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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, 2023 (2022-23)

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

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Dear Sir,

Kindy refer our letter dated May 08, 2023 under Ref. no. SEC/0805/2023 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, 2023 (2022-23).

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Investors Earnings Call made on May 08, 2023 on the Audited Financial Results (Standalone & Consolidated) of the Company for Q4 and financial year ended March 31, 2023.

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

Kindly take note of this.

Thanking you,

Yours faithfully,

For APAR Industries Limited

SANJAYA RAJU KUNDER

Digitally signed by SANJAYA RAJU KUNDER
DN: c=IN, o=PERSONAL, title=7428, pseudonym=9fdeb5687d624d869f090b9361568600, 2.5.4.20=e1e7d44fe70d01431f3f8f9fbc5d579df83d4f144d97b964a056b828176242b3, postalCode=400083, st=Maharashtra, serialNumber=0cc5c938eb4e54110332d07255e723e3bd1a6849c5d87c4f34e5bec3533aa715, cn=SANJAYA RAJU KUNDER
Date: 2023.05.12 21:26:17 +05'30'

(Sanjaya Kunder)
Company Secretary

Encl. : As above

"APAR Industries Limited
Q4 FY '23 Earnings Conference Call"
May 08, 2023

MANAGEMENT: **MR. KUSHAL DESAI – CHAIRMAN AND MANAGING DIRECTOR – APAR INDUSTRIES LIMITED**
MR. CHAITANYA DESAI – MANAGING DIRECTOR – APAR INDUSTRIES LIMITED
MR. RAMESH IYER – CHIEF FINANCIAL OFFICER – APAR INDUSTRIES LIMITED

MODERATOR: **MR. AMBESH TIWARI – S-ANCIAL TECHNOLOGIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of APAR Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Ambesh Tiwari from S-Ancial Technologies. Thank you, and over to you, sir.

Ambesh Tiwari: Good afternoon, everyone. This is Ambesh Tiwari from S-Ancial Technologies. I welcome you all to the fourth quarter FY '23 earnings call for Apar Industries. To discuss the business performance and outlook, we have from the management side, Mr. Kushal Desai, Chairman and Managing Director; Mr. Chaitanya Desai, Managing Director; and the CFO, Mr. Ramesh Iyer.

I would now pass on the mic to Mr. Kushal Desai for the opening remarks. Thank you, and over to you, sir.

Kushal Desai: Yes. Thank you, Ambesh. Good afternoon, everyone. I will start off by giving a quick overview of our performance and follow that up with a short industry update. We can then get into more details on the segmental performance of our three major businesses and post that, we will open up the floor to questions.

So, during the fourth quarter of FY '23, the consolidated revenue for APAR came in at INR4,089 crores, which is 36% higher than the previous year. We witnessed volume growth across all the three divisions and in particular, export of conductors and cables, which are the major contributors to this overall growth. Exports grew by 85% year-on-year, contributing to 53% of the company's revenues for the quarter compared to 39% a year ago.

The EBITDA for the quarter is up 146% to INR445 crores at a margin of 10.9%. PAT came in at INR243 crores, which is 194% higher than in the previous year. The PAT percentage is 5.9% versus 2.7% a year ago. If you look at a full year consolidated basis, the revenue came in at INR14,352 crores, carrying a growth of 54% year-on-year. PAT at INR638 crores is 148% higher than the previous year.

Export for the full year contributed towards 49% of the total revenues, which is 97% higher than in the previous period. This has been an all-time high, top line and bottom line for the company as well as for export revenues.

Coming to the power sector, I would like to just update a couple of major areas. The power generation in India grew at the fastest pace that it has in the last three decades with a jump of about 11.5%. This was led by actually the intense summer heat wave from the last summer and colder than usual winter in Northern India. There was also an economic recovery that led to a jump in electricity demand. This forced the cranking up of output from coal plants as well as solar farms as well this scramble to actually avoid power cuts. So, the output from plants running on fossil fuels grew by 11.2%, which is actually the quickest growth that has happened in the last 3 decades.

There was a 12.4% surge in electricity production from coal and that offset a decline that had happened from gas-fired plants basically due to the spike in LNG prices. So, if you look at the total power supply during the last fiscal, it is at 1.5 trillion kilowatt hours, which is 8.4% higher than in the previous year.

India still faced a power deficit of 6.69 billion units and this is the widest deficit that it has had in the last six years. So even though power production was 8.4% higher, the deficit was still the widest in the last six years. In the new fiscal that began last month, Indian power plants are expected to increase power generation from coal by about 8%. The acceleration of coal-fired output to address a spike in power demand highlights the challenges which are being faced by India as we try to wave off the usage of carbon and ensure energy security for our population.

On the renewable side, India solar capacity additions have grown by about 20% during the just ended fiscal year of FY '23, boosting the renewable energy output to 33 billion units or approximately 22% of the total power being generated. The green energy output helped prevent 32.5 million tons of CO2 emission, that would otherwise have been produced from coal. The share of renewables in power generation, excluding big hydro and nuclear power.

So essentially, this is small idle solar and wind has increased to 11.8% compared to 10.8% in the previous year and the main increase has come from solar, which is 35% higher than in the previous year.

I would now like to spend a few minutes to cover the business highlights. Our conductor business as revenues in Q4 FY '23 growing by 41% year-on-year to reach INR2,121 crores with a volume growth of 46% in the quarter. The export revenue grew by 81% year-on-year, contributing towards 58% of the division's overall revenues.

The premium products contributed to 45% of the revenue mix. EBITDA per metric ton post forex adjustment came in at INR 58,000 a ton, which is a historic high. As we have been mentioning earlier, the conductor division has seen a major transformation in its journey over the past decade and the various investments which we have made in R&D has helped us to tap opportunities both in the domestic as well as the overseas markets.

Looking at a 12-month picture, the conductor division revenues came in at INR 7,013 crores, which is up 67% year-on-year. The physical volumes of conductor manufactured is up 49%. The EBITDA per metric ton for the full year period came in at INR 44,114 per metric ton, which is 158% higher than in the previous year.

The total order book that we have as of 31st March stands at INR 5,124 crores for the conductor division. So overall, the division has had an excellent quarter as well as the best 12 months in its history. The division's higher profitability can be attributed to a much higher share of premium products as well as a high share, a historic high for exports in the non-premium products.

Also, the market conditions in FY '23 were the most favourable than we've seen during the post-COVID period, where customers paid a premium for reliability and quality and also there were substantial freight gains as the container freight rationalized over the year. The losses from FY '21 and '22 due to freight, were to a very large extent, actually compensated in FY '23.

Having said that, the competitive dynamics in this division have intensified including from Chinese suppliers who have started pricing sharper and also are trying to find ways around the higher tax regimes that have been applied on them from the United States. We also are seeing an inventory adjustment taking place as customers reduce the higher level of inventories that they had built up to insulate against supply chain bottlenecks. So, this has resulted in a lower level of orders, which have been coming in, in the short term.

Coming to the oil division. Q4 FY '23 revenues came in at INR 1,179 crores, which is up 28% year-on-year. The volumes grew by 12% in the quarter, driven by a higher base oil price. Export contributed towards 45% by revenues and 47% by volume. EBITDA post forex adjustment came in at INR 3,697 per kl, which is in line with the guidance which we had given earlier. The lubricant revenue for the quarter was INR231 crores with a total volume of 18,370 kl.

