Apar Industries Ltd.

Q2FY'14 Earnings Presentation



Tomorrow's Progress Today

Financial Performance



Business performance

Company Overview

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Q2 FY'14 (Standalone): Margins Expand; EBFTDA doubled

Standalone

Figures in Rs Cr

	Revenue	EBFTDA (Margin %)	Profit after Tax (Margin %)
Q2 FY'14	1140	100 (8.7%)	32 (2.8%)
	3%	114%	12%
Q2 FY'13	1104	47 (4.2%)	28 (2.6%)

- Revenue growth back on track - up 3% YoY from Rs 1104cr in Q2FY'13 to Rs 1140cr in Q2FY'14, driven by growth in Transformer & Sp Oil business and turnaround in Power & Telecom Cables business
- EBFTDA up 114% YoY from Rs 47cr in Q2FY'13 to Rs 100cr in Q2FY'14 with 4.2% margin expansion driven by EBFTDA growth of 663% in Transformer & Sp Oil business and 167% in Power & Telecom business.
- PAT up 12% YoY from Rs 28cr in Q2FY'13 to Rs 32cr in Q2FY'14 due to EBFTDA margin expansion.

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

Q2 FY'14 (Consolidated): PAT grows 24%; crosses Rs 35cr

Consolidated

Figures in Rs Cr

	Revenue	PBT (Margin %)	Profit after Tax (Margin %)
Q2 FY'14	1177	51 (4.3%)	35 (3.0%)
	↑ 4%	↑ 26%	↑ 24%
Q2 FY'13	1133	40 (3.6%)	29 (2.5%)

- Revenue up 4% YoY from Rs 1133cr in Q2FY'13 to Rs 1177cr in Q2FY'14, driven by strong performance in Transformer & Sp Oil business and Cables business
- PBT up 26% YoY from Rs 40cr in Q2FY'13 to Rs 51cr in Q2FY'14 with increase in margin
- PAT up 24% YoY from Rs 29cr in Q2FY'13 to Rs 35cr in Q2FY'14 due to margin expansion in all segments of the business

H1 FY'14: Standalone EBFTDA grows 50%; touches Rs 175cr

Standalone

Figures in Cr

	Revenue	EBFTDA (Margin %)	Profit after Tax (Margin %)
H1 FY'14	2086	175 (8.4%)	42 (2.0%)
	6% ↓	50% ↑	7% ↑
H1 FY'13	2230	116 (5.2%)	40 (1.8%)

- Revenue down 6% YoY from Rs 2230cr in H1FY'13 to Rs 2086cr in H1FY'14, due to lower revenues from conductors business on account of sluggish domestic market and one big export order executed in H1FY13
- EBFTDA up 50% YoY from Rs 116cr in H1FY'13 to Rs 175cr in H1FY'14 with increase in margins
- PAT up 7% YoY from Rs 40cr in H1FY'13 to Rs 42cr in H1FY'14

H1 FY'14 (Consolidated) PAT grows 15%; crosses Rs 50cr

Consolidated

Figures in Cr

	Revenue	PBT (Margin %)	Profit after Tax (Margin)
H1 FY'14	2142	71 (3.3%)	50 (2.3%)
	6% ↓	19% ↑	15% ↑
H1 FY'13	2292	60 (2.6%)	44 (1.9%)

- Revenue down 6% YoY from Rs 2292 in H1FY'13 to Rs 2142cr in H1FY'14 due to lower revenues from conductors business on account of sluggish domestic market and one big export order executed in H1FY13
- PBT up 19% YoY from Rs 60cr in H1FY'13 to Rs 71cr in H1FY'14 with margin expansion due to strong PBT growth in Transformer & Sp oil business and cable business
- PAT up 15% YoY from Rs 44cr in H1FY'13 to Rs 50cr in H1FY'14

