

Apar Industries Ltd.

Q3FY'15 Earnings Presentation



Tomorrow's Progress Today



Power sector cues remain positive; Oil prices witness sharp slump

□ Government taking strategic Initiatives to drive the sector:

- Introduced schemes like Integrated Power Development Scheme (Rs 32.6K cr) & Deendayal Upadhyay Gram Jyoti Yojana (Rs 43K cr) to strengthen T&D in the country
- Initiatives to resolve fuel availability crisis: The action plan for doubling CIL production to 1bn tons in 5 years is ready with plans to triple exploration. Coal auction process started in e-bidding format
- The government has quintupled the solar energy target to 100,000 MW by 2022
- Govt to focus more on T&D than generation to effectively use present generation capacity

□ Challenging environment due to sharp crude oil price decline

- Sharp fall in crude oil prices from \$95/bbl to \$57/bbl witnessed in last quarter
- However, stability to return as deinventorization takes place



Oil – WTI Crude (Real)

Source: www.macrotrends.net



Apar taking proactive steps to recover profitability & spur growth

Revenue up despite challenging environment

Initiatives in place to recover temporary fall in profitability

Traction in consumer products driving profits

Growing Demand for Advanced Technology Products

Exports witness strong growth

Strong YoY revenue growth despite challenges due to growth in conductors

- Conductors witnessing simultaneous growth in volumes and profits led by growth in exports and increased sales of higher value products

Strategic initiatives taken to drive profitability post slump in oil prices

- Inventory pricing brought in line with market pricing for oils
- Profitability expected to improve with stable crude oil prices and growth in high value oil products like 765/400KV T-oil and auto lubes
- Improving product mix bringing down working capital resulting in higher cash flows

Growing traction in new products across all three businesses to drive profitability

- **Specialty Oils:** 13% volume growth in high margin auto lubes in 9MFY15 YoY driven by OEM and retail growth
- **Cable segment:** EBITDA up by 251% in 9MFY15 with strong growth in OFC and elastomeric cables
- Growth in E-Beam products including E-Beam Solar cables. E-Beam machines operating at average load of 50% in the first year of operations.
- **Conductors:** Received 3 orders for high efficiency INVAR conductors of Rs 41cr equivalent from PGCIL
- Received Rs 29cr order for high efficiency ACCC conductors from PGCIL for Delhi Transco

Geographical diversification bolstering growth in a stagnant domestic market

- Export orders contribute more than 50% of conductor order book. Conductor exports up 213% in 9MFY15
- Total exports up 34% YoY from Rs 1,006cr in 9MFY'14 to Rs 1,344cr in 9MFY'15

Financial Performance



Business performance

Company Overview

Annexure



Q3 FY'15 (Consolidated): Revenue up 19% YoY

Consolidated

Figures in Rs Cr

	Revenue	EBITDA (Margin %)	Profit after Tax (Margin %)
Q3 FY'15	1,329	59 (4.4%)	5 (0.3%)
Q3 FY'14	1,118	62 (5.5%)	19 (1.7%)

- Revenue up 19% YoY from Rs 1,118cr in Q3FY'14 to Rs 1,329cr in Q3FY'15 due to growth in conductors
- EBITDA down 5% YoY from Rs 62cr in Q3FY'14 to Rs 59cr in Q3FY'15 due to higher margin pressure in lacklustre market
- PAT down 76% YoY from Rs 19cr in Q3FY'14 to Rs 5cr in Q3FY'15 primarily due to losses in Oil due to fall in Oil prices.



9M FY'15 (Consolidated): Revenue up 16% YoY

Consolidated

Figures in Cr

	Revenue	EBITDA (Margin %)	Profit after Tax (Margin)
9M FY'15	3,768	209(5.6%)	40 (1.1%)
9M FY'14	3,260	251(7.7%)	70(2.1%)

- Revenue up 16% YoY from Rs 3,260 in 9MFY'14 to Rs 3,768cr in 9MFY'15
- EBITDA down 17% YoY from Rs 251cr in 9MFY'14 to Rs 209cr in 9MFY'15 due to margin pressure in conductor and oil business
- PAT down 42% YoY from Rs 70cr in 9MFY'14 to Rs 40cr in 9MFY'15

