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SEC/2005/2024 **By E-Filing** May 20, 2024

National Stock Exchange of India Limited "Exchange Plaza", C-1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai – 400 051. **Scrip Symbol : APARINDS** **Kind Attn.: Listing Department**	BSE Limited Corporate Relations Department, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001. **Scrip Code : 532259** **Kind Attn. : Corporate Relationship Department**

Sub. : Submission of Transcript of Investors Earnings call on Audited Financial Results (Standalone & Consolidated) for Q4 and Financial Year ended March 31, 2024 (2023-24)

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 / Madam,

Kindy refer our letter dated May 14, 2024 under Ref. no. SEC/1405/2024 w.r.t. submission of link of Audio Recording of Investors Earnings Call on Audited Financial Results (Standalone & Consolidated) for Fourth Quarter and Financial Year ended March 31, 2024 (2023-24).

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 14, 2024 on the Audited Financial Results (Standalone & Consolidated) of the Company for Q4 and financial year ended March 31, 2024.

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

SANJAY A RAJU KUNDER

Digitally signed by SANJAYA RAJU KUNDER
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(Sanjaya Kunder)
Company Secretary

Encl. : As above

"APAR Industries Limited

Q4 FY '24 Earnings Conference Call"

May 14, 2024

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 APAR Industries Limited Earnings Conference Call. 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. 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 Q4 FY '24 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 will 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, and welcome to the APAR Industries Q4 earnings call. I'd like to start by providing an overview of our performance and then discuss a few brief industry update. Post that, we can delve into more details for each of the 3 major business segments that we have and then open up the floor to questions.

So during Q4 FY '24, the consolidated revenue for APAR came in at INR4,455 crores, which is up 9% year-on-year. Domestic demand continues to be strong, offsetting the weaker export demand that has been coming, especially from the U.S. market, where customers had been deinventorizing. Global sales growth, ex the U.S., actually grew at 29.8%

in Q4. The overall export mix is 39% versus 53%, which was a year ago period.

The EBITDA is up 3% year-on-year to reach INR 457 crores with an operating margin of 10.3% versus 10.9% a year ago. Profit after tax came in at INR 236 crores, 3% lower than the previous year. But last year, same period was the highest quarterly earnings that we've had on record. It is 5.3% versus 5.9% in the year-ago period.

Considering the 12 months, the consolidated revenue posted an all-time high revenue growing at 13% year-on-year, closing at INR 16,153 crores. The growth is coming from higher volumes in all the 3 business divisions. The export mix for the year is 45.2% versus 48.8% in the last year. EBITDA for 12 months is INR 1,632 crores, representing a 24% increase compared to last year. The EBITDA margin for the year is 10.1% versus 9.2% a year-ago period. The profit after tax is up 29% year-on-year, which has reached INR 825 crores with a margin of 5.1%. This is about 70 basis points higher than the previous year.

Covering a few industry highlights, data from the Central Electricity Authority reveals that about 3,512 circuit kilometers of transmission lines were added in the month of March 2024. On a 12-month basis, 14,203 circuit kilometers of transmission lines were added, which has fallen short of the planned addition of 16,602. However, looking ahead in the next 3 years, it is targeted to add about 17,500 circuit kilometers of transmission lines per year and about 80,000 MVA of transformation capacity per annum.

On substation additions. The Indian substation capacity addition stood at about 78,382 MVA in FY '22, falling to about 75,900 MVA in FY '23, and it further fell to 70,728 MVA in FY '24. Very significantly, the private sector has been making increasing contributions to India's substation capacity build-up. In FY '22, private sector entities had added just 1,000 MVA of capacity, which has grown to now 5,000 MVA in FY '23, and it has risen to 15,000 MVA in FY '24.

On the renewable energy front, the year proved to be a strong year for the country's renewable energy sector. India achieved the highest ever annual new capacity addition to the grid, spurred by the solar power segment, which accounted for 81% of the addition. The total new capacity added during FY '24 stood at 18.48 gigawatts, which was higher than the capacity added in FY '23. That was 15.27 gigawatts. In FY '24 – and this is the highest all-time high addition in the year. In FY '24, the new capacity addition in solar power sector grew by 18% compared with the addition made in FY '23.

So today, India's installed renewable energy capacity stands at 143.6 gigawatts. And this excludes 47 gigawatts of large hydropower capacity. Amongst the renewable energy capacity, the total solar installed capacity is at 81.81 gigawatts, followed by wind at 46 gigawatts, and 9.43 gigawatts is biomass and 5 gigawatts are the various smaller hydro projects.

Coming to the individual business performances, our Conductors business revenue in Q4 FY '24 grew 10% year-on-year to reach INR2,328 crores, with a volume growth of about 14% in the quarter. Domestic business of AL-59 conductors had a robust demand in this quarter. However, there has been some adverse effects from competition, where higher freight cost impacted by the Red Sea crisis and a slowdown in the U.S. market affected exports in the quarter. Export revenues contributed to 40.3% of the division's overall revenues versus 53.5% in Q4 of the previous year. The premium products contributed to 48.9% of the revenue mix.

Despite some headwinds from the U.S. market, EBITDA per metric ton post forex adjustment came in at INR 48,453 per ton on the back of reasonably good domestic demand and execution of HTLS projects. Overall, our order book stands at about INR 6,885 crores, with the premium basket contributing to 44.8% and the export mix contributing to 37%. New order inflow for the quarter came in at INR 3,018 crores, of which the premium product mix is 57.5%.

During the 12-month period, revenues for Conductors division crossed INR 8,000 crores, came in at INR 8,031 crores. So that is up 15% year-on-year. Export sales contributed to 45% of the revenues as against 46.5% in a year ago period. Volumes year-on-year are up 29%. The EBITDA per metric ton post forex adjustment for 12 months came in at INR 42,141, which is 4% lower than the previous year.