Financial Performance

Business Performance



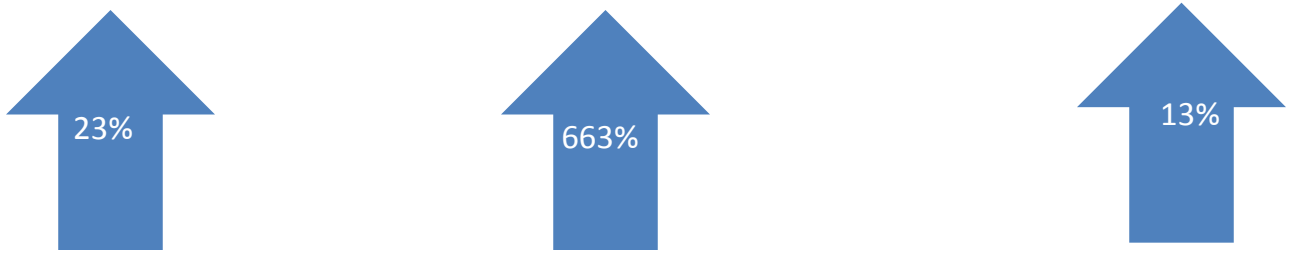
Company Overview

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Transformer & Sp Oils business - EBFTDA up 663%, crosses Rs 61cr

Figures in Cr

	Revenue	EBFTDA (Margin %)	Volume (KL)
Q2FY'14	554	61 (11.0%)	74449
Q2FY'13	449	8 (1.8%)	65781



- Transformer & Sp oil up 23% YoY from Rs 449cr in Q2FY'13 to Rs 554cr in Q2FY'14 driven by strong growth in transformer oil and auto oil segments in spite of forex volatility disrupting sales and margins
- Diverse set of products and broad customer base helped the business in achieving growth & margin expansion in difficult market conditions
- Exports up 12% in Q2FY'14 compared to Q2FY'13
- EBFTDA up 663% YoY from Rs 8cr in Q2FY'13 to Rs 61cr in Q2FY'14, driven by 11.0% EBTFDA margin increase due to favorable product mix, increased margin in auto oils and positive impact of forex movement
- There is cautions optimism for growth in volumes in H2FY'14, with a large no substations lined up for completion, demand pick up due to good monsoons and expected growth in industrial activity

Conductor business : Margins expand though revenue growth sluggish

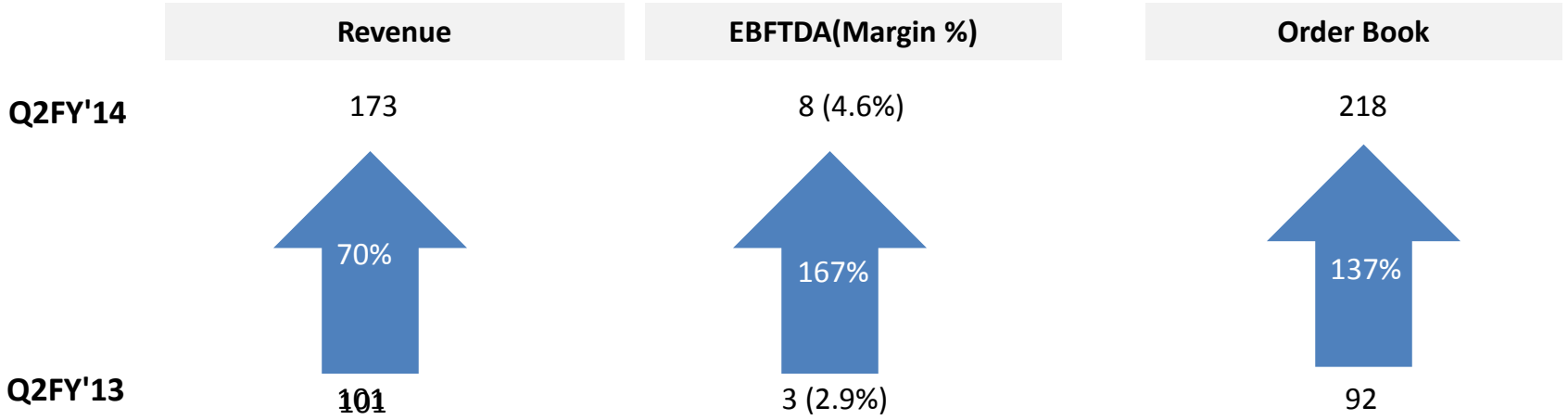
Figures in Cr

	Revenue	EBFTDA (Margin %)	Order Book
Q2FY'14	412	41 (10.0%)	1149
	28%	7%	26%
Q2FY'13	569	44 (7.7%)	1559

