E-filing

SEC/2202/2023 February 22, 2023

National Stock Exchange of India Ltd. "Exchange Plaza", C-1, Block G, Bandra- Kurla Complex, Bandra (E), **Mumbai – 400 051.** **Scrip Symbol : APARINDS** **Kind Attn.: The Manager, Listing Dept.**	BSE Ltd. Corporate Relationship Department, 27th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, **Mumbai - 400 001.** **Scrip Code : 532259** **Kind Attn. : Corporate Relationship Dept.**

Sub. : Submission of Transcript of Investor Conference organized by Nirmal Bang on Wednesday, February 15, 2023.

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 our letter no. SEC/1502/2023 dated February 15, 2023 w.r.t. submission of link of Audio Recordings of Investor Conference made on Wednesday, February 15, 2023.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are now submitting herewith the transcript of the Investor Conference made on Wednesday, February 15, 2023 which was organized by Nirmal Bang.

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

Kindly take a note of this.

Thanking you,

Yours faithfully,

For APAR Industries Limited

HARISHKUMAR SHAMJI MALSATTER

Digitally signed by HARISHKUMAR SHAMJI MALSATTER
DN: c=IN, o=Personal, pseudonym=fe992165aa566f3cb7ea8f5629d02f131bb6188f45d58684bdc41599ba65c8b7, 2.5.4.20=e53e878071d899901b79cc428e2d162e64fa439a154c61da25795ae409200a00, postalCode=390007, st=GUJARAT, serialNumber=d3ab76fe749fc4eb8b1153cdb29c1f0a53ca896fad0c8a6f61c857cd83bd0131, cn=HARISHKUMAR SHAMJI MALSATTER
Date: 2023.02.22 17:56:07 +05'30'

(Harishkumar Malsatter)
Deputy Manager - Secretarial

Encl. : As above

APAR Industries Limited

Investor/Analyst Meeting

February 15, 2023

"Nirmal Bang Investor Conference Call"

MANAGEMENT: MR. RAMESH IYER – CHIEF FINANCIAL OFFICER

Moderator: Good afternoon, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to this session with – with the Apar Industries as part of our week-long investor conference. At the outset, I would like to thank the management of Apar Industries for giving us the opportunity to host them at our conference. The management of a part is represented by Mr. Ramesh Iyer, CFO. I would request the management to commence this session with some opening remarks on the business environment as it stands today, further to which we will open the floor to the investors for the Q&A session. Thank you, and over to you, Mr. Iyer.

Management: Good afternoon, and thank you for this call. To begin with, I'd like to give a macro overview of the environment that is shaping up in that we see in recent times. And overall, where do we see growth opportunities for Apar Industries, followed by a deep dive into each of our division's performance in this year and how do we look forward in the future years. So overall, if you see the current macro environment and geopolitical issues there are prevailing globally is favouring our industry and our businesses in fundamentally many ways to specific, there are three broad areas that we see that is benefiting us.

The first area is clearly in terms of pushed towards the renewable energies. We are actually seeing a lot of solar installations mean with solutions coming up globally in several parts. And this actually is helping our businesses and all the three divisions because all the products in our divisions who actually needing has a role to play in this new energy sources. You will need the cables for the power generation that happens in the solar panels, in the wind mills, where you need different types of cables going into these installations.

And also if you see some renewables point of view, the place for generation and the place of consumption is different. So you'll see a lot of generation happening at place X and the consumption happening at place Y. So you need actually to transmit this power from X to Y. And there where there is opportunity for the transmission network to come in. And for that, we have our conductor division and the conductor products that actually helps in transmitting power from one place to the another place.

And as you see, a lot of transmission network being laid down across the globe for all these projects, you will actually see a lot of transformers also getting stabilized. And once we – for all the transformer, you will actually need to transformer oil also. So in our oil business, about 1/3 of our product goes into transformer oil. And as we see more transmission line setting up more transformers needing, you will see an increase in the requirement of a transfer oil. So the entire area on the push towards renewables into solar into wind, we'll actually see a good amount of opportunities in – across all the three divisions that we have.

The second big area, which you see as a growth driver in future times to come, is the spend that is happening on the infrastructure across the globe. And even on the infrastructure, there are specific areas like public transportation, where we basically see a lot of momentum getting picked up. We see railways are spending a lot of money on railways. It is a lot of metro work that happens in India and also in some of the overseas geographies.

A lot of electrical vehicles push towards that, that will happen. And you will need a completely different infrastructure, you need the charging station, the power to get into the different charging station. And then from a charging station to the vehicle cabling solution that you need and also within the vehicle you need different cable solutions. So the area of public transport and infrastructure spending is clearly something that we see opportunities coming up in times to come, particularly in some of the advanced countries where the transmission lines were late, way back four to five decades old and early for it changes there. So that's clearly another area where we see a lot of developments and a lot of expansion happening many times to come.

