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SEC/0602/2023

February 06, 2023

National Stock Exchange of India Ltd. "Exchange Plaza", C-1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai – 400 051. Scrip Symbol : APARINDS <u>Kind Attn.: The Manager, Listing Dept.</u>	BSE Ltd. Corporate Relationship Department, 27 th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001. Scrip Code : 532259 <u>Kind Attn. : Corporate Relationship Dept.</u>
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Sub. : Submission of Transcript of Conference Call made on Un-audited Financial Results (Standalone & Consolidated) for Q3FY23.

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,

Kindly refer to our letter no. SEC/3101/2023 dated January 31, 2023 w.r.t. submission of link of Audio Recording of Conference Call made on Un-audited Financial Results (Standalone & Consolidated) for Q3FY23.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Conference Call made on Tuesday, January 31, 2023 on the Un-audited Financial Results (Standalone & Consolidated) of the Company for Q3 and Nine Months period ended December 31, 2022.

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

Kindly take note of this.

Thanking you,

Yours faithfully,

For APAR Industries Limited

(Sanjaya Kunder)
Company Secretary

Encl. : As above

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“APAR Industries Limited
Q3 FY2023 Earnings Conference Call”
January 31, 2023



ANALYST: MR. AMBESH TIWARI - S-ANCIAL TECHNOLOGIES

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

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. 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 third quarter FY2023 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 to Mr. Kushal Desai. Thank you and over to you, sir.

Kushal Desai: Thank you, Ambesh. Good afternoon everyone and welcome to APAR Industries Q3 Earnings call. Let me start by giving an overview of our performance and follow that up with a short industry update. I would then like to get into more details on the segmental performance of the three businesses and post that we can open up the floor to questions.

So during Q3 FY2023, the consolidated revenue came in at 3942 Crores, which is 77% higher than the previous year. This was largely driven by volume growth across all divisions. Our export revenue grew by 144% year-on-year and is today contributing 49% of the overall company's revenues. This is compared to 35% a year ago.

The EBITDA is also up by 174% year-on-year to 349 Crores at an EBITDA margin percentage of approximately 8.8%. Profit after tax for the quarter came in at 170 Crores, which is 210% higher than the previous year. It is at 4.3% versus 2.5% in the year ago period.

Nine months consolidated revenue stands at 10270 Crores, which is 63% higher than a year ago, and our export revenues have grown by 105% for the nine month period. In terms of some of the key industry highlights, India's power consumption logged a double digit growth of over 11% to 121.19 billion units in December 2022 compared to a year ago. The robust growth of the power consumption indicates sustained momentum of economic activities through the month of December. The peak power demand met, which is the highest supply in the day, rose to 205.03 gigawatts in December 2022 while the figures for

the previous year at the same period where 183.24 gigawatts and it was 182.78 gigawatts in December.

Power deficit in the country rose slightly to 0.6% in the April, November period. India's power consumption logged a high of 9.6% to 343 billion units in Q3 FY2023 compared to a year ago. So these are all robust growth indicators and clear sustained momentum in the economic activities that are a reflection of the amount of power consumption that the country is observing.

The central government, as most of you may already know, has announced a very ambitious RDSS scheme, largely around improving power distribution of approximately 3 lakh Crores. Of this, about 30% spend is approximately allocated towards cables and conductors. It will largely be cables and to a smaller extent conductors. This spending is expected to be deployed in a period of approximately 5 years.

Also, the total outstanding dues owed by the electricity distribution companies to power producers, that is to generation company has nearly halved to 675 billion as of December'22 compared to 1210 billion as of December 2021. This can be attributed largely to the various steps taken by the government, such as implementation of late payment surcharge rules and provision of a facility for equated monthly installments to utilities.

So if this trend continues, then it is a good sign of more discipline coming in terms of distribution sector, which so far has been the Achilles heel of the entire power infrastructure of the country.

I would now like to specifically talk about the business highlights by each segment.

Our conductor business revenues in Q3 FY2023 grew by 103% year-on-year to reach 1912 Crores for the quarter with a volume growth of about 99%. The export revenues grew by 288% year-on-year, contributing to 53% of the division's overall revenues. The premium products in our basket of conductors contributed towards 44% of the revenue mix. The EBITDA per metric ton post Forex adjustment came in at 49942 per ton, which is a historic high. The conductor division has seen a transformational journey in the past decade, and I think today we are reaping the fruits of all those investments and decisions that have been taken and invested during the past several years. The improvement in the EBITDA is mainly due to the higher share of premium products. The higher share of exports in the conventional conductors, where our realization is better than in the domestic markets. There have been also a couple of strong tailwinds where we have seen the price of steel having

reduced as well as the container freight costs having come down to most destinations as the pre-COVID levels.

During the nine months revenues, they came in at 4899 Crores. So they are up 81% year-on-year. Volumes are up 51% year-on-year. The EBITDA per metric ton for the period came in at 37900 which is 125% higher than the previous year.

Our current order book stands at 4885 Crores with 44% of the share coming from premium products. So overall, our conductor division has had a very good quarter and in fact, it is the best quarter that it has had in its all-time history.

Coming to the oil division, there the situation has been little bit more difficult. In Q3 FY2023, revenues came in at 1245 Crores, which is up 38% year-on-year. Volumes have grown by 9% in the quarter, backed by growth in the transformer oil business, both domestically as well as overseas. Exports contributed towards 43% of revenues. EBITDA post Forex adjustment came in at Rs.1646 per KL, and this is in line with the guidance, which was given earlier, where there was a clear expectation of lower profitability given certain inventory corrections and price corrections, which were expected.

The lubricant revenues came in at 238 Crores with a volume of 17063 KL. Looking at the nine month period, the oil division revenues are up 33% year-on-year at 3489 Crores. The volumes grew by 3% in the nine month period. EBITDA post Forex came in at INR 5190 per KL.

Looking at the cable division, in the third quarter of FY2023, revenues grew by 89% year-on-year to reach 921 Crores. There were significant increases coming from the sale of our elastomeric products as well as exports. Our exports contributed towards 49% of the overall sales in Q3 versus 35% a year ago.

The elastomeric cable revenues are up 29% year-on-year. We continue to see a robust business in the renewable energy space, both domestically as well as overseas. So EBITDA post Forex for the quarter came in at 109 Crores, which is 11.8% of revenues compared to 8.7% year ago.

Looking at the nine month period for cables, revenues are up 77% year-on-year at 2320 Crores, and again, the elastomeric business and the export business is what has contributed to the growth. The overall export business is around 52% of sales in the nine months period. The EBITDA post Forex is at 9.8% for the nine month period compared to 4.4% the previous year.

Our business is expected to hit the target which we had mentioned in our guidance of 3000 Crores revenue for this segment.

So overall, we continue to be quite optimistic about the growth prospects of the company. All the key growth parameters seem intact. We are well placed to tap into the benefits of power infra led spends, both domestically and overseas in key markets like the United States, Australia, Europe, and Latin America, especially as there is this push towards renewable energy as well as the China plus one benefit or opportunity for India continues.

