Apar Industries Ltd.

Q3FY'14 Earnings Presentation

Tomorrow's Progress Today

Key strategic initiatives undertaken to strengthen the company

- **Successfully growing exports:** from 920cr in 9MFY13 to 940cr in 9MFY'14. Oil exports up 9% and Cable exports grew 500% in 9MFY14
- **Undertaking measures to curtail volatility in forex** by increasing forward cover in oil division from 90 to 120 days.
- **Capacities expanded to drive growth in high value products:**
  - Athola conductors plant focused on high quality products for the exports is now operating at full capacity of 3,000 Mt per month
  - Khatalwad cable plant with a capital cost of Rs 107cr fully commissioned: increased utilisation of the expanded E-beam, Elastomeric and telecom cable facilities
- **Orders flow in for new businesses:**
  - First order for high margin HTLS conductors - Rs 15cr order from Orissa Transmission (OPTCL) for ACCC conductors
  - First E-beam order from Navy (Goa shipyard) in the quarter and approval from RDSO (Railways) for Electrical Locomotives
- **Growing high margin automotive lubricant business** through focussed marketing and promotional efforts

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Q3 FY'14 (Standalone): Stable revenues in a difficult environment

Standalone

Figures in Rs Cr

	Revenue	EBFTDA (Margin %)	Profit after Tax (Margin %)
Q3 FY'14	1080	55 (5.1%)	15 (1.4%)
	5%	44%	56%
Q3 FY'13	1138	99 (8.7%)	33 (2.9%)

- Revenue down 5% YoY from Rs 1,138cr in Q3FY'13 to Rs 1,080cr in Q3FY'14 due to lower revenue from conductors. However, oils and cables continue on strong growth path, revenues up 36% for both segments
- EBFTDA down 44% YoY from Rs 99cr in Q3FY'13 to Rs 55cr in Q3FY'14 due to drop in conductors, partly offset by robust growth in oil (79%) and cables (52%).
- PAT down 56% YoY from Rs 33cr in Q3FY'13 to Rs 15cr in Q3FY'14
- Due to volatility and depreciation in the rupee, hedging cost increased to 8.5% per annum leading to an increase in overall finance cost.

EBFTDA – Earnings before finance cost, tax, depreciation and amortisation

Q3 FY'14 (Consolidated): Navigating in tough market conditions

Consolidated

Figures in Rs Cr

	Revenue	PBT (Margin %)	Profit after Tax (Margin %)
Q3 FY'14	1118	29 (2.6%)	19 (1.7%)
	10%	40%	43%
Q3 FY'13	1243	48 (3.9%)	34 (2.7%)

- Revenue down 10% YoY from Rs 1,243cr in Q3FY'13 to Rs 1,118cr in Q3FY'14 due to lower conductors revenue, effect of decline in conductors partially offset by higher revenue in oil and cable divisions.
- PBT down 40% YoY from Rs 48cr in Q3FY'13 to Rs 29cr in Q3FY'14.
- PAT down 43% YoY from Rs 34cr in Q3FY'13 to Rs 19cr in Q3FY'14.
- Due to volatility and depreciation in the rupee, hedging cost have increased to 8.5% per annum leading to an increase in overall finance cost.

9M FY'14(Standalone): EBFTDA grows 7%; touches Rs 230cr

Standalone

Figures in Cr

	Revenue	EBFTDA (Margin %)	Profit after Tax (Margin %)
9M FY'14	3165	230(7.3%)	57 (1.8%)
	↓ 6%	↑ 7%	↓ 22%
9M FY'13	3368	215(6.4%)	73 (2.2%)

- Revenue down 6% YoY from Rs 3,368cr in 9MFY'13 to Rs 3,165cr in 9MFY'14 due to lower revenues from conductors business partly offset by increase in revenue from oil (17%) and cable (38%).
- EBFTDA up 7% YoY from Rs 215cr in 9MFY'13 to Rs 230cr in 9MFY'14 with margin expansions in oil and cables.
- PAT down 22% YoY from Rs 73cr in 9MFY'13 to Rs 57cr in 9MFY'14