- Revenue down 28% YoY from Rs 569cr in Q2FY'13 to Rs 412cr in Q2FY'14 due to sluggish domestic demand, lower order flow from Power Grid Corporation Ltd & one big export order executed in Q2 FY13
- EBIT margins up 2.3% YoY from 7.7 % in Q2 FY'13 to 10.0% in Q2 FY'14
  - EBIT down 7% from Rs 44cr in Q2FY'13 to Rs 41cr in Q2FY'14 due to lower revenues
- Orders executed in Q2FY'14 more profitable compared to Q2FY'13 resulting in 2% margin expansion YoY due to better margin orders
- Order book of Rs 1149cr as on 1st Oct 2013 and a pipe line of Rs 584 crores.

Turnaround in Power & Telecom cables

Figures in Cr



- Power & Telecom cables grow 70% YoY from Rs 101cr Q2FY'13 to Rs 173cr in Q2FY'14 driven by growth in exports of 851%
- EBFTDA grows 167% YoY from Rs 3cr in Q2FY'13 to Rs 8cr in Q2FY'14 with growth in exports and improvement in margins
- Company expects to gain from the revival in the wind mills market in H2FY'14

Automotive Lubricants business continues to grow

- Q2 volumes up 6.5% YoY, driven by Automotive OEMs in a flat to declining market
- Apar maintained overall profitability by increasing price of its products despite increase in raw materials and packing material costs
- Received large orders in marine engines oil from Lakshadweep Islands
- Strong growth expected in the second half of the year from rural India due to good monsoons and expanded distribution network
- Number of OEM customers increased to 10 during the quarter

Strategic initiatives driving growth and profitability

- New plant for conductor business in Athola which went into commercial production in Q1FY'14 is now stabilized and has reached its full capacity of 3000 Mt per month. The capacity increase will focus on high quality products for the export markets
- Strict credit control systems implemented for managing sales in the difficult market environment
- Rupee depreciation negotiated through price adjustment and price variation clauses to contain volatility in the forex market. Hedging policy in oil division amended to cover extra 30 days.
- Full commissioning of equipment at the new cable plant in Khatalwad is expected by Q3FY'14.
- High margin E-beam cables business :
  - Received approvals from RDSO (Railways) for Electrical Locomotives and from Goa Shipyard
  - Expecting approvals from Defense Headquarters, Indian Navy and RDSO for Diesel Locomotives. This will help to participate in large tenders in H2FY'14
- The company is taking steps to improve its cost competitiveness by undertaking several measures in order to sustain leadership position in its operations.

