cables and hence cable can be a greater growth driver, but for the industry's growth these two other segments will also be equally good.

Kushal Desai: So, let me let Chaitanya can actually answer that in more detail. But absolutely the other segments will also grow. In the case of conductors, you need conductors to evacuate power from any of these locations. So, Chaitanya maybe you can answer that question more specifically.

Chaitanya Desai: So, the places where the renewable energy is being set up are different from the traditional places where the thermal power is to get generated. So, it is all over the place where there is a coastal area or in some cases where there is a more desert more solar availability. So, accordingly there is a lot more robustness of the transmission and distribution system required when we have the renewable energy because for part of the day the power flow would be from one direction to the other and it is possible that for the in the night hours or in the monsoon season the power flow may be the other way. So, the type of transmission and distribution requirements is also a little different in terms of the robustness and also in terms of the multiple areas where the network has to be connected to the main grid. So, the nature of the network is a little different from the traditional what used to be there when only thermal power used to be in place in most parts of the world.

Himanshu Upadhyay : So, it will also benefit our primary two businesses we have a large global presence.

Kushal Desai: Yes, so, cables business actually is A. the intensity of cable consumption is much higher generally then conductors and oil. So, you will see that as infrastructure is growing, the absolute value of cables will grow at a pace which is faster than like for example, you take the Indian market, the cable business and including building wise is Rs. 60,000 crore market. So, it is 6-7 times the size of I will not say 10 times, but about 6-7 times the size of the conductor market. So, what you are saying is absolutely will happen, the conductor business also will grow. The oil business is directly proportional to the addition of transformers. So, as the transformation capacity is put up, it just grows linearly with that, because till date for this sort of networks, you can use anything other than oil filled transformers. With a direct proportion increase, either we will get the business or some of our competitors. We do not really sell transformers to the North American market, because North America is one of the largest producers of transformers and is sold very domestically, but we will see the growth happening in other geographies.

Himanshu Upadhyay: Okay and one more thing, in case of cables you have told us renewable cables, the requirements would be slightly more sophisticated or let's say windmill would require a higher torque with standing cables and all that stuff. But will the requirements on our cables and transformers also change something because of when you are saying that the power movement can be on both the side okay, not just at the system may have to go

Kushal Desai: The transformers are getting redesigned, obviously there will be a larger capacity transformer that goes up in the windmill, but there is no change in the design of the oil because these are actually very small transformers compared to the really big ones which we are supplying, we go right up to transformers which are able to carry up to 1000 over 1100 kilowatts transformers So, there is no change in design of the oil it is just that the application will keep on increasing and the oil will go into those. In the case of a cable, there is a fundamental change in the cable design required because you are going from a 1.51 megawatt or 1.5 megawatt turbine to a 5 megawatt turbine. Our oil is good for handling wide ranges of megawatts

Himanshu Upadhyay: And the possibility also much lesser in cables versus transformer oils in North America.

Kushal Desai: In North America, there is a lot of infrastructure coming right now what is going in is going in also to a large extent in the building industry. So, expansion in house for housing complexes, warehouse complexes and all these things and the real infrastructure spend is still to come.

Himanshu Upadhyay: In case of conductors also the situation will be similar in North America like transformer oils or it will be different.

Kushal Desai: So, I actually wanted to add something to the previous question that in the case of the renewable energy what we are seeing is that a fair amount of new lines are also coming up with the high efficiency conductors. In the past it used to be mostly used to debottleneck certain transmission lines which are freezing the power to state capitals or important cities but now we are seeing that actually even in new lines which are getting connected from the solar power's windmills parks to the grid. That all is coming with the high efficiency conductors. So, this is the robust line that you we were talking about and in terms of the North American Market we are seeing a fair amount of new lines coming up again driven by the renewable energy one focuses that. Second there is a lot of revamping of old infrastructure because every 40-50 years the old lines need to be kind of revamped. So, there is a lot of requirement of conductors also required on this account. These are major things which are going on there. Then of course as discussed earlier where the American market used to buy lot of conductors from China and that is now somewhat muted. So, they are giving Indian parties good chance to sell to the North American market. So, these things are helping us to drive our demand in the North American market.