So, during the 12-month period, oil revenues were up 31% to INR4,656 crores, the volume grew 5% in the period. EBITDA post forex came in at INR4,781 per kl. And this was largely due to a much higher margin in the first quarter and then a revival of bringing margins back closer to normalcy in the February, March months.

Transformer Oil, which accounts for about 1/3 of the oil division grew at a faster pace than the other categories. And with the developments that are happening in the infrastructure space, we expect a steady demand to continue for transformer oil, both domestically as well as overseas. Towards the end of the year, the margin pressures, which were there from the mismatch in cost versus selling prices have also eased and we should see better profitability and consistency in performance even on the lubricant side, which includes 3 industrial and automotive lubricants.

Now coming to our cable business. Our cable business revenues grew 38% in the fourth quarter to reach INR943 crores with a significant increase coming from our elastomeric cables as well as exports. Exports contributed towards 54% of sales in Q4 versus just 27% a year ago. The elastomeric cable revenue grew by 20%. We see robust business continuing to come in the renewable energy space, especially from solar installations. The EBITDA post forex came in at INR117 crores, which is 12.4% of revenues. So, this is a good 7% higher than what it was in the same period previous year.

Looking at the 12-month picture, FY '23 had cable revenues increased by 64% year-on-year at INR3,263 crores. The elastomeric and export business were the 2 main drivers with export contributing towards 52% of the annual revenues of the division. The EBITDA for the year came in at 10.3% versus 5.3% for the previous 12 months.

So overall, we had a very strong FY '23, and this has, of course, been the all-time high performance across all the 3 major divisions combined, robust growth, not only in the top line but also on the bottom line. We are quite optimistic about growth prospects of the company as the domestic and global macro environment continues to remain favourable with the thrust on infrastructure and renewables, which we expect will continue for the next few years.

We also recognize that in FY '24, the post-COVID demand and premium on quick and reliable delivery, as well as some of the strong tailwinds may taper to some extent, but we are overall quite positive about the prospects of business over the next 3 to 5 years.

I would also like to point out that we've updated our corporate presentation to make it current. It's already up on the website, and it carries a lot of detail information much beyond what I was able to summarize earlier in the call. I would also request you all to go through the latest APAR ESG report, which was put up a couple of months ago in the Sustainability section of our website. And that updates all the company-wide initiatives in this most important area.

So, with this, I'd like to come to the end of my comments. I also like to thank all of you for joining this call, and we can open up the floor to questions, please.

Moderator: Thank you very much. The first question is from the line of Garvit Goyal from Nvest Research.

Garvit Goyal: Congratulations for a good set of numbers. My question is particularly on the conductor segment side. Like you mentioned in quarter 1 FY '23 con call, you guided for EBITDA per ton, somewhere around INR17,000 to INR18,000. So, my question is what exactly driving the change in EBITDA per ton, like, I think, 3 quarters before you mentioned INR17,000 to INR18,000, in this particular quarter, that is around INR55,000 per ton. This is a significant change.

So, if this is a permanent change like because of the sectoral changes you are mentioning product mix and geographical mix. So, then I think the investor community should assume these kind of realization going ahead, right? I'm asking this because from here realization has come down, then we will not be able to grow our EBITDA in particular segment, even if the volume growth come in.

Ramesh Iyer: There are multiple reasons for this increase in EBITDA. One of the key reasons and we have elaborated in our investor corporate presentation also is the transformation shift that has happened in the conductor division for the last 2, 3 years. Earlier, it was largely the conventional conductors catering to the domestic market where the margin used to be less because of competition intensity. But over the last 2, 3 years, we have been executing more of premium conductors due to which our margin profile has changed considerably as compared to the earlier period.

What has also happened in FY '23 is that not only we have been servicing the domestic market, but also opportunities are coming in the export market. So, what we've seen in FY '23 is that not only our conventional conductors that caters to the export market has increased in margins, but -- and also the premium conductors have also been having a higher margin. So overall, put together, we have seen a high margin in FY '23. And also, some of the macroeconomic and geopolitical environment has favoured us, that has also helped us to increase the margin in this year.

Garvit Goyal: So, my question is -- still not answered, right, going ahead, whether these kind of margins -- realizations are sustainable for this particular segment.

Kushal Desai: So we have been increasing our guidance continuously over the last 1 year, and we continue to keep a guidance of about INR25,000 per metric ton EBITDA at this stage also, plus some of the tailwinds that may come in the future, which as of now, it's difficult to predict because it depends on various macroeconomic and geopolitical situations.

Even last quarter, we have been guiding about INR25,000 per metric ton. So, at this stage, we feel that on a long-term basis, we expect the

EBITDA to continue at about INR25,000 per metric ton. Any tailwinds that arise in future would be added on top of this margin.

Garvit Goyal: You are paying this macroeconomic environment and part of the reason you mentioned is freight. So, freight rates are coming down. So that will be reflected in your EBITDA realization, right, in the coming quarters?

Ramesh Iyer: Yes. Freight rates has been coming down and accordingly, we pass on the freight benefit also to the customers unless there are some prices which are already locked in the pending orders, but largely, we pass on the cost to our customers.

Garvit Goyal: Okay. And what about the volume growth in FY '24, on the conductor and this particular oil segment prices?

Kushal Desai: Can you repeat the question because the voice was a little muffled.

Garvit Goyal: I was asking for the volume growth guidance for...

Kushal Desai: We expect approximately a 10% growth in volumes to 175,000 to 180,000 metric tons. Also, further to what Ramesh mentioned that in FY '23, there were a couple of very helpful tailwinds where we had taken freight hits in FY '21 and '22, which turned positive in FY '23, wherever the freight rates have been fixed. Now going forward, as we get into FY '24, the rates obviously are more current, and we don't expect any gain coming from there.

The second thing is that as supply chains were quite broken leading up to FY '23, customers in the United States and many of the export markets who actually bought a brunt of this, were prepared to pay a premium to suppliers who had high quality and high reliability. Because their projects were already delayed.

And as a consequence, the negotiations really or the premium that you got on the price was relatively easy to pull during FY '23. Now having supply chains, having got normalized, obviously, there is more discussion, negotiation and pressure on prices and margins, which is more in line with the normal scenario.

And what Ramesh also mentioned in here is that because of the premiumization of products, you will see a long-term change in the EBITDA from INR 10,000, INR11,000 a ton, which is what we had for several years, increasing to the INR25,000 plus, of course, if there are any tailwinds which come in, but a steady state of INR25,000 per metric ton.

Garvit Goyal: And sir, you mentioned the supply chain is getting normalized. So, whether they have been normalized or they are going to be normalized in coming quarters?

Kushal Desai: So, the supply chains have all got normalized now. So today, getting containers is not a problem, not only in India but anywhere in the world. There's enough capacity of liners. There is no congestion at ports which is landing up with hundreds of vessels wanting to berth. So that whole thing has got cleaned up in the United States and in most parts around the world. So, the supply chains are now pretty much normal.

Garvit Goyal: Okay. And on the oil segment, like, sir, what will be the volume growth guidance in the EBITDA realization?

Kushal Desai: So, on the -- in the oil vertical, we are looking at about a 5% volume growth. And our guidance on EBITDA will continue within the INR5,000 to INR6,000 per kl. Last year, we came in at a little over INR4,700.