I would also like to mention that we have an update corporate presentation with significantly more details on the company profile and performance, which has already been uploaded on our website, and specifically, I would like to highlight that it carries more information not only on customer mix, but also on receivables and receivables funding that we have for the business.

So with this, I would like to come to the end of my comments. I appreciate the time all of you have taken out for joining this call, and I can open up the floor to questions now, please.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Thank you so much the opportunity. Sir, there is a dramatic improvement at our EBITDA per ton for this quarter. So we are hitting around 49000, now last year we were anywhere between 15000 to 20000. So why this improvement has happened.

Ramesh Iyer: Yes. So as we explained in the opening remarks, the conductor division has seen this transformation journey and the higher margin is actually the result of two things. One is that the share of premium products is going up which gives us a higher margin and secondly even on the non-premium products, the proportions of our overseas business has increased. Both has resulted in higher margins, and also, we have seen some tailwinds in the form of steel prices as well as freight, which has come down since the last one year, which has increased this margin to about 49000 per metric ton.

Mahesh Bendre: So, if you set aside the benefit of steel prices and the trade cost, transportation costs, so what will be the sustainable EBITDA per ton we could see going forward?

Kushal Desai: So, in the short-term, which is for the next couple of quarters, you will still see EBITDA per ton, which is relatively high in the 30000 kind of range. But we have given a guidance that

sustainably, if you take a longer period of time, just with the structural changes that have happened due to the premium products, we have given a guidance of 22000 to 24000. As these premium products are growing, the EBITDA per ton will continue to edge upwards. See, one fundamental mix which has changed. So Ramesh has already given you that 44% of the revenue has come from premium products, but when you look at the balance 56% of the revenues, a large portion of that is actually conventional conductors which have gone overseas as opposed to have been sold in the domestic market, where we have been seeing better realization. The domestic market still realizations are quite poor because the standard itself expected from many of the EPC players are laid at a very low level. Whereas as you go into the more developed markets, which I mentioned in my opening comments, which are countries like the United States, Europe, Australia, Latin America, standards expected are much higher from suppliers. So we look at the market on a global basis, wherever we see the best netbacks in terms of profitability is when we focus on servicing those contracts. So in the current situation, we are seeing good opportunities in these overseas markets for standard products, and we are focusing on the domestic market largely for the premium value added products. So that mix is what is helping drive this.

Of course, the tailwinds, as Ramesh mentioned, there are two specific tailwinds which are there, which is that from the time that some of these prices are quoted steel prices have moved down, and some of the contracts are DDP contracts. We saw the brutal side of it last couple of years. But in the last two quarters, these freight rates have been coming down, so we have been seeing now the benefit of that. So I hope that kind of holistically answers your question.

Moderator: Thank you, sir. We have the next question from the line of Amit Anwani from Prabhudas Liladher. Please go ahead.

Amit Anwani: First of all, congratulations for the great set of numbers. So first question for the conductor's business. Just wanted to understand in more detail. You mentioned that the non-premium products are seeing higher exports and HEC, we are largely focusing on increasing the volumes in domestic market. So any color on two, three key geographies where you are seeing the higher traction for standard products or any two, three geographies where you are seeing higher traction for HEC products. Some color on that sense how the market is affecting your production of conductors business and which markets are affected.

Kushal Desai: So I am not sure whether we understand your question exactly. But see, the order inflow for high efficiency conductors and the copper products and all continue in the domestic market, and as I mentioned earlier 44% of our 4800 Crores order book, 4885 Crore order book is these products. But the standard products, which are the standard conductors, we have been

increasingly getting opportunities to supply overseas where the profitability is better than in the domestic market. So that is the mix that we are

Amit Anwani: The question was like you said standard products. Just wanted to understand the major two, three geographies where the standards products...

Kushal Desai: As I mentioned earlier, the United States is the largest market, and following that, Australia and some markets which are in Latin America.

Amit Anwani: So can we assume like these are contributing more than half of the exports for standard products.

Kushal Desai: Yes, absolutely.

Amit Anwani: Sir my question for cables. Are we still sticking to 20%, 25% CAGR for the next two years in that, and second thing is you mentioned the elastomeric cables contribution is going up, so if you can just highlight now much percentage it contributed in this quarter.

Ramesh Iyer: Yes, so we continue our guidance about 25% to 30% on the cable business, as we have been talking earlier also, and sorry, what was the next question.

Amit Anwani: Contribution in the quarter.

Ramesh Iyer: So the total growth is coming from our HT cable, LT cables as well as elastomeric cables, and it is a combination of domestic as well as exports. What has happened in the cable business is that our share of exports has gone up considerably. So if you look at the quarter three, we are close to about 50% in terms of exports, which was just about 35% last year. So the share of exports has gone up, which is what has resulted in the growth of this cable business.

Kushal Desai: The growth rate we are seeing it is a smaller growth, but our growth has also come from our what we call light duty cables and the business, which is a distribution based business. So we started off. First year, we have 20 Crores and 60 Crores and last year was 100 Crores. This year, we should be close to 200 Crores, and the following year, we are targeting 350 Crores in that segment. So that business is also growing parallelly with exports, and then you asked for the growth on what is driving the growth on the elastomeric side. So that growth is being driven by the renewable energy space, the expansion happening.

Amit Anwani: Domestic.

Kushal Desai: So, until two quarters ago the business was all purely domestic. But now we have some of the increased capacities, which I had spoken about even in previous quarters for cables that go into both windmills as well as solar, and so now the export of those products has also started. So you will see actually, as we get into FY2024, more and more export of these renewable cable is also happening. Cables going to renewable energy space.

Amit Anwani: And this elastomeric is a higher margin business.

Kushal Desai: Yes, the elastomeric cables are very specialized cables, and therefore they carry a higher margin. We are also one of the few vertically integrated players where we do our own insulation, the polymers that are used for insulation. So we do our own formulation and mixing of those.

Amit Anwani: So my last question on RDSS scheme, which you mentioned in your opening remarks, and you highlighted that 30% might be allocated to cable and conductors over 5 years, which gives me about 18000 to 20000 each year. So if you could just highlight on the addressable market for APAR and how much APAR as an entity can grab out of this.

Kushal Desai: So theoretically, we have products that cater to the entire basket of what is required. So these are low voltage and medium voltage cable. It is a combination of underground cables and overhead cable/conductors. So we are in a position to actually address all of these requirements, which are there from a product standpoint. Now it all depends and finally in terms of who the counterparty is and what are the terms and conditions. But my main point of bringing this up is that there is going to be a good growth in the requirement of cables both domestically as well as export, and usually when we say five years, it may take still another year or two, but the market is going to expand because of this RDSS in addition to whatever else is already there in terms of market segments. So therefore the overall bullishness on the cable side is also quite high.