Financial Performance

Business Performance



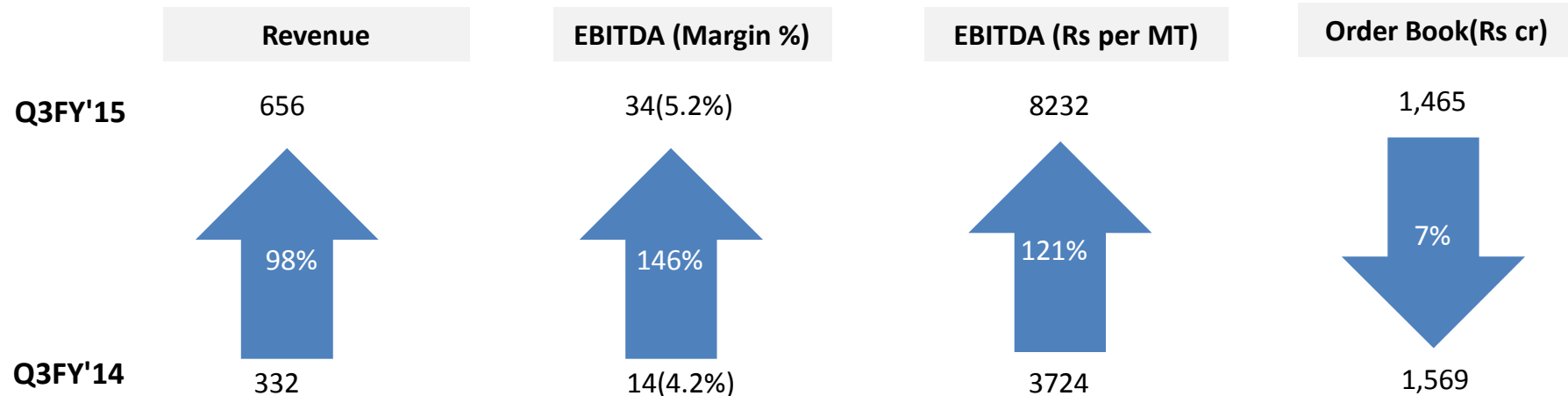
Company Overview

Annexure



Conductors drive growth: Revenue up 98% YoY, EBITDA up 146% YoY

Figures in Cr

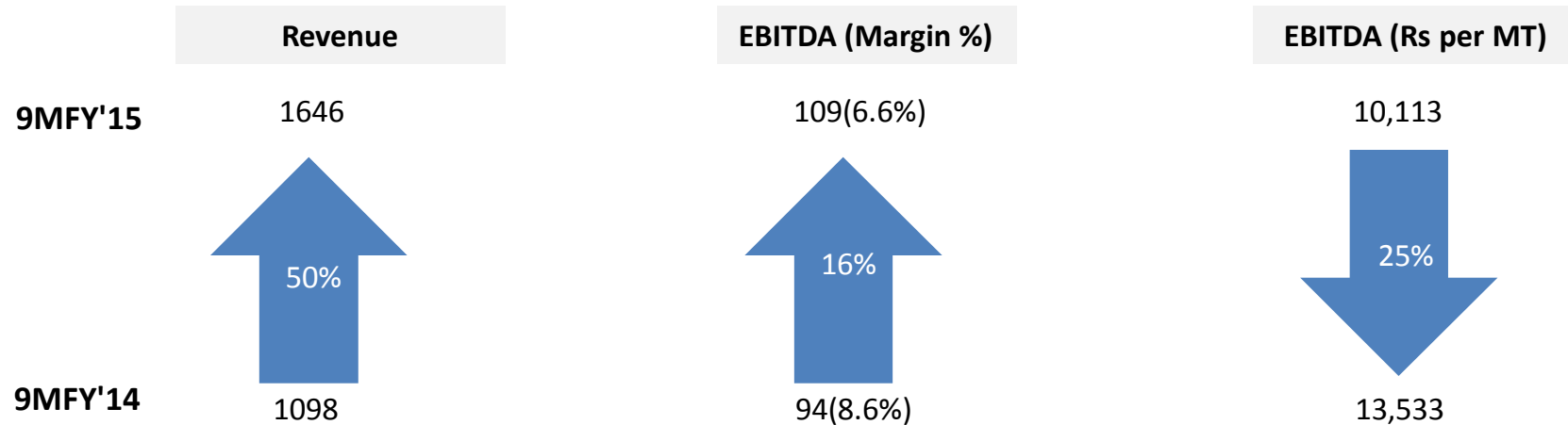


- Revenue up 98% YoY from Rs 332cr in Q3FY'14 to Rs 656cr in Q3FY'15 driven by strong exports contributing 50% of total sales
- EBITDA up 146% from Rs 14cr in Q3FY'14 to Rs 34cr in Q3FY'15 due to improved margins and volumes on account of export sales
- Capacity utilisation touched 100% driven by strong order execution
- Order book down 7% from Rs 1,569cr as on Dec 31, 2013 to Rs 1,465cr as on Dec 31, 2014. Export orders contributing 50% of order book