But with the situation having pretty much normalized in terms of unit margins, especially for the lubricant side of the business, our guidance is around INR5,000 to INR6,000 per kl with a 5% increase in production. Now if you ask for the third division, which is the cable division, there we are expecting about 25% to 30% growth and EBITDA between 10% and 12%.

Garvit Goyal: Okay. And one last question is, you mentioned in your opening remarks regarding FY '24 taper off or kind of muted. So, is it like to be muted going forward?

Kushal Desai: Again, I couldn't hear your question. Could you repeat that, please?

Moderator: Sorry to interrupt Mr. Goyal. There is any disturbance coming from your line, sir, request you to use the handset mode, please.

Garvit Goyal: Sir, in your opening remarks, you mentioned like FY '24 to taper off or kind of -- so can we take, is this going to be a muted one?

Kushal Desai: Muted in the sense that both -- we expect both the oil division and the cable division to have a higher revenue and profit number. In the case of conductors, you will see a higher growth, but the profitability, which is averaged 44,000 for the year is something that's not easy to repeat. So, because there were a number of favourable wins. So, our guidance for that is 25,000 plus, there could be some tailwinds that actually come in. But that would be clear only once you start closing orders, we're right at the beginning of the year, and there's still a lot of uncertainty that's running.

Moderator: The next question is from the line of Pratiksha Daftari from Aequitas Investments.

Pratiksha Daftari: I was saying that with the -- I know you mentioned that competition has intensified and freight benefit would also probably not -- carried be sustainable in next year. What about our raw material prices with metal prices being in a range bound fashion, would that also impact our profitability going ahead?

Kushal Desai: So, as we've always mentioned in the past, we don't really take a call on raw material prices. We just hedge. Premiums have gone up slightly the MJP, which is one of the key benchmarks in terms of measuring premium. They were steady at around $80 to $90 a ton, which have now increased about $120 a ton. But that is being factored into the pricing of our products. So, we don't really see any major impact from the metal side because it's all back-to-back hedged.

Pratiksha Daftari: Okay. Got it. And in terms of the order book that you mentioned about, I think, INR5,200-odd crores, how much would be premium products and how much would be export?

Ramesh Iyer: About out of INR5,000 crores, about 40% will be premium products.

Pratiksha Daftari: Okay. And exports?

Ramesh Iyer: Exports, out of INR5,000 crores, could be about 60%.

Pratiksha Daftari: Okay. And what I understand is that we had some share of railway orders in conductors. Do we see that plateauing considering that the railway electrification target is newly achieved or at least a good amount of what was done.

Kushal Desai: So, there are -- they are following sort of phenomena that's happening that there was program 1 was converting diesel to electricity in terms of running the locomotives. So that program is at a very advanced stage. You'll only see about another year or so in which that target will be met. However, what's happened is that the lines which have been set of both contract and catenary lines are not high capacity or high ampacity lines.

As there's limitations in terms of the amount of current that it can carry to run Vande Bharat train and high-speed trains at its full capacity. So therefore, there will be a certain level of reconducting that will come up if these trains are supposed to reach their full potential. So, I guess the program will get over and then there could be a gap. And then the reconducting have to be done. Otherwise, you've got trains that can run at 160, 180 kilometres and are running at only about 100 kilometres an hour.

Pratiksha Daftari: Okay, understood.

Kushal Desai: Just by the way, APAR has been ready with this from day 1. We've been -- we have the alloys, the R&D was done several years ago and products are already ready and commercialized. But at that point in time, Indian Railways didn't want to use high ampacity product. So as these tenders come up, we are already ready with the products.

Pratiksha Daftari: Wonderful. That's really nice to hear. Okay. In terms of order pipeline, if you could share some color on that.

Ramesh Iyer: Sorry, what was your question on...

Pratiksha Daftari: Order pipeline for both cables and conductors.

Kushal Desai: For conductors, we've seen about INR5,000 crores is the pending order book.

Pratiksha Daftari: No, I just mentioned the tenders that are opened because we are seeing a lot of T&D orders that are getting announced for the EPC companies. So just wanted to understand what are the -- how does the orders that are in process look like?

Chaitanya Desai: Yes, those are going on in a full-fledged way right now. They are in the process of placing orders on domestic parties such as ourselves. And those will be executed in this financial year. And then next round of TBCB tenders are expected, which will help us to feed the supplies in the next financial year.

Pratiksha Daftari: Okay. All right. One question on cable, just update on the capex plan. And also, what is the execution period of the order book?

Kushal Desai: So, the order book, which as we've spoken about is the order book for conductors

Ramesh Iyer: and cable, we have given an order book of about INR1,200 crores should be just over a quarter's order books.

Pratiksha Daftari: Okay. All right. And the capex for cable?

Kushal Desai: So is the total capex that we are planning to invest is about INR400 crores to INR450 crores over the next 12 to 18 months because some of these are now longer lead items for increasing capacity. So, of that, the cable portion is approximately INR260 crores to INR270 crores. And that includes actually us acquiring a new greenfield site which is close to where the current plants are located.

So our plan on the cable side is to do this capex and invest a little bit ahead of the curve because for example, while talking to all the major customers that we have in the United States, their projection is that their execution of solar installations today is running at about 15 gigawatts per annum. And in two years' time, they expected to run at 30 gigawatts per annum. So also, if you see in India every year, the implementation of renewable energy has been growing. So that's the reason why our plan is to invest the total capex of the company about INR400-odd crores. Conductor division will be about INR100 crores, cable will be about INR260 crores to INR275 crores. And the oil division is much smaller at about INR20 crores to INR25 crores.

Pratiksha Daftari: Okay. But we had some capacity that was expected to be commissioned sometime around this quarter or next, right?

Kushal Desai: So, we have one phase, of this, which is getting commissioned in end of June, beginning of July. So that capacity will be available from the third quarter. But there's a whole lot of new equipment that's been ordered. And continuously through the year, we will see it coming in and getting installed. There is a -- the greenfield side, of course, has some amount of upfront investments, the acquisition of the land and getting the greenfield site ready. But then once the initial site is ready, then it allows us to again modularly keep on expanding capacity on the site.

Pratiksha Daftari: Understood. And in terms of our interest cost, how do we look at that -- look at that going ahead? Would that be increasing in tandem with the volume growth?

Ramesh Iyer: Interest costs have almost peaked now in quarter 4, quarter 3, quarter, quarter 2 also. Depending on further increase in interest rate, it could further go up. But we feel that about quarter 4 numbers could be what we expect for the rest of the year, unless there are further increases. Of course, it will go up in line with the volume increases. But in terms of the rate, quarter 4 captures most of it.

Pratiksha Daftari: Okay. Okay. All right. Congratulations for good set of numbers.

Moderator: The next question is from the line of Charanjit Singh from DSP Mutual Fund.

Charanjit Singh: Congratulations on a good set of numbers. So, sir, especially, I wanted to touch on the export side. In terms of overall contribution, we have seen rising to almost around 49% exports. And if you can just give us more colour in terms of the different geographies, like you touched about U.S. basically. And I think you were also working on other geographies, maybe like Australia and all. How we can see these exports, can we see it going further up? What's the kind of growth on these highways we can see in the exports overall opportunity? That's my first question.