And the last area is on this the space that is happening on the 5G rollout from countries like US is nearly passed in terms of rolling out this 5G and you'll see a broad area of telecom networking solutions really coming up there. So that's another piece that we see in future times to come. And if you look at all this in perspective, clearly, we see this is not country specific, geography-specific or continent specific spends or an opportunity that is coming, it's actually going to happen on a pan global basis world over, you will see developments happening. So it's not restricted to some part of the geography where we see spend coming up high. In some years, there could be higher spends in one. But clearly, as you progress, you'll see expense increasing in other parts of the world as well.

So clearly, we see it as not only it's India-centric phenomenon, but it's going to be a global debt phenomenon. And also what we see is not going to be a one to two years kind of horizon and we are actually able to see July over the next 5 years to 10 years, it's going to be a decade-long thing because you'll never see all the spends happening in 1 year or a basket of years. But globally, over a period of next decade, we clearly see these opportunities coming up in all these three areas. So that's a very macro overview of what we see as opportunities coming up.

Now I'll quickly get on to each individual divisions, deep dive into the three divisions that we have and then open over to question and answer. I do have the presentation extract that we have rolled it on to website. So maybe some of those slides are relevant yet, which is sharing in this. The first division that I like to start this conductor division – and if you see the conductor division, basically, what has happened over the – for the last decade, there has clearly been a transformation journey in our division over the last decade.

What started as an ACSR conductor division even in 2004 the division was set up in 1958 to originate to the company was incorporated with this division. And by 2014, we had largely developed one particular conductor, which is a conventional conductor ACSR-type conductor. Over the years, we have been seeing a lot of competition in this particular space with the price becoming a competitive force, a lot of players coming into the market, and we felt the need to diversify our portfolio…

If need to diversify this product portfolio from what used to be an ACSR-type conductor back in 2014. And as you see, a lot of urbanization happening out of cities where more populations are walking into the city and the requirements of electricity going up. The current transmission line has led capacity to transmit power from one place to another space. And therefore, a lot of these premium products, which is our HTLS premium product or OPGW and also copper conductors, more being developed over the years and have started reaping the fruits very recently.

So we have HTLS project which has the capacity to transmit high transmission and with a low sags so that the requirement in the city is being high, we're able to transmit high electricity requirements in the same infrastructure, the same corridor that is there. So we don't have to know spend additional amount of infrastructure building new towers, creating new right-off pay. But the existing lines, you do a reconductor pull down the current conductor and you re-conductor a wire and you are able to transmit a much higher electricity over the same corridor.

Now it's a bit technical and also it's all design specific depending on the requirement of the conductor customers in terms of reducing the transmission losses in terms of ensuring the conductors for a long period of time. And also, there are specific nuances which are needed in terms of trading the labor to reconductoring – you'll have the reconductoring line going around mountainous ranges or the railways and those difficult parts where it needs very specialist gangs of manpower, design and technology, which actually we have been pioneering it and using indoor products.

So this is not only a product that we supply, but it's also solution-oriented, looking at the design requirements of the customer. And that's how we have this premium product in our basket. So this year we've been seeing a good amount of traction in the last 2 years. One reason to which our margins have been consistently on the higher side in distribution. Similarly, we have OPGW as a product and solution.

Typically, all these conductor lines having earthing wire, we are able to have this not only a earthing but also put an optical fiber into it. So it helps us to generate not only the earthing part but also in terms of a data transmission – and for our railways, we've been leading the core conductors, we have been supplying conductors to Indian railways, having a higher share into that thing. And most of the electrification on the Indian railways has been happened with the copper conductors that our industries have supplied. And beyond the Indian railway electrification, once you see a lot of advancements in railways in terms of far high-speed trains, bullet trains, Vande Bharat trains, metro rails coming up, you will see a different type of conductors that will be needed for this railway expansion.

And we already have a product, which is a copper magnesium that we have been supplying to this Delhi Metro. And once we see this electrification happening up, then we'll see another round of product usage for under railways, if you look at the end of 2022, our premium products, which is HTLS, OPGW and copper conductors was close to about 50 percentage of the business even as of the end of '22, and we see margins kind of going up from what it used to be 10 years ahead to 2022.

Now in the last 9 months, what has fundamentally changed in this particular division is that not only 1/2 of the product has the premium, but the other half, which is a non-premium product that margin results expanded exponentially because our opportunities in overseas markets have been increased. So this -- in the last 9 months, we have been looking at export market aggressively for our non-premium products as well, mainly to the Americas and in Australia. And if you see in FY '23, not only my premium product has increased the share, but the non-premium product has also increased the share.