9M FY'14 (Consolidated): Revenue at Rs 3,260cr

Consolidated

Figures in Cr

	Revenue	PBT (Margin %)	Profit after Tax (Margin)
9M FY'14	3260	101(3.1%)	70 (2.1%)
	8%	7%	10%
9M FY'13	3535	109(3.1%)	78(2.2%)

- Revenue down 8% YoY from Rs 3,535cr in 9MFY'13 to Rs 3,260cr in 9MFY'14 due to lower revenue from conductors, growth in oil and cables business partly offsetting impact of decline in conductors
- PBT Margin down 7% YoY from Rs 109cr in 9MFY'13 to Rs 101cr in 9MFY'14
- PAT down 10% YoY from Rs 78cr in 9MFY'13 to Rs 70cr in 9MFY'14

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Specialty Oils - EBFTDA up 79%, buoyed by exports, industrial & auto oils

Figures in Cr

	Revenue	EBFTDA (Margin %)	Volume (KL)
Q3FY'14	599	43(7.2%)	79162
	36%	79%	20%
Q3FY'13	440	24(5.5%)	66241

- Revenue up 36% YoY from Rs 440cr in Q3FY'13 to Rs 599cr in Q3FY'14 driven by broad based growth due to global transformer oils shipments, Industrial and automotive oils.
- Total shipment up 20% YoY in Q3FY'14, 12% YoY in 9M FY'14
- Margins improved with increased EHV transformer oil, export volume and higher sale of performance based industrial and automotive products
- Domestic market growth across all categories has been flat year to date. Credit continues to remain tight leading to curtailment in supplies

Conductors : Sluggish domestic demand being offset with exports

Figures in Cr

	Revenue	EBFTDA (Margin %)	Order Book
Q3FY'14	324	16(4.9%)	1569
	44% ↓	80% ↓	12% ↑
Q3FY'13	583	79(13.6%)	1402

- Revenue down 44% YoY from Rs 583cr in Q3FY'13 to Rs 324cr in Q3FY'14 due to sluggish domestic demand, delayed customer projects and withheld dispatches in the absence of clear financial instruments from customers
- Export order book grew strongly (92%) during the quarter. Received total orders of Rs 770cr in Q3FY'14 of which export contributes Rs 493cr. Pending orders up from Rs 1,110cr to Rs 1,569cr during the quarter
- Received first order for high margin HTLS conductors from Orissa Transmission (OPTCL) for advanced high technology ACCC on turnkey basis(of Rs 15cr)
- Order book of Rs 1,569cr as on 1st Jan 2014 and a pipeline of Rs 787cr. Strict credit control policy prevented company to accept risky business from clients with unsound cash flow conditions
- EBFTDA down 80% YoY from Rs 79cr in Q3 FY'13 to Rs 16 cr in Q3 FY'14. Pressure on margins due to lack of PGCIL tenders as it is destocking its conductors inventory

Power & Telecom Cables: Revenue up by 36%, touches Rs 156cr

Figures in Cr

	Revenue	EBFTDA(Margin %)	Order Book
Q3FY'14	156	6 (3.8%)	241
	36%	52%	90%
Q3FY'13	114	4 (3.5%)	127

- Power & Telecom cables grew 36% YoY from Rs 114cr in Q3FY'13 to Rs 156cr in Q3FY'14
- EBFTDA grows 52% YoY from Rs 4cr in Q3FY'13 to Rs 6cr in Q3FY'14
- Increased sale from larger base of client approvals, new products and exports
- Order book is up by 90% YoY from Rs 127cr in Q3FY'13 to Rs 241cr in Q3FY'14 with improved contribution from higher margin flexible elastomeric cables and telecom cables
- Better positioned to grow in FY15 with increased utilisation of the completed & expanded E-beam, Elastomeric and telecom facilities of Rs. 107cr in FY14.
- 1st E-beam order for Rs. 10.7cr received from Navy (Goa shipyard).
- Received approvals from RDSO (Railways) for Electrical Locomotives and expecting approvals from Defence Headquarters and RDSO for Diesel Locomotives. This will help to participate in large tenders

