APAR INDUSTRIES LTD.

REGD. OFFICE : 301/306, PANORAMA COMPLEX
R. C. DUTT ROAD, VADODARA - 390007
INDIA
T : (+91) (265) 2323175 / 2323176
(+91) (265) 2322798
F : (+91) (265) 2330309
E : apar.baroda@apar.com
url : www.apar.com

SEC/1008/2018

10th August, 2018

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. : Investor Update

Dear Sir,

We are sending herewith an Investor Update for the **First Quarter ended 30th June, 2018** of the Current Financial Year 2018-19 for the information of members and investors.

Thanking you,

Yours Faithfully,
For Apar Industries Limited

(Dhruv Shah)
Assistant Manager

Encl. : As Above

Powering Ahead!

Apar Industries Ltd.
Q1 FY19 Earnings Presentation

Safe Harbor

This presentation may have certain statements that may be "forward looking" including those relating to general business plans and strategy of Apar Industries Ltd., its future outlook and growth prospects. The actual results may differ materially from these forward looking statements due to a number of risks and uncertainties which could include future changes or developments in Apar Industries Ltd.(Apar), the competitive environment, the company's ability to implement its strategies and initiatives, respond to technological changes as well as sociopolitical, economic and regulatory conditions in India.

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Strong revenue growth despite subdued market

Revenue *(In Rs Cr)* **1,499**

up 15% YoY

EBITDA *(In Rs Cr)* **112**

EBITDA Margin at 7.5%

PAT *(In Rs Cr)* **29**

PAT Margin at 1.9%

Revenue from conductors up 17% despite challenging market

- Order book at Rs 2,436 crore, up 110% YoY & 101% QoQ; New order of Rs 394 crore of copper conductors from Railways.
- Share of Exports increased from 44% to 49%.
- Revenue from HEC at 13%, many projects lined up for bidding.
- EBITDA per MT (post adj*) improves from Rs 10,980 to Rs 12,073.
- Volume down 16% YoY due to delays in customer project execution.
- Order book at Rs 2,436 , which is at a historical high.

Speciality Oils delivers 15% revenue growth

- Volume growth of 44% in Automotive, 59% in Industrial Lubricants, 12% in Rubber Process Oils – all derived from growth in Auto sector.
- Marginal drop in overall volumes - 2% YoY due to slower demand and high competition in the market for Transformer Oils, White Oils
- EBITDA per KL (post adj*) impacted due to inflationary pressure across all major inputs, price increase lags by a quarter.

Cables continue to deli

- Strong growth in revenues of 26%.
  - Power Cables up 34% and Telecom Cables (OFC) up 83%.
  - Revenue from Cables increased due to good demand from Discoms, renewable sector, Railways & Defence. OFC revenue increased from BBNL orders and new customers.
- EBITDA margin, post forex adjustment is at 9.5%,

* After adjusting open period forex

Good progress continues in the power sector

- Power Grid has set capex target at Rs 25,000 crore in FY19 and has signed an MoU with the power ministry. MoU includes various targets to be achieved by PowerGrid during 2018-19. Other targets in the MoU inter-alia include parameters related to human resources, project management, research & development, innovation and other efficiency and operational performance parameters
- UDAY scheme has helped debt laden discoms reduce annual losses by 70% to around Rs 17,350 crore in last two years. Also, gap between ACS (actual cost of supply of power) and ARR (Cost & Tariff rate) has reduced to Rs 0.24/kWh or by 57% over two years
- Govt. has proposed setting up EV's charging stations at every 3kms for cities and at every 50kms for highways. This leads to an expected requirement of 30,000 slow-charging points and 15,000 fast-charging stations in next 3-5 years
- PowerGrid and Tata Power planning 26 and 100 EV charging stations, respectively. PowerGrid would be setting up charging stations in three cities where as Tata Power is setting up 100 EV charging stations in Maharashtra

Transmission sector progress until May'18

System Type	End of 10th plan	End of 11th plan	End of 12th plan(Target)	As on May'18	End of 13th plan
AC transmission Lines(In C Kms)	1,92,535	2,48,049	3,48,049	3,77,520	4,50,700
HVDC (In C Kms)	5,872	9,432	16,872	15,556	19,815
Total (In C Kms)	1,98,407	2,57,481	3,64,921	3,93,076	4,70,515
AC Substations Transformation Capacity (In MVA)	2,49,439	3,99,801	6,69,801	8,12,378	9,79,637
HVDC (In MVA)	8,200	9,750	22,500	22,500	30,500
Total (In MVA)	2,57,639	4,09,551	6,92,301	8,34,878	10,10,137
Inter-regional transmission Capacity (In MW)	14,050	27,750	65,550	86,450	1,18,050

Source: CEA Website

T&D Orders received in Q1FY19. .