So suddenly, in this year, you are actually finding that the entire conductor business has not only been profitable, but highly profiting largely because of the orders that we've been getting from overseas market. And to that extent, to the extent our domestic conductors business, which has been already competitive with price becoming an issue. We have been reducing our exposure there and concentrating more on overseas market, which is giving us a high margin there. So on the premium part of it, we are largely into India and recent countries which is sold at a high margin.

And on the non-premium part because of the export opportunities that is coming up, we are able to get a high margin there. And if you look at from an export point of view, they not only look at the price, they look at several other factors like the quality of the product and the reputation of the suppliers, the adherence to the delivery time, the element, the intensity to which we do risk management within the company.

So there's a whole lot of things that we see over there beyond the price and for which our margins has been on a higher side there. So that was quickly on the conductor division. I'll move to the – so if you look at this particular side, this talks about our competitive advantage in the conductor division. So as I talked about on the premium products, it's not only the product, but it's also the design and the technology and the know-how involved that acts as a barrier to enter for the competition. There are special streaming mechanism with sophisticated equipment to protect the carbon pole which is inside of this HTLS product.

Customers say not only look at the price, you look at the life cycle cost to reduce the transmission losses and they need a lot of re-specifications for purchases. And it's our entire solution-oriented ecosystem of training manpower gangs required to do complex task with minimal power outages involved. So these are some of the competitive advantages that we have on the premium products of our conductor division.

If you look at the non-premium, which is the convention products and largely in the exports market, which has increased a lot in the last 9 months, they not only look at the price, as I have mentioned, they look at capacity, delivering large volumes in a short period of time, quality and reliability. They prefer parties where they can depend upon companies that have a very strong risk management framework, especially in the area of aluminum and copper hedging. They don't want to deal with people who don't get into all the hedging and thereby, they postpone their delivery for aluminum and copper price to come at the right time. So that's something we prefer.

So we have a very strong risk management than we do 100% ageing of aluminum and copper for all the orders that we get. And some of these requirements actually help us to make some weak players ineligible and that's here have a competitive advantage on the conductor division. Quickly moving on to the cable division. Europe, we are the largest domestic player in the renewable segment. We have power cables. We are there into house wire and cables. We are there to elastomeric cables, which are all the specialized application cables going into railways, locos, coaches, gets into shipping defense line solar and wind cable all gets into elastomeric cable.

We also have this E-beam irradiated cable we use for some of our elastomeric cable as well as housewire. And we have this OFC and special hybrid cables over there. So cable also, if you see, fundamentally, what has seen in the last 12 months or so is our exports share has significantly gone up obviously which was about 25% odd in earlier years. If you see quarter 3 is already standing at about 50% share. And here also, we are able to see momentum coming up from the structural growth drivers that you talked about in the opening remarks in terms of requirements of cables from overseas geographies and the infrastructure spend.

China plus 1 strategy is it's also helping us with the duty difference between China and India, it's helping us. And our exports there to US has increased substantially from what it used to be almost nil in the first half of the last year. So here also, if you look at the domestic cable is what gives us a low margin. And we are also looking at markets which are giving us a high margin products. And if you see the trend in EBITDA has consistently increased from mid-digits last year to about 12 percentage in the quarter 3.

And YTD November, December basis, we are close to about 10 percentage or there – so cable market, we see opportunities even going forward as we see the requirements of infrastructure renewables, increasing in developed markets and developing markets, this is going to be our fastest-growing business in times to come. So branding on housewares is increasing. As you also know in our earnings calls, you've been seeing, the light-duty cable business, which was largely into 2 states by March 22, is now on to 13 states. We have increased our distributor presence from about 19 to close to about 100.

Our Retail account presence has gone up from 300 to about 1,500. We are increasing our product awareness in terms of demos, electrician needs that happens as we have been talking earlier. We have 3 basic unique proposition when it comes to our LDC business. It has some 50-year life. It can carry 50% more current than the other cables that are available in the market, and it is melt resisted. So it takes a long time before the installation gets melted and it has much more ability to withstand all the short circuits over there. So these are some of the 3 unique advantages that we are creating awareness through our DEMOs and electrician needs.

And this business is something that we'll see growth every year, close to about INR 120 crores last year. This year with INR 200 crores going up to about INR 500 crores in 2 years' time. And the expansion is going to this growth coming in future years. Again, we have a competitive advantage in Cable division. In terms of E-Beam technology. We are the only company with E-beam on the house wiring thing, which actually adds to the first more advantage for us to give this unique USP than that I mentioned about. We are the leading player in the renewable space in India on the solar and the wind segment.