Conductors : 9MFY'15 revenue up 50% YoY, exports up 213%

Figures in Cr



- Revenue up 50% YoY from Rs 1098cr in 9MFY'14 to Rs 1646cr in 9MFY'15 driven by strong exports
- Exports up 213% from Rs 245cr 9MFY14 to Rs 758cr in 9MFY15
- EBITDA up 16% from Rs 94cr in 9MFY'14 to Rs 109cr in 9MFY'15



Specialty Oils – Oil price slump impacts performance in the quarter

Figures in Cr

	Revenue	EBITDA (Margin %)	EBITDA (Rs per KL)	EBITDA (After adjustment*)	EBITDA (After adjustment*) (Rs per KL)	Volume (KL)
Q3FY'15	531	17(3.1%)	2,135	8(1.6%)	1,096	77,336
	↓ 17%	↓ 65%	↓ 63%	↓ 83%	↓ 82%	↓ 7%
Q3FY'14	638	48(7.5%)	5,720	51(7.9%)	6,072	83,504

* After adjusting open period forex

- Revenue down 17% YoY from Rs 638cr in Q3FY'14 to Rs 531cr in Q3FY'15 due to drop in oil prices, lower volumes in white oils and Rubber process oils offset by increased volumes in Automotive oils.
- Profitability dropped due to sharp fall in crude oil prices from \$95/bbl to \$57/bbl in the quarter. Product prices falling sharper than the fall in inventory prices.
- Profit drop temporary due to sharp reduction in ordering by the company to bring inventory pricing in line with market prices & catching up of formula prices.
- Total shipment down 7% YoY in Q3FY'15 from 83,504KL to 77,336KL



Specialty Oils–9MFY'15 revenue down marginally despite resilience in volumes

Figures in Cr

	Revenue	EBITDA (Margin %)	EBITDA (Rs per KL)	EBITDA (After adjustment*)	EBITDA (After adjustment*) (Rs per KL)	Volume (KL)
9MFY'15	1,721	87(5.1%)	3,574	63(3.7%)	2,606	242,060
	↓ 2%	↓ 45%	↓ 46%	↓ 45%	↓ 45%	↑ 1%
9MFY'14	1,750	158(9.1%)	6,584	114(6.5%)	4,734	240,633

* After adjusting open period forex

- Revenue down 2% YoY from Rs 1,750cr in 9MFY'14 to Rs 1,721cr in 9MFY'15
- EBITDA after adjustment down by 45% YoY due to lackluster market and falling oil prices in Q3FY15
- Total shipment up 1% YoY in 9MFY'15 from 240,633KL to 242,060KL