Kushal Desai: Okay. So, on the export front, the growth is really being led basically by the addition of renewable energy. And the largest market that we have currently is North America -- is the United States. But cable sales into Europe has also started increasing, mostly going into against solar installations. We've seen a steady growth in a steady set of orders coming in from Australia, where we are seeing basically 2 areas. We're seeing solar and wind installations. Again, that's the renewable energy generation, plus the metros that are being built in all the major Australian cities.

So, because we supplied to -- we were 1 of 2 major suppliers into the Sydney Metro, we are getting an opportunity to also bid on metros that are being developed in all the other major Australian cities. Besides this, there are opportunities that are coming up even in Latin America, countries like Colombia, Chile, etc.

And in Africa, we've been supplying products largely to Ethiopia, which has been either Asian -- sorry, African development bank funded or other multilateral agencies funding electrical infrastructure there. So, these are the principal geographies where we are seeing the growth, and we expect that for the next 3, 4 years, the growth will continue from these geographies.

There are on and off demand from many others, but these are the 5, 6 major markets from where we see the business coming for both our conductors as well as cables. In terms of the oil side of the business, the supply overseas is quite steady. Again, any electrical installation needs a transformer and these transformers are all oil field. So, there's steady growth taking place even on the transformer oil side.

Charanjit Singh: And sir, you talked about this Chinese now manufacturers also at looking at these markets. So how do you see China opening up impacting and their supplies now getting back into the market? And you also highlighted that they are trying to overcome some of the duties and all. So, can that impact these export numbers to any extent?

Kushal Desai: So, I don't think it will affect necessarily the volume of exports that we have because the market itself is expanding. But there could be an influence on the unit pricing. And there are 2 things that Chinese companies are generally doing. One is that they have been involved in M&A activity, buying out players located in favourable geographies and not changing the name of the company or anything and continuing to supply in those companies' names. They've also set up manufacturing or are looking at setting up manufacturing in other geographies, which are greenfield.

And finally, the some of the companies are setting up finishing facilities. So, the conductor and various other parts of the cable will be coming in from China. And just the final step is done in a country like Vietnam, or

Korea, one of these, which don't have any -- or do carry some favourable duty structures with respect to the United States, etc. So however, who all of this, there is a cost increase that takes place. They're not just as competitors manufacturing in China and exporting.

But it saves the money relative to paying the higher U.S. duties, for example. So, we see that the pricing may come under some amount of margins may come under some amount of pressure. But the volume itself is growing. I hope that answers your question.

Charanjit Singh: Yes, sir. That's very helpful. Sir, if you can just also give the numbers for acceptances, how acceptances have moved?

Ramesh Iyer: Yes. So, our interest-bearing acceptances is about INR3,600 crores. There areletters of credit. Is that the number you wanted?

Charanjit Singh: Yes, sir. And how do you see now acceptances going forward? Any thoughts on...

Ramesh Iyer: This is usual creditors for us for acceptance is now if we take the credit period for the maximum period. And it will go up in line with the volume of the business and the rates of the key raw materials.

Charanjit Singh: Okay, sir. Sir, just lastly, from my side if I can squeeze in another question. You have also talked about industries and corporate as one of the segments, which is almost around 17% of our revenue. And this is having a very significant industries like railways, defence, shipping. And so, if you can touch upon how these industry segments are operating? And do we see a significant uptick coming in these segments?

Kushal Desai: So, from the cable perspective, the railways will be a major segment going forward because as you can see, there is a very large amount of locomotives that are being ordered. In fact, Siemens received an order for 1,200 locomotives to be delivered over 10 years. Similarly, there all the Vande Bharat trains are going in, which consists of the locomotive and the bogie. It's a full integrated strain. So as a consequence, cables into the railways are definitely increasing. There is also capex that's happening in the Industrial segment. So, manufacturing plants coming up, etc.

So, the good thing is that no matter what plan you're agnostic to manufacturing plant, you need cables to be able to deliver power to run the equipment's etc. So that's where we are seeing this -- the industrial side picking up, the railways. As far as defence is concerned, there is a steady increase taking place. It's nothing dramatic. But you'll see a step-up on the railway side because of the large locomotive and Vande Bharat expansions that are happening.

Charanjit Singh: Got it, sir. Sir, just one thing on Anushakti wire, because wires is another segment where we had -- just last question from my side, sir, just a second. Yes. So just on Anushakti wire, sir, because we had started doing significant branding exercise, channel expansion and a lot of team building on that side as we can see. So, if you can just touch upon that initiative. This is the last question.

Ramesh Iyer: Yes. Yes. So that is going very fine for us. If you see, we have a slide on that, that shows how much progress we have done over the last 1 years in terms of increasing our channel expansion, distributor presence, active state presence as well as various demos and electrician meets. So, it is progressing as per our internal estimates on the overall sales.

Kushal Desai: Essentially, we have -- I mean, if you look at the channel, almost a 70% growth from last year to this year, and then we will see on an equal growth from this year to the next year. So, we are adding almost a little over INR100 crores a year from FY '23 to FY '24 as far as that channel is concerned. So, it's basically the anchor product there is Anushakti wires, which are the best in class. And then along with that, there are other LT cables and 3 core flat and a whole bunch of other products that go along with that through that distribution channel. So that part of the business is growing. If you go to the corporate presentation that has been put up on the website, there is a slide that actually details dealer addition, retailer addition, etc.

Moderator: Next question is from the line of Koushik Mohan Ashika Stock Broking.

Koushik Mohan: Congratulations for the great set of numbers. I just wanted to understand your order book and what is the total size of the order book currently? And for how many years is that order book is there for?

Ramesh Iyer: So, conductor order book is about INR5,000 crores, and typically expedite about 6 to 7 months -- 7 to 8 months of execution. This is a cable, our order book is INR1,200 crores, it will be just over a quarter.

Koushik Mohan: Okay. And I also wanted to understand another thing. What is your revenue guidance for the coming next 3 years?

Ramesh Iyer: So, we have given guidance on the case of conductors volume would be for about 10 to 15 percentage. In the case of oil, it would be 5 percentage on volume and cable value would be about 25% to 30%.

Koushik Mohan: Okay. And sir, is this the net profit currently, which is around 4%, 4.5%. Is this a sustainable margin going forward?

Ramesh Iyer: So, we don't see guidance on the profit percentages because the values and the percentage will depend on the raw materials and the price movements. Therefore, we give an EBITDA guidance, which has already been shared.

Koushik Mohan: Sure. I can see that in the presentation. And the presentation is really fantastic, sir. And the last and final question, what is your conversion of cash flow from operations to EBITDA or EBITDA to cash flow from operations?

Ramesh Iyer: It's actually there in the cash flow statement, you can see that -- probably the cash flow statement where you will be able to see the conversion.

Koushik Mohan: For the future year because normally it is starting at a 50 percentage on an average. I just wanted to understand in the coming years, or so will it be the same?

Ramesh Iyer: Well, it should be in line with the sales growth that should happen unless if there are any abnormal changes in working capital, which we don't expect at the moment.

Koushik Mohan: Okay. Sir, another capex of INR450 crores is what you are speaking about. INR450 crores. So, it is going to be in the duration of next 1 year to 18 months. Sir, this major capex of this one will be in the cable segment. Am I -- is my understanding, right?