Himanshu Upadhyay: Okay and one last thing on Hamriyah the oil segment. We are working we are getting that 104% capacity utilization would be required another round of CAPEX and are the local markets doing well or the end customer for that is across the globe can you?

Kushal Desai: So, we have already gone through we are in the process of completing an expansion the bottlenecking I would say in the plant which will increase the capacity by around 25% and we are in the process of just getting all the final approvals to have all those tanks etc commissioned. So, that will happen in the next couple of months. more importantly your question in terms of local demand. So, the local demand actually will get stronger because it's still dependent quite a lot on the oil and gas industry. So, as the oil and gas industry prices of oil and gas increase spending that happens in the GCC and North Africa and all those areas they tend to grow. The expectation is they will be more sale happening in those areas.

Himanshu Upadhyay: And the end market generally though local markets or we export from there across the globe.

Kushal Desai: So, between the two plants depending on where the logistics are the most suitable we are selling to a 125 countries between the manufacturing plant in Mumbai and the plant in Hamriyah. Obviously the Hamriyah plant caters to entire GCC and North Africa but from there we are also exporting to Australia for example because of freights are lower from there to Australia than to India. So, we use both the plants depending upon where the freight and logistics is best provided the products are made in both locations to transformer oil and the base range of white oils we make at both the plants. It's the industrial automotive and specialty products which are made on in the plant in Mumbai.

Himanshu Upadhyay: And one last thing we were buying molten aluminum okay? For our Orissa plant okay? We believed some amount of efficiencies we can get because we don't need to recast into our conductors we have those efficiencies played out the way we were expecting those things to happen.

Chaitanya Desai: Yeah it has on the contrary we have actually seen better economics because furnace oil prices have gone up. So, that extent our costs reduction compared to our competitors we are in a better situation.

Himanshu Upadhyay: Thank you so much and best of luck for your future.

Kushal Desai: Yeah thanks.

Moderator: Thank you. Our next question comes from the line of Chethan Dhruva with RIA. Please go ahead.

Chethan Dhruva: Okay. Congratulations on a good set of numbers. I just had two questions. So, you talked about this conductor EBITDA per unit volume reducing. I had the same question for your specialty oil. You mentioned that higher prices actually moderate the demand but you see the per unit EBITDA continuing for the year these levels or because I remember your earlier commentary stating that you expect EBITDA in steady states to be around 5000 I am sure it would pass steady state but some approximate indication of where you think this is headed?

Kushal Desai: Yeah so 5000 is the minimum sort of targeted EBITDA per Kl. that we are targeting that we would like to have. So, was mentioned in the commentary we are able to focus in this year on unit economics because unless you get your unit economics right there is a big jump in the price of raw materials and it is still continuing to increase. I don't think unlike in the cases of metals where it has started settling down at these levels and may actually come down a little bit from its all-time highs. The hydrocarbon side I don't think one can comment on that basis. So, obviously our target is to get to Rs. 5000 a KL and higher because the interest component also will be a larger working capital piece given the per liter cost of any of the oils but we are little bit muted in terms of is unpredictable in terms of how the demand will get affected because in some of the products especially industrial automotive customers can increase useful life of the product and do a replacement later on. It's not going to happen in the case of transformers because transformer oil forms only 5% of the cost of the transformer. So, that will be dependent really on the expansion of the transformation capacity and number of transformers getting laid out.

Where that has been a little bit slow in India at the moment is the state governments have really not been able to keep pace with what they need. So, the centre is coming up with a whole set of new plants with strings attached. So, if that happens then again you will see a spurt taking place but otherwise for other products we don't know how demand could get affected given where these prices will finally land up. You may even see reduction in consumption of gasoline and diesel. India is still not seen the sort of increases that some of the other countries have seen but the commentary which we are hearing and you probably have access to also which is the Bloombergs in the world. It seems like even oil companies are expecting they could be an impact.