Coming to the oil division's performance. Q4FY24 revenues are at INR 1,210 crores, which is 3% higher than a year ago. The volumes grew by 5% in the quarter. Transformer oil volumes, which has actually led the growth, grew 22% over the previous year. Exports contributed towards 43.9% of the overall revenues. EBITDA post forex adjustment came in at INR 4,251 per KL, which is 15% higher than the same period previous year.

Profitability for the quarter, as I had mentioned in the previous earnings call was partly affected due to higher weighted average cost of inventory, consequent to delays in shipments, which had happened in the last quarter. The lubricant revenue came in at INR 241 crores with a total volume of 17,813 kL. Looking at the 12-month period, oil revenues are up 4% year-on-year to INR 4,837 crores. The volume grew by 11%. Transformer oil volumes has grown year-on-year by 15% and EBITDA post forex came in at INR 5,746 per kL. The lubricant revenues for the year are at INR944 crores with a total volume of 70,625 kL. This is an all-time high number for the oil division in terms of volume.

Our Cable business revenue growth is 15% higher than the previous year, last year had a high base coming in from the U.S. If you look at global sales ex the U.S., the sales grew by 51.8%. Exports overall contributed towards 24.7%, and 52.8% is a figure a year ago. So EBITDA continues to post double-digit margin with 11.4% in the current quarter. Our overall order book is at the moment at INR 1,436 crores for the Cables division. If you look at the 12-month period, Cable revenues are up 18% year-on-year at INR 3,859 crores, domestic revenue is higher by 45% year-on-year, and sales ex the U.S. is up 44.8%.

So it's really the slowdown in the U.S. market, which we have been talking about through most of our earnings calls has come in and hit the overall number. The export mix for the year is 38.3% versus 50.8% a year ago. The EBITDA post forex for the year came in at 11.4% versus 10.5% in the previous period. The U.S. order intake has slowly started improving as the inventory rationalization gets completed and some of the solar projects are starting to get executed. We have seen an increased level of inquiries coming in. But the inquiry to closure of order cycle is actually still fairly long.

The Red Sea crisis has impacted the supply chain and this, in turn, has affected volumes, especially to Europe, where the freight costs are still high compared to prior periods, and this has enabled local players to be more competitive, relevant to exporters like APAR. However, the domestic business looks strong in terms of volumes given the trust on renewables and the renewable capacity being added, transmission lines, which will be required to be added for evacuation of power and other infrastructure development.

I'd like to point out that we have a detailed corporate presentation on our website. And we encourage all of you to please access the same and go through it. It's much more detailed than we can cover on this call. However, coming on a cautious note, we see increased competition coming from Chinese exporters in most of the markets. Even in the U.S. market, they have been trying to skirt around the tariffs by illegally routing products through alternate geographies. Some actions have already been initiated by the U.S. authorities. And this activity is actually getting more intensified.

So our sense is that over the next year or so, you will start seeing an impact coming in. As there are certain importer distributors whose licenses have been import licenses have been revoked or they have been fined. We are also seeing a short-term slowdown in demand from tenders and some of the new conducting work, at least for this period given the fact that decision-making is reasonably paralyzed due to the ongoing elections. However, we remain optimistic that the basic growth drivers remain intact, both in the domestic and global markets, especially one takes a slightly longer-term view.

So with this, I'd like to come to the end of my comments. I'd like to thank everyone for joining this call. And we can now open up the floor to questions.

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

Mohit Kumar: Congratulation on a very good set of numbers. Sir, my first question is on the, how do you think about selling premium conductors in the export market? And do you think the demand in the U.S. market will come back and stay for couple of years?

Chitanya Desai: So premium products in the U.S. will be sold. It will take a little longer for us to penetrate those markets. Currently, the premium products are being sold more in India. And with regard to the U.S. market coming back, the information we have is that this year, it will continue to be a little soft. But the expectation from the customers is that from next year onwards – next calendar year onwards, things should pick up.

Mohit Kumar: And sir, given that our capacity utilization is very high for Conductors and for Cables, I guess, where are we in the capacity expansion? I think we were undertaking capacity expansion last year. Can you just throw some color on that?

Kushal Desai: So in terms of capacity expansion, Mohit, we are continuing as per our plan during last year and through various interactions we had through the whole QIP process, all our documents out there. We were talking about doing INR350 crores to INR400 crores capex year-on-year. So that program still remains pretty much on track.

And we are investing on the Conductors, side on our rod making alloying capability, metal treatment stranding as well as on the premium product side, expanding our CTC, that's the corporate transposed conductors going to transform us. So we're expanding that capacity as well as the bus bars and rods. So our expansion is going on.

We fundamentally see that the long-term growth drivers remain intact. And some of these projects are getting delayed because the expected rate reductions haven't taken place announced by the Fed. There has been expectations that there would have been 3 reductions now, it's down to possibly one or none. So there is a little bit of a wait and watch, given that many of these projects are leveraged. But otherwise, the growth driver still seems to us to be pretty much intact. So we are going ahead with these capacity expansions. Also, we need to keep in mind that getting best-ofclass equipment today has significantly longer lead times compared to what it was 2 or 3 years ago.

Moderator: Next question is from the line of Amit Anwani from PL Capital.

Amit Anwani: Congratulations for good set of numbers. My first question…

Moderator: Sorry to interrupt Mr. Amit. Your voice is very low. Can you please use the handset?

Amit: Is it better?

Moderator: Yes, this is better. please go ahead.