Amit Anwani: Sir last if I may squeeze in. So can we assume that we are seeing a sustainable hike, we will continue to see sustainable high growth in exports markets at least in near-term across conductors and cables.

Kushal Desai: Yes, absolutely. We expect the current momentum on the export side to continue not only for the next quarter, but also whatever we can foresee in FY2024 as of now, and as you may be knowing that even in the United States, the infrastructure bill and all is already on its way to get approved and executed. So the benefits of some of that have still not come in. This is pre infrastructure bill spend actually taking place, and on the renewable side, as more assets are coming up, it requires not only cabling at the site and then evacuation to the

grid, but then the grid is basically a conductor grid that evacuates the power as to whatever is the grid in that particular country through its distribution to customers takes place. So in short, there may be ups and downs in terms of quarters. But if you look at the trend over the next three to five years, the trend is very positive because globally power infrastructure is being added.

Amit Anwani: Thank you very much, all the best.

Moderator: Thank you. The next question is from the line of Gopal Agrawal from HDFC Mutual Fund. Please go ahead.

Gopal Agrawal: Sir, just wanted to understand your outlook on the lubricant business. Because generally, this quarter had a negative impact of currency and inventory. So how is the trajectory on this.

Kushal Desai: So let me address specialty oil and lubricant two separately. In the case of the specialty oil side, which is your transformer oil, white oil, etc. The transformer oil volumes has been reasonably good both domestically as well as export. We have had a bit of a cost pressure, which is there. Part of it has come basically from base oils having fallen at a very rapid pace. Some of it is due to the lack of purchase from China, which is the largest importer of base oils in the world. All of us know the recent quarter problems, which they have had and that has continued into January of this year because of COVID spreading and many establishments and factories not running fully normally. So as a consequence, there was a big drop that took place in spot availability, meaning pricing of spot cargos of various base oils. Also the public sector refineries had a lot of surplus base oil for two reasons. One is the overall demand of lubricants has been a bit soft, especially the retail side has been a little bit on the soft side, and I guess this resulted in an untimely or unplanned increase in base oil inventory, which the public sector oil companies had. In addition to that, we have also had record production of base oils compared to previous periods. This put together resulted in them having excess product. Base oil is a very tricky item to store because you can only store it in specific tanks or specific quantity. So the volume is getting produced faster than you can evacuate, the only option is to crash the price so that people end up buying it, and that is precisely what happened. We were expecting a little bit of that to happen, but what actually ended up happening was much more brutal than had been envisaged.

Now as we go into Q4, that situation is getting normalized, and my sense is that by the end of this year, that is by March, the situation should come basically closer to normal because I do not think fire sales will continue. There is also an industry view that Chinese demand may come out stronger and that is the reason why none of the refineries around the world

have actually cut production. So it seems like a bit of a short-term problem and by the end of the year, I think you should start seeing more normal economics. Lube companies which keep very low inventory of base oil than they buy on a just in time basis, obviously they have benefited because they could take advantage of the spot prices. Companies like us run 70% of our purchase on longer-term contracts, and therefore it has taken longer to get cleaned out in terms of the inventory.

Gopal Agrawal: Very happy to see the volume growth and profitability, and just wanted to understand your focus on B2C side on the cable business, because your cable quality is quite good, how do we penetrate market, just your strategy on that.

Kushal Desai: So on the B2C side of the cable business, we have taken a strategy of wanting to build that on a step by step basis, I mentioned earlier that from revenue of approximately 100 Crores as we did last year, we will be at close to 200 Crores this year, and we have a target of hitting 350 Crores in FY2024. So that is largely coming up. Products are very well received. They are of best quality that is there in the country by a margin. The key is actually adding distribution and so we have been going about that. Today we have the distribution in the 5 southern states. We have added Uttar Pradesh. We have also added West Bengal and Bihar, so you know the rollout is happening, and our expectation is that this is slowly increasing on a step by step basis. If there are some basic numbers you like, if you look at March 2022, we had about 20 distributors. As we hit December 2022, we have close to 100 distributors. If you take our presence in retail counters we were at 275 retail counters in March, we are at about 1550 retail counters at the end of December. So that spread is increasing, and our product, the way we sell the product is by conducting demonstrations to electricians and specifiers. So we were at around 6000 demos per quarter in the March quarter. We have increased to 25000 demos in the September, December quarter. So all of these is at grass root level.

For example for electrician meets we were at about 450 meets in the March quarter, we are at about 2500 meets in the December quarter. So we went to grow this on a grass root level basis with good distribution. So you will see every year about 100 to 150 Crores getting added in this segment year-on-year.

Gopal Agrawal: Correct, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: First of all, congratulations on great set of numbers. So my first question is regarding the exports market. So while these markets are pretty large and our opportunity size is pretty strong from the growth perspective in the export segment, how we can see from the next two to three years perspective, and do you see the overall mix of export versus domestic increasing further going forward in the next two years timeframe. That is my first question.

Kushal Desai: So in terms of overall growth, we expect that the domestic market will grow because of RDSS as well as industry growth and just general GDP growth. The good thing about wire and cable is that any establishment that builds requires some wire and cable just because of the electricity that needs to be distributed. So the domestic side, you will definitely see growth. That growth will allow us to do a little bit of cherry picking in terms of who we want to service on the domestic side. Our sense is that for us export sales will grow faster than domestic. We have actually invested a lot of money in approval. For example the United States requires what is called underwriters laboratory approval, UL approval.

So we have the highest number of UL approvals in the addressable segments out of all the Indian manufacturers as of today. We are still working on more approvals. We have now penetrated the European market for cables that go into solar and wind. We already supply a fair amount of cables into Australia, for example, that covers solar, wind, and there, there is a big expansion happening on metros, underground metros and train lines. So we have been a major supplier of the Sydney Metro. Now we are bidding on all the other metros over there. So the overseas business, I think, will also continue, and my sense is overseas business will grow at a faster pace than the domestic business.

Charanjit Singh: Sir the other thing is like you talked about a lot of these distribution reforms and what we are also seeing on the ground, re-conductoring. If you can touch upon that aspect, how these distribution reforms can add to the overall growth for the conductor's business and even for our transformers oil business.

Kushal Desai: Yes. So as far as distribution reforms are concerned, it is much more cable intensive than conductor intensive. So you will see the cable business being able to address a large portion of that opportunity. These are a certain class of conductors called medium voltage covered conductors where you really make a conductor and then you provide an insulation on it. So it is actually produced by our cable division, even though the alloys and conductors were originally designed by our conductor division, but the finished product is sold by cable division. So largely this will be addressed by the cable division. In terms of transformer oil, you will have more and more distribution transformers going in, and you will also end up having some amount of power transformers, which will bring in power to the grid, and then from that substation connecting to the next level of distribution. So transformers oil demand

will be kind of linear with the number of transformers which are being supplied, and most of these transformers, almost all of these transformers in the RDSS will be oil filled transformers.