Automotive Lubricants business continues to grow

- Automotive volumes up 8% in Q3FY14 and 6% in 9MFY'14, despite challenging market conditions
- Sales of high margin performance products being successfully driven through promotions and direct channel marketing efforts
- Sales to OEMs up by more than 50% in 9MFY'14 YoY
- Strong focus on Indian motorcycle segment resulting in 10% growth in volumes. India is the largest motorcycle market in the world
- Sustained healthy cash flow/collections despite difficult financial environment due to prudent balancing of sales v/s. client exposure

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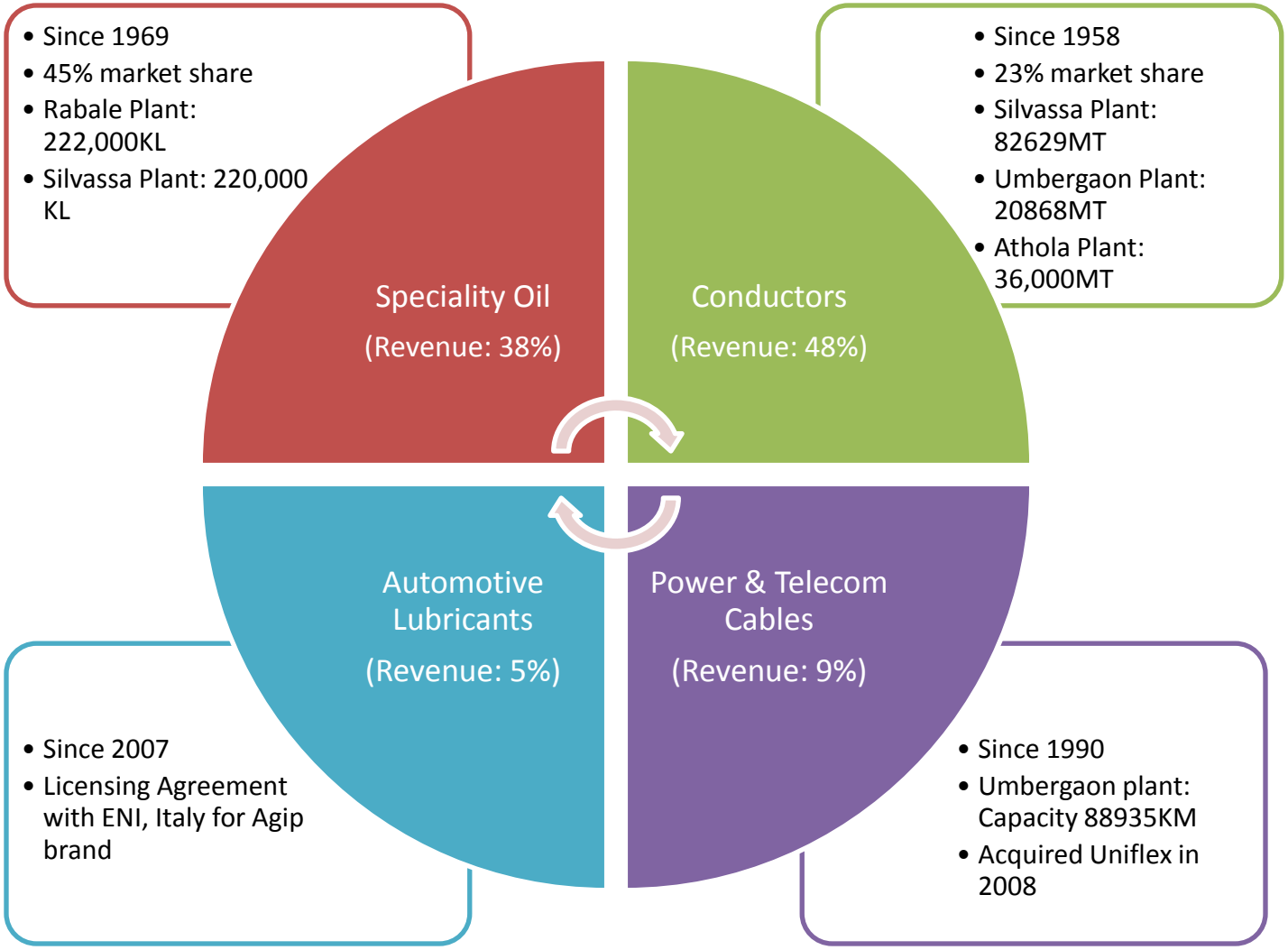
A global leader in Conductor and Transformer Oil