Financial Performance

Business Performance

Company Overview



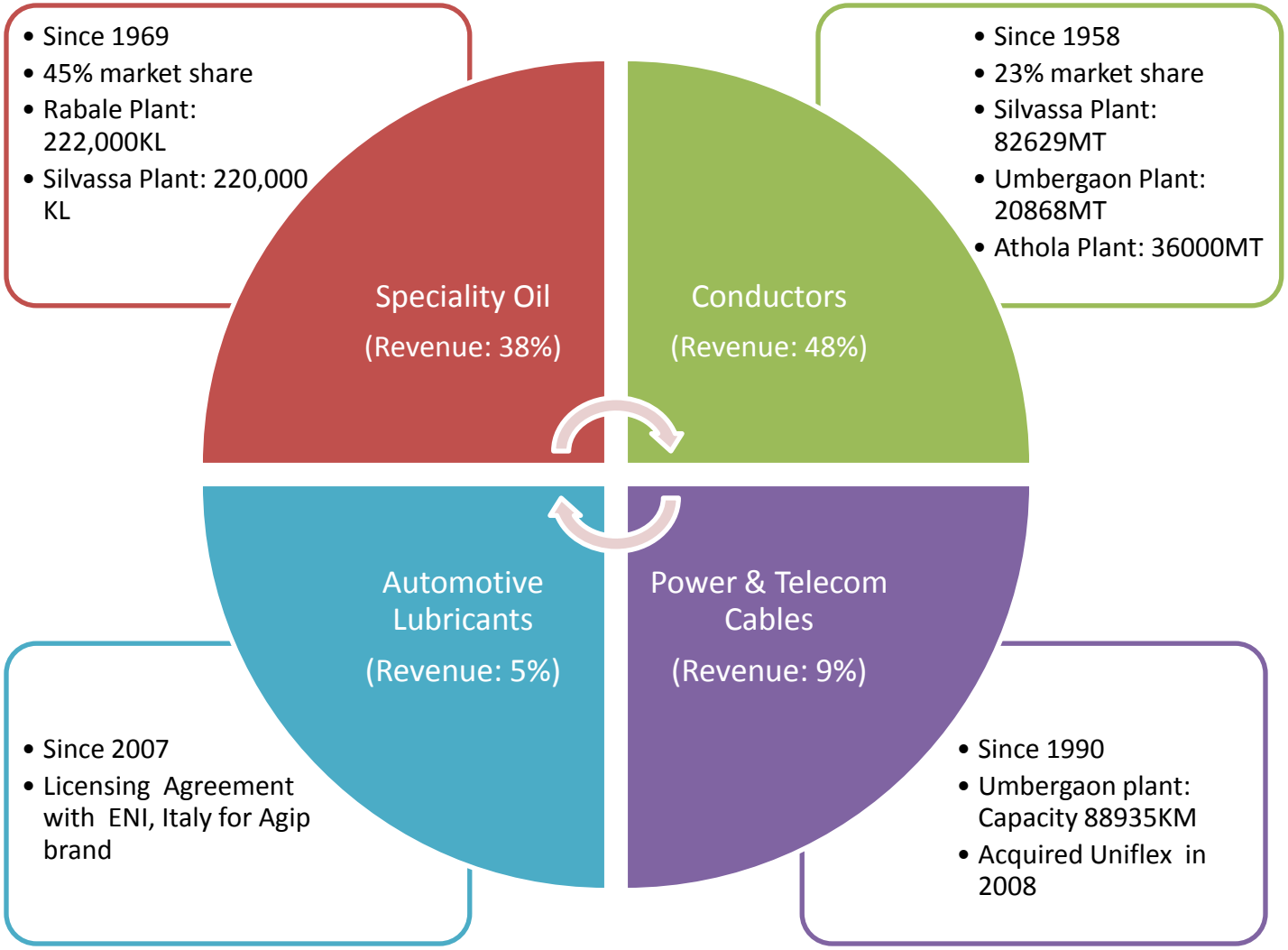
Annexure

A global leader in Conductor and Transformer Oil

- One of the earliest company to start conductor business in 1958, diversified to transformer oils in 1969, to become a $850mn corporation by FY13.
- Pioneers 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