Charanjit Singh: Sir, last question from my side is on telecom and convergence business, we have seen some ramp up from your side with new business head. So how is that opportunity shaping up. Maybe it may not be in one year timeframe, but in a longer-term, do you think that will be getting bigger for us.

Kushal Desai: It is definitely getting bigger. We have created a separate team within the company, with a separate business leader who is working across the synergy of the divisions that we have focused on this. So there we have OPGW which is a big play for us, and you will see within the conductor division more and more of this OPGW turnkey work which we are doing. In addition to that, the 5G rollout will give a lot of impetus normally the fiber optic side and but also the copper side and hybrid products, and so the 5G rollout is going to happen in India, but it has already started happening in the United States and in some of the overseas markets. So we have a set of products which are addressing this. We are in the process of getting a whole series of products, which are under approval from some of the big players in these overseas markets. So you will see this particular vertical also growing over a period of time, and it is pretty much going to be new growth that is there. Even though it involves conductors and cables, but it is a different vertical and you are addressing a different market segment, which is basically telecommunication and 5G infrastructure.

Charanjit Singh: Got it, sir. Thanks a lot for taking my questions, all the best for the future.

Moderator: Thank you. The next question is from the line of Chirag Setalvad from HDFC Mutual Fund. Please go ahead.

Chirag Setalvad: Sir congratulations on a fantastic result. Just a few questions in terms of profitability. You mentioned on the conductor front that the improvement in mix, steel prices and lower freight all contributed. I missed those numbers. So I know third quarter profitability came in at Rs.40000 a ton. What do you think is a sustainable level in the near future, and what do you think is the sustainable level in the long-term. You mentioned it, but I missed those numbers.

Ramesh Iyer: Yes. So in the short-term, the momentum can continue. Of course, the exact number will depend on the exact kind of products that we execute. Also depending on how much orders that we get during the period. But we expect in the short-term, it could be in the range of

about Rs.30000 per metric ton, but on a sustainable basis, we clearly see to be in the range of about Rs.22000, Rs.24000 per metric ton.

Chirag Setalvad: And what caused it to drop. Is it a mix that will change? How much of this 40000 can be attributed to the steel prices and low freight.

Ramesh Iyer: So the way may be to say is that it really depends on your macro and geopolitical situation prevailing. So currently, these situations are all favoring us, and if this kind of situation favours for us possibly, we could see this high momentum going forward. But now we are able to give a visibility depending on what we can clearly see as of now.

Kushal Desai: Chirag just to sharpen the sort of numbers or the view here, do you see what has been the transformation in terms of the margin per ton is that domestic business, South Asia, which is India, Nepal and Bangladesh has seen a lot of high efficiency conductor supplies as well as copper as a premium product, and that is contributing towards about 44% of the revenue. The balance 56% today is largely going towards exports and good realizations into fairly developed markets like the United States, Australia and to some extent, Latin America. So the realizations that are possible there and the kind of competitive intensity is very different compared to the domestic Indian market because the expectations on the customer also is significantly higher. So this mix is what has given that boost. If this mix continues, you will be in the 30000 range. But if things are getting fully normalized, there is also some China plus one advantage which we have. So if some of these things disappears, then just because of the product mix that is available today, you will still be in that Rs.24000, Rs.25000 per ton range simply because we are selling higher value added products. So if you were to model it over the short-term, you will be in the 30000 odd range. If you model it over a longer period of time, Rs.24000, Rs.25000 a ton can be taken as a base number, and then whatever favorable situations are there will be a top up on that.

Chirag Setalvad: Perfect. That is very helpful, and similarly, the cables business, where do you see sustainable profitability.

Ramesh Iyer: Cable business, you see in the last few quarters our margins have gradually increased, and this quarter we had 11.8% as EBITDA. We see that on a long-term basis, double digit of 10% would be sustainable with the product mix improving with our geography mix improving and also getting high economies of scale. At this point of time, we are able to maintain the guidance of about 10% on the cable business.

Chirag Setalvad: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Thanks for giving the opportunity, and congratulations on a great set of numbers. Sir, actually I wanted to understand around the premium conductor side and given the kind of premium conductor, our percentage is going up and even exports is taking incremental focus which is leading to higher profitability, I just wanted to understand, is not the competition putting the focus over here, given the fact that this part of the business is turning out to be a big profitability business. So how do you see competition largely from Indian players who are looking at exports and even the local player in these geographies. So if you could throw some light around that. Are there any incremental capacities which are turning up from competition or there is some movement around that. That was my first question. Second question on the copper prices. Of late around the month, we have seen copper prices going up by 10%. So how do we see that impacting our profitability on the revenue runoff, which has happened on the copper prices, and my third question was on the US infra side. I mean given the incremental focus which will come on the US infra bill. So what is our strategy here? What is our on-ground people that we have put. What is the GPM strategy, and what kind of business are we possibly looking at over the next two to three years, specifically from the US infra bill side of the things here.

Ramesh Iyer: So I will take the first question first. The competitive advantage as you mentioned on the conductor division, if you look at this, our updated presentation, we have a separate slide that talks about our competitive advantage on conductor cable and oil division. But just to talk about it, what we feel is that our products which are premium products as well as conventional products, we have some competitive advantage as compared to the competition. Basically, in terms of technology and the know how that is involved in this product and design, which actually acts as a barrier to entry for the competition, and it involves a special shrinking mechanism as well as there is a lot to do with the design of the product, which is something that cannot be easily copied, and it is just not a product supply, but it is the entire turnkey solution that is what we give for some of the premium products, which actually adds a barrier to competition over there. Also in terms of conventional products in the exports, if you see a lot of requirements that the customer demands is not only the product, but also in terms of reliability, quality and also in terms of the risk management exercise. So you look at the holistic things instead of only looking at the product and the pricing there, and based on the years of experience that we have in this business, we are at a very advantageous position when it comes to supplying these products in the overseas market. Could you repeat your second question? I just missed out.

Mihir Manohar: Yes, sure sir. My second question was on the copper prices. I mean off late, we have seen copper prices going up by 10% of the last month. So how would that impact our profitability, and if you could throw some light, what is our hedging strategy. Can you throw some color around that.

Kushal Desai: So the copper price, there would not be any impact because the entire B2B side, we hedged the product on a back to back business. So moment we have orders, just like we were running the hedging strategy on aluminum, we run a similar hedging strategy on copper so you will not see any major impact due to the movement of copper prices as and such.

Ramesh Iyer: If the prices are high or low are getting passed on to the customer.

Kushal Desai: In many cases, it is actually fixed because your order has come at a fixed price and the metal as well is booked back to back on that. So for example, all the delivery duty for solar cables, windmill cables, for your defense, for the railways, we follow the same strategy, where the moment the order comes, the forward cover is taken or the forward booking is taken and the metal is hedged. Where you are open is to some extent, on the wire and cable side through the distribution network. But there, we have been all the major players, they increase and decrease prices on a very regular basis, and their stakes are much higher. So we are just a follower in terms of those changes, which happens. So the Polycab, Havells, Kei and RR Kabel are the ones which move the price up and down based on copper movement, and so we will just follow based on the same proportions. So there would not be a major impact from the copper.