- Among the first to manufacture conductors in India in 1958 and diversified to transformer oils in 1969
- Pioneer in overhead Transmission and Distribution Conductors
- Among top five producers of conductors and specialty oils globally
- Technology-driven and customer-focused enterprise with market reach in 90 countries
- Products approved by many reputed clients across the globe including (PowerGrid, NTPC, NEPC, NEEPCO, PGCB, KEGOC, Iberdrola, CEB, Rio Tinto, Eskom, SEC, DEWA BULFORBETTY).
- Acquired majority stake in Uniflex Cables in 2008 to venture into cables business successfully.
- Ventured into automotive lubricant space with license agreement with ENI, Italy to produce and market auto lubes under Agip brand.

55 Years …. Serving Customer & Community

Business Structure



Competitive strengths

Market Leader in key segments	Best in class technology & diversified products	Strong relationship with large clientele	Strong export market	Diversified into new business for growth
• Top 5 largest producer in conductors and Sp Oil in the world. • 60% market share in power transformer oil and 40% in distribution transformer oil in India • Among largest bare overhead aluminum conductor manufacturers in India with market share of 23%	• Technology tie up with CTC-Global, USA for ACCC conductors. • Pioneer in Aluminum alloy rod and conductors in India • Manufactures over 300 different types of Specialty Oils • Launched India's most advanced E-beam facility; will help make superior cables • Among first to test successfully 765KV & 800KV conductors in India • Best in class in-house R&D center and NABL accredited QC labs	• Preferred supplier to over 80 % of its speciality oil customers in India • The company got product & plant approvals from many large clients across the globe • Supplies conductors to all top 25 global turnkey operators and leading utilities	• Exports to more than 90 countries • Exports grew to 43% of total sales in FY13 from 29% in FY12 • Developed green field conductor plant in Athola with focus on exports • Largest Indian conductor exporter last year • Developing export market in new territories. Exported conductors to USA for the first time in FY13	• Entered in Auto lubes in 2007 under Agip brand through Licensing Agreement with ENI Italy • Acquired Uniflex to enter Cables business • Has setup Electron Beam irradiation facility for cables and other products

Diverse Product Mix…

Conductors

- AAC
- ACSR
- AAAC
- AACSR/ACAR
- ACSR/AW
- Earth wires
- AL59 & AL57
- TACSR/STACIR
- GZTACSR
- ACSS/TW
- ACCC

Transformer and Specialty Oils

- Transformer Oils
- Rubber Processing
- INK Oils
- Liq. Paraffin & White Oil

Power & Telecom Cables

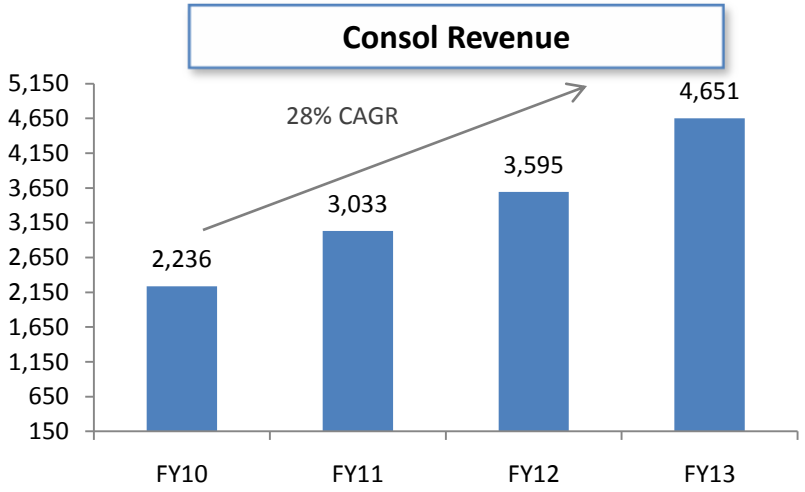
- LT Cables
- HT Cables
- Special cables for control & Instrumentation
- Telecomm Cables
- Optical Fibre
- House Wires