Growth in Automotive Lubricants continues

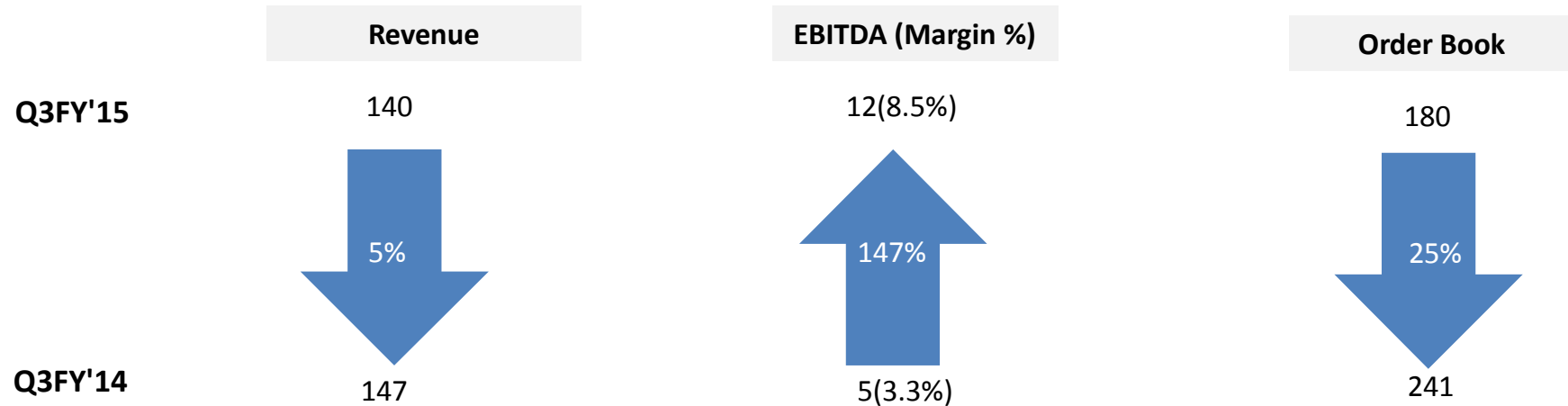


- Volume up 13% YoY in 9MFY15 driven by strong OEM sales and expansion of retail distribution.
- Revised portfolio in ENI Motor cycle oil(MCO) yielding results with special performance benefits. Segment growing at over 15%.
- Reduction in crude prices have slowed our growth as trade has started destocking.
- Commercial vehicle segment remained under pressure and the outlook in this segment remains bleak.
- Annual profitability to remain as per plan in Auto segment.



Power & Telecom Cables: Margins expands by 520bps to 8.5%

Figures in Cr

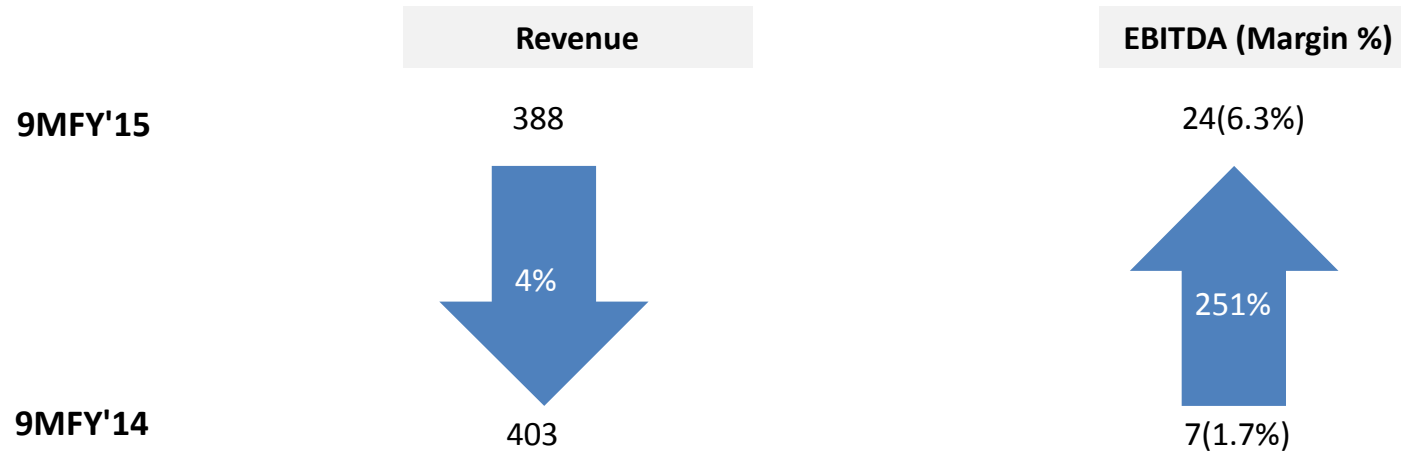


- Revenue of Power & Telecom cables down 5% YoY from Rs 147cr in Q3FY'14 to Rs 140cr in Q3FY'15 due to drop in revenue from lower margin HT-LT power cables. This conscious strategic shift had an impact on revenues, offsetting stronger growth in Optical Fiber cable (OFC) and Elastomeric cables
- Revenue from Elastomeric and OFC cables up by 59% and 99% Y-o-Y, respectively
- Revenue from OFC cables to pick up with continuous orders from BBNL, telecom companies
- Decreasing raw material cost and improving product mix to expand profitability
- Steady increase in revenue from E-Beam Services.



Power & Telecom Cables: EBITDA at Rs 24cr

Figures in Cr



- Revenue of Power & Telecom cables down 4% YoY from Rs 403cr in 9MFY'14 to Rs 388cr in 9MFY'15 due to drop in XLPE cables
- OFC and Elastomeric cables up by 101% and 155% YoY, respectively
- EBITDA up 251%, from Rs 7cr in 9MFY'14 to Rs 24cr in 9MFY'15
- Improved product mix with strong growth in OFC and Elastomeric cables and drop in XLPE cables drives margins



Financial Performance

Business Performance

Company Overview



Annexure



Global leader in Conductors & Transformer Oils

Dominating global presence in power transmission & distribution

- 3rd largest conductors manufacturer and 4th largest transformer oil manufacturer in the world

Diverse Portfolio

- Over 400 types of specialty and automotive oils; largest range of conventional and new generation conductors and a comprehensive range of power and telecommunication cables

