



Kushal Desai/ Emerging – Apar Industries/ India's Best CEOs

LONG READS

The Transformer At Apar

Kushal Desai has put the electric equipment maker on growth path by tapping into a record increase in transformer capacity.

By **RAJIV RANJAN SINGH**, Oct 7, 2024 | 7 min read



INDIA IS MORE power hungry than ever. According to Central Electricity Authority (CEA) estimates, the country is likely to witness a record increase in transformer capacity in FY25, with 1,16,490 MVA of substation capacity expected to come on stream.

Electric equipment maker Apar Industries chairman and MD Kushal Desai is ready to tap into this and the country's mammoth investments in developing infrastructure in transmission & distribution (T&D), renewables, transportation, telecom, defence, etc.

Electricity demand in India is being driven by expansion of manufacturing sector, decarbonisation, electrification, and rapid urbanisation. The country targets 500GW of renewable energy capacity by 2030 led by solar and wind, against

197GW currently. There is a large opportunity in the offshore wind segment as the government plans 37GW of capacity addition by 2030 in order to capitalise on India's 7,000 plus km coastline.

According to CEA, around ₹2.5 lakh crore (\$30 billion) will be invested in the next six years (by FY30) to add 50,890 ckm (circuit km) of transmission line capacity and 433,575 MVA of substation capacity at the Interstate Transmission System (ISTS) level to evacuate renewable power. Four mega HVDC (high voltage direct current) transmission lines are already under various stages of planning and bidding, according to a recent Prabhudas Lilladher report. ISTS refers to the transport of electricity generated from any kind of energy source across state boundaries via grid transmission lines.

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HOW THE COMPANY FARED					
Gross Sales (FY24) ₹16,045 cr	3-Year CAGR 35.9%	PAT (FY24) ₹825 cr	3-Year CAGR 72.6%	3-Year Average TSR* 161.6%	RoCE** 43.9%
<small>* total shareholder return; ** return on capital employed</small>					

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Financial Metrics

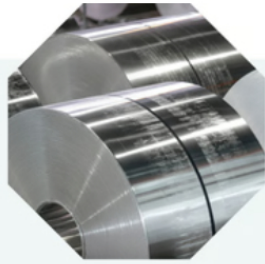
Apar clocked an all-time high revenue and PAT of ₹16,153 crore and ₹825 crore, respectively, in FY24. Around 45.2% of the revenue came from exports. Segment-wise, conductors, speciality oils and cables were the top three earners with revenues of ₹8,031 crore (up 47.7%), ₹4,837 crore (up 23.1%) and ₹3,859 crore (up 22.9%), respectively.

In Q1FY25, new order inflow stood at ₹1,794 crore and pending order book at ₹6,725 crore, of which premium products contributed 41.1%.

Growth Drivers

Conductors is the biggest revenue earner for Apar Industries, and growth in the segment is driven by T&D infrastructure expansion, railway modernisation, high demand for CTC conductors, re-conductoring and premiumisation in the domestic market, and demand for conventional products in the export markets. Speciality oil, the second-largest segment for Apar, focuses mainly on transformer oils (T-oils) and lubricants businesses.

Cables and wires, the third-highest revenue earner, is set to be the fastest-growing segment for the company, given the robust opportunities in solar, wind and defence where it is a leading cable supplier. Also, growth in E-beam house-wires, renewable opportunities in the U.S. & Europe, and telecom network expansion offers scope for the cables segment. The company is investing ₹300-350 crore per year in conductors and cables to capitalise on the opportunities available.



Apar is the largest supplier of aluminium and alloy conductor to over 100 plus countries.

Boost For Conductors

Apar is the largest supplier of aluminium and alloy conductor to over 100 countries, and it targets 10-15% volume growth in the long term.