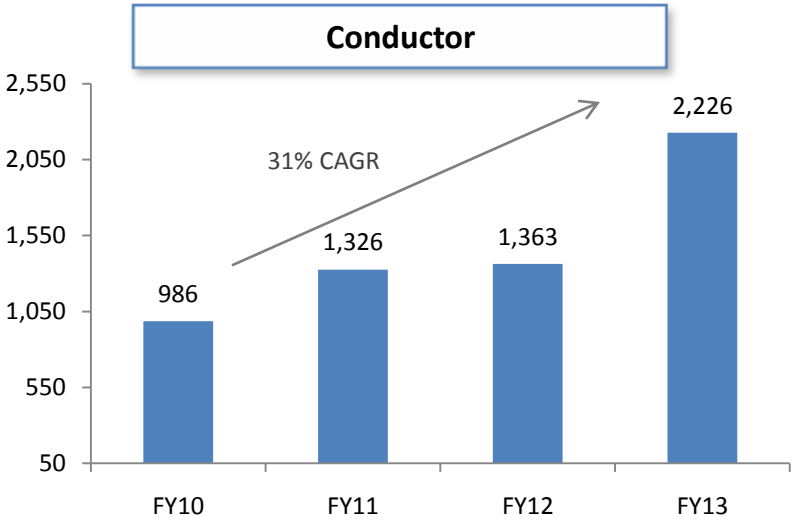
Auto/Ind Lubricants

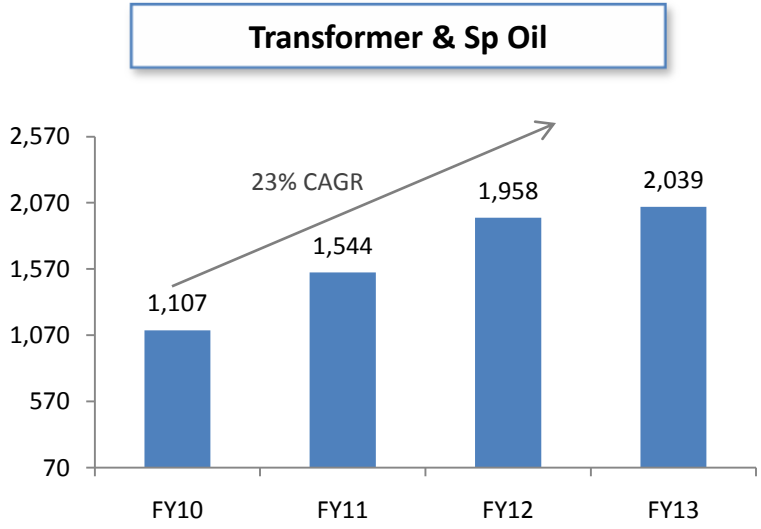
- PSMOs, DEOs, two-wheeler oils and gear oil greases
- Hydraulic oils and industry gear oils
- General machinery oils and heat transfer oils
- Extreme pressure greases, quenching oils, pneumatic oils, neat and soluble cutting oils
- Gas engine oils, marine oils and rust preventives