Amit: Congratulations for good set of numbers. My first question is on the EBITDA per ton of 48,000. And you did highlight it in PPT that this is because of the premium products – higher-margin premium products. So I just wanted to understand any particular product which is driving this kind of high EBITDA per ton this quarter. And second, I wanted to understand some sense on you did highlighted in your presentation about the premium products breakup on HEC copper, OPGW. So just wanted to understand any particular products within premium, which is contributing much higher and also the contribution of AL-59 in domestic market? How was it?

Ramesh Iyer : So this, in general, Amit, premium conductors has been a higher share. If you look at this quarter, it has been about 49 percentage of the total conductor value. And therefore, you see that increase in the margin. Also, as the volume has been higher, we also get a lot of economies of scale due to lower conversion costs due to which the EBITDA per ton has gone up. At the same time, there is also a one-off recovery against some old provisions that we had created, and we were able to recover that debt that has also added to the bottom line, increasing the EBITDA per metric ton by about 1,500 per metric ton.

So all in all, it has resulted in a higher EBITDA. And nothing specific more about the HTLS and reconductoring projects that has now been there as part of the premium conductors and more of such orders have been executed during the quarter, which has resulted in this margin being high.

Amit: Right. Any sense on AL-59 contribution?

Ramesh Iyer: We don't give a specific product-wise contribution as compared to the total number. But AL-59 volumes have also been going up recently..

Amit: Right, sir. Second, on the capacity utilization with the full year volumes for Conductor almost more than 2 lakh tons. And I recollect, we were at about 180, 190 lakh tons. So just wanted to understand since we have a robust outlook for upcoming years. How much time it takes for capacity and what kind of capacity or number are going to increase by 50%, 100%?

Ramesh Iyer: So Amit, in our case, capacity expansion happened almost continuously because we predict the demand 1 year in advance. And typically, in the Conductor division, we operate about 90% capacity utilization. So as we see orders coming in and the demand going up, we tend to increase the capacity by 10, 15 percentage year-on-year. There could be some periods where capacity utilization may be less and some period could be high. But typically, it's more of a continuous process. And as of currently, we have a capacity of about 2.1 to 2.15 metric tons per annum, and we are continuing to see also increasing the capacity there.

Amit: Lastly, on the acceptances, we did talked about during our fundraise that we'll be focusing on the working capital rationalization. So just wanted to get a sense what should we consider as a benchmark for the acceptances or working capital or the interest to sales in FY '25-26?

Ramesh Iyer: So this quarter, if you see, because of the QIP funds coming in and getting deployed in working capital, our interest-bearing LC has come down. It's about 3,200 as of March. And depending on how our working capital we are able to rotate, this number will change. And also as the business volume goes up, then you will see increase in this...

Amit: Sir, can we consider 2%, 2.5% interest to sales?

Ramesh Iyer: I guess maybe what you see the numbers for this particular quarter is slightly lower because of the lower interest cost that is coming because we've deployed the QIP money. But at the current volume, maybe about INR 112 crores of interest on a quarterly basis is something that you can predict. However, volume going up, this may go up further.

Moderator: Next question is from the line of Nitin Arora from Axis Mutual Fund.

Nitin Arora: Just on the Conductors first. I mean, your order intake has been quite strong again. For the whole year, it's up 20.4%. Generally, given your strong commentary on the domestic side, plus your capacity part, you still think you'll be able to grow conductor revenue by 18% to 20% this year? That's my first question. And second, if you can comment on the profitability of the Conductor segment, how one should look this 42,000 going where, if you can get a little bit more sense, then I have 1 more question, I'll take it after this.

Ramesh Iyer: So now if you look at what we have been guiding is pretty much on a medium to long-term perspective. We don't really give guidance on a short-term perspective because the nature of our business is that sometimes you execute more in a one particular quarter and a year that distorts the entire overall number, say, for instance, this year, we grew the conductor volume by about 29 percentage, whereas we've been guiding about 15 percentage. So typically, what happens is that as the project gets executed, depending on the pace of the execution, you tend to get more volumes in a particular quarter.

However, what we feel is that as the fundamentals are intact on a medium term and a long-term basis, we expect the Conductor division to grow about 15 percentage on volume terms CAGR. There could be a few quarters and periods where depending on the level of execution this percentage will vary. But clearly, on the long term, we expect this to grow about 15 percentage CAGR basis.

And coming to EBITDA level, we have been giving guidance of about INR 28,500 per metric ton. Again, although we have been getting about 40,000 per metric ton in the last financial year. However, looking at a long-term point of view, depending on the level of competition and the pace at which projects get executed, we continue to guide about 28,000 per metric ton plus definitely, there could be a lot of tailwinds that we get as we execute these projects. So those would get add on to the EBITDA numbers.

Nitin Arora: Got it. Just on the starting commentary on the export, we're seeing export mix also down quite from the mix perspective and domestic is growing way faster. But given that exports is the mix have come down, you're saying it will take a little more time. But here, at least from a declining perspective, it should stop. It's more of a bottom you see? Or do you still think it will like 2 or 3 quarters away, where we'll start seeing growth or at least we could be flattish? I mean I'm asking more from a profitability mix perspective, if you can throw some light there.

Ramesh Iyer: So this export mix actually has come down because last year, we had a very high growth coming from the earlier year and largely because of the U.S. export sales being high. Now depending on the situation that's prevailing on ground on U.S., the interest rates being high and also elections coming up in the U.S., we are seeing a slowness in the last year due to which the demand has been less. However, we expect that going forward, once these things get cleared off, these projects could be more executed. And we may get back to the mix that we have called in the last financial year.

Moderator: Next question is from the line of Naman Parmar from Niveshaay Investment Advisory.

Naman Parmar: My first question is related to the – what will be the opportunity size of the Cables on or a Conductor on a transmission side and Cables on the distribution side? Can you provide me that?