Driving growth through innovation

- Pioneer in adoption of new technologies and development of value added products creating new market segments through in-house research & development programmes

Trusted by prominent customers

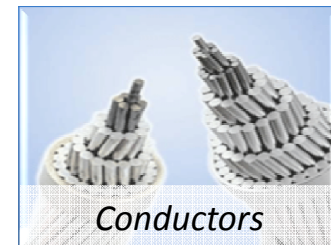
- Multi-year relationships with Indian and global majors. Exports to 100 countries; plants strategically located close to ports in India

Strong Alliances

- Brand and manufacturing alliance with global energy leader ENI S.P.A Italy and technical alliance with CTC Global (USA) for manufacture of new generation carbon composite conductors

Expanding growth canvas on the back of robust financials


- Successfully entering and expanding new markets and business segments
- 20% 4-year CAGR in revenues, 21% 4 yr CAGR in EBITDA



With established presence across diverse businesses

Conductors

23% market share
Total Capacity:
140,000MTA
Silvassa : 82629MT
Umbergaon : 20868MT
Athola : 36000MT




35% revenue contribution

Since 1958

Transformer & Sp Oils

45% market share
Total Capacity:4,44,000KL
Rabale : 222,000KL
Silvassa : 220,000 KL




47% revenue contribution

Since 1969

Power/Telecom Cables

Acquired Uniflex in 2008
Grew sales from Rs 129cr
to Rs 597cr




13% revenue contribution

Since 2008

Auto Lubes

Licensing Agreement
with ENI, Italy for ENI
brand
Successful national
rollout
Registered sales of
243cr in FY14



5% revenue contribution

Since 2007

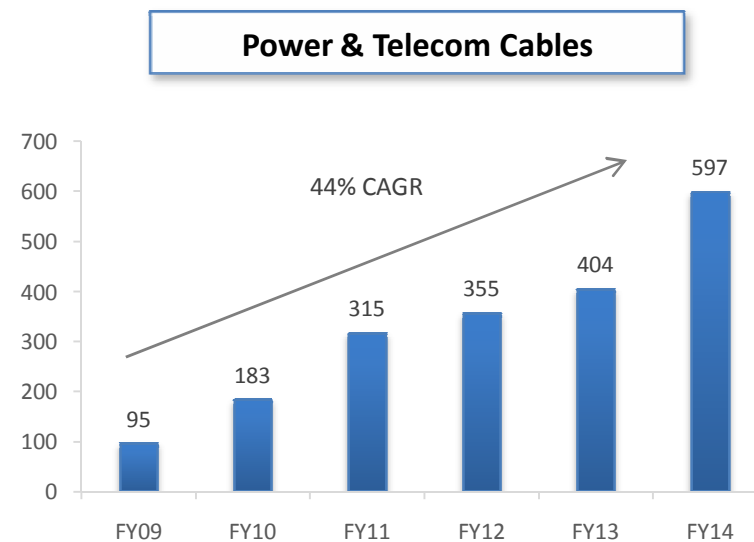
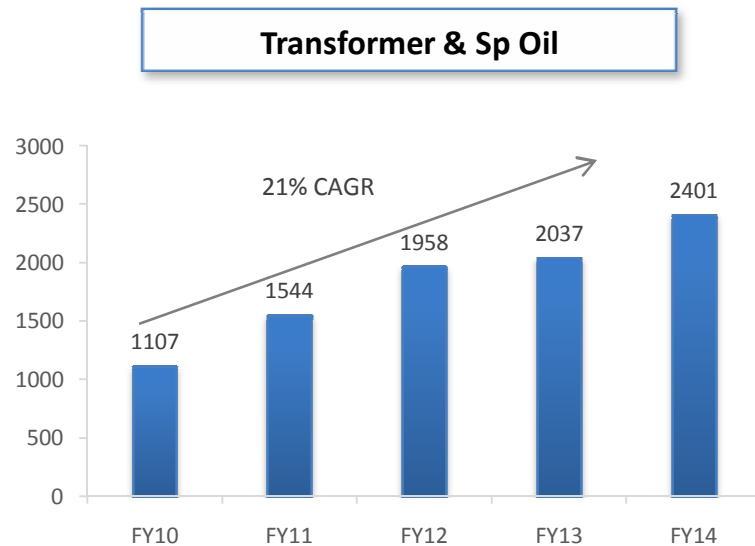
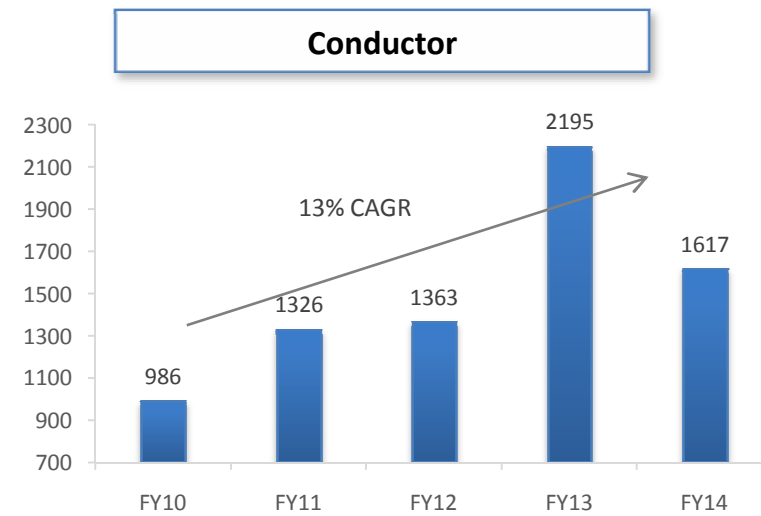
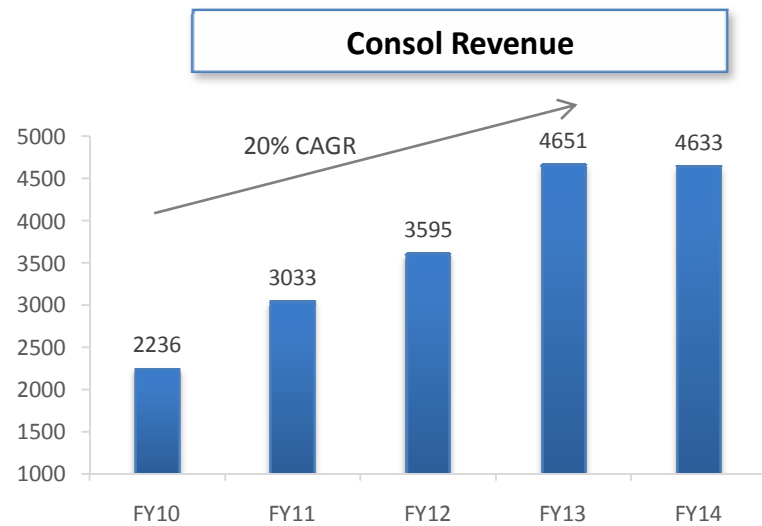
Competitive strengths