Companies	Q1FY19 (Rs. Cr.)
Larsen & Toubro	3,666
KPTL	2,698
CG power	319
ABB	143
Total	6,826

Source: BSE Website

Table of Contents

Financial Performance

Business Performance

Company Overview

Annexure

Q1FY19: Revenues up 15%

Figures in Rs Cr

Consolidated	Revenue	EBITDA (Margin %)	PAT (Margin %)
Q1 FY19	1,499	112 (7.5%)	29 (1.9%)
	↑ 15%	↑ 16%	↓ 26%
Q1 FY18	1,306	97 (7.4%)	39 (3.0%)

- Revenue increased 15% from growth in all segments viz. Cables, Conductors and Speciality Oils
- EBITDA margin stable at 7.5%
  - EBITDA impacted by increase in commodity prices and inflationary pressure of other materials
- Higher interest cost due to increase in commodity prices, LIBOR interest rates, blockage of working capital on account of GST in export business and increased inventories due to delays in customer projects.
- Rupee depreciated by 7% during the Quarter. Open period Forex at Rs 16 Cr.
- PAT at Rs 29 crore; Margin at 1.9%

Table of Contents

Financial Performance

Business Performance

Company Overview

Annexure

Conductors revenue up 17% despite subdued market

Figures in Rs Cr, Consolidated Financials

	Revenue	EBITDA (Margin %)	EBITDA per MT (Rs per MT)	EBITDA (post adj*)	EBITDA post adj* (Rs per MT)	Volume (MT)
Q1FY19	635	46 (7.3%)	14,353	39 (6.1%)	12,073	32,281
	↑ 17%	↑ 7%	↑ 26%	↓ 7%	↑ 10%	↓ 16%
Q1FY18	542	43 (8.0%)	11,346	42 (7.7%)	10,980	38,267

* After adjusting open period forex

- Revenue up 17% at Rs 635 crore with exports up at 49% from 44%
  - Revenue contribution from HEC at 13%
- Order book as on June 30, 2018 at Rs 2,436 crore which is a historical high, up 110% YoY & 101% QoQ
  - New order of Rs 394 crore of copper conductor from Railways.
- Volume declined by 16% in Q1FY19 YoY due to delays in customer projects and spill over of dispatches due to commercial reasons. However, volumes to increase in coming quarters due to strong order book
- EBITDA per MT (post adj) improved from Rs 10,980 to Rs 12,073 as better margin orders were executed
- HTLS business in India is expected to pick up with visibility of a new tenders

Specialty Oils up 15%

Figures in Rs Cr, Consolidated Financials

	Revenue	EBITDA (Margin %)	EBITDA (Rs per KL)	EBITDA (post adj*)	EBITDA post adj* (Rs per KL)	Volume (KL)
Q1 FY19	576	36 (6.2%)	3,772	29 (5.1%)	3,100	94,251
	↑ 15%	↓ 5%	↓ 3%	↓ 26%	↓ 24%	↓ 2%
Q1 FY18	499	37 (7.5%)	3,888	39 (7.9%)	4,072	96,445

* After adjusting open period forex

- Revenue up 15%, led by growth in Industrial Oil (59.7%), Automotive Oils (44.2%) and rubber process oil (12.6%)
- EBITDA per KL, after forex adjustment for the quarter, declined on account of
  - Slower demand in Transformer & White oils putting pressure on price increases
  - Inflationary pressure across all major inputs
  - Client price push back and competitors willing to postpone increases to gain market share
- Export demand is also slow across middle East & Africa
- Credit position of many clients remains weak, restricting sales to limit exposure

Automotive segment reports strong growth

- Automotive segment delivered sales volume of 10,430 KL in Q1FY19, 44% higher than Q1FY18
- Increase comes largely from higher volume in OEM accounts.
- Price increases to compensate higher input costs will reflect partly in Q2 and fully in Q3 FY19.
- We expect volumes to grow at over 25% for the next 3 quarters.