In terms of US market, we have the highest number of certificate of compliance for India for sale of cables in the United States gives us a competitive advantage in terms of tapping the market there in the US. We have a wide range of cables for an industry that we serve, steel base, locomotive coaches shipping, defence, and etcetera. So some of these advantages are there on our Cable division that we feel given the structural changes also happening, this is something which is going to be a fastest-growing segment in times to come. Quickly on to oil and lubricants. This is a business that will grow about we're talking about a 5%, 6% volume growth in the future.

Again, here, 1/3 of the business is transformer oil, which will actually grow as your transmission network goes up as you put more spend on transformers and infrastructure going up, we will see this transform oil business also going up in line with those transmission networks. Here, we talk about our EBITDA margin, which is in line with the threshold margin, the 9-month EBITDA is about INR 5,000 per kl. That's the number that we look at continuing in the future years – we do have competitive advantage in the oil division as well.

We have the third largest global player coming to transfer oils. We have approvals in – with most large OEMs and transmission companies. We have at UE as well as a plant in India, where we are able to deliver the product side at low cost to the customers. Telecom, as I talked about, it's something that is going to be in the future, we have the vision to increase our toll in telecom as well. And with all this 5G and rollout coming up, this is also an opportunity that we see increasing in the future times.

This is just a broad mix of our customers where we are selling about exports account for about 47% of our mix various industries, specific industry growth around for 16 and 9 percentage. – load goes through the transmission companies, the EPC as well as utilities companies, about 5 plus 8 percentage. And we're just about 1.5% share that goes in benefit distribution companies, both government and private. So that's a broad revenue mix that we have. In terms of quality of receivables, about 45% of our receivables are secured under various means that is available in the market. About 22% goes to transmission companies and sector-specific companies.

And the rest 33% is unsecured, of which about 60% are with entities where we are having business relationship over 3 years. Risk management framework that I mentioned, we have a very strong risk management frame when it comes to customer credit risk assessment in terms of valuating the customers and their background practices for setting up credit limits, et cetera, now is business legality to understand and align the contracts with terms and conditions. We have a very strong metal risk management framework. So we are insulated with the volatility in the price of aluminum and copper because the increase and decrease gets passed on to my customers.

And also on the forex and interest rate management, we have processes and metrology pace to hedge the forex and interest rate. And this actually forms an integral part of the customer pricing to ensure that costs are completely passed on to the customers. So these are the few extracts, which I thought were relevant. Of course, the detailed presentation is already there in the website, but some of these can help you to send the floor for this call. So with that, I open the floor to questions from your end.

Moderator: Sir, we have a question from Mr. Dhiraj Sachdeva from Roha...

Dhiraj Sachdeva: Just wanted to do your conductor business had probably one of the highest margins EBITDA per ton at 50,000. And you mentioned about the premium products at 44%. So basically, what is this driven by? And whether the export market is stronger and whether it is sustainable or the correction in steel prices has led to this kind of number in the quarter gone by or just an element of softer freight cost as well?

Management: There are multiple things that is happening in this new conductor division, especially in the 9 months of FY '23. One is that our premium product range has been close to half of the business. And it always used to be there in the last 2 years also. But the other fundamental change that has happened is that the non-premium product, our share of exports is high. So we have been exporting most of our non-premium product to the market, as I said.

And that also is happening because the structural growth drivers are happening in some of the developed countries in terms of spend on infra, spends on renewables. China plus one strategy act to be helping us, people need a reliable repudiate vendor apart from the China market there. And suddenly, what we've been saying is that there's a good amount of opportunities in the export market. So we are actually tapping those opportunities and giving us a much higher pricing and margin advantages. Of course, there are some tailwinds in terms of freight and steel, but the larger part of this increase in margin is basically due to the exports going up in this division, which is actually giving us a higher margin there.

Now going forward, what we feel is that on some of the structural changes that is happening globally, it's not going to be a temporary phenomenon, especially when you look at signable and no infra spends and your China plus one, etcetera. So these largely as we see here, it's going to be there for a considerable period of time. So as long as these drivers, these geopolitical issues than macro environment continues, definitely, this is going to be benefiting for us, and we will see margins are now at a healthy number, which is not only my premium product giving a higher margin but also my non-premium product giving good margins.

Now to what extent the margins will get driven by each of these structural changes, we'll actually time will tell. But clearly, we feel that on the short term, this moment and definitely will continue. And even for a long term, because of our transformation that's happened and the product mix has changed, clearly, we are seeing that EBITDA, which used to be about INR 10,000, INR 12,000 per metric ton now a couple of years ago. That base definitely would have gone back now to about 25,000 close to per metric tonne. Plus as and when we see this structural changes and those tailwinds coming up in terms of orders from overseas market faster delivery times, China plus 1.