Kushal Desai: So on the Conductor side, there are basically – if you look at transmission lines, there are 2 opportunities. One is new transmission lines that are being built to evacuate power from the new power-generating location. So for example, there's there 3 sets of 10 gigawatts each solar power coming up. And you'll have transmission lines evacuating power from there. So one growth is coming from the addition of new transmission lines.

The second area of growth for us is coming through the reconductoring of existing lines. So for example, if you see there has been a – power has been growing at almost 8% of your CAGR. And we are expecting that in the month of June, the government has announced that India could have the highest shortfall of power in its history because consumption is increasing. So as a consequence, reconductoring projects will also come up. They have been happening, but they will also continue.

The third thing is that in the mix that we have of our Conductor division, we also do the copper transposed conductors for transformers. And you may go through the earlier earnings calls that we have had, we've explained that when you're building a transmission line today, the investment that's happening in the substation has almost gone up to 50% of the total transmission line, which used to be about 30%, and off that the transformer is a very major portion.

So transformer demand has been growing, and we supply 2 products into the transformer. One is the copper transposed conductors, which come from the Conductor division, which also has been growing. And in fact, in the INR 350 crores capex, we are putting in a substantial capex for growing the copper transposed conductors. And of course, the other area is transformer oil, which, as you heard in my opening remarks, that after a long time, we are seeing strong double-digit growth over like 12%, 15% year-on-year, and we expect that growth to continue in this year.

On the distribution side, which is primarily the Cables, you have drivers coming from the addition of infrastructure in the Indian Railway, from Defence, from the renewable energy sources, which is both solar and wind, where APAR has a significant presence. And then there is also the government schemes, which are there for strengthening of the last mile, which is the RDSS, etcetera, where the cables are going in along with the metering solutions to moving to digital meters and reducing losses and theft. So these are like primarily the segments, where we would see the growth coming.

Naman Parmar: So on the same question, if the RDSS scheme has a INR 4.55 lakh crores of investment outlets, so cable would be around, let's say, 40%? That would be a…

Kushal Desai: No, no. It's much lower than that. The EPC portion would be somewhere in the 35%, 40%. A large allocation of that is also going towards the metering because all the metering is getting converted into digital meters. You are looking at EPC portion coming in the like the mid-30s.

Also, I didn't mention that one more portion where APAR is the leader is in the medium voltage covered conductors, and a lot of MVCC projects are coming up where there is a necessity to increase safety. You have 33 KV lines running, which are very close to residential places or even commercial places, which are being replaced by these medium voltage covered conductors. So that is also covered under the RDSS scheme, but it's not underground, it's an overhead solution.

Naman Parmar: Okay. And my second question is related to, if a 10-megawatt of solar project on wind project is deployed, then how much percentage cost would be of a cable or a transformer as compared to a thermal project?

Kushal Desai: So the cable content is approximately 4% of the cost of the generating. So if you were to spend INR100 crores, then INR4 crores is what would be the cables that would go in at the site, and the transformer side completely depends on the size of the project and the size of the transformer that is required. So there is no direct sort of correlation. So like 1 gigawatt coming in or 500 megawatts, you would have correspondingly the size of a transformer because it's dependent on the transformation capacity that we are looking at.

Moderator: Next question is from the line of Charanjit Singh from DSP.

Charanjit Singh: Am I audible? First of all, congratulations on good set of numbers. So my first question is regarding this U.S. market, you touched upon certain distributors getting banned. Are there any kind of distributors here, which are common to us and some of these who are supplying Chinese product? And can they have an impact from near- to medium-term perspective on our U.S. volumes?

Kushal Desai: So most of the companies that we have been dealing with, we've been – they are – they have – none of them have gotten into this trouble as of today. But we've heard not only from them, but also in recently, there was a very major IEEE trade fair in California, just a few weeks ago, where this information – it's been happening for a while, but the U.S. authorities have started tracking down on this. And none of the people that we have been dealing with have been affected. But I think they are a little bit more optimistic that others have been cracked down upon who are using this channel for bringing in products, which were a bit cheaper.

Charanjit Singh: Got it, sir. Sir, the other thing is now you have touched upon the premium products, their contribution is rising. So if you can just touch upon this premium products as a percentage of the market, how large it is, how fast you expect this to grow? And within that, how is the competitive scenario in terms of which are the other peers present in the premium category itself?

Kushal Desai: You're talking about for Conductors? Or...

Charanjit Singh: Yes, sir, for Conductors. Yes.

Kushal Desai: So in the premium category products, which we have, our largest competitor is Sterlite Power because they have pretty much the same footprint that we have, except for a couple where we are unique, we have a unique product offering. There are others like GSK and who are trying to also enter the HTLS market. In that premium range, we are also seeing a growth, as I mentioned just a couple of minutes ago on the copper transposed conductors.

See, there is a new requirement that has come in from Central Electricity Authority, which requires you to use copper transposed conductors for all transformers that exceed 400 amps. So the high-voltage transformers will all have to shift towards using CTC. So that is another area of growth. There, our competition is not the names that you would typically hear. They are all copper players, like Precision Wires and KSH, et cetera. These are all private companies, but they are in the copper business as such.

Now if you ask me what is the growth of this going to be, we see that the growth of copper transposed conductors are approximately 22% to 25% of the cost of a transformer. So as you will see, the amount of transformer ordering that's coming on 400 amps and above, it is directly proportional to that. And that expectation is that it will be at least in the double-digit kind of growth. In terms of HTLS, there is a huge amount of – the market is very, very large for reconductoring. It's a question of the amount of money that's being allocated to do the reconductoring work.