Reconductoring also presents a significant opportunity for Apar in India since it offers a quicker and cost-effective alternative to building new transmission lines. The company offers turnkey solutions to replace existing conductors in towers with HTLS (high temperature, low-sag) ones. It has supplied over 35,000 km of HTLS conductors across domestic and export markets to date. HTLS is a premium conductor which accounts for 13-15% of Apar's revenue from the segment. The company has also completed over 165 reconductoring projects domestically and holds around 50% market share. Turnkey solutions, which include implementing all stages of a project, account for 10-12% of its revenue.

Apar also has around 70% market share in railway overhead conductors in the country, having supplied 31,000 km out of the total 45,000 km of electrification. The government's capex plans to modernise railway infrastructure (₹2.6 lakh crore allocated in the FY25 Budget) is expected to drive demand in the segment. Demand is also rising for copper conductors to support high-speed rail projects such as Vande Bharat and bullet trains.

Focus On Cables & Wires

The global cables & wires industry is valued at \$210-220 billion, with around 50% of the market concentrated in Apar's key target markets – the U.S., Europe, and India. Apar is expected to sustain its 25% revenue CAGR (FY20-24) to clock ₹10,000 crore in sales by FY29, with focus on renewable energy opportunities. The company is investing ₹600-700 crore for a 43 acre greenfield expansion at Khatalwada, Gujarat, expected to be operational by FY26.

Apar entered the cables segment in 2008 by acquiring Uniflex Cables, and has rapidly scaled its operations from around ₹100 crore in sales with a negative bottom-line to being the sixth-largest cables player in India with ₹3,870 crore in sales and ₹230 crore PAT in FY24.

What He Did Right

- Invested heavily in the cables & wires business to capitalise on the opportunities available.
- Offered turnkey solutions to replace existing conductors in towers with HTLS (high

temperature, low-sag) ones.

- Pioneered the use of E-beam technology in house-wires. The wires are capable of carrying 50% more electricity.

The U.S. market is worth \$45-50 billion and 45%-50% is catered to by imports, with India accounting for just \$0.5 billion, presenting a significant opportunity for Apar to cash in. The European market, also valued at \$45-\$50 billion, is expected to grow at a 3-4% CAGR until 2029, with opportunities in renewables. Imports currently account for around \$20 billion led by China, while India contributes around \$0.4 billion. Apar is among the top three Indian players serving the European market.

The company has the largest electron beam (E-beam) capacity in India, and the pioneer of the use of E-beam technology in house-wires in the country under the Anushakti brand. The wires are melt-resistant, capable of carrying approx. 50% more power, and offer a lifespan of up to 50 years. Anushakti generates ₹250-300 crore in revenue and is sold across 5,893 retail outlets. Apar plans to increase the retail coverage to 30,000, and is also doubling its capacity for copper wire drawing (essential for cables and house-wires), investing in a new plant for extra high voltage (EHV) cables, and expanding its E-beam facilities.

Speciality Oil Segment Gets A Leg-up

With over 350 products in speciality oils, process oils & lubricants, which accounted for 30% of its revenues in FY24, the company is the world's third-largest manufacturer of T-oil as well as the largest exporter. T-oil is used as a coolant & insulant in transformers as well as a diagnostic tool to study transformer health. It accounts for just 5% of transformer cost, but reliability is critical, given that transformers are expected to operate for several years without changing the oil. The company also has an 85% market share in HVDC transformer oils in the country. The sub-segment has grown at an over 18% CAGR over the past five quarters, and the company expects it to grow at double digits in the medium-to-long term (vs 5-8% CAGR for the overall speciality oils segment).

Apar is the ninth-largest player in the 3MT per annum domestic lubricants market, and the largest private player in the base oil segment. It is also among the top three in both agriculture and industrial lubricants. While the Indian lubricants market is expected to grow at a 3% CAGR over the next five years, automotive lubricants is estimated to grow at 2.5%. The industrial lubricants market, meanwhile, is projected to grow faster at a 4% CAGR, driven by high-end products such as high-performance lubricants in mining & infrastructure.

Apar aims to outgrow the industry as it leverages its strong presence in agriculture tractor OEMs. Agriculture is a key growth market given it is one of the largest consumers of lubricants in the auto space, according to the Prabhudas Lilladher report.

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