Mihir Manohar: Yes. The third question was on the US infra side. I mean, given the fact that US have come out with an infra bill.

Kushal Desai: On the US infra side, the fundamental growth is coming from 3 areas. Number one, cable requirements, which are going into the installations of solar farms and wind farms. Second is evacuation that is happening from that into the grid, which is where the conductor comes into play and the third piece is the actual strengthening of or replacement of old transmission networks, which are there. So we are in a position to actually participate in all these three.

Mihir Manohar: Sir, and just lastly an extension to the earlier question, which was on the premium conductor side. So are you seeing competition putting up capacity for the premium conductor space? I mean is industry putting on incremental capacity on that offering.

Kushal Desai: So we have competitors who are also adding some capacity on that. But here, it is just not a question of adding capacity like in the conventional conductor because most of these are part of a solution that is provided. So there is a design element of the conductor involved. This is a design element of the network that is involved when you do re-conductoring, and then there is also stringing technology, which needs to be in place. So as a turnkey operator, we actually have the most advantageous position because we have all these three elements with us. We have the product, we have a design of the network, and we have the ability to string and deliver the reconductoring or new conducting projects involving these special products.

Mihir Manohar: Okay sir, that is it from my side. Thank you very much and best of luck for the future. Thank you.

Moderator: Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: Thanks for the opportunity and fantastic set of numbers. I think what you were discussing earlier, I think it is finally taking place for the conductor segment, and good to see that you are still having the confidence that this business will continue to grow. A couple of questions, I think, more on the balance sheet side and on the Capex side. What is the acceptance as on Q3 FY2023?

Ramesh Iyer: So our interest bearing acceptance is about 3400 Crores as on December end.

Maulik Patel: That will be other than the normal debt, working capital debt.

Ramesh Iyer: So, we have a long-term debt of about 200 Crores, and current maturities of long-term debt is about 50 Crores.

Maulik Patel: What kind of Capex in this year you are spending more on the cable side and not on the other businesses. So how much you have spent and what is the outlook for the next year.

Kushal Desai: So the Capex spend over the next 15 months, we expect to spend close to about 300 Crores odd between the cable division which is the lion share of it and the conductor division. There will be very little Capex on the oil side, and our plan is that not only do we want to put in Capex to meet the current growth, but now look at ensuring that we have some excess capacity or surplus capacity in place a little bit earlier when the demand comes in and hits. Because as we are going around the world and getting approvals, and more and more projects are getting approved, we continue to see the growth taking place. So it is more

prudent we believe to actually put the capacity a little bit ahead of time so we look at a new Greenfield site for cable, and in conductors, we have acquired some land right adjacent to one of our plants at Silvassa area and machineries are going in there. So about 300 Crores odd over the next 15 months is what we expect the Capex to be in. That should help keep the momentum going in terms of growth both with cables and conductors.

Maulik Patel: Out of 300 Crores large part I assume that it will be spent over the next 12 months right.

Kushal Desai: Yes, the whole thing will go in the next 15 months. What is happening today is that the reason why the number looks a little higher and the period also is about 15 months is that if you place an order for equipment today, the equipment delivery times have substantially gone up whether it is because of manpower or it is because of electronics and many critical components for these still coming from overseas markets for Europe and the United States. So delivery times have gone up substantially. So that is why we do not, if we want to make sure we do not miss opportunities, we need to invest a little bit ahead of the curve.

Maulik Patel: Sure got it thanks.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: Congratulations on an excellent set of numbers. Few questions is about due to Ukraine crisis and now China opening up after three years of COVID, it is now instead of the China plus one policy prevailing has been told that exports to Europe and US are suffering because China is able to supply at a competitive price. So how come we are getting so good performance in exports, and secondly, is there a transformer oil shortage in India leading to high prices. Even black marketing have been told that transformer oil, which is helping us a lot.

Kushal Desai: Well, let me address the two questions separately. So in terms of the China plus one, I think it is a really strategic decision that many utilities and countries have taken. So it is not related to COVID being there for the last three months and COVID going away. We have seen customers who have taken undertaking from us there is not a single component that goes into whatever we supply to that country will have a product coming in from Russia or China, for example. So I do not think that China plus one is something in our industry at least that is going away in a hurry. It is here to stay, and Indian companies actually like us stand to gain because it is part of our strategic vision that buyers are having. As far as the second question, there is no shortage of transformer oil. We can deliver any quantity of transformer oil. There is no black marketing of transformer oil happening. So I do not know

where this has come from, but there is no shortage of transformer oil either in India or anywhere in the world at this stage. The growth which we have seen has largely been in volume because we have been able to address. We are approved pretty much everywhere wherever the demand is taking place. But on the contrary, because the raw material costs have fallen very sharply, as I mentioned earlier, people like us who work on longer-term contracts have been hit in the short-term because we have had to adjust our prices lower than what the supply chain reduction would have normally allowed us, and that trend will start reversing in this quarter, probably normalize in the first quarter of next financial year.

Vivek Gautam: Sir, how is the opportunity side and what CAGR we can grow and how sustainable it has been in the performance over the last two quarters.

Kushal Desai: So in terms of sustainability, especially in cables and conductors, cables especially, we can see a 25%, 30% growth to come for the next several years. In terms of conductors, we have seen at least for the next two to three years, we will continue to see a good momentum as all these transmission network continue to be built. So this is not a short-term phenomenon. I think it is a big structural play and depending upon how much infrastructure is replaced in countries like the US, you have to keep in mind that a lot of infrastructure they went in between 1945 and 1970 before the oil shock took place. So as that infrastructure gets replaced, so far people are some or the other pulling on, but this is a finite life that all these products have. They are designed to last for 30 to 35 years. Already in many places, they have lasted for over 50 years. So they will finally give way. So depending on that, you will start seeing conductor demand growing. But if you exclude any major, just a steady growth, you will see at least for the next two to three years clear visibility is available.

Vivek Gautam: How has been the B2C performance and branding and how are we getting the response under Sonu Sood's brand ambassador.

Kushal Desai: Our B2C response has been good. I have actually thrown up many specific numbers against one of the earlier questions. But bottom line is that the business has grown last year it was about 100 Crores. This year, we will be at about 200 Crores. Next year, we are targeting 350 Crores.

Vivek Gautam: Thank you, sir.

Moderator: Thank you. The next follow-up question is from the line of Amit Anwani from Prabhudas Lilladher. Please go ahead.

Amit Anwani: Just a couple of questions on any targeted debt level which you are looking in the medium-term, and I can see interest costs and financial is at 225 Crores for nine months, significantly higher than the last four years. So any elaboration on that? How should we model the interest cost in coming quarters.