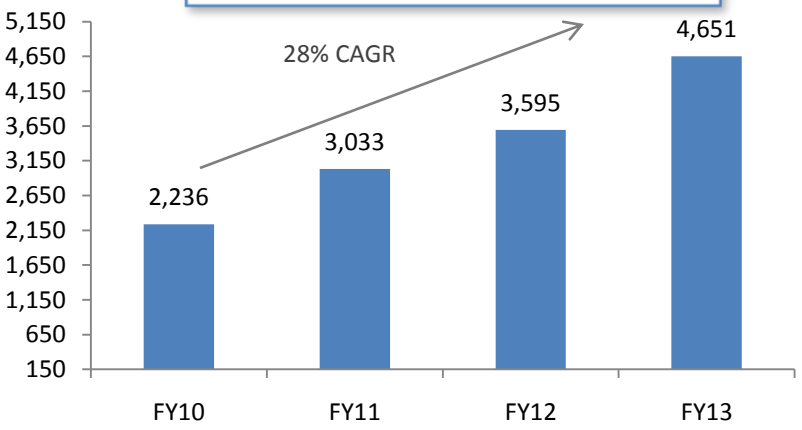
Auto/Ind Lubricants

- 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

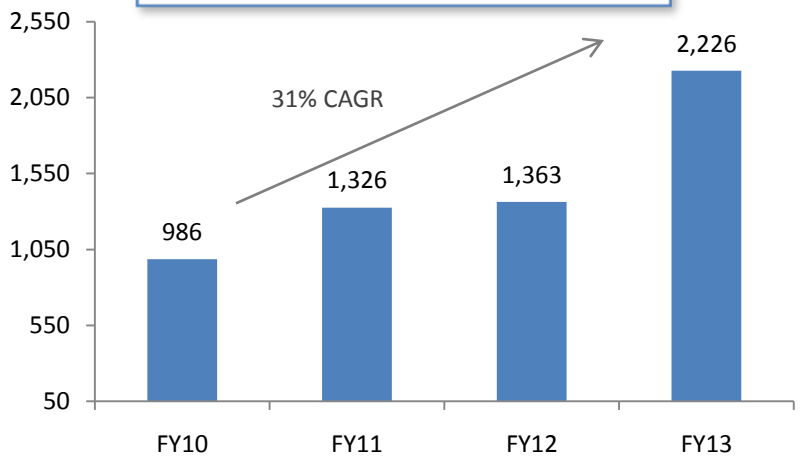
Strong revenue growth over the years

Figures in Rs Cr

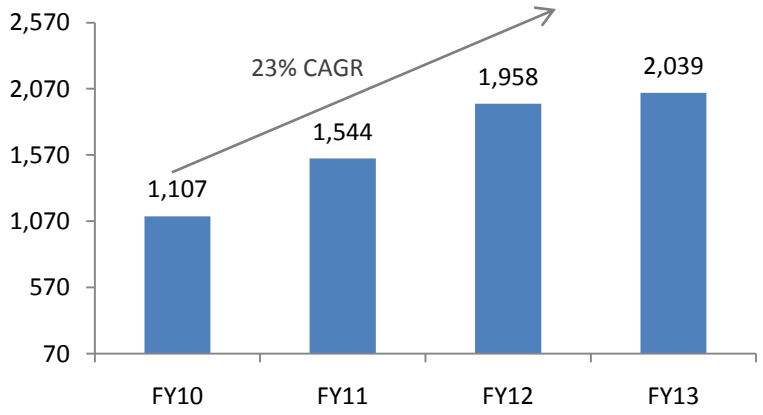
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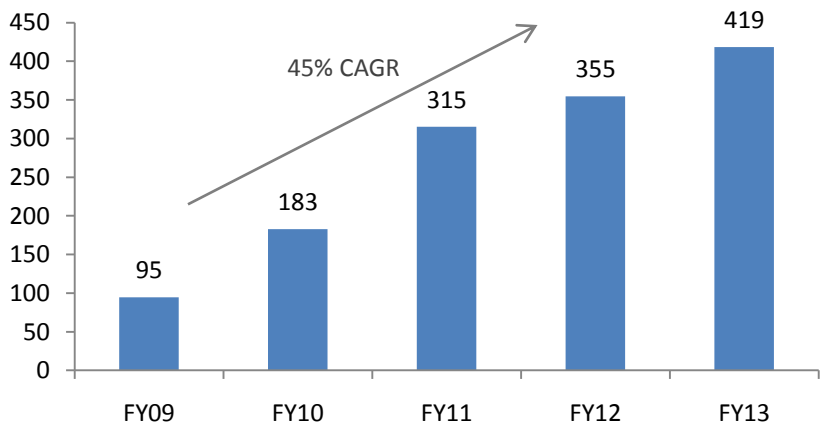
Conductor