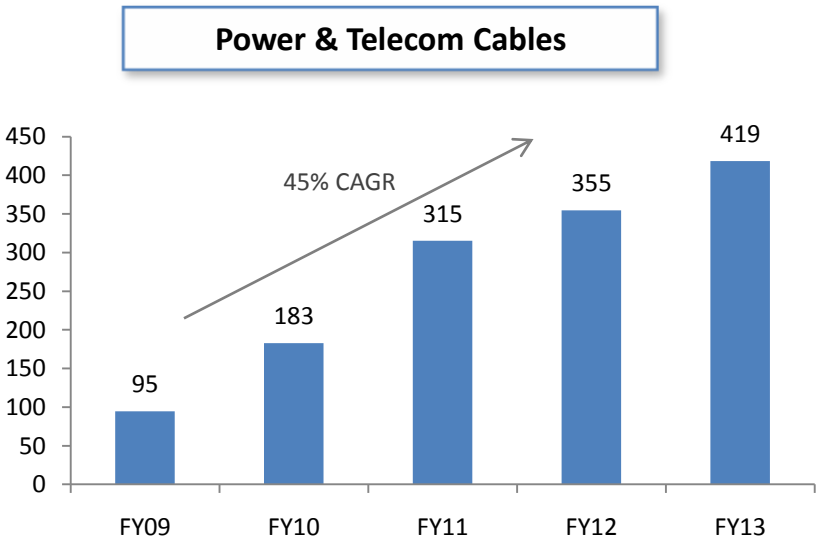
Strong revenue growth over the years

Figures in Rs Cr



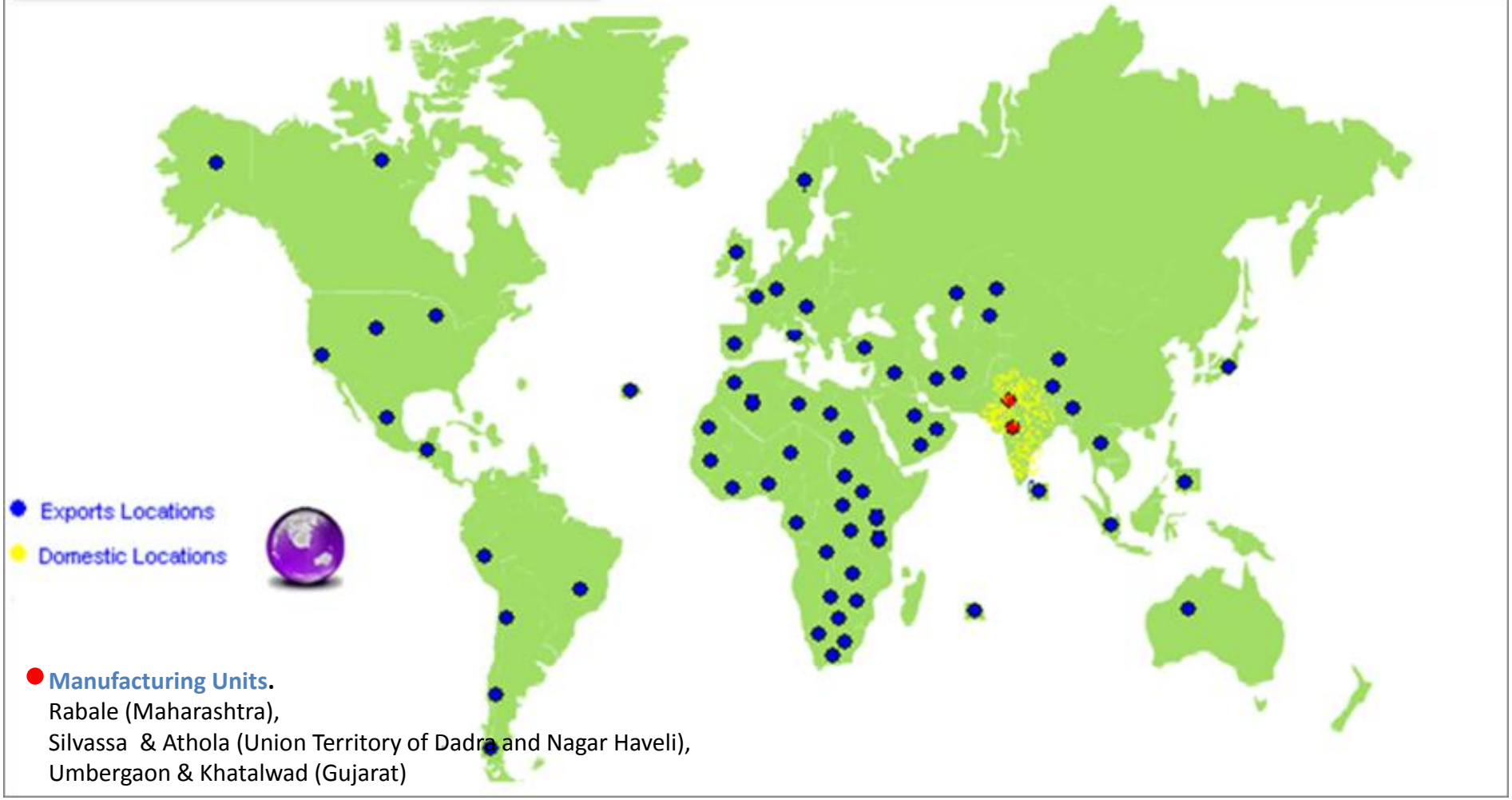






Global Presence

Presence across 90 countries



Manufacturing Units.
Rabale (Maharashtra),
Silvassa & Athola (Union Territory of Dadra and Nagar Haveli),
Umbergaon & Khatalwad (Gujarat)