Cables business continues to deliver robust and profitable growth

Figures in Rs Cr, Consolidated Financials

	Revenue	EBITDA (Margin %)	EBITDA (post adj*)
Q1 FY19	318	32 (10.1%)	30 (9.5%)
	26%	58%	48%
Q1 FY18	253	20 (8.0%)	20 (8.1%)

* After adjusting open period forex

- Revenue up 26% driven by
  - Significant growth in Power Cables (up 34%) and Telecom Cables (OFC) (up 83%)
  - Power cables revenue increased considerably due to continued strategic positioning in Renewable sectors and good orders from Railways, Defence sectors
  - Revenues from OFC improved due to BBNL orders and new customers; New Ribbon Cable Order from BBNL received for Q2
- EBITDA margin, post forex adjustment, up at 9.5%
- Elastomeric business declined by 16%. However, it is expected to bounce back with new business from Wind Mill, Solar, Railways & Defence
- Overall good order book in all segments with Power cables & OFC running to high capacity utilization and improving utilization in Elastomeric cables

Table of Contents

Financial Performance

Business Performance

Company Overview

Annexure

Apar Industries at A Glance

Market Leadership	3rd largest manufacturer of Conductors, 4th largest manufacturer of transformer oil in the world and largest manufacturer of domestic cable in renewable Sector.
Diverse Portfolio	Over 400 types of specialty & automotive oils; largest range of conventional & high efficiency conductors and a comprehensive range of power & telecom cables.
Driving growth through innovation	Pioneer in new technologies & development of value added products creating new market segments through in-house R&D programmes.
Long term relationship with marquee customers	Multi-year relationships with Indian and global majors. Exports to 100 countries; plants strategically located close to ports.
Strong Alliances	Brand and manufacturing alliance with ENI S.P.A Italy and technical alliance with CTC Global (USA) for manufacture of new generation carbon composite conductors.
Robust financials	Delivering Strong Financial Performance: 14% Average ROE for last 5 years, Volumes grew to record levels across segments.

Strong presence across diverse businesses

Conductors

23% market share
Total Capacity: 180,000MT. Shifted 50,000 MT to Jharsuguda Plant (Total - 80,000 MT) in FY18.

Specialty Oils

45% market share
Total Capacity: 5,42,000KL. Port based Al-Hamriyah (Sharjah) plant (100,000 Kl) commenced production in Jan'17.

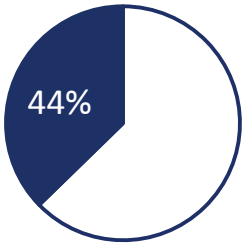
Cables

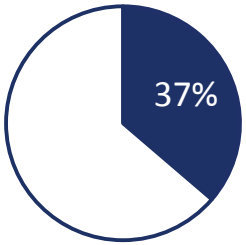
Acquired Uniflex in 2008. Grew sales from Rs 129 crore in FY09 to Rs 1,116 crore in FY18 at a CAGR of 27% (FY09-18).

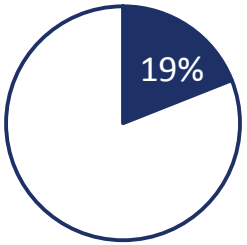
Auto Lubes

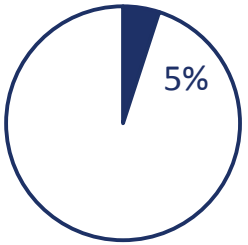
Renewed focus in auto lubes with licensing agreement from ENI, Italy for ENI brand. Rs 291 crore revenue in FY18

Revenue Contribution – FY18









Strategic investments to drive future growth

Strategic investments of Rs 660+ crore since FY13 for innovative/higher value added products.

Conductors - Rs 267 crore

- **Commissioned Jharsuguda (Odisha) plant with 30,000 MT capacity in Sep'16, Further shifted 50,000 MT to Jharsuguda Plant (Total - 80,000 MT) in FY18.**
  - **Proximity to smelters, for logistical benefits; Tap into increasing generation capacity in eastern India;**
- Started production in aluminium rod making & melting facility at Lapanga (Orissa) in FY18
- Signed agreement with Hindalco for sourcing molten metal - cost saving of Rs 1,000 / MT
- Set up manufacturing capacity for Railway Copper Conductors (7200 Mt.) and OPGW (7200 Kms.)

Oils - Rs 181 crore

- **Port based Hamriyah (Sharjah) plant became operational in Jan'17 and became cash positive with 50% capacity utilization in FY18**
  - **Proximity to customers in Middle East and East Africa.**
  - **Opens new avenues for bulk exports.**
- Expanded T-Oils capacity and range (including 765KV & 800KV HVDC), doubled Industrial and Automotive blending and automated packing capacity and established a new R&D facility at Rabale.