Transformer & Sp Oil

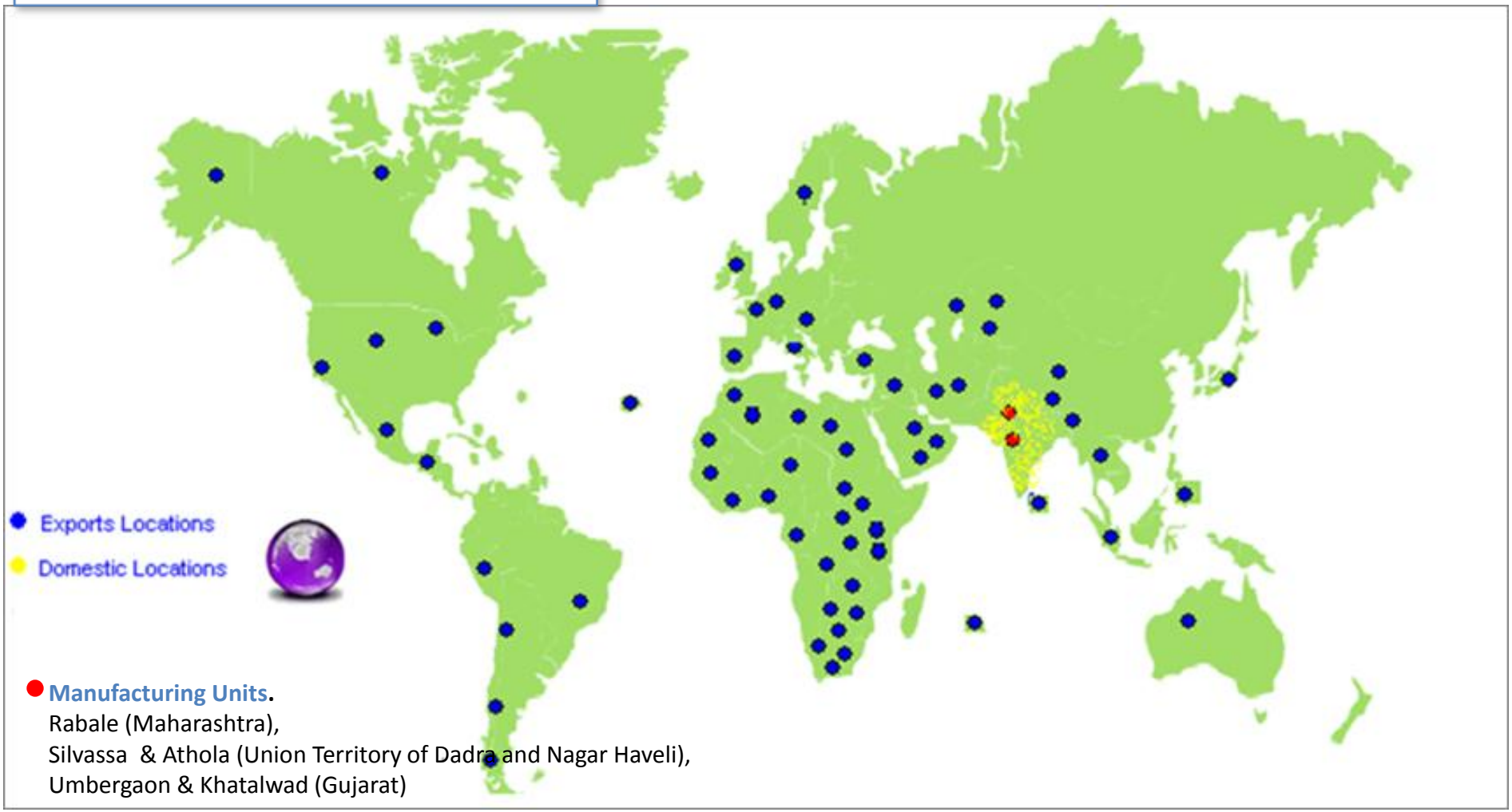


Power & Telecom Cables



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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Q2FY'14 : Profit & Loss Statement – Standalone

Particulars (Rs Cr)	Q2 FY'14	Q2 FY'13	% Chg YoY	Q1 FY'14	% Chg QoQ	6M FY'14	6M FY'13	%Y-o-Y
Net sales	**1129.8**	**1094.9**	**3.2**	**937.8**	**20.5**	**2,067.6**	**2,211.8**	**-6.5**
Other operating income	10.4	8.9	16.8	7.6	37.1	17.9	17.8	0.8
Total Operating Income	**1140.2**	**1103.8**	**3.3**	**945.4**	**20.6**	**2,085.6**	**2,229.6**	**-6.5**
Total Expenditure	1040.6	1057.2	-1.6	869.8	19.6	1,910.4	2,113.1	-9.6
Consumption of Raw Materials	872.9	888.3	1.7	730.2	19.5	1603.1	1784.1	-10.1
Employees Cost	16.0	13.1	**3.2**	13.7	17.4	29.7	26.5	12.2
Other Expenditure	151.7	155.9	16.8	125.9	20.4	277.6	302.6	-8.2
EBFTDA	**99.6**	**46.6**	**3.3**	**75.6**	**31.8**	**175.1**	**116.5**	**50.3**
Depreciation	6.6	5.5	-1.6	6.0	10.2	12.6	10.9	16.0
EBIT	**93.0**	**41.1**	**3.2**	**69.6**	**33.7**	**162.5**	**105.7**	**53.8**
Interest & Finance charges	-4.8	2.3	16.8	-3.6	35.1	(8.4)	8.7	-196.6
Applicable net loss on foreign currency transactions and translation	53.8	0.0	**3.3**	58.7	-8.4	112.5	42.8	162.9
Other Income	2.3	0.8	-1.6	1.9	21.2	4.1	0.9	366.8
Profit from ordinary activities after finance costs but before exceptional items	**46.3**	**39.6**	**3.2**	**16.3**	**184.0**	**62.6**	**55.1**	**13.7**
Exceptional items	0.7	0.0	16.8	0.1	382.8	0.9	0.1	
PBT	**45.6**	**39.6**	**3.3**	**16.2**	**182.2**	**61.7**	**54.9**	**12.4**
Tax Expense	13.7	11.2	-1.6	5.8	137.5	19.5	15.4	95.9
PAT	**31.9**	**28.5**	**3.2**	**10.4**	**207.0**	**42.3**	**39.6**	**6.9**