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Q3FY'14 : Profit & Loss Statement – Standalone

Particulars (Rs Cr)	Q3 FY'14	Q3 FY'13	% Chg YoY	Q2 FY'14	% Chg QoQ	9M FY'14	9M FY'13	%Y-o-Y
Net sales	**1071.7**	**1131.1**	**-5.2**	**1129.8**	**-5.1**	**3,139.4**	**3,342.9**	**-6.1**
Other operating income	8.2	7.0	17.1	10.4	-20.9	26.1	24.8	5.4
Total Operating Income	**1079.9**	**1138.1**	**-5.1**	**1140.2**	**-5.3**	**3,165.5**	**3,367.7**	**-6.0**
Total Expenditure	1024.7	1039.3	-1.4	1040.6	-1.5	2,935.1	3,152.4	-6.9
Consumption of Raw Materials	864.8	888.8	-2.7	872.9	-0.9	2,467.9	2,672.9	-7.7
Employees Cost	14.8	12.7	17.0	16.0	-7.6	44.5	39.1	13.8
Other Expenditure	145.1	137.8	5.3	151.7	-4.3	422.7	440.3	-4.0
EBFTDA	**55.2**	**98.8**	**-44.1**	**99.6**	**-44.6**	**230.3**	**215.3**	**7.0**
Depreciation	6.8	5.5	24.6	6.6	3.1	19.4	16.3	18.9
EBIT	**48.4**	**93.3**	**-48.1**	**93.0**	**-47.9**	**210.9**	**199.0**	**6.0**
Interest & Finance charges	-2.4	2.6	-191.6	-4.8	-51.1	(10.8)	11.3	-195.5
Applicable net loss on foreign currency transactions and translation	27.8	44.4	-37.3	53.8	-48.2	140.3	87.2	60.9
Other Income	0.0	0.8	-100.1	2.3	-100.0	4.1	1.6	153.2
Profit from ordinary activities after finance costs but before exceptional items	**22.9**	**47.1**	**-51.1**	**46.3**	**-50.5**	**85.5**	**102.1**	**-16.3**
Exceptional items	0.0	0.0	NA	0.7	-100.0	0.9	0.1	549.1
PBT	**22.9**	**47.1**	**-51.3**	**45.6**	**-49.8**	**84.6**	**102.0**	**-17.0**
Tax Expense	8.3	14.1	-41.1	13.7	-39.5	27.8	29.4	-5.7
PAT	**14.6**	**33.0**	**-55.7**	**31.9**	**-54.2**	**56.9**	**72.5**	**-21.6**

Q3FY'14 : Key Ratios – Standalone

Key Ratios (%)	Q3 FY'14	Q3FY'13	Q2FY'14	9M FY'14	9M FY'13
EBFTDA Margin	5.1	8.6	8.7	7.3	6.4
Net Margin	1.4	2.9	2.8	1.8	2.2
Total Expenditure/ Total Operating Income	94.9	91.4	91.3	92.7	93.6
Raw Material Cost/ Total Operating Income	80.1	78.1	76.6	78.0	79.4
Staff Cost/ Total Operating Income	1.4	1.1	1.4	1.4	1.2
Other Expenditure/ Total Operating Income	13.4	12.2	13.3	13.4	13.1