So moment these projects are announced and funded, then the work typically starts on this. So it's really a function of the amount of money that's being allocated. All I can leave you with, because it's difficult to pin a number as you look over a number of years, is that with the electrical demand growing the last few years, CAGR has been 7.5% to 8%. And the last month's numbers came in at an 11% year-on-year growth for the month of April. There, a lot of the work will have to come up. Now I can't tell you which quarter it will happen. But if you look at it over the next 3 to 4, 5 years, there will be a lot of reconductoring that will happen in the country.

So does that sort of answer your question?

Charanjit Singh: My subsequent question is just more on the industry level. What we are hearing is that across the power transmission supply chain, there are severe supply-related issues, the demand is exceeding the supply. So how long do you think that this kind of scenario can continue in the overall sector from a demand/supply perspective in the power transmission equipment space, mainly cables and wires and conductors, where we are present.

Chaitanya Desai: I would say that now the industry has increased the supply, including ourselves, so there is no, I think, problem on the supply chain as far as our products are concerned, Yes, there is a growing demand, and we are taking steps to expand our capacity. So I don't think there is an acute problem or anything.

Kushal Desai: So there was a short-term issue that has come up when the standards changed from conventional pure aluminum, ACSR conductors to AL-59 because the alloying process requires very specific equipment and also investment. So when the shift took place over a short-term period where these equipments had to be bought and installed, etcetera, etcetera, I think that phase is already over. So today, there is no shortage as such of the -- whatever demand is there, it can typically be met with capacity that people have.

Charanjit Singh: All the best for the future.

Moderator: Next question is from the line of Raj Rishi from DCPL.

Raj Rishi: What sort of asset base can we have in the next 3 years for your block?

Ramesh Iyer: So our fixed asset turnover ratio anywhere ranges from 10x to 15x depending on the category of the product, which is there. Each division has its own different turnover ratio. So average returns from 10 to 15x.

Raj Rishi: Okay. No, that's the asset turnover ratio. But whatever your asset base is today...

Kushal Desai: If you are looking at around INR 350 crores plus/minus capex being incurred year-on-year for the next year.

Raj Rishi: Year on year for the next year.

Moderator: Next question is from the line of Bobby Jairan from Falcon.

Bobby Jairan: Regarding the domestic renewable investments, there's already 130 or 140 gigawatts, correct, which is 30% of the total capacity – the total power capacity. But the usage is only 12% or 13%. So even whatever capacity is there is not being used. So wouldn't that impact addition to incremental capacity?

Kushal Desai: I'm not sure when you say that the installed capacity is not being used. Whatever assets are actually -- so there are a few assets which are in the NCLT process. But if you take assets which are otherwise in operating conditions, they are running flat out. And in fact, in the month of June, CEA has predicted that India will have the largest shortage of power between supply/demand.

Bobby Jairan: What I mean is for the renewables for solar and wind because there's still the cost of storing is very high. So they're not being adequately used. I'm going to ask for the data.

Kushal Desai: You're talking about India, or you're talking about the U.S.?

Bobby Jairan: I'm talking about India, solar and wind.

Kushal Desai: So as far as solar and wind is concerned, I think it's going straight into the grid. I'm not – I don't know of a large portion of solar or wind assets not being utilized. Because today, as a percentage, it's still small. The problem you are talking about will increase when you end up having solar being over 50% of the total generation, in which case, you've got to match when it is being generated versus when it is being consumed. At the current generation of units, that problem is not really a problem, at least I'm not aware of it.

Bobby Jairan: Okay. I understand. The second question is for the U.S. market, the U.S. has been aggressively improving tariffs on Chinese aluminum, steel and all that. Didn't the same happen to India because they actually want their domestic producers to benefit from all the spending?

Chaitanya Desai: The U.S. government is not so strict. So they don't sort of mandate that the customers in the U.S. have to use only American-made product. So basically, it's a supply/demand situation. And if the EPC or the developer goes back and informs the authorities that the local producer is unable to supply the material on time, then their project would get delayed, then they don't have an issue and they allow the imports to happen from places like India.

Kushal Desai: Also, the tariffs for Indian import of the kind of popular conductors that are there in the United States, they are going to between 5% and 15%. So it's not that there isn't a tariff. It's actually the tariff is higher to export our conductor from India to the U.S. than to import something into India, which is at 5%. So there is already a tariff in place that is protecting local industry. In the case of Chinese product, the tariffs is at 25%.

Moderator: We'll take the next question from the line of Vidit Trivedi from Asian Market Securities.

Vidit Trivedi: My question is on your opening remarks. You just mentioned that there's a threat from the Chinese players. So could you please elaborate a bit on that? And will it – how much it will impact on the margin? And what growth you foresee for the Cable segment as a whole for the coming year?

Chaitanya Desai: The Chinese have been aggressive in the markets where they have already been existing and having a fair amount of share. So those markets are typically in Asia, Africa, Latin America. They are not so much in North America and to a small extent, they are in Europe also. So their emphasis has been to kind of retain their markets. And after COVID, we are seeing that at times the price of the aluminum in China is sometimes favorable to them compared to the London Metal Exchange. And those are a few times, but during these periods, when they are more competitive compared to the rest of the world.

Kushal Desai: We've also seen general aggression from the Chinese on export. So as time has passed on in the last 1 year or so, we have been much more active in terms of quoting on tenders and contacting EPCs, EPC players, etcetera, etcetera. So I think that level of wanting to export out of China, that seems to have increased. And as Chaitanya mentioned, those are the markets that we're looking at.

In terms of your question on the Cable front, our guidance has been that we are expecting 25% year-on-year growth. Last year, the growth was lower than 25% because we had a big drop in Cable exports to the U.S. market. Slowly, that has started picking up. So in FY '25, we will start seeing cable supplies to the U.S. starting to pick up.

Moderator: Next question is from the line of Shrinidhi from HSBC.