Kushal Desai: Yes, about INR260 crores to INR275 crores will be in the cable segment, about INR100 crores in conductors. And around INR20 crores to INR25 crores in the oil business.

Koushik Mohan: Okay. So, sir, what can be the incremental assets on this cable side, only on the cable segment?

Kushal Desai: Between 8 to 10x.

Koushik Mohan: 8 to 10x. And congratulations for the fantastic numbers. And I expect same kind of presentations in the future.

Moderator: The next question is from the line of Mihir from Carnelian Capital.

Mihir: Congratulations on a good set of numbers. Sir, largely wanted to understand, I mean will we see the share of premium products. So that's like a 49% last time and has gone to 44% this time. So, it is the exports plus of rate benefit, which is driving the overall profitability on the conductor side of the business.

So, I just wanted to understand, I mean, given right now Chinese players coming into picture, how are you seeing the incremental orders getting priced in? So, the INR5,000 crores order book that you are having, what is -- what could be the pricing of those -- that order book? And when you -- when one should expect the normalization of margins to happen?

Do you expect that to immediately happen in first quarter, second quarter? Or do you expect that to be more back ended in second half of the year? And I also wanted to understand on the freight cost. I mean, currently, we have posted INR58,000 kind of profitability. So, what could be the element of freight cost benefit that one should consider that this number, which will not be there in the normalized number? Yes. So just wanted to understand that.

Ramesh Iyer: Yes. So freight cost for us, actually, it depends on the execution of orders because we -- the order book, you may have a long pending orders and the execution of that may take -- some of the execution may take more than 3 months, 6 months or so there could be some orders in the pending order book that may get executed in FY '24. It's very difficult to say an exact number of how much could be the freight because they are various factors, there could be freight saving. There could be steel cost savings, etc, which could be included there.

And there could be some carry forward from the pre-COVID, COVID times order that is coming into this execution. So, it's very difficult to give a number that we can say that x amount of savings per metric ton is included in INR58,000, which may or may not recur in the future. And therefore, we are actually giving our guidance for the future profitability, which is INR25,000 per metric ton plus the tailwinds that can come in various forms which includes macro environment and Chinese competition intensity, etc.

Mihir: Sure. Sure, sir. And just on the order booking that you are having INR5,000 crores of order book, I mean just to understand it qualitatively, let's say, one building new orders over the last 3, 4 months, given the fact that Chinese competition is coming back, are we bidding -- I mean projects at comparatively lower margins than what we were bidding, let's say, 6 months back?

Kushal Desai: So, let me just comment on that. So, the -- as far as the domestic market is concerned, of course, the Chinese don't have a role to play. There -- as the TBCB contracts or other tenders keep growing, there's been one major change in that. So, from FY '25 onwards, we will see benefit that a higher-grade conductor is being used, which is an HTLS conductor, which is called AL59. So, there is one change that's happening in that. It's like an in between conductor. It's not HTLS but it's an upgrade on just normal conventional conductor. As far as the export markets are concerned, the U.S. still continues to carry a higher duty on the Chinese products.

So, if the Chinese want to get product in, they cannot produce the product. We can't sell a Chinese-produced product. So, if it goes through any of these other channels, there is a bit of an increase in price. But as they go into projects in Europe or into Latin America and some of these other countries, there is no punitive tariff or duty on that. So, with China having also got stabilized post all the COVID-related issues, etc, there is increased competition coming from these locations.

In any case, the most profitable market that we had outside of India was the U.S. or is the U.S. market. But even there, there is competition coming in besides Chinese from other -- Chinese indirectly, but from other locations, because if you see all other geographies, including Southeast Asia, etc, the Middle East, these supply chains have all started. They are all now today in a normal state. They're pretty much equal to what it was in the pre-COVID period.

Mihir: So, the normalization...

Kushal Desai: There is a little bit of an intensity of competition. And that's why our sense is that long-term guidance that we can maintain is 25,000 per ton basis. If some product mix changes or if we have anything -- any favourable tailwinds, then it could be upwards of it.

Mihir: And sir, just lastly, I wanted to understand the realization difference between exports and domestic on the conductor side, because last year, when we produced these particular products domestically and sent it outside, so what is the realization difference in exports versus domestic?

Kushal Desai: So, the way -- as we had explained in some of the previous calls also is that most of the HTLS and OPGW and these higher end products are sold in the domestic market. And we've moved as much as possible our conventional products into overseas markets where you can end up getting INR10,000, INR12,000 a ton higher than in domestic. So, when you say INR25,000 and looking at the order book and our crystal ball gazing as we look into FY '24, etc, it takes into account this mix. The conventional product will go to a larger extent towards export and the premium products would be sold more in the domestic market.

Moderator: The next question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Congratulations on a very good set of numbers. My first question is sir, you mentioned that you're seeing strong demand from new manufacturing capacity. Do you think this segment could be very high in FY '24 and '25 or do you think it will remain minuscule in your entire revenue?

Kushal Desai: So, I didn't get the question exactly. Are you saying that will the demand remain strong just in FY '24...

Mohit Kumar: No, sir. My question is, you said that you're seeing strong demand from new manufacturing capacities, which is being set-up in this country.

Kushal Desai: Yes.

Mohit Kumar: So, my question is, does this add materially to the top-line in FY '24 and FY '25 or it's a very small part of your top-line?

Kushal Desai: So, for the Cable division, it does have a good incremental benefit, because if you see in terms of the mix that we have, we have 54% of it at the moment getting exported for cable. And then the elastomeric cable is a big section for us which goes into all the special industries, including renewable etc,.

For the domestic power cable side of the business has a piece which goes into industry for instrumentation cable as well as power cable. So, one of the projects which APAR has been involved in besides building out its distribution network is engage with the top builders in the country with a top NEP consultants. And these NEP consultants play quite an important role in terms of the whole cables going into industry. So, it is -- as time passes on, it will become a more and more significant part of the cable business revenues.

Mohit Kumar: Understood. And sir, at some point of time, do we think that the increase -- the export of your high premium products can happen in the future?

Kushal Desai: Absolutely.

Mohit Kumar: But are we targeting in near-term, or you think if this is slightly longer-term thing?

Kushal Desai: So, the way we've been selling our premium products in India, to a very large extent, we have been focused on delivering a complete turnkey solutions. So -- and that's the real benefit where you go into a utility and when you pitch to them end-to-end from the concept through the delivery and the results that come out of the execution of the contract. Now we haven't climbed that level of maturity in overseas markets and we don't do turnkey contracts. So, we have started engaging with various EPC contractors on some of these premium products.

The demand for the premium products in countries like the United States is lower than in India because India has got very severe write-off issues. Whereas in some of these other geographies, they are just designing a larger line to begin with. Using conventional products, but we've designed a line which can carry the current capacity and more. So, it is definitely an endeavour. But I don't see that in the FY '24 -- there won't be any meaningful contribution in FY '24. There could be a higher input coming from it in '25, '26, etc, as we continue to engage with overseas customers.

Mohit Kumar: And sir, last question, sir, on the Slide #42 of corporate presentation, you have shared the details of the end user segment where the renewable fee is 2.7% and you said that renewables fee is going to be main growth driver. So, is this not true for the domestic right now? Is it renewable still small portion as of now and it will grow very significantly over the next few years?

Ramesh Iyer: Yes. So, the renewables 2.7% is for the total. If you see, exports is 48.7% and exports will also include some proportion of renewables.