Balance Sheet Statement – Standalone: H1FY'14

Particulars (Rs Cr)	As at 30.09.2013	31.03.2013
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	38.5	38.5
Reserves and surplus	564.4	521.7
Total Shareholders' funds	**602.8**	**560.2**
Non-current liabilities		
Long-term borrowings	80.5	32.9
Deferred tax liabilities (net)	11.7	11.0
Other long-term liabilities	16.5	13.8
Long-term provisions	2.8	2.6
Total Non-current liabilities	**111.5**	**60.3**
Current liabilities		
Short-term borrowings	1076.0	940.3
Trade payables	1252.5	1327.7
Other current liabilities	319.2	293.3
Short-term provisions	0.6	24.2
Total Current liabilities	**2648.4**	**2585.6**
TOTAL - EQUITY AND LIABILITIES	**3362.7**	**3206.0**
ASSETS		
Non-current assets		
Fixed assets	343.3	287.7
Non-current investments	28.5	28.5
Long-term loans and advances	41.1	45.7
Total Non-current assets	**412.8**	**361.9**
Current assets		
Current investments	1.5	79.6
Inventories	866.6	740.8
Trade receivables	952.7	793.6
Cash and cash equivalents	906.2	1032.1
Short-term loans and advances	136.3	131.5
Other current assets	86.6	66.5
Total - Current assets	**2949.8**	**2844.1**
TOTAL - ASSETS	**3362.7**	**3206.0**

Q2FY'14 : Key Ratios – Standalone

Key Ratios (%)	Q2 FY'14	Q2FY'13	Q1FY'14	H1 FY'14	H1 FY'13
EBFTDA Margin	8.7	4.2	8.0	8.4	5.2
Net Margin	2.8	2.6	1.1	2.0	1.8
Total Expenditure/ Total Operating Income	91.3	95.8	92.0	91.6	94.8
Raw Material Cost/ Total Operating Income	77.3	81.1	77.9	77.5	80.7
Staff Cost/ Total Operating Income	1.4	1.2	1.4	1.4	1.2
Other Expenditure/ Total Operating Income	13.3	14.1	13.3	13.3	13.6

Key Ratios (%)	H1 FY'14	FY'13
RoE	16.0	19.8
RoCE	13.2	16.4
Debt-Equity Ratio	0.1	0.1
Net Fixed Assets Turnover (x)	12.7	15.6
Inventory turnover (days)	72.7	60.1
Debtor turnover (days)	79.9	64.4