Shrinidhi: Congratulations on good set of numbers. First, we have seen a really strong growth in your domestic cable business, almost around 80% for last 2 quarters. Would it be possible to share some color what is really driving this strong growth? And how do you think it will continue in the next 1 to 2 years?

Kushal Desai: So actually, the growth has been coming primarily from supplies to the Indian Railways to the solar, wind projects. Wind has been – year-on-year, we've seen a large growth on the wind side because as the local players, like Suzlon has redesigned their windmills, they've become far more efficient. They moved from 2 megawatts to 3-plus megawatts. So the wind sector has grown. Solar sector has grown. Our shipments to Indian Railways have grown. Our LDC business, which is a B2C business that we sell of the APAR Anushakti wires that has also grown from about INR 170 crores to about INR 260 crores. So we've seen overall growth on the domestic market. Power cable business also has grown, which supplies to various metros, etcetera. So the overall side on the cable market domestically has grown. We've almost seen a 40% growth quarter-on-quarter in the domestic side.

Shrinidhi: Right. And do you think, sir, there is a strong tailwind going into next year as well because a lot of these...

Kushal Desai: On the cable side -- we see on the B2B cable side, the demand growth is definitely there. There is increased competitive intensity because all the major players are looking at increasing their capacities or in various stages of increasing capacity. So there will be some amount of competition that increases, especially in all these specialty sectors, but the growth is definitely there.

Shrinidhi: Right. Sir, may I ask you to give some breakup of your annual cable business by different product types, like how much is power cable, how much is specialty, how much is LDC?

Ramesh Iyer: We have a broad breakup for the overall products in the corporate presentation.

Shrinidhi: Sure. I'll have a look at it.

Moderator: Next question is from the line of Gaurav Uttrani from IIFL Securities.

Gaurav Uttrani: Sir, could you highlight like how the margin trends would be in the coming quarters as we are seeing the copper prices are inching up or other raw material prices are inching up? If you can highlight like how the pass on will be to the end customers or to any of the customers in this segment, specifically for conductors and cables?

Ramesh Iyer: So both for conductors and cables, our margin will not change depending on the prices of copper or aluminum going up and down because we run a full hedge book. There is complete back-to-back hedging that happens on all the orders. So the margin per unit may not significantly change. However, depending on the price of aluminum going up and copper going up, some – there could be -- the project cost is increasing for the customers, then they may kind of postpone some of their projects. And if they expect the copper price or aluminum price to come down, then we may see some kind of postponement of the project. But for our company, the margin profiles are unlikely to change because we do a back-to-back hedging.

Gaurav Uttrani: Okay. And sir, could you just please highlight like what was the growth rate in transformer oil for the full year FY '24 and 4Q in terms of year-end hedging?

Kushal Desai: Yes. The transformer oil side of the business, as I mentioned in the earnings call, we were up 15 percentage annual for the full year.

Gaurav Uttrani: Okay. And sir, last question on the order book like for the conductors, what would be the export mix for this current order book, which we have of 68 billion?

Ramesh Iyer: Yes, it's about 38% is export conductor pending order.

Gaurav Uttrani: Okay. And then for cable, sir?

Ramesh Iyer: Cable, the total order book is about INR1,400 crores – INR1,436 crores.

Kushal Desai And the -- I don't think we have a very handy number on the export side. But the export orders are finalized quite quickly. So the turnover on the export orders are relatively very fast because the metal is priced at the time we placed the order and the execution normally takes place within 4 to 6 weeks.

Ramesh Iyer: And the export mix is about 20 percentage there.

Moderator: Next question is from the line of Anand Trivedi from Nepean Capital.

Anand Trivedi: Congrats on a good set of numbers. My question is -- my first question is the U.S. market. Can you break down how much of your business comes from the U.S.? And given the fact that you mentioned that it will be slow in the coming year as well, do you see the Indian market making up for the growth – that of growth in U.S.?

Chaitanya Desai: Yes. So far, Indian market has been actually quite strong. And overall volume growth Conductors, Cables both has been a very strong. The competitive intensity for us in the Indian market has also been higher. So really, we have to pick and choose which business we want to get after to maintain the profitability that we would aspire or like to make. As far as the U.S. market is concerned, we've seen it's slowed down both for Conductors and Cables.

In the case of Cables, it was first due to deinventorization. And secondly, that some of the projects in both Conductor, Cables have got postponed, like new solar farms, new wind farms, etcetera, which required a fairly high level of leverage. But having said that, on the cable side, we started seeing uptake again picking up, especially with respect to the solar installations.

Anand Trivedi: So what percentage of your business comes from U.S.?

Kushal Desai: Sorry?

Ramesh Iyer: Around 12% to 13% in the current financial year.

Anand Trivedi: Okay. And my next question is on the renewable...

Kushal Desai: Anand, it was at 26%. And today, at its peak, I mean in FY '23, it was at 26% of the revenues of that year. Today, it's about half of that, about 12% to 13%.

Ramesh Iyer: 16%. For the company, it was about 16%.

Kushal Desai: Sorry, 16%.

Ramesh Iyer: It was around 12%. Last year, it was about 16 to 17 percentage. Current year , it has come down to about 12%, 13%.

Anand Trivedi: Okay. And on the renewable side, do you further break down how much of the business comes from renewables and is that growing at a much faster...

Ramesh Iyer: In our corporate presentation. We have had a slide in terms of how much of total products come from renewables, we have given that in that slide, in the corporate presentation.

Anand Trivedi: Okay. I'll look through that.

Moderator: Next question is from the line of Axay Shah from Kriis PMS.

Axay Shah: Sir, our transformer oil business is growing very fast. Is it expected to growing at the same pace?

Kushal Desai: We expect it to grow at double digits for sure because we – as I mentioned in the opening remarks that the amount of transformers getting installed and the amount of substations that are coming up not only in India, but even around the world is continuing to increase. So we see double digit growth in transformer.