That will be an incremental to this baseline margin of 25,000 per metric ton. The only thing is that we can't give the so high margin that we've been getting now in future because in future, we don't know how the policies are going to change. But as you see today, with some of the structural changes are likely to continue. These are not likely to completely turn the reverse way in the short term. So as long as these structural drivers continue, our EBITDA margin would be consistently on a higher side.

Dhiraj Sachdeva: Yes. So what should we assume? I mean broadly as a rough range on a per ton basis.

Management: So if you see TD December, we are close to about 40,000 per metric ton. And in the very short term, which would be about a 3 months, 6 months, we expect the margins to continue about 30,000, 35,000 per metric ton. And even in the long term, we feel that, as I said, if you're going to put a model for 5 years, 10 years, now the baseline would definitely be 25,000.

But now as these structural changes are going to happen overseas, our margins will definitely be on a higher side that we have been now getting on a YTD basis or not short-term basis that is there. But we clearly look at the baseline, and then we see that how all these structural changes will impact our EBITDA. So directionally, we'll see that momentum continue the long-term point of you.

Dhiraj Sachdeva: So this first 25,000 has become INR 40,000 can we say that because of the structural changes that you mentioned?

Management: No. So I would say that because of the transformation journey that has happened 10,000, 12,000 that used to be there, that has been on 25,000. And because of all the structural changes that we've been seeing here, my EBITDA in the 9 months has been close to about 40,000 there. Of course, it has some tailwinds in terms of the freight and steel as you see, but also a large part is because of the customer mix has changed, my export proportion has gone up, my premium products has gone up.

So those all have been they're driving the business for the last time. And as you see things going up in the future, it depends on all these tailwinds here also the stratas that is happening. And therefore, we feel that the base line EBITDA, we can safely assume to be about INR 25,000 per metric ton.

And then some of these benefits coming up, it would be add-on to this number.

Dhiraj Sachdeva: Okay. Sir, on the Cables business, again, we had a very strong growth in the export market. Again, given what is happening on the export market, can we see that this is also sustainable as a trend in terms of growth or the sales volumes that you're talking about?

Management: Yes. So cables, we feel it would be sustainable in the future also because our addressable market in the cable is much higher. And we are looking at about 25% to 30% growth in value terms on over the next 5 years or so. Clearly, we will have that visibility there. And what is also driving this business is always US market and Australian market for metro projects and all the infrastructure spend there, which is clearly driving this market.

Clearly, we are able to see that momentum continue. If you look at last 2, 3 years, we are about 1,200 2 years ago, gone to INR 2,000 crores. This year, we'll be close to about INR 3,200 crores. And from there, we're also looking at about 25% growth year-on-year basis consistently...

Dhiraj Sachdeva: So margins should stabilize around 11% in Cables business?

Management: Margins, we feel it will be double digits. So it used to be double digit, even pre-COVID times. During COVID times it came back to mid-digits and if you see every quarter is consistently increasing. Q3 had closed about 11.8 percentage and YTD is about 9.8%. So we feel that it will clearly be in the double digit early double-digit numbers. And with all economies of scale, a long term, it should clearly look at from that level.

Dhiraj Sachdeva: And just last thing on the – did we have experience on the specialty oil realization and some inventory losses?

Management: So specialty oils, you actually have to see the number over a 12-month period because oil is the only commodity in our basket that cannot be hedged. So what happens is that in terms of high oil prices, depending on what costs you procure the inventory, the margin change. So if you look at the first quarter of this year, we had a very high profit. So though we talk about INR 5,000 to INR 6,000 per kl, in the first quarter, we have close to about INR 9,000 per KL because oil price selling prices were high and the costs were low. As oil prices costs went on to increase. Your second quarter and third quarter selling price actually came on the cost for size. So you see just about lower margin in the Q2 and Q3. Now as you liquidate all this high cost inventory, again, you come back to your normal average about INR 5,000 to INR 6,000 per kl. So if you see YTD December, we have close to about INR 5,000 per kl, which is what we have been guiding. And in future also, we look at 12-month guidance about INR 5,000 to INR 6,000 per kl.

Prasheel Gandhi: Sir, first a very basic question. So could you highlight the difference between a conductor cable and a wire…

Management: So conductors are without insulation when you look at some of the highways and road outside. If you look at all the towers, it gets connected with a black string, that's what is called conductor, which is without insulation. So it's just aluminum conductor made from aluminum ingots, and there's no insulation over there.

Cable is where there's an insulation. So on the cable – every cable as a conductor, it could be at the aluminum or copper. And on that conductor, if you do an insulation, then you get all these cables. So you can see cables are for some of the high-end applications like specialized, all these industry power cables, which go underground or are shipping or defense or railway where different kinds of cable application goes over there.