Cables – Rs 220 crore

- **Capex focused around power cables to manufacture high-voltage cables using the latest CCV technology is completed in FY18**
- **Successfully completed HT expansion in Umbergaon, LT consolidation in progress in Khatalwad**
- Setup green field Khatalwad plant for E-beam Elastomeric Cables, OFC Cables & other products
- De-bottlenecking of HT/LT Cables capacity at Umbergaon plant

Competitive strengths

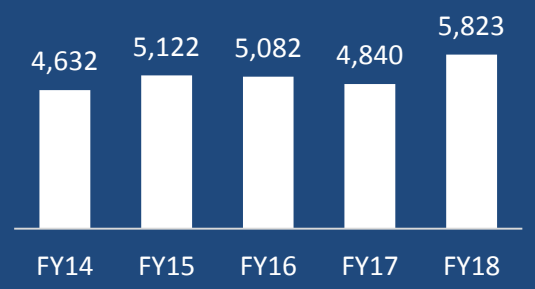
Market Leader in key segments	• Top 3 producer in conductors and Sp Oil in the world. • 60% market share in power transformer oil and 40% in distribution transformer oil in India. • Among largest bare overhead aluminum conductor manufacturers in India, market share of 23%.
Best in class technology & diversified products	• Technology tie up with CTC-Global, USA for ACCC conductors • Pioneer in Aluminum alloy rod and conductors in India • Manufactures over 400 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
Strong relationships with large clientele	• Preferred supplier to over 80% of its Speciality oil customers in India • Product & plant approvals from many large clients across the globe • Supplies conductors to all top 25 global turnkey operators and leading utilities
Strong export market	• Exports to over 100 countries across the world, contributes 36% of total sales in FY18 • Developed green field conductor plant in Athola with focus on exports • Largest Indian conductor exporter • Developing export market in new territories. Exported conductors to USA, EU, Middle East, Africa and Latin America.
Diversified into new business for growth	• Entered Auto lubes in 2007 under ENI brand through Licensing Agreement with ENI Italy • Acquired Uniflex to enter Cables business • Has setup Electron Beam irradiation facility for cables and other products

Significant expansion in Profitability over the years. . .

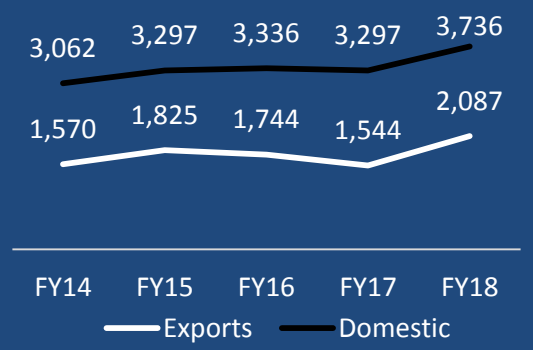
Margins increased across businesses led by increased share of value added products