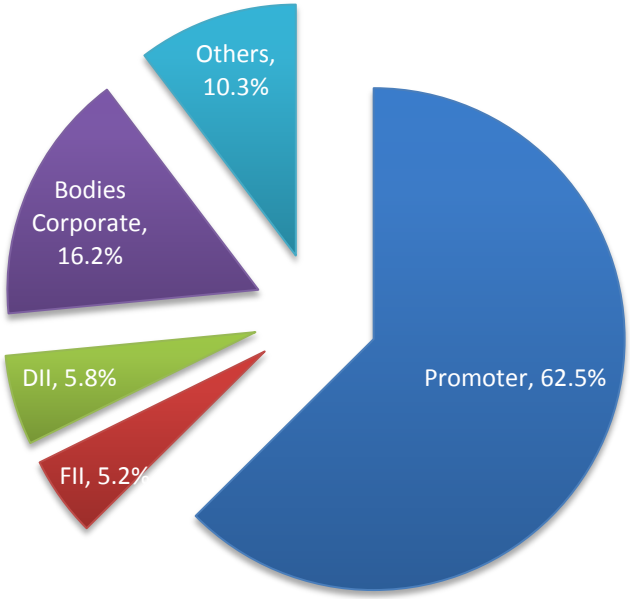
Q3FY'14 : Segment Analysis – Standalone

Segment (Rs Cr)	Q3FY'14	Q3FY'13	%YoY	Q2FY'14	% QoQ	9M FY'14	9M FY'13	%Y-o-Y	FY'13
Revenue									
Conductors	323	583	-44.6	412.4	-21.7	1076	1670	-35.5	2226.3
Transformer & Specialty Oils	599	440	36.3	553.9	8.2	1659	1420	16.9	1920.9
Power & Telecom Cables	156	114	36.2	172.6	-9.7	427	310	37.5	418.5
Others/Unallocated	4	4	6.0	5.1	-12.6	14	11	24.5	15.1
Total	1083	1141	-5.1	1144.1	-5.4	3176.3	3411.1	-6.9	4580.8
Less: Inter - Segment Revenue	3	3	-6.1	3.9	-28.1	11	43	-75.0	48.6
Revenue from Operations	1080	1138	-5.1	1140.2	-5.3	3165.5	3367.7	-6.0%	4532.2
Segment Results before Interest and Tax	-			-			-		
Conductors	13	77	-82.5	39.1	-65.6	93	152	-39.0	197.1
Transformer & Specialty Oils	42	23	79.1	59.0	-29.1	145	72	100.7	113.2
Power and Telecom Cables	3	2	52.3	5.9	-50.4	2	1	206.2	-0.9
Others/Unallocated	1	0	55.7	0.3	61.4	1	1	42.0	1.1
Total	59	102	-42.5	104.4	-43.7	241.0	225.6	6.8	310.5
Less : Finance costs (net)	25	47	-45.6	48.9	-47.9	130	98	31.5	134.3
Less : Unallocable expenditure net of income	10	9	20.7	9.8	5.4	27	25	6.7	35.9
Profit before Tax	23	47	-51.0	45.6	-49.7	84.6	102.0	-17.0	140.3
Segment Results - as % to Segment Revenue									
Conductors	4.2	13.1		9.5		8.6	9.1		8.9
Transformer & Specialty Oils	7.0	5.3		10.7		8.7	5.1		5.9
Power and Telecom Cables	1.9	1.7		3.4		0.6	0.3		-0.2
Others	11.8	8.0		6.4		9.6	8.4		7.6
Total	5.4	9.0		9.1		7.6	6.6		6.8

Segment contribution- as % to total revenue	Q3FY'14	Q3FY'13	Q2FY'14	9M FY'14	9M FY'13	FY'13
Conductors	29.8	51.1	36.0	33.9	49.0	48.6
Transformer & Specialty Oils	55.4	38.5	48.4	52.2	41.6	41.9
Power and Telecom Cables	14.4	10.0	15.1	13.4	9.1	9.1

Shareholding pattern

As on Dec 31, 2013
Outstanding shares – 3,84,70,431



Major Non-Promoter Shareholders	Shareholding (%)
Templeton Strategic Emerging Markets Funds	9.45
Shinny Ltd Mauritius	3.73
Reliance Capital	5.02
Raiffeisen Kapitalanlage	2.6
Mackenzie Cundill	2.21
Aadi financial Advisors LLP	1.11
Ashish Dhawan	1.3

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