Ramesh Iyer: So I think rates have actually increased over the last seven and eight months, and if you see every quarter, our interest cost is going up. In terms of the rate increase, almost Q3 would be maxed out unless any further rate increases are there, and also, it is a function of improvement in the business. If you see the business is growing you will see the interest cost also going up in line with the volumes there. But these will all be taken into consideration when we price our products to the customers because we take the recent exchange and the recent interest rate at the time when we price to our customers. So you will see an increase in EBITDA as well as you will see an increase in finance cost as our volumes and interest rates goes up. But Q3 would be a good approximate at this level of business.

Kushal Desai: So on a unit basis. I think we are already at nearing the max depending on whatever the FOMC meeting results are, and the number of days for modeling purposes, the number of structure of the receivables, inventory, etc., is reasonably steady. So that is what can be used. In terms of long-term debt, we have the balance sheet that has a capacity to borrow. We have 250 Crores of long-term at 50 Crores we have repaid in this quarter. So we intend to take some borrowings for the 300 Crores odd of expansion. That is in place so that the retail earnings are available for working capital requirements, etc. But for modeling purposes you can take the current NOD, number of days for each of these, and they should be reasonably representative of what will happen in the days to come.

Amit Anwani: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.

Himanshu Upadhyay: Congrats on good set of numbers. My question would be on capital allocation. So from here on, we have already stated that 350 Crores is going for Capex, okay. Can you elaborate how much capacity will increase through this 350 Crores of Capex.

Kushal Desai: So the ratio for most of these is 1:4, 1:5 in terms of the amount of products that can come out. Plus, part of this is a whole Greenfield site, which will be 40 plus acres of land. So that there is room to then keep adding machinery as the business continues to grow. So the key thing here is to look at what will be the return on equity that you are able to maintain

through this period. So we are already close to about 18.5% to 20%. I think if you take the nine months it is actually 21%. But our idea is to not allow the ROE to drop substantially, and most of these projects have a reasonably good payback because the market is already there and most of the market development activities have already been done. So as you ramp up the production we are already working on customers and channels to be in place.

Himanshu Upadhyay: Okay see, if I break our return on equity, so there are three sides. Revenue to gross block which has been always very good for the company. The revenue to working capital, which has been generally on the higher side, and EBITDA margins on conductor, where we have seen a lot of work which has gone and improvements are visible and cables also. Is there some scope to improve EBITDA margins on the transformer sustainably, not just the transformer in the oils business, and with economies of scale, which is coming, is there something you can do to improve working capital further on. What can be the bigger driver of sustainable ROE for you from here on in the working capital side and the EBITDA margin side.

Kushal Desai: Let me specifically address the specialty oil segments. So the specialty oil segment, you are not seeing any spectacular growth. Growth will be there 5%, 7%. In transformer oil, the growth maybe higher than that as transformer capacities get added both in India as well as overseas. But you have got white oil and some of these other segments where you may see even lubricants, particularly automotive lubricants and electric vehicles start getting rolled out, so the growth on some of that may slow down, but where the company's real growth is going to come is on the cable and conductor side, where you can clearly see a lot of infrastructure getting added. Now in terms of the working capital, there is a slide in the deck which gives you an idea in terms of secured receivables that we have, because wherever we end up giving extended credit to customers it is usually backed by a letter of credit on the other side. You may end up getting payables for some of your raw materials, which is extended, but on the other hand, you also have a whole lot of letters of credit or secured payments on the receivables side. So both payables and debtors are both, we are working on both sides of it, and there are interest costs associated with the extended credit days, they are factored into the pricing of the product. The customer usually has a certain number of days of interest free, and then they add the interest for the extended days of credit.

Himanshu Upadhyay: One more thing. Generally, our dividend payout has been between 20% to 30%. With the higher growth rate what we are visualizing, do you think the dividend payout ratios will remain the same or do you think more cash will be required.

Kushal Desai: The board has to decide, but as of now, the ratio that we have is between 25% and 30%, and given if there is continued growth taking place, and I think we probably would still remain

in the same range having a bias towards reinvesting back. Because as I mentioned earlier we do not see this growth as being a short-term and market momentum not being short-term. This is a clear opportunity for a company like us to grow not only domestically, but overseas, and it does require the right investments to be made and those investments if made correctly will have a good payback.

Himanshu Upadhyay: The growth what we are expecting is in those segments where my return on equity and capital employed would be upwards of 20%. So that is what we are trying to get. Because commoditized business you can get anytime.

Kushal Desai: ROE is in that range, I mean, it has taken a lot of effort to get it to the 20% mark. Every time you have a capital block going on, you can have a short-term drop because it takes a few quarters to ramp up the production and realize the full volumes. But I think we are at a momentum today where it is possible to be in that 18%, 20% range through all the expansions, etc. There is a clear economy of scale available both in the cable and conductor business. So as the volumes go up, there is an efficiency which will clearly kick in.

Himanshu Upadhyay: See, my question is the segments where we are seeing growth currently, because of high demand it can be a good ROE. But even in the commoditized business sometimes the ROEs can be high because of demand supply. Our focus remains on high margin or high ROE businesses only for growth also that should remain on track.

Kushal Desai: Yes, I do not think you will see a big change in the mix of what we bought from today. The target or the idea would be to keep improving the mix i.e., which more value added products or premium products and then where there are standard products moving to more premium buyers.

Himanshu Upadhyay: In Europe also, are you seeing growth.

Kushal Desai: Fundamental things. So I will put it in perspective. You see when you supply to Indian buyers, they really go essentially on a 2 bid process. So once you clear a technical specification, then it becomes only price. So if you are 41 on 100 or 99 on 100, you are almost equated. Whereas when you go into the overseas market, that 41 on 100 itself is in the 70s. So the bar itself is much, much higher in terms of what they classify as pass or fail. So that is where I say that you are looking at premium products and for standard products, you are looking at more premium buyers.

Himanshu Upadhyay: One last thing. We are speaking about the US where a lot of growth is visible. So what is your sense on Europe. Because a lot of other capital good companies on the power side are

extremely optimistic on the Europe because of waste heat and so many, which the energy transition, which is happening, and the business growth, which is happening, what is your exposure.

Kushal Desai: In Europe, we are also seeing demand in place. We have been successful in starting to supply cables, particularly into the nonconventional energy space, which is both largely solar and also some amount of wind. So our expectation is, as I mentioned earlier, that Europe is one of the target markets which we have, and with the current issues that they have on both power and manpower in Europe, it bodes well for India. Recently, there was an industry meeting that our Commerce Minister Shri Piyush Goyal had with the top exporters of the country, and in terms of laying out what is expected over the next few years, they already have a free trade agreement in place now with Australia. They have put an agreement in place with UAE. There is a free trade agreement under negotiation with the EU. So if that happens, then Indian products have 3.8% to 4% custom duty, which if that comes off, then that makes us that much more competitive.

Himanshu Upadhyay: Thank you and best of luck for the future.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Thank you so much for taking my question and congratulations on a great set of numbers. So sir, I am a bit new to the company, so pardon for some basic questions. So as you said, our EBITDA margin in the conductor businesses, which are at around 40000 they will come down to 30000. So could you just help me with how that works, so we would see a decline in our EBITDA margins.