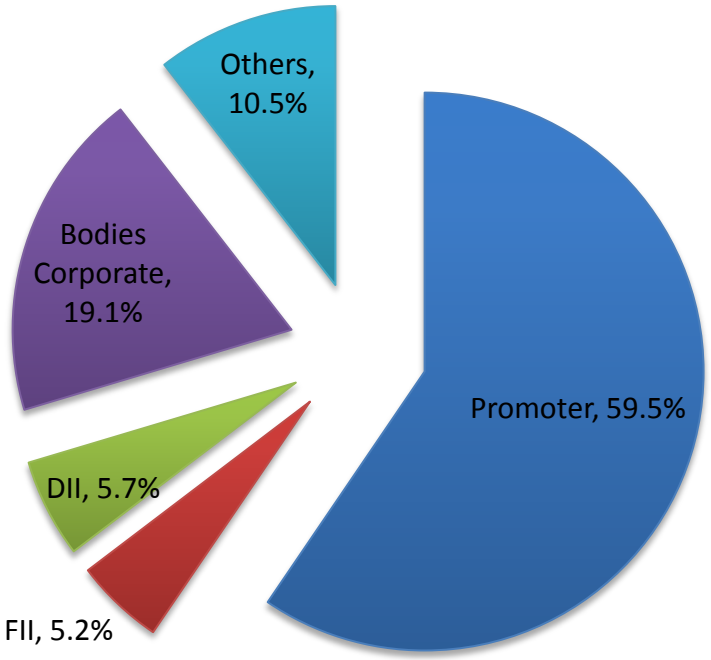
Q2FY'14 : Segment Analysis – Standalone

Segment (Rs Cr)	Q2FY'14	Q2FY'13	%YoY	Q1FY'13	% QoQ	H1 FY'14	H1 FY'13	%Y-o-Y	FY'13
Revenue									
Conductors	412.4	569.0	-27.5	341.1	20.9	753.5	1087.5	-30.7	2226.3
Transformer & Specialty Oils	553.9	449.3	23.3	506.1	9.4	1060.0	980.0	8.2	1920.9
Power & Telecom Cables	172.6	101.5	70.0	98.4	75.5	271.0	195.9	38.3	418.5
Others/Unallocated	5.1	3.2	60.0	3.9	33.0	9.0	6.6	36.3	15.1
Total	1144.1	1123.0	1.9	949.5	20.5	2093.6	2270.0	-7.8	4580.8
Less: Inter - Segment Revenue	3.9	19.3	-79.6	4.1	-4.0	8.0	40.4	-80.2	48.6
Revenue from Operations	1140.2	1103.8	3.3	945.4	20.6	2085.6	2229.6	-6.5	4532.2
Segment Results before Interest and Tax									
Conductors	39.1	41.9	-6.8	40.1	-2.7	79.2	75.2	5.3	197.1
Transformer & Specialty Oils	59.0	7.3	710.6	43.7	35.2	102.7	48.7	111.0	113.2
Power and Telecom Cables	5.9	0.9	551.7	-6.4	-192.5	-0.5	-1.5	-68.6	-0.9
Others/Unallocated	0.3	0.3	27.4	0.4	-24.5	0.8	0.6	34.6	1.1
Total	104.4	50.4	107.2	77.8	34.1	182.2	122.9	48.2	310.5
Less : Finance costs (net)	48.9	2.3	2068.9	55.1	-11.2	104.1	51.5	102.2	134.3
Less : Unallocable expenditure net of income	9.8	8.5	16.0	6.6	50.2	16.4	16.5	-0.7	35.9
Profit before Tax	45.6	39.6	15.0	16.2	182.2	61.7	54.9	12.4	140.3
Segment Results - as % to Segment Revenue									
Conductors	9.5	7.4		11.8		10.5	6.9		8.9
Transformer & Specialty Oils	10.7	1.6		8.6		9.7	5.0		5.9
Power and Telecom Cables	3.4	0.9		-6.5		-0.2	-0.8		-0.2
Others	6.4	8.0		11.2		8.5	8.6		7.6
Total	9.2	4.6		8.2		8.7	5.5		6.9

Segment contribution- as % to total revenue	Q2FY'14	Q2FY'13	Q1FY'13	H1 FY'14	H1 FY'13	FY'13
Conductors	36.0	50.7	35.9	36.0	47.9	48.6
Transformer & Specialty Oils	48.4	40.0	53.3	50.6	43.2	41.9
Power and Telecom Cables	15.1	9.0	10.4	12.9	8.6	9.1

Shareholding pattern

As on Sep 30, 2013
Outstanding shares – 3,84,70,431



Major Non-Promoter Shareholders	Shareholding (%)
Templeton Strategic Emerging Markets Funds	9.45
Shinny Ltd Mauritius	6.85
Reliance Capital	4.98
Raiffeisen Kapitalanlage	2.60
Mackenzie Cundill	2.11
Aadi financial Advisors LLP	1.22
Ashish Dhawan	1.05

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