Chethan Dhruva: So, do you actually foresee a potential decline in the second segment at least in terms of volume and also in terms

Kushal Desai: We all mentions in our commentary saying it could happen. The good thing we have a set of three businesses here and the oil business the number are still may not we don't know that they'll be as good as what it was in the last two years which were two excellent years that we had but our cable and conductor businesses will actually kick in and if there is any slack that comes from the oil business because of the current hydrocarbon situation I think it will get more than compensated by the other two business segments. So, I think overall we'll still come out much ahead.

Chethan Dhruva: Okay. Just one more question that's on my side on the CAPEX for FY23 any specific guidance here?

Kushal Desai: So, the CAPEX for FY23 actually carries a significant carry forward from what was planned in the last year. So, we'll about a 130-150 crores worth of CAPEX taking place but half of it is actually carried forward from projects which we initiated the previous year because you the production lines and things have taken little longer for delivery to take place.

Chethan Dhruva: Okay but totally you're looking at around 130-140 crores in the year?

Kushal Desai: Yeah of which half of it about 70 odd crores is actually capital work in progress or equipments which are on its way here which are getting commissioned.

Chethan Dhruva: Understood. Thank you sir. I appreciate your responses and good luck for the upcoming quarter.

Kushal Desai: Yeah thank you.

Moderator: Our next question comes from the line of Nemish Shah with Emkay Investment Managers Limited. Please go ahead.

Nemish Shah: Thanks for this opportunity and congratulations on good set of numbers. So, I had one question on our lubricant's business. So, if you could just share your outlook strategy on that segment for us and just wanted are we winning market or winning new customers in that segment on the obsolete side?

Kushal Desai: So, on the **lubricant business** side we continue to actually bid for more and more business from OEMs and on the tractor side we've added more volumes from the amalgamations group. So, that you will see more volume from amalgamations group coming up this year. So, there are two parts to it one is first fill and the other one is the aftermarket. So, we've been dropping some first fill business and focusing on the aftermarket business within the OEMs. So, we continue to see some amount of growth happening there but our sense is that lubricant demand itself will come down because the ticket size of one litre of engine oil or gear oil increases the customers tend to then run the change period longer before they will actually make the change. So, on the retail automotive side we don't expect any major growth to happen. Whatever growth will happen will come from network expansion which we are doing. On the other hand on the industrial oil side we have been seeing growth and this is a proxy to the industrial activity in the country. So, we had a 20% increase in volumes last year and we are targeting 10% plus increase this year on the industrial lubricant side.

Nemish Shah: So, in terms of the volume mix so currently lubricants will be about 14% odd of the overall oil business. So, we expect that to improve going forward?

Kushal Desai: Yes it's more than if you take the automotive and industrial put together it's a higher percentage than that. So, the lubricant revenue came in at almost 800 crores out of 3600 crore total revenue.

Nemish Shah: Few bookkeeping question, if you just share the LCs for the period and the debt figures in FOREX and domestic currencies.

Ramesh Iyer: Here the long-term debt stood at 253 crores. We had a cash and cash equivalent about 297 crores. There were no short-term debt. The interest-bearing LCs in FOREX is about 1600 crores and domestic about 1200 crores

Nemish Shah: Yeah that's it from my side. Thank you and all the best.

Kushal Desai: Yeah okay right.

Moderator: Thank you. As there are no further questions now. I would hand over the conference to the management. Please go ahead.

Kushal Desai: Yes thank you everyone for taking out the time for our earnings call of FY22. Just in terms of just closing remarks we are quite optimistic as you heard through the narrative of a call as we get into FY23 and into the future the conductor business has a strong order book. We expect business also from the overseas markets and that is also reflected in the 3000 crores order book that we have. On the cable side we've got non-conventional energy and the growth happening in our wires and LDC business where we have growing distribution. So, all of those are kicking in. So, we're optimistic as we go into the next year and thank you for your time on this call and hopefully we'll have interesting financial numbers for the quarters to come. Thank you very much.

Moderator: Thank you. On behalf of Four-S Services and Apar Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.