Kushal Desai: So, it has some of the others also segments carry renewables in the sense that you have EPC diversified. So that 0.6% also has EPC players who are buying. This 2.7% are largely the developers themselves buying products from us. Then in the other category also, you will find some amount of renewables that they're going through a distribution setup for rooftop solar and all these sort of products. So overall, the renewable side of it is pretty strong. On the export side, it forms a huge chunk of that 48.7%. Let's say, 70% of that is coming from renewables.

Moderator: The next question is from the line of Amit Anwani from Prabhudas Lilladher.

Amit Anwani: Congratulations for the good set of numbers. My first question is on the conductors business. Obviously, pretty phenomenal performance this year with respect to EBITDA per ton. But I just wanted to have more color as you already highlighted that you have factored in some Chinese competition and supply chains getting back to normal and we are guiding for 25,000 per ton. But sir, just wanted to understand, are we going to see some moderation in realization, anything of that sort or any color if you would like to throw with respect to geographical mix changing? And in your PPT, I can see you focused on penetrating into a high growth market. So, if you could just throw some more color on what kind of strategy you're going to focus on this side?

Kushal Desai: So, on the conductor -- specifically on the conductor side, your question is in terms of whether you will see a margin compression and lower pricing. Is that your...

Amit Anwani: Yes, sir. Just wanted to understand what would be the sustainable EBITDA per ton because the 40,000 plus this year also we did not expected. So this far exceeded the expectations.

Kushal Desai: So, we have already given the guidance that a sustainable base number for us over the next foreseeable future is 25,000 per ton. There are -- the situation is changing on a daily basis, but in case, there are any favourable tailwinds, etc. Even today, we have a few dispatches that will happen on a fixed price on freight. And therefore, there will be some trade gain taking place on historical contracts. So, we expect that it will normalize at around 25,000 per ton on the increased volume that we are talking about.

Amit Anwani: So, anything on penetration on high growth market? Are we talking about more premium products or anything?

Kushal Desai: So, the high growth market really for us, the way we are defining high growth markets for overseas market is essentially those markets where a lot of renewable energy is going in. And so that is clearly happening in the United States. As mentioned, numbers earlier in the call that what information we've gathered as recently as a couple of weeks ago from some of our top customers and prospective customers in the United States.

They are expecting solar installations to increase from 15 gigawatts per year to 30 gigawatts per year in the next 2 years and then sustain that for several years if they are going to reach the internal targets, which has been set within that country. So that's clearly one high growth market. Australia is another market where we see steady execution over the next few years, both on transmission lines as well as on renewable energy generation sources.

So, these markets I think as we mentioned before, it's not going to be a 1 year, 2 year place, it's going to take longer than that to build out this infrastructure targeted by these countries. And the good thing is that most of these countries are developed countries and they do have the countries, do have the balance sheet to be able to execute these type of projects. They're not depending on third-party aid, etc, like the African countries.

Amit Anwani: Sir, my second question is on the premium versus non-premium if you could share on exports and domestic? And second thing is you mentioned that there is a 10,000 to 12,000 per ton difference for conventional between domestic and export. So, if you could share any difference, if possible, for you between premium and non-premium as well?

Ramesh Iyer: So, the premium part of conductors is largely for India and the non-premium, which we call as the conventional conductor that goes for the exports market. In terms of this pricing difference, it's difficult to give that comparable benchmark because there -- it's all varieties and it's all order base depending on particular order. So, we won't be able to quantify the exact difference between the premium, non-premium...

Kushal Desai: You said, supplying a conventional conductor in India versus the same conductor in overseas markets, and that's the delta, almost 10,000, because the domestic market actually carries very low margins on conventional products, whereas the buyers overseas, especially the ones that we are targeting are far more discerning in terms of the quality and approval process.

Amit Anwani: My next question is sir on the cable side. You guided for 25%, 30% growth for FY '24. Is it factoring in much higher growth on elastomeric? That is one. Second, what is the contribution of elastomeric we are expecting in FY '24 or maybe 1 or 2 years going forward? And what is the contribution of railways in cables which you are expecting?

Kushal Desai: So, the entire set of products that go to the Indian railways is part of elastomeric cables. And our elastomeric cables business, we expect it to grow by about 25% to 30% FY '24 versus FY '23.

Amit Anwani: And my last question is on B2C contribution. How much was the B2C contribution to distribution network?

Kushal Desai: So, this year, we are at about INR175 crores. And the comparable numbers the previous year was a little at about INR100 crores. And our target is to be able to grow by INR150 crores to INR175 crores between this year and next year.

Amit Anwani: And elastomeric would be the highest margin business within cables?

Kushal Desai: The elastomeric -- as a product category, yes. But then there are individual products which are niche products in niche category that we are actually also carrying good margins. But as a product category, elastomeric cables because it includes cables at go into defence and includes cables that go into railways and it includes the cables that go into the solar wires -- solar panel wiring as well as the windmill towers. So, it is the most profitable of the category that we have.

Moderator: The next question is from the line of Nemish Shah: from Emkay Investment Managers Limited.

Nemish Shah: Congratulations on good set of numbers. All of my question are answered, I just have one question now on -- just again on the profitability in the conductor side. So, the 25,000 per ton guidance that you've given on a sustainable basis, I just wanted to understand what kind of assumption in terms of the export mix do we have for that guidance? Like, does it factor in the current export mix of 60% in the order book or slightly lower?

Kushal Desai: It factors in about 50% to 55% of the revenues coming from export on a sustainable basis. So that's why we said, when you have things like product mix changing, geographic mix changing, you could have some tailwinds coming in and improving that number. But otherwise, on a steady-state business, this is what we planned about. 50%, 55% is what the export portion has been taken at.

Nemish Shah: And the balance, 40%, 45%, will that have -- so will that completely be premium products or there will be some portion of the conventional products in the domestic?

Chaitanya Desai: It will be a mixed step. So particularly mix of premium products as well as the conventional products.

Kushal Desai: So it has -- if you see the balance, it has a decent quantity of premium products because it contains not only premium conductor products, but it also has all the copper-based products, which is your CTC wires, OPGW, of course, OPGW is not copper-based, but it's fiber optic in there. And then we've introduced bus bar wires as the volume of the railway conductors will taper off. So bus bar wires -- top of copper busbar wires has also been added into the products. So, we don't intend to do a very huge quantity of conventional just the ACSR conventional conductors. That's not part of that mix.

Moderator: The next question is from the line of Himanshu Upadhyay from o3 PMS.

Himanshu Upadhyay: So, my first question was on the competitive intensity what you stated, is that increased in domestic market also and the high-end products what we are doing very well in last few years. So, is the competitive intensity higher there?

Kushal Desai: The specific reference is not in the domestic market, but it's with respect to the export market, because if you see the delta which we had in profitability, a large portion of it was contributed from the export markets where we had not only an increase in volume, but also an increase in unit margin and realization. So, we are referring to the export side.

Himanshu Upadhyay: And the next thing was, what is the situation on base oil prices? Because in last quarter, they were falling and inventory write-offs were to be done. Have the prices stabilized and the demand is higher than the supply which was not the case for base oil in last quarter?

Kushal Desai: You are referring to our oil division?

Himanshu Upadhyay: Yes, Yes. The raw material...