Axay Shah: Okay. Can you – you mentioned our transformer that are going to establish in the world in the next 3 to 5 years?

Kushal Desai: You mean, what is the transformation. So it's counted in the form of MVA. I don't have that figure clearly available. But Indian market, the transformation capacity has been planned to be added at about 80,000 MVA for India. And if you see I mentioned the numbers for the last 3 years, it's been varying – falling from 79,000 to 76,000 to last year it was 71,000. We're expecting it to pick up to 80,000 MVA from this year onward.

Axay Shah: Okay. And sir, apart from new transmission lines, old transmission line are changing. So with that the new transformer will also be placed. So the demand of transformer will decrease as they are new transformer installed?

Kushal Desai: No, no. So what will typically happen is that if there is a large increase in the transmission line, then along with that, the substation also will have to be upgraded. So a new transformer will go in, which will be filled with a fresh transformer oil. It will also increase the demand for our copper transposed conductors will go into the transformer. So reconductoring for Apar actually I mean, the largest portion obviously comes from the reconductoring piece. But there is also a substation upgrade that has to take place.

Moderator: Next question is from the line of Yash from Stallion.

Yash: Am I audible?

Kushal Desai: Yes.

Yash: Sir, I just wanted to understand what is your volume growth for this quarter in your Cables division for India?

Ramesh Iyer: In the Cables division, we don't report the volume numbers because there are too many SKUs of different sizes. So we have only been reporting the value growth.

Kushal Desai: So we're expecting a 25% year-on-year growth over the next few years.

Yash: Right. And this is – I see. And this is in terms of volume growth you're saying for the next couple of years?

Kushal Desai: The value – because in our case, we have a huge variety of specialized cables that we make across so many industries. So the only common denominator is really value.

Yash: Right, right. Okay. And just a second question is that in power cables, you would be competing with the traditional peers in the Indian market, like Polycab, KEI or I mean is there any some data in terms of your market share, specifically with respect to the power cables?

Kushal Desai: So there is no – I mean, I wouldn't be able to tell you exactly what percentage it would be as part of power cables. The entire Cables market is around between INR70,000 crores and INR75,000 crores. And if you take the INR3,000 crores that we have in the domestic market, we are at, whatever, 4%, 4.5% market share, of which the specialty side, we are the largest player in wind, solar, railways, all that. The power cable share would be in the range of maybe 1.5% or so – 1.5%. I wouldn't hang my hat on that number, but it's somewhere in that range.

Moderator: Next question is from the line of Himanshu Upadhyay from Buglerock PMS.

Himanshu Upadhyay: One thing was – on the first was that could Chinese competition, what you have stated, it is in both Conductors or Cables business? Or it is only in Conductors when you were…

Kushal Desai: So we see the Chinese competition coming in both products, in Conductors and Cables. Over the years, we've been more active on the Cables side, less active on the Conductors side. But right now, we've been seeing in certain countries, we have been active in both product categories.

Himanshu Upadhyay: And one more thing. When we had spoken about the Cables business, okay, you said that we are into many of the products on – in U.S., which require a lot of approvals, okay? And on the renewable side, okay, around 18 or 20, whatever approvals were there, means a variety of products. So are those Chinese also having similar variety of products and approvals in that market?

Kushal Desai: No, the Chinese are very active as in the building wire segment, which are the products which go into commercial and residential, real estate projects, etcetera, etcetera. So the building wire market, just like in India, also, if you take the building wire market is almost 40% of the total market, the U.S. is something that's a similar number. And the Chinese products are actually most active than that. They have also started routing products that go into the solar side, which is your string cables and power voltage, the photovoltaic cable.

So there, we actually make a very good product, is very well accepted in the U.S. But the Chinese products coming via some locations is probably being priced lower than our product. That's the market which I was talking about, where some of the distributors has been – there's been raids on their warehouses and stuff from the U.S. authority. But otherwise, their predominant position is on the building wire segment.

Himanshu Upadhyay: Understood. Okay. And we are maybe small in building wires, whatever are used to...

Kushal Desai: We have a building wire business. And we – so part of the – we are talking about those 18-odd approvals, which are the UL approvals, the Underwriters Laboratories approval. So we have a full range in there. And we continue to sell some of these building wires as well. But our largest products go into the renewable energy side.

Himanshu Upadhyay: Okay. And what is the progress on Anushakti this years? And in terms of distribution and product...

Kushal Desai: As I mentioned our – we were at INR 175 crores – about INR 170-odd crores last year. This year, we are at close to INR 260 crores as in FY '24.

Himanshu Upadhyay: And we would be present in now how many states and distributors?

Ramesh Iyer: 18 states we are present.

Himanshu Upadhyay: Okay. And one last question. We have seen a 22% volume growth in global transformer oil for the quarter, but the segment volume is up 5%, okay? Which would be the segments which are not growing that well? And has the margin improved for transformer oil since not all oil companies would be in the approved vendor list for all transformer companies because it was a duopolistic market. And is the transformer oil demand also strong in export markets? Generally, we were not exporting the transformer oil...

Kushal Desai: So our transformer oil demand has been strong, both domestic as well as overseas. The overseas growth has been even higher than the domestic market growth. We – if you take the full year, we are looking at a 15% growth. And if you look at the other product category, the overall growth has been 11%, of which transformer oil has been 15%. So most of the product lines that we have, have grown, but they've grown in smaller numbers for the year.

Himanshu Upadhyay: See one more thing because a lot of industrial oils also rubber processing and all those things. So as manufacturing moves up, would not the volume of them also will increase in similar proportion? Or means not to the rate of transformer, but again, at a better rate than what historically they have been? Would that be a right assumption?