All Figures in Rs crore

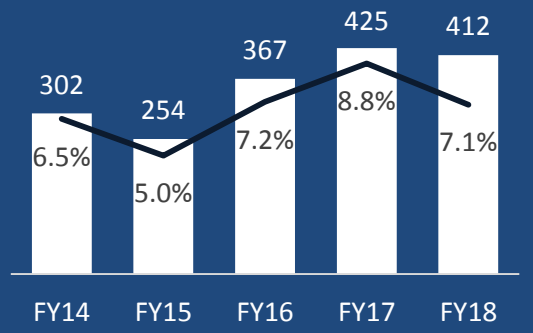
Consolidated Revenue



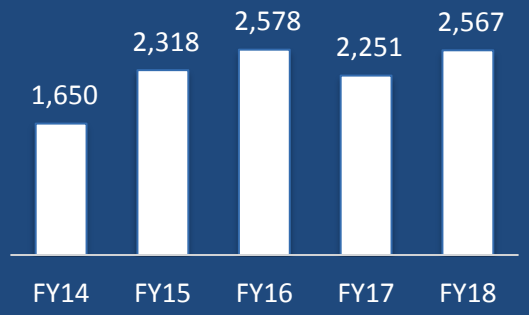
Exports contribution at 36%



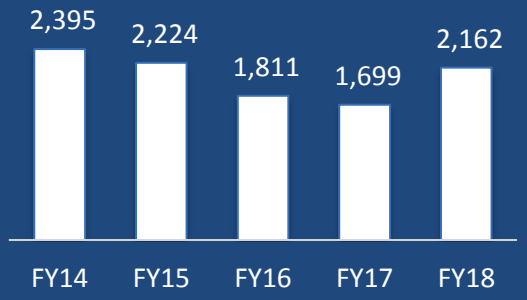
EBITDA margin at 7.1%



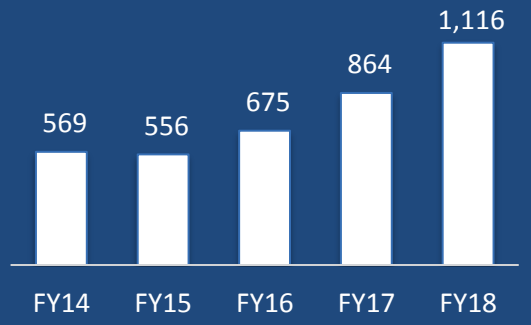
Conductors



Specialty Oils



Cables



Huge global presence driving exports

Presence in 100 countries, Exports contributing 36% to FY18 Revenue

- Adopted a hub and spoke manufacturing and distribution model for specialty oils - allows efficient delivery cycles to global transformer OEM's across Asia, Africa and Australia
- Presence in over 100 countries with a focus on South East Asia, Middle east, Africa and South America

Table of Contents

Financial Performance

Business Performance

Company Overview

Annexure

Q1 FY19: Consolidated Profit & Loss Statement

Particulars (Rs Cr)	Q1 FY19	Q1 FY18	% Chg YoY	Q4 FY18	% Chg QoQ	FY18
Total Operating Income	**1,495.6**	**1,424.5**	**5.0%**	**1,767.5**	**-15.4%**	**5,938.7**
Total Expenditure	1,386.5	1,329.1	4.3%	1,641.7	-15.5%	5,531.2
Cost of Raw Materials	1,147.3	991.4	15.7%	1,365.1	-16.0%	4,495.0
Employees Cost	36.5	30.7	18.9%	32.9	10.9%	126.1
Other Expenditure	203.5	187.2	8.7%	243.9	-16.6%	792.9
Excise Duty	-	120.2	NM	-	NM	120.2
Transfer to Capital Asset	0.7	0.4	75.0%	0.3	133.3%	3.0
Profit from operations before other income, finance costs and exceptional items	**109.1**	**95.4**	**14.4%**	**125.8**	**-13.3%**	**407.5**
Other Income	4.5	2.2	104.5%	2.7	66.7%	11.1
EBITDA	**113.6**	**97.7**	**16.3%**	**128.5**	**-11.6%**	**418.6**
Depreciation	15.6	13.4	16.4%	14.8	5.4%	55.9
EBIT	**97.9**	**84.3**	**16.1%**	**113.7**	**-13.9%**	**362.8**
Interest & Finance charges	54.2	24.2	124.0%	53.6	1.1%	140.0
PBT	**43.8**	**60.1**	**-27.1%**	**60.1**	**-27.1%**	**222.8**
Tax Expense	14.8	21.2	-30.2%	20.1	-26.4%	78.0
Net Profit	**29.0**	**39.0**	**-25.6%**	**40.0**	**-27.5%**	**144.7**
Minority Interest (profit)/loss	-	-	NM	-	NM	-
Net Profit after taxes, minority interest	**29.0**	**39.0**	**-25.6%**	**40.0**	**-27.5%**	**144.7**
Other comprehensive income	12.4	-16.2	NM	-11.9	NM	-26.6
Total comprehensive income	**41.4**	**22.7**	**82.4%**	**28.1**	**47.3%**	**118.2**

Q1 FY19 Key Ratios- Consolidated

Key Ratios (%)	Q1 FY19	Q1 FY18	Q4 FY18	FY18
EBITDA Margin	7.6%	7.5%	7.3%	7.2%
Net Margin	1.9%	3.0%	2.3%	2.5%
Total Expenditure/ Total Net Operating Income	92.7%	92.7%	92.9%	93.0%
Raw Material Cost/ Total Net Operating Income	76.7%	76.0%	77.2%	77.3%
Staff Cost/ Total Net Operating Income	2.4%	2.4%	1.9%	2.2%
Other Expenditure/ Total Net Operating Income	13.6%	14.3%	13.8%	13.6%

Note: All Ratio's are calculated on Net Operating Revenue (excluding Excise duty)