Kushal Desai: I mentioned that the pricing scenario there has stabilized. The pricing has stabilized from February month onwards. And as we get into FY '24, we -- at least the starting point seems reasonably stable.

Himanshu Upadhyay: The industrial volumes in the lubricant space fell by 9% in the quarter. Any specific reason what happened for this?

Kushal Desai: It was largely due to pricing considerations where the margins were a bit tight. So, all the commodity-type or the lower margin products on industrial, we allowed that volume to fall. We kept our focus on the more strategic and long-term customers. But if you see overall year-on-year there's a growth that has happened.

Himanshu Upadhyay: Yes, overall. And have we started winning orders in the renewable side in export market? And will we have significant revenue in FY '24?

Kushal Desai: Over 70% of the order book that we have on exports and what we are executing on exports is actually finding its way into the renewable energy segment.

Himanshu Upadhyay: This is for wiring part, I was asking. So, we have started getting orders in that business also for which we have taken that UL approvals and everything?

Kushal Desai: Yes, absolutely. UL approvals are catering to -- without UL approval you can't supply into the renewable energy segment. So, these are wires which are going in for panel wiring, for solar panel wiring, for electrical panel wiring and for taking the output into substations. So, any electrical product in the U.S. requires the UL approval. There are also wins which are wires that are going in into the housing segment, but that's not the house wiring. They are the power cables which -- the low-tension cables which are used for evacuating or bringing power into a house not the internal wiring that's going into -- in the house.

Moderator: We have the next question from the line of Pujan Shah from Congruence Advisers.

Pujan Shah: My first question would be on the Cable division. As we have said, your order book is around INR1,200 crores and which is going to be executed in this quarter specifically. So, for that trajectory, it would be around, let's suppose the same order book flows for the year would be around INR4,800 crores. And currently, our Cable division revenue is around INR3,300-odd crores. So are we being conservative or are we being seeing some decline, or this is the seasonal quarter being a good trajectory order than we...

Kushal Desai: I think what Ramesh meant is that order book will be executed in a 3 to 4 months sort of window over a quarter. And our guidance basically is, we did around INR 3,200-odd crores last year. And we can see a 25% to 30% increase on that as a guidance that we are able to provide. So fundamentally, the execution will be in that INR1,000 crores per quarter kind of range.

Pujan Shah: And sir, we have improved our EBITDA margin by 200 bps guidance for Cable division. So, are we being seeing export book growing that's why or we are prominent in premium products and that's why we are seeing a bit growth on EBITDA margin?

Kushal Desai: So, I think it's a combination of both that we continue to see overall growth in the export volume. We are also seeing a better mix of customers domestically, including as the retail and the distribution part of the business grows and that carries better margins than what you would supply to a utility.

We are seeing growth on railways and some of these other areas also. So overall, it's just the product mix. There is also some benefits which will come on conversion costs. As the volumes keep growing, there are efficiencies of scale also that come in. So, it's not necessary that you will see the EBITDA improving only because margin realization is improving, but there's also economies of scale in manufacturing and things which kick in.

Pujan Shah: And my last question would be on -- as we have disclosed in the presentation for this specific industry, like specific industry contributed 8.6%. So, in that, how much defence is contributing and how defence is evolving for our business coming years?

Kushal Desai: I don't think we want to get into all the very short sort of levels. But the only point is that the railways will grow at a faster pace than defence because there's a huge activity happening on the railway side. Again, there is activity happening on the renewable energy side in India. But if we see better pricing coming from the overseas market then we will push the product into the overseas markets. But one clear area where elastomeric cable will grow is in the wind segment as well as in the Indian Railways.

Moderator: The next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investment.

Vaibhav Badjatya: So, I have a question on the oil division. So just wanted to understand fundamentally the transformer oil and white oil business. Transformer oil business is highly concentrated in terms of 2, 3 players having a big market share, but white oil has largely commoditized, while the raw material is mostly same -- come from the same source. So, what is the difference that white oil lot of small players have been able to commoditize that product, but not the transformer oil? What is the reason for...

Kushal Desai: I think to start off with your assumption, which is not accurate that the raw material that goes into white oil and into transformer oil comes from the same source. You may have a refinery that produces grades for both the products, but they are different grades. And the characteristics that raw material needs to have are vastly different between the 2.

Secondly, on the white oil side, there are 2 sets of products. You have one set of products which are technical-grade products, which have much lower specification and standards. The other one is products which are pharmaceutical grade. So, the pharmaceutical-grade products are also more difficult to manufacture. So really, the commoditization is in the technical-grade white oil, what they call technical-grade white oils in terms of the pharmacopoeia standard.

Vaibhav Badjatya: So, the technical grade is used mostly in FMCG kind of...

Kushal Desai: It is not used only in FMCG. Technical-grade is used in a lot of industrial applications on -- in white oil. So, it's like knitting oil and wherever you need non-staining, so master batches, things like that. So those are relatively more commodity. Lower end, some of the hair oil companies in India, including -- I don't want to name, but there are some very big names in here also that actually buy a relatively poor-quality product.

So that segment has got largely commoditized. In the case of transformer oil, especially on the power transformer side, there are relatively fewer players because it's a very high specification in terms of what needs to be delivered. 2 sets of raw materials and 2 sets of specifications on products.

Vaibhav Badjatya: And this is the question on China, particularly in our oil division itself. So, China, before COVID, China was aggressive everywhere as kind of business, there is lot of cost competitiveness that China used to throw in terms of pricing the product and gaining market share, but we have not seen that happening on the transformer oil side. So why I think that's the case that they are more domestically focused, they don't want to export these kinds of products and be it international competition?

Kushal Desai: So, we don't see Chinese competition in the oil business. We don't see Chinese competition in transformer oil, white oil, lubricants outside of -- either in India or outside India. The whole oil industry in China is dominated by PetroChina, by the state oil company. And they see little benefit in carrying all these specialty grades outside of their country. So, the Chinese competition is more in terms of conductors outside of North America as well as in some of the cable categories.

Vaibhav Badjatya: And lastly, this impact of electric vehicles that is going to be there both on the demand side for our product and the raw material side for our product because EVs will adversely impact auto lubricant business. But on the other hand, transmission -- distribution transformer oil business can offset that. But on the raw material side, if refineries are not going to be throwing as much output, then over long-term, how the base oil prices are going to be? Do you have any view that you might offer and how we are going to cope up?

Kushal Desai: I don't have any view to offer as such because the adoption of electric vehicles, the trajectory of that is still not clear. So, in India, you are seeing traction happening largely in two-wheeler. And the total volume of two-wheelers and lubricants is not necessarily very large because it's only 900 ml or 1 litre goes into a particular motorcycle or scooter. Scooter is even less. So, the main lubricant demand comes from trucks. That's the largest segment followed by agriculture, which is your tractor and harvester and all those things. Then next comes passenger car and then the last is motorcycles. So right now, adoption of motorcycles has been increasing. But overall, lubricant sales is almost flat, but hasn't fallen.

Vaibhav Badjatya: And lastly, I think in 2021, we launched this new Natural Easter-based transformer oil. Any development on that? How much it has become as a percentage of oil...