Kushal Desai: So I'm not so – it all depends on the cars, the number of addition of new vehicles, etcetera. So we've been seeing growth happening. Typically, if you take the non-transformer oil side, we've been seeing growth happening in the market growth at about 2%, 3% a year. And the lubricant growth is definitely in that range, the industrial lubricants, automotive lubricants.

Himanshu Upadhyay: And how is the margins on transformer oil? Because it should have improved because some of the other...

Kushal Desai: We've not been commenting on individual product lines. If you take overall, the margins have improved this year compared to the previous year. And that has been largely contributed from the transformer oil growth that has happened.

Moderator: Next question is from the line of Sagar Dhawan from ValueQuest.

Sagar Dhawan: Sir, my question is on the Conductors segment. So can you please comment on the profitability in the Conductors segment, specifically for the exports market? Is it possible directionally or even specific compared to where we were last year?

Ramesh Iyer: Your voice is not clear. Can you repeat the question?

Sagar Dhawan: Sir, is it better now?

Ramesh Iyeri: Yes.

Sagar Dhawan: Sir, my question is on the Conductors segment. Could you please comment on the profitability in the Conductors segment for the export piece? Directionally is also fine.

Ramesh Iyer: Yes. But we don't give out specific information on breakup into domestic and exports because the number of products and the category of products are too huge. So it is difficult to compare what we sold last year, what we sold current year. It's all order-based products. So it's difficult to give that number out.

Sagar Dhawan: Okay. Understood. And would the profitability in the export be lower than the company average? Or would it be higher than the company average of 48,000 per metric ton?

Ramesh Iyer Well, it's difficult to compare that because as I said, the products are completely different. What we sell in India are the premium products. What we sell, export are conventional products. So the product lines are different. The bill of material is different. So it's difficult to compare that.

Kushal Desai: So typically, the same products sold in the export versus domestic, we would generally make a better margin in export versus domestic. But as Ramesh said, the mix is completely different between -- we don't sell a lot of standard products in the Indian market. We sell our premium products in the Indian market. And most of the standard products are sold in export markets where we get a better realization for that.

Sagar Dhawan: Understood, sir. And my second question from my side is on the market share. If you could share for the CTC, what is our market share in that?

Kushal Desai: Copper transposed conductors, we are approximately 20%, approximately.

Moderator: Next question is from the line of Amit Anwani from PL Capital.

Amit Anwani: Just one question on the exports. You did highlight that the U.S. market and the domestic market, how the growth has been – just wanted to understand ex of U.S., ex of domestic, how has been the outlook for the other markets? And I recollect a few months back, we used to highlight that there's a lot of traction also for the premium products in the few geographies, including Australia. So just wanted to understand the sense for both Cables and Conductors, ex of U.S. and domestic.

Kushal Desai: So we had commented that we – that the Australian market is an important market for us, and it's – in terms of export markets, it's the third largest region after the United States, then it was the EU last year and then #3 was Australia. The market potential itself is much lower than these 2 geographies, but we have a good presence in the Australian market. And that market continues to grow.

We've sold more products in FY '24 than in FY '23. And I think in FY '25, we should exceed what we've done in FY '24 in Australia. We also have a good presence in Australia on a Specialty Oils, where we have over almost 35-plus percent market share for transformer oils, and we have almost 50% market share for white grade oil of pharmaceuticals. So if you take the whole bundle, then actually Australia is quite a strategic market for APAR.

Amit Anwani: And sir, this we are talking about the premium products or?

Kushal Desai: No, it's a full range, across the range of products. So there's conventional aluminum conductors, there are some specialty aluminum conductors. There's a whole range of cables. In Cables, the maximum volume goes again into renewable energy projects. So we've supplied more than 75 renewable energy sites in Australia with our Cables. Our transformer oil also has been going into transformers and are supplied to many of these sites, but supplied locally through our Australian distributor.

Moderator: Next question is from the line of Mukesh, an individual investor.

Mukesh: Just want to know about our capacity utilization, product loan capacity utilization. And what would be our capacity for next – increase for next year?

Ramesh Iyer: About 90 percentage capacity utilization for Conductors and Cable division. And as we are increasing the top line, the capacity will go up. We are looking for a 10%, 15% increase in the conductor capacity. And in case of Cable, we expect 25% growth in capacity year-on-year.

Moderator: We have our next follow-up question from the line of Axay Shah from Kriis PMS.

Axay Shah: Sir, we are in power cable, we are in conductor, we are in transformer oil. So seeing the good demand in transformer also, why are we not adding into this sector also? Is it entry barrier are very high?

Kushal Desai: So in terms of transformers, as a strategic decision, we stayed out of transformers because we being such a major supplier of transformer oil and especially at the upper end, when you get into all the high voltage, the extra high-voltage, ultra-high voltage transformers, et cetera. We don't want to be competing with our customers. We get a very early look into development of products for them. And all that will be lost if they felt certain that we were a competitor.

Kushal Desai : Similarly, we then got into copper transposed conductors. Again, it's a strategic material that goes to transformer manufacturers. So the clear idea here is that we want to focus on being in critical building blocks that go into transformers as opposed to making transformers ourselves. So it's not because of an entry barrier. If we really wanted to, we could buy out a transformer company or get into that business. But it's a strategic call in terms of what business we want to service and especially not compete with our customers.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Kushal Desai for closing comments.

Kushal Desai: I'd like to take this opportunity to thank everyone for participating in this earnings call. And we remain fairly optimistic. We see that the main growth drivers continue to remain intact. And as you look over a period of the next 3 to 5 years, we are quite sure that this whole energy transition will play out and will provide opportunities to APAR to grow both domestically as well as in the export global markets.

So thank you once again, everyone, for joining our call.

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