Market Leader in key segments	Best in class technology & diversified products	Strong relationships with large clientele	Strong export market	Diversified into new business for growth
<ul style="list-style-type: none"> • 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% 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Export products to over 100 countries across the world • Exports grew to 34% of total sales in FY14 from 30% in FY13 • 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 	<ul style="list-style-type: none"> • Entered 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



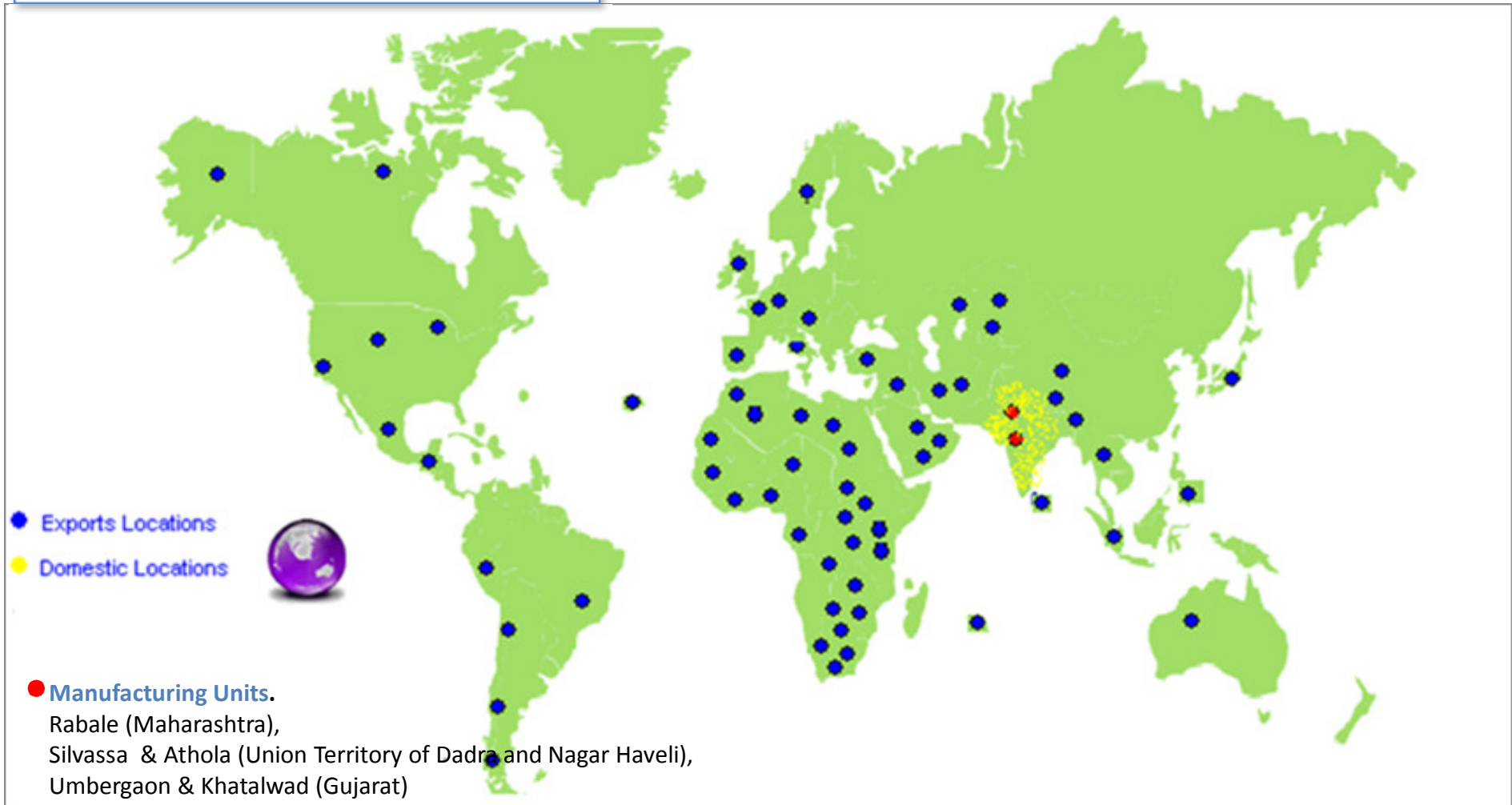
Strong revenue growth over the years

Figures in Rs Cr



Global Presence

Presence across 100 countries





Financial Performance

Business Performance

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Q3FY'15 : Profit & Loss Statement – Standalone

Particulars (Rs Cr)	Q3 FY'15	Q3 FY'14	% Chg YoY	Q2 FY'15	% Chg QoQ	9MFY15	9MFY14	%Chg YoY	FY'14
Net sales	1290.4	1071.7	20.4%	1233.1	4.6%	3644.9	3139.4	16.1%	4434.2
Other Operating Income	8.4	8.2	2.8%	10.5	-20.0%	28.1	26.1	7.6%	49.0
Total Operating Income	1298.8	1079.9	20.3%	1243.6	4.4%	3673.0	3165.5	16.0%	4483.2