Ramesh Iyer: So what we feel is that depending on the order book that we get, the margins could change. We have got some tailwinds in this particular period. But definitely, the profitable product mix has changed, and that is the reason you see higher EBITDA margin on the conductor division. Now how exactly these orders will get executed, it will depend at the end of Q4. But what we are saying is that if we want to build a model for a long period of time two years to three years, we do not know how the macroeconomic and geopolitical things will pan out in the future, and from that perspective, we feel that a conservative estimate of about 24000, 25000 per metric ton would be there in the model. That is what we intend to say, but definitely, in the short-term we expect good order and profitability continuing in the near future.

- Darshil Jhaveri:** In terms of our revenue growth, what can we expect next year. Any target that we have that we want to reach that number or something that could help me.
- Ramesh Iyer:** The cable business we are talking about 25% to 30%. In our conductor business, you should see at least a 15% to 20% growth between this year and the coming year. The oil business will be closer to about 5% to 7%.
- Darshil Jhaveri:** So that helps a lot, and with regards to the fluctuation in finance cost, I understand correctly that we pass it on in our EBITDA and that is why we have a higher finance cost. So as the revenue increase, the finance cost would be a similar figure will be dependent on that.
- Kushal Desai:** As I mentioned earlier, if you take the number of days for outstanding, inventory, all the components that contribute towards the business as a model is reasonably set. So we do not expect any major change to be there in that. So really the movement will be up and down depending on where the interest rates are. So I guess in the shorter term, you will have higher interest rates when inflation and things come off, then maybe the interest rates will also start coming off, we are factoring into our business that higher interest rates are being taken into account as part of the cost cycle.
- Darshil Jhaveri:** So that helps and our new Capex, so what kind of an asset turn can we expect from it.
- Kushal Desai:** On the cable side, you have, depending on the product, anywhere between 4x to 6x. If you go to house wires, then it can be as high as about 8x to 10x, and in conductors also, it is around 5x to 6x, depending on the nature of the product.
- Darshil Jhaveri:** Sir, if I may squeeze in one more question, so what would be our capacity utilization currently.
- Kushal Desai:** So currently, most of the cable and conductor products are running pretty much flat out, and that is the reason why this Capex is being incurred and more equipments are coming in to support the growth.
- Darshil Jhaveri:** Thank you so much for your time and all the best for next quarter.
- Moderator:** Thank you. Our next question is from the line of Ca Garvit Goyal from Nvest Research. Please go ahead.
- Ca Garvit Goyal:** Good evening, sir. Sir, my question is from EPS side. In last conversation from quarter two, you were mentioning that the halfway EPS will be in line with the half one EPS. But now for the nine months it is 103. So where do you see the EPS laying out for entire FY2023.

- Ramesh Iyer:** So we have given overall guidance. If you build that model, we will be able to know how much will be the EPS. Specifically, we cannot comment on exactly what will be the number in the next quarter. But based on the division top line and bottom line profitability, you will be able to work out the EPS how it will pan out. Because each of the divisions have different growth rates. So you need to put that math to see how the EPS will move going forward.
- Ca Garvit Goyal:** Because you are saying conductor business is 15%, 20%. Oil 5%, 7% and cable 25%, 30%. So this seems to be a little bit conservative considering your first nine months growth and one side you were also saying that this high growth momentum will continue. So that is why it is little bit confusing regarding the growth guidance.
- Ramesh Iyer:** Yes, so we are looking at the long-term guidance that is what if you want to put that in the model, those are the guidance numbers that you need to build into that.
- Kushal Desai:** If you look at FY2023, you can pretty much extrapolate whatever in the first nine months. The first nine months carry forward into the fourth quarter. We are looking specifically at what is expected in this financial year.
- Ca Garvit Goyal:** It is basically you are saying nine months, this nine months will continue in the...
- Kushal Desai:** Prices is given in the new deck that addresses what the current structure is. EPS by business is indicated also.
- Ca Garvit Goyal:** So kind of momentum we witnessed in nine months, we can expect it in the next one to two quarters, you are saying.
- Kushal Desai:** For the next quarter, I mean, we are talking about this current quarter which we average that you see over the first nine months will continue further. I mean, that is the visibility which we have as of today.
- Ca Garvit Goyal:** Understood that is all from my side sir. All the best.
- Moderator:** Thank you. The next question is from the line of Yogesh Bathia from Sequent Investments. Please go ahead.
- Yogesh Bathia:** Congratulations sir, on a very good set of numbers. I wanted to know that do you think the worst in the base oil business is behind us, what we saw in Q3, high-cost inventory, etc. Do you think it is behind us?

- Kushal Desai:** At least in the current situation, I think the worst is behind us clearly.
- Yogesh Bathia:** That is it, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Saurabh Patwa from Quest Investment Advisors. Please go ahead.
- Saurabh Patwa:** Thank you for taking my question. Congratulations on a great set of numbers, I think a lot of my questions have already been answered. Just two things, one on the conductor side, for a very long time, we used to give a guidance of sustainable margins of around 12000 to 14000 basis of higher margins in HEC, which used to be around 25000, 26000, so is there any possibility of going back to that situation.
- Kushal Desai:** No, I do not think we will go back to the 12000 to 14000 because if you also look at the product mix that existed in that 12000 to 14000 period, it was largely a) conventional conductors and b) it was being largely sold in the domestic market, which is very competitive. So right now, there is a structural shift in terms of the mix of product, and at least as I have been saying over the last hour we see more premium buyers coming forth to buy standard conductors.
- Saurabh Patwa:** Do we need to make any adjustments to our plants to have a higher share of these products.
- Kushal Desai:** No we made manufacturing fungible. So as a consequence, as the more premium products need to come on board, we already have capacity on the aluminum side. On the copper side we have been making adjustments and additions as the copper side the capacity has been going up. In terms of quality or premiumness of the products that we can produce, that has always been built into our system. So I think we are just getting more premium buyers who have a much higher standard of what they require especially when you go overseas the minimum bar for passing is significantly higher than in the domestic one. Domestic market anything that conducts a current is good enough.
- Saurabh Patwa:** In the past, you used to highlight that there has been not a lot of conductoring in US and other North American market, and that is why the competition, there would not be any actually lot of players left there. So now when we see that opportunity actually rising there, is the same true now as well or some Chinese or other players have started getting into that business.
- Kushal Desai:** So I think that is holding true that local manufacturing there is not able to keep pace, and I do not think we see investments going in for now capacity to be added at any huge

appreciable pace in North America, Europe, any of these places. Because they are fundamentally not so cost competitive in terms of the operating cost over there. In terms of these Chinese players, we do not expect anything sudden to happen because many of these buyers are actually quite strategic in their purchase and they have laid down quite clearly the policies. I mean we would be surprised if it changes dramatically from what we have laid it out to be.