Wire is something which is now you use inside your house and building wire, which is a very thin wire which is there, which also has an insulation. So every cable will have insulation, which actually the products perform or this current and over there. So even if you touch a cable, you don't feel that shock or something, but the conductors never has an insulation. This is a bear conductor. So for long distance transmission and if you look at over the mountains or the railways, which are overhead, everything goes through the conductor there.

So you don't need to protect that because it's beyond the touch of human person or the traffic that goes by. But all the cable would be all your underground and now even if you touch, there is no risk. So that's the very broad difference between conductor, cable and wires.

Prasheel Gandhi: Question on volumes of our conductor business. So our volumes were somewhere around 183,000 during FY '19, but they have dipped to somewhere around 107 during FY '22. And this year, we are most likely to cut somewhere around 140 kind of a mark. So first thing is why there was a dip. And second thing is what is the outlook in terms of volumes for the conductor business?

Management: The dip has actually happened because the product mix has actually changed. So what used to be that ACSR conductors, it used to be very heavy conductor. So the conductors can be measured either in kilometers or metric ton. So you need so much kilometers to cover like from one tower to another tower if you take X amount of kilometers. The earlier type of conductors had a higher weight. So the weight of the conductors was much higher as compared for the kilometer which is there.

As we have been premiumizing our portfolio as we have been diversifying our product mix to much profitable products, the weight to kilometer ratio is much less. You don't need for the premium products, you don't need the same amount of weight for the same kilometers as was needed in the old conventional conductors there. So over time, as we've been premiumizing, diversifying, the weight that is needed for this conduct is much less than what it used to be earlier.

At the same time, these premium products are having a much higher margin than what the old product used to have. So even if you see the volume getting dipped from what it used to be 1,80,000 to 200,000 earlier to 110,000 last year. My proportion of premium products has gone up. And therefore, even with that less volume per volume tons, you are able to get a higher margin per metric ton. That was the first part of the question.

The second part, in terms of going forward, we are looking at about 10% to 15% growth in the conductor volume over the next few years.

Prasheel Gandhi: So sir, secondly, in the opening remarks, you highlighted that a lot of demand for non-conventional – sorry, conventional is coming from the export region. Is there a possibility of exporting high premium products into these export regions? And thus, our realizations could go even higher?

Management: So we – so as of now, we are getting good demand from the non-premium products there as we see the requirements of customers, if there are opportunities, we would even be exporting the premium products over there. Currently, largely, we have been exporting premium products to neighboring countries to India. But if there is demand potential coming up, we will be even doing that...

Prasheel Gandhi: Question was regarding the cable segment. So is it possible to give a broad revenue of subsegment of the cables in terms of, let's say, LDC and the other, what would be the revenue? And what was the margin profile for each subsegment of cables would look like?

Management: So LDC is something that we are focusing a lot now currently, it is very less about this INR 120 crores both last year and this year, we're talking about INR 200 crores, but it's going to be a very specific focus area as you saw in some of the slides that I presented earlier channels that we're developing our distribution present retail presence that we're developing. So they still grow from INR 200 crores in this year to about INR 500 crores a couple of years down the line.

And then broadly, we have the elastomer cable, which is all the specialized cable, which is about some 25% to 30% of our total cable business. OFC business is about 10-odd percentage and the rest would be largely this power cable, which is there for domestic as well as exports. Now the margins, probably what happened is that because these are all specific order base depending on requiring the customer, the margin profile in different things would be a different.

So each of this, it all depends on the requirements of the customer, the application which it is used. So it's very difficult to give a particular view about how much the margins will be for each of these business verticals.

Prasheel Gandhi: A question in the LDC part of the pie. So we highlighted that we have expanded to 13 states and our reach has been increasing exponentially. But during the call, we are still guiding for an annual addition of around 1.5 billion of top line. Don't you think there should be some proportional increase in the top line from the LDC?

Management: LDC, you are talking about INR 120 crores going to INR 200 crores this year as we have been expanding this. So this increase is happening only this year. Earlier, we used to be only in two states, and largely the increase in other 13 states largely happened at the beginning of this calendar year. So as we see the channels getting up, channels getting established, the numbers will grow in the future.

Prasheel Gandhi: But don't you think I'd be higher than kind of a 1.5 billion annual addition. So that is what we have been guiding, right, on the call. Annually, we would be adding 1.5 billion of top line on the Cable so, don't you think the growth would be higher?