Total Expenditure	1242.6	1024.7	21.3%	1166.4	6.5%	3476.2	2935.1	18.4%	4211.3
Cost of Raw Materials	1045.2	865.5	20.8%	961.9	8.7%	2889.4	2471.2	16.9%	3570.1
Employees Cost	18.3	14.8	23.6%	17.5	5.0%	52.5	44.5	17.8%	59.2
Other Expenditure	179.1	145.1	23.4%	187.1	-4.3%	534.3	422.7	26.4%	585.6
Transfer to Capital Asset	0.0	0.8	-100.0%	0.0	NA	0.0	3.3	-100.0%	-3.5
Profit from operations before other income, finance costs and exceptional items	56.2	55.2	1.7%	77.3	-27.3%	196.8	230.3	-14.6%	271.9
Other Income	0.1	0.0	#DIV/0!	1.2	-87.7%	8.3	4.1	98.9%	4.5
EBITDA	56.3	55.2	2.0%	78.5	-28.2%	205.1	234.5	-12.6%	276.4
Depreciation	8.2	6.8	20.9%	7.6	8.2%	22.8	19.4	17.4%	26.9
EBIT	48.1	48.4	-0.7%	70.9	-32.1%	182.3	215.1	-15.3%	249.5
Interest & Finance charges	15.0	-2.4	-736.1%	17.0	-11.8%	49.0	-10.8	-555.4%	-4.0
Applicable net loss on foreign currency transactions and translation	29.4	27.8	5.4%	30.2	-2.8%	79.1	140.3	-43.6%	149.8
Profit from ordinary activities after finance costs but before exceptional items	3.7	22.9	-83.7%	23.7	-84.3%	54.1	85.5	-36.8%	103.7
Exceptional items	0.0	0.0	NA	0.0	NA	0.0	0.9	-100.0%	0.9
PBT	3.7	22.9	-83.7%	23.7	-84.3%	54.1	84.6	-36.1%	102.8
Tax Expense	1.2	8.3	-85.9%	7.7	-84.7%	15.4	27.8	-44.5%	34.0
PAT	2.6	14.6	-82.5%	16.0	-84.0%	38.6	56.9	-32.1%	68.8