Saurabh Patwa: Just one last question, if I may add. The capacity which we are adding in the conductor side, I know you mentioned it in Gujarat, but in Orissa where we have another conductor plant, we have some arrangement that we could get a liquid metal module. So can you give the capex.

Kushal Desai: So the capacity for rods that we are adding is being added in Orissa. But the conductor making capacity we are adding in Silvassa simply because if you see a higher and higher percentage of exports taking place, we are today exporting from both the Silvassa plant as well as the Orissa plant and export logistics out of Orissa are not the best, whereas we are getting more and more options for export out of Silvassa, because you have the ICD which has now been taken over by Adani Logistics. They are increasing capacity there. There are more ports coming up in and around Gujarat. So Silvassa is a very good location for manufacturing for exports.

Saurabh Patwa: How is our Al-Hamriyah plant doing. We had plant with bulk exports from there.

Kushal Desai: Al-Hamriyah plant has been doing quite well. In fact their volumes have been consistently growing. We are at almost 18% above the same period previous year for this particular quarter. The Middle East has been doing better because of the current oil prices, etc., and we hold energy situation also better. So our expectation is that growth from that plant will continue to come, especially on the transformer oil side. The white oil, etc., is in trouble because the three largest countries that buy in Africa do not have foreign exchange, which is Egypt, Nigeria, and Ethiopia. But the transformer oil side is coming from the more industrialized countries and we have the whole GCC, you have Latin America, Europe, everywhere power conductors going in distribution contractors and transformers going in. so the transformer oil side seems quite good.

Saurabh Patwa: Thanks a lot and all the best, sir.

Moderator: Thank you. The next question is from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: Thanks for the opportunity. I have a question on the conductor side. In the slide, you mentioned the revenue mix between exports and premium products, so would it be possible to share the volume number, volume mix between exports and premium out of the overall 44500 tons for this quarter.

Kushal Desai: So you see, if you take premium products are 44% and if you take exports, that is also almost 50%. So the amount of standard conductor sold in the domestic market is very, very low.

Dhavan Shah: Volume wise, it will be the same. The revenue mix will be the same.

Kushal Desai: It is difficult to tell you volume because there are so many different types of products, shapes and sizes. Basically, I think the value mix will give you an idea of what is happening, and in fact that would have been of the major reasons why the profitability has also been a bit higher.

Dhavan Shah: In terms of the EBITDA per ton, can you please share the differentiation between the exports and premium products against the Rs.49900 a ton, what we have done.

Kushal Desai: We do not want to go down to such a granular level because along with you, we have competitors who are looking for that information. So I think to the extent that is possible for us to give information, I think, we have already displayed.

Dhavan Shah: Suppose, let us say, I think you also mentioned that some input inflation resolved and lower freight cost, which has helped to include EBITDA per ton. So, if you exclude these two things, then what could be your EBITDA per ton against the 49900.

Kushal Desai: We put a base case of 24000 to 25000 per metric ton, and then we have also given what could be tailwinds which are there, which is i.e., standard product export continues at a higher pace. If steel prices remain steady then that helps. So our expectation is that in the short-term we will be around in the 30000 in terms of value addition. In terms of longer period you can take 24000 to 25000 per ton. That forms the base number going forward.

Dhavan Shah: So against the base number, would it be fair to assume that the premium product EBITDA per ton would be roughly 1.5x to 2x against the base.

Kushal Desai: So depending on the product, we have classified a basket of products, if you look at that range of products, and if you compare it to domestic transform conductor, it is at least 2x of that. In terms of the overseas conductors, it is somewhere in between, it will be order to

order country to country, etc. So that is why we try to simplify it by giving EBITDA per ton considering a certain product mix.

Dhavan Shah: So this premium product is entirely for the domestic market, right. 44%.

Kushal Desai: Yes, largely going into India, Bangladesh and Nepal mostly, because it has been done largely on a turnkey basis.

Dhavan Shah: What is our overall market share in this segment.

Kushal Desai: So on the premium, depending upon, of course, so if you look at the copper products, we may be in the 15%, 20% range. The railways we are much higher, we are at about 40%, 50%, and if you look at HEC, high efficiency conductor, etc., we would be at least 40%, 45% market share. Because it is dominated currently by APAR and Sterlite Power, there are obviously, over a period of time more players will come in but so far, we have been able to hold a fairly good market share.

Dhavan Shah: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Bobby Jayram from Falcon Investments. Please go ahead.

Bobby Jayram: Do you do EHV cables.

Kushal Desai: We do not do EHV cables. We basically go up to 66 KV. So that is actually considered as medium voltage or in some cases high voltage, but not extra high voltage.

Bobby Jayram: Any plans to get into that.

Kushal Desai: Not at the moment. Because the products which we have at the moment where we have the approvals, we have the expertise in place, we see a fairly large addressable market there and our current focus is to address extra high voltage situations by medium voltage covered conductors or by conductors.

Bobby Jayram: The other thing, you said the US is a major market for exports, right. But I was wondering, these countries have a lot of local procurement rules. So how is this going to impact you. They all want it locally manufactured, right, ideally. So how is that going to impact your export trajectory?

Kushal Desai: I do not see any emphasis on local manufacturing coming from, for example, the United States because there just is not enough local manufacturing and if you look at the unit cost of production there relative to a place like India, it is much cheaper to produce here and ship. There is some pressure in terms of having availability of stocks. So we do have many large distributors who buy and stock our products and then resell them to utilities there. We have also been investigating, looking at seeing up a manufacturing facility at some point, which is nearer to the United States, to service the US, Latin America, etc. So once you have a site there, then you can have some production going from there and then also production coming in from India, but at the moment for whatever our immediate plans are we can easily service them from our plants in India. You see a lot of the project sites which are there, they do not need overnight delivery. They have a planned project delivery schedule. So when a solar plant is being built or a wind farm is being built, there is time available to manufacture and deliver the product to the site within the window that the customer defines.

Bobby Jayram: No, that is perfect because I thought the Inflation Reduction Act specifically asked for products to be locally manufactured.

Kushal Desai: So right now, it is not hurting us. We are examining manufacturing in geographies like Mexico, Colombia these sort of places where Mexico of course has an advantage because it falls under NAFTA, and it is considered as a local manufacturer. But most of these cases just the physical availability of product itself is not there, and the cost of manufacturing there is relatively very high compared to what would happen over here.

Bobby Jayram: Right, thank you very much.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to Mr. Kushal Desai for closing comments. Over to you, sir.

Kushal Desai: Yes. Thank you very much for being on this earnings call. Just in conclusion, I would like to say that the opportunities that we see in our business will present itself not only in the short-term, but also in the medium-term and we will continue to remain focused on the products and markets, which we have established ourselves in because we see good growth coming in from those areas and with that our objective and aim would be to continue to sustain good momentum as we go forward. So thank you very much for being on this call, and look forward to interacting with you all in the future. Thank you.

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