Management: So we are working on all the fundamentals. So we never had these channels in other states, apart from these two states. So a lot of building blocks needs to be created. Once you have that in phase, then you'll have a good feel of how the turnover will happen and you need to select the right distributor, the schemes and the promotion, the awareness has to grow up. So it cannot be just a push. As I said, we have a unique proposition in this LDC thing, which the other players in the market don't have on this e-beam thing. So all this has to go in sync. The customers in the demo should increase, the presence should increase. And the collective view is what will drive that business. So we are looking at about INR 100-odd crores.

And now if you're able to do well better than this. So it will happen. But once you create all this infrastructure in place that is a building block for the numbers to grow. But clearly, we are focusing a lot on this. As you've seen, we have a brand ambassador. We are going on air in terms of ad that is happening. There's a special specific team within Apar who are looking at the LDC business. So all these fundamentals will help us to drive growth in the future as well.

Prasheel Gandhi: So just a follow-up on that. So we are in 13 states. So is there a target of adding more states by end of FY '23 or end of '24?

Management: Yes, we will, our intention is to go beyond that as well also to ensure that the 13 states where we are, we'll increase our foot presence over there. So broadly, we look at increasing that presence in the next year as well.

Prasheel Gandhi: And the focus would be largely in the urban or the Tier 1 cities of the state and not the Tier 2, Tier 3 cities?

Management: Initially, yes, but of course, as we want to focus this so everything will just progress once in that – Kerala will then go into much more stage. We have already present for a long time. So initially, it would be the -- this phase and then over a period of time, we would be increasing out there.

Prasheel Gandhi: And secondly, on the acceptance side. So you have done a decent enough sales, and you are so how is the customer acceptance for this e-beam house wires? Is it better than your normal housing wire? And second, on the pricing front, so how would the pricing be compared to a normal wires pricing differential? And is customer willing to accept that?

Management: Yes. So clearly, customer response has been very positive, because the customer look at safety. And they say that this is a wire — it can carry 50% more current. It has a 50-year life, its melt resistance. So, would not like to buy, consumer who looks at safety. I know once the buyer wants nowadays and all your housing wires are concealed. If anything happens, the wire, no one is going to break your walls and everything and relay all the wire. So he's going to put just wire once a time. So you'd like to put the best wire there.

And if it has these three unique propositions for safety point of view, everybody would be keen to do that, knowing that your electricity requirement the house will go up with work from home coming out with all these robots and all this technology coming up, the requirement will go up. So if the wire has a 50% more current carrying capacity as compared to other wires, we feel that acceptance is much higher end, for the demos and the electric needs that we do. And if we show this to the ultimate consumer, there are clearly 9 out of 10 chances that the consumer will end up buying this product. So that has been our feedback based on the demos that we have been showing to them.

Prasheel Gandhi: And secondly, is the focus will be more of a B2C or a B2B kind of like, would you be open to providing to this big residential projects? And hence, you would go for the – or what would be the smaller B2C kind of an approach?

Management: It will be both. Both will be there.

Prasheel Gandhi: Secondly, on the defense cable, so could you throw some light on the defense pie? Because, and is there an export opportunity in the defense cable possible?

Management: So we don't give out those numbers specifically how much it is. But now that is something which we will be doing in this Indian market as well. Largely, it is India currently, and that will be our focus in future as well.

Prasheel Gandhi: On the demand side from the defense and the Navy, so how has the demand outlook been? Could you throw some light on that?

Management: It has been increasing and also the application has been increased. So there are very specific requirements about all this cabling that gets into specialized applications. So it's not a product, but it is a solution around it. So we work with all these sectors to get this product as per their requirement and which has been our moto as tagline is Tomorrow's

Solutions Today, which shows that we are not only supplying the product but also help to give the entire solutions to them. So we will see this demand going up in future years as well. Now we are getting good traction on all the specialized sectors as well.

Prasheel Gandhi: Sure, sir, you have also highlighted that you are trying to grow your presence in the nuclear cable space. So what is that? And could you throw more light on that?

Management: So we look at all the sectors. As I said, if you look at the sectors, we are there into nuclear, we are there into mining, shipping, defense, wind mills, sail ways. This all comes under the bucket of elastomeric cable, which is all flexible cable. Which is different from power cables, which is there. So we look at all this, we don't have any restriction in terms of application. We have the widest range of cables available and nuclear is also forming part of now the clean energy thing under the renewable thing. So we have a presence there also. And depending on the applications and customer requirements, we will be able to design the product and service.

Prasheel Gandhi: So on the competitive intensity, so do you find competitive intensity far less in these categories of, let's say, defense and nuclear cables? Or is the competitiveness with similar? And where would be your competitive edge from the APAR?

Management: So in the elastomeric cables, clearly, we see competitive intensity less over there. We are there into wide sectors that are there. And also, as we've been saying that it comes to solar and wind, we are the market leaders here in India. So wind we have close to about 70% market share, Solar will be close to about 40-odd percentage. So on the specialized elastomeric cables, the intensity is less, competitive intensity is less.