Q1 FY19: Consolidated Segment Analysis

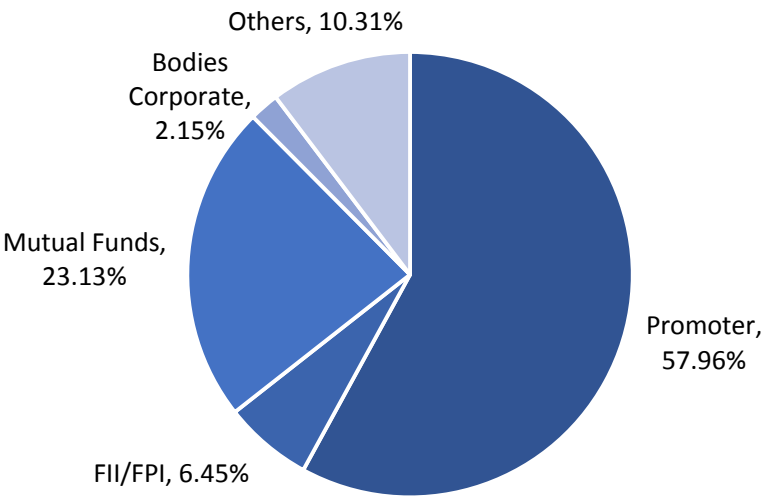
Segment (Rs Cr)	Q1 FY19	Q1 FY18	%YoY	Q4 FY18	% QoQ	FY18
Revenue						
Conductors	635.6	587.8	8.1%	894.2	-28.9%	2,615.5
Transformer & Specialty Oils	576.3	555.3	3.8%	532.3	8.3%	2,162.2
Power & Telecom Cables	318.9	271.0	17.7%	335.9	-5.1%	1,134.6
Others/Unallocated	15.5	13.1	18.3%	11.4	36.0%	46.6
Total	1,546.3	1,427.2	8.3%	1,773.8	-12.8%	5,958.9
Less: Inter - Segment Revenue	50.7	2.6	1850.0%	6.3	704.8%	20.2
Revenue from Operations	1,495.6	1,424.5	5.0%	1,767.5	-15.4%	5,938.7
Segment Results before Interest and Tax						
Conductors	41.1	38.9	5.7%	38.6	6.5%	130.8
Transformer & Specialty Oils	31.8	34.0	-6.5%	51.0	-37.6%	163.8
Power and Telecom Cables	27.4	16.4	67.1%	31.6	-13.3%	91.1
Others/Unallocated	1.7	0.3	NM	0.5	240.0%	2.7
Total	102.0	89.6	13.8%	121.8	-16.3%	388.4
Less : Finance costs (net)	54.2	24.2	124.0%	53.6	1.1%	140.0
Less : Unallocable expenditure net of income	4.0	5.3	-24.5%	8.0	-50.0%	25.6
Profit before Tax	43.8	60.1	-27.1%	60.1	-27.1%	222.8
Segment Results – % to Segment Revenue*						
Conductors	6.5%	7.2%		4.3%		5.1%
Transformer & Specialty Oils	5.5%	6.8%		9.6%		7.8%
Power and Telecom Cables	8.6%	6.5%		9.4%		8.2%
Total	6.6%	6.9%		6.9%		6.7%

Segment contribution- as % to total revenue	Q1 FY19	Q1 FY18	Q4 FY18	FY18
Conductors	41.1%	41.2%	50.4%	43.9%
Transformer & Specialty Oils	37.3%	38.9%	30.0%	36.3%
Power and Telecom Cables	20.6%	19.0%	18.9%	19.0%

* % to segmental revenue is calculated on Net Revenue (excluding Excise duty) basis

Shareholding pattern

As on June 30, 2018
Outstanding shares – 3,82,68,619



Major Non-Promoter Shareholders	Shareholding (%)
HDFC Trustee company	7.87
Reliance Capital	6.19
L & T Mutual Fund	3.56
Goldman Sachs	2.96
Raiffeisen Kapitalanlage	1.52
Aditya Birla Sun Life	1.24

Contact us

For any Investor Relations queries, please contact:

Sanjaya Kunder
Apar industries Ltd
Phone: +91 22 67800400
Email: kunder@apar.com

Four-S Services

Lokesh Bhati
Phone: +91 9873132107
Gurgaon
lokesh.bhati@four-s.com

Seema Shukla
Phone: +91 124 425 1443
Gurgaon
Seema@four-s.com

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