Kushal Desai: It's still in our development stage in the sense that many utilities -- there are about 6 utilities in India that have installed transformers with the ester oil in it. So, our sense is it will take a few years for getting the feedback. And also, in all these -- as the ESG pressure starts coming on these entities, the adoption will then increase once they've got confidence that the product works. Vaibhav, I think there's a bunch of others who want to get into the queue.

Moderator: The next question is from the line of Sujal Chandaliya from Girik Capital.

Sujal Chandaliya: Congratulations on this set of numbers. I had a few questions around cable segment. So, in cable segment, are we facing similar increasing competitive intensity in export markets as in case of conductor segment?

Kushal Desai: So, there is some amount of -- as I said, basically, as the supply chains are getting normalized, customers are coming back. During the COVID period, people were ready to pay any price that was quoted because supplies were difficult, supply chains were broken, etc. So, as they normalized, it's natural that negotiations will start happening with a higher intensity than it was during the COVID period.

Having said that, the Chinese companies are active on the cable side, including trying to export to the U.S. and that export is happening through indirect means, as I explained earlier that they have either taken over a company in some other geographies. But that doesn't allow them to have exactly the same competitive intensity as they would have if they were exporting from China directly. To gain some share, they are quoting prices which are aggressive, etc. But the cable market is very large and it allows opportunity to go to different clients and different geographies also.

Sujal Chandaliya: So, the volume -- so basically, the volume growth in export market won't be a problem, but the margin would be impacted in that sense, right?

Kushal Desai: The margins could be a little bit lower than in the previous periods. It's simply because of the supply chain getting smoothened out. But we are going into newer and newer markets and we are -- also from existing customers, we are hoping to get a larger amount of business because last year was the first year when the cable business really did a massive amount of export.

We hit INR1,400-plus crores of export last year which was the first year where it was such a big chunk of the revenues. Also keep in mind that margins, as I mentioned earlier, it's also a factor of your conversion cost, the efficiencies of scale that you have. So as the business keeps scaling up, the conversion cost will also improve.

Sujal Chandaliya: Just the last question. On this quarter margin, we made about 12.4% margins. So, I guess, largely it was because of the improved products mix which as you said, the conversion cost. So, the premium portion, which you're seeing the unsustainable sector, would it count as meaningful in the margin terms?

Kushal Desai: In the fourth quarter we had quite a lot of shipments that were taken by customers where we supply a lot of specialized cables, like the defence. There were quite a few shipments that went into defence. There were more shipments that went into the Indian Railways, etc. So that's how we had a higher percentage. But I would really look at the full year because that could -- you can have a quarter which can give a misleading number. When you look at a rolling 4 months -- sorry, a 4 quarter period, it will give a better idea or an estimate. But overall, we see an improved EBITDA on 25% to 30% increased volume in the cable business.

Moderator: The next question is from the line of Gopal from HDFC Mutual Fund.

Gopal: I just want to understand the better profitability on the conductor business. Is the current domestic profitability trending towards the long-term profitability which we have guided for? And are we at upper end or the lower end of it? And how the export profitability is likely to behave in the times to come?

Kushal Desai: So, the domestic profitability is not something that we will see some major changes on. It's really -- the domestic profitability can move up and down based on the mix of product. In case HTLS reduces, then it will have an impact. But otherwise, it's already in a reasonably steady state. Where you can see a certain fall in profitability is from some of these favourable things which we had on export, the freight, logistics, etc, these are all export phenomena, it's not really anything on the domestic side.

Gopal: I can fill that, but what we are seeing like with the rising volume and like tremendous demand in export countries, so just wanted to sense some directionally, how do you foresee actually? Because like guiding from 58,000 or 45,000 in the yearly basis to 25,000, so it's a very long-term. So just we wanted to know the trajectory, how do you foresee that?

Kushal Desai: So, I mean, it's not going to fall off like a step from straight down to 25,000. But in a few quarters, it will come down towards that level, which we think is a good steady state base level.

Gopal: And any strategy on the consumer cable business? How is it progressing? Any qualitative statement?

Kushal Desai: So, there is a slide in the pack which actually gives all the metrics on that. And as we said earlier, we have been working towards a game plan of increasing distributors, electricians who are onboarded with the company, etc, that's going on as per the plan.

Moderator: The next question is from the line of Pavan Nahar an Individual Investor.

Pavan Nahar: So, a few questions. One is, we've done about INR107 EPS in H2. And as you said, the conductor profits would not fall off immediately, but in a few quarters, it will get to that long-term trajectory. So, can we expect that for the first half this rate to be maintained broadly?

Ramesh Iyer: Actually, what will happen, Pawan, is that the P&L will be depending on the amounts of projects that we are executing. So, all these are make-to-order business. And we normally look at -- give the guidance based on a 12-month number because the quarter or half year may not represent the current picture. So based on the guidance on the 12-month picture is how we need to work out. And since it's the beginning of the year, it's too early to predict how things would pan out during the half year 1 or half year 2.

Kushal Desai: So, Pawan's question is on the first half. Whether the first half -- whether you can take fourth quarter and extrapolate it. I don't think that that's going to be the level. The fourth quarter was a very, very strong quarter, which is largely not applicable. But the first half of this year should be comparable or maybe even slightly better than the first half of last year because if you saw the third and fourth quarter of last year really pulled away in terms of the profitability and margin.

So -- but it will -- we expect it to come off -- the conductor margins to come off over a couple of quarters. There will be a fall in Q1 and then again, a further fall in Q2 because the new business which is getting signed on is not carrying those sort of outsized margin.

Pavan Nahar: No issues. I mean, basically, what you are saying is FY '24 will be a year of normalization for the long-term trend, right? I think it may still be a little better.

Kushal Desai: In cricket parlance, we scored a triple century in the fourth quarter. So, we may not score a triple century in FY '24. But if you see the long-term trends of the products and all, they are all going in the right direction.

Pavan Nahar: So basically, it normalizes in FY '24 and after that next 3 to 5 years of strong growth for the firm as a whole?

Kushal Desai: You'll see steady growth happening. And I gave an example of what the U.S. is expecting from the major customers that we are in touch with. They are expecting to go from 15 gigawatts to 30 gigawatts. So even if some amount of competitive intensity increases and things, the market itself is going to grow double in size. And we are -- and as time passes by, I think we'll be better entrenched with some of these clients.

Pavan Nahar: Based on your guidance, I was just doing some back of the envelope math and what appears to me, in FY '24, cables will be approx. 40% plus of our net profit, right? I mean, you may not, but I was just doing the math. So that was interesting. The third thing I wanted to ask you was what is the volume growth we are speaking for conductors this year? Only 15 or it could be higher.

Kushal Desai: No, 10% to 15%.

Pavan Nahar: 10% to 15%. Okay. And...

Kushal Desai: So, if the volume of HTLS goes up, then the total volume in terms of tonnage will go down, the value will go up. So about 10% to 15% in terms of number of metric tons processed.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Kushal Desai for closing comments.

Kushal Desai: Thank you. And I'd like to thank everyone for participating in our Q4 and FY '23 earnings call. Thank you for your patience and your involvement and appreciation of the company's results. I'd just like to conclude by saying that we still see all the long-term growth metrics are in place. Profitability in the fourth quarter was a bit outsized. There will be some amount of normalization as we go into FY '24 and '25. But all the growth indices seem to be intact and we are looking forward to the next few years of continuing trajectory of growth. So, thank you very much.

Moderator: Thank you. On behalf of APAR Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.