Prasheel Gandhi: And the export, so you were also – we have been highlighting that we have got a lot of UL approvals, I think, 18 or 19 odd UL approvals and our export contribution in the elastomeric cables has been close to nil. So now post this approval, what is the outlook, particularly for this elastomeric cables. Could you throw some light on that?

Management: So we are exporting this solar cables there. It's also elastomeric cable. So that's something we are exporting to US, and as we're saying that this is the highest, we are highest from India, and this actually takes a long time to get this approval. They're stringent audit and other checks mechanism before we get this approval. So we are very betterly placed when it comes to tapping some of these overseas opportunities or on elastomeric when it comes to the US market.

Prasheel Gandhi: And this would be margin accretive, right? The export pie?

Management: Yes, obviously.

Prasheel Gandhi: Sure. Sir, one thing, if we look at APAR, so, we have been in the high capex phase from FY '16 to FY '22. So what are the benefits that are we reaping? And secondly, any major kind of a capex outlay that we are going to do going ahead?

Management: We're already seeing the benefits of all this capex that has been done in the last several years, the transformation of these conductors, the expansion of cables into the overseas market are all the result of several capex that have been thought much earlier in time. And now we are actually reaping the fruits of all this investment that has happened earlier. In terms of forward-looking capex, we feel that the cable market and the conductor division will need capex for us also, we are looking at close to about INR 300 crores to INR 350 crores of capex over the next year of FY '24 or first half of FY '25 to cater to the increased demand that we are seeing in the overseas market and Indian market.

Prasheel Gandhi: Just questions, a couple of questions on lubricant side. So we have done a partnership with a global brand, any. And would you throw some light on what color is the partnership, what partnership is there? And what are the benefits that we are getting out of this partnership?

Management: The market is brand ENI, which is licensed from Italy. And we have this retail presence in auto lubricants with them. So we supply all our ENI products under all our vehicles, engine, oil and lubricants under the brand name of ENI.

Prasheel Gandhi: And sir, what would be our market share here? And which state would we be present in in the auto lubricants side?

Management: We are present across India on the thing. We have a pan-India presence there, but our market share will be less because lot of these other big players are also there. So we'll be way behind some of the other leading players in the industry.

Prasheel Gandhi: And secondly, on the exports, is there a possibility that we – for export of this auto lubricants?

Management: We are exporting even currently.

Prasheel Gandhi: So what percentage would be the export?

Management: Currently, it could be about, I need to check the number exactly. I don't remember it offhand. Maybe I'll get back to you separately on this.

Prasheel Gandhi: Sure, sir. And sir, just a final question from my end. For APAR, if we want to look, if you want to see APAR from next five, seven or even a 10-year horizon, so where do you think the next leg of growth will come? Is it for the cables? Is it from more premiumization of conductors, or is it some more demand for the oil?

Management: So clearly, we see growth coming from cable and conductor division. I have talked about those structural changes that is happening overseas, which will need a lot of cable requirements lot of conductors as well. So we clearly see growth talking about 25% to 50% value growth in cables talking about 15% growth in conductors, do you still have a premium share will export share, which is highly profitable for the business as a whole. Clearly, these two divisions would be the fast-growing divisions for us.

And even if you look at oil division, the transformer oil which is about 1/3 of the business will also grow in line with the transmission networks and infra-spending, because you need to transform oil for all the transformers and you need transforms wherever you want to put the transmission line. So clearly, there is two out of three divisions and maybe 1/3 of third division all stand to benefit with all this macro level, geopolitical and the structural changes that is happening in the global in the present times?

Prasheel Gandhi: So just a follow-up on that. So basically, if we are seeing more cable division growing faster than the company, so two things could happen if my understanding, correct? Our overall business would become a very margin accretive. And secondly, would it be safe to assume that share of cables could go north of 50% somewhere five, seven years down the line?

Management: Yes. And sure, so you've now put all these growth numbers there, you'll be able to know how the mix changes, both in terms of top line and bottom line. And if you look at our investor presentation, which is there on the website, we have included some more parameters within oil, cable and conductor, there EBITDA to PAT ratio and EPS, how it is coming. So once you're able to put that numbers in place, you will see that the share of cable, how much it is going from now and five years down the line?

Prasheel Gandhi: Sure, sir. Thank you very much, sir, for patiently answering all my questions, and I wish you the very best.

Management: Yes. Thank you.

Moderator: As there are no further questions, we shall now conclude this call. I shall once again thanks the management of Apar Industries. Mr. Ramesh Iyer and all the participants for giving us their time. Thank you so very much, sir.

Management: Thank you so much. Thank you.