Q3FY'15 : Key Ratios – Standalone

Key Ratios (%)	Q3 FY'15	Q3FY'14	Q2FY'15	9MFY15	9MFY14
EBITDA Margin	4.3%	5.1%	6.3%	5.6%	7.4%
Net Margin	0.2%	1.4%	1.3%	1.1%	1.8%
Total Expenditure/ Total Operating Income	95.7%	94.9%	93.8%	94.6%	92.7%
Raw Material Cost/ Total Operating Income	80.5%	80.1%	77.3%	78.7%	78.1%
Staff Cost/ Total Operating Income	1.4%	1.4%	1.4%	1.4%	1.4%
Other Expenditure/ Total Operating Income	13.8%	13.4%	15.0%	14.5%	13.4%



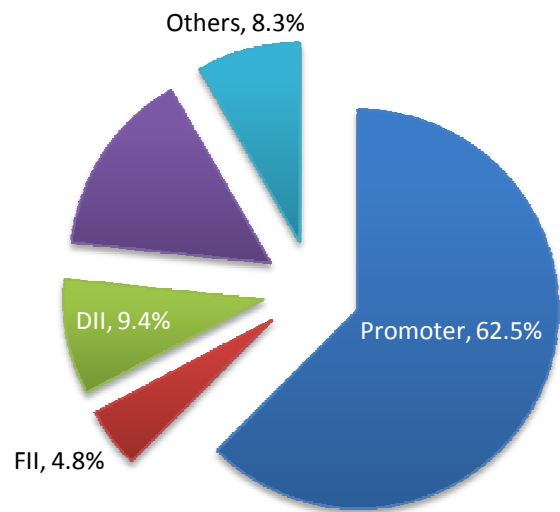
Q3FY'15 : Standalone Segment Analysis

Segment (Rs Cr)	Q3 FY'15	Q3FY'14	%YoY	Q2 FY'15	% QoQ	9MFY15	9MFY14	%YoY	FY14
Revenue									
Conductors	655.5	331.7	97.7%	563.9	16.3%	1645.6	1098.3	49.8%	1625
Transformer & Specialty Oils	500.9	599.4	-16.4%	565.4	-11.4%	1627.9	1659.5	-1.9%	2253
Power & Telecom Cables	139.7	147.2	-5.1%	110.3	26.7%	388.2	402.6	-4%	601
Others/Unallocated	5.5	4.5	23.0%	6.2	-10.2%	17.6	13.5	30.1%	18
Total	1301.7	1082.7	20.2%	1245.7	4.5%	3679.2	3173.8	15.9%	4497
Less: Inter - Segment Revenue	2.9	2.8	2.6%	2.1	39.4%	6.2	8.3	-25.5%	14
Revenue from Operations	1298.8	1079.9	20.3%	1243.7	4.4%	3673.0	3165.5	16.0%	4483
Segment Results before Interest and Tax									
Conductors	32.1	11.8	172.9%	41.2	-22.1%	103.4	88.3	17.1%	109
Transformer & Specialty Oils	12.3	39.6	-68.9%	33.0	-62.7%	77.8	137.8	-43.6%	158
Power and Telecom Cables	8.2	2.2	270.8%	0.3	2529.2%	13.8	-0.4	-3199.6%	-3
Others/Unallocated	0.3	0.4	-19.3%	0.6	-43.2%	1.6	0.9	72.2%	1
Total	52.9	54.0	-2.0%	75.1	-29.5%	196.5	226.6	-13.3%	266
Less : Finance costs (net)	44.3	25.5	74.0%	47.2	-6.1%	128.2	129.6	-1.1%	146
Less : Unallocable expenditure net of income	4.8	5.6	-13.4%	4.2	15.4%	14.3	12.4	15.1%	17
Profit before Tax	3.7	22.9	-83.7%	23.6	-84.2%	54.1	84.6	-36.1%	103
Segment Results – % to Segment Revenue									
Conductors	4.9%	3.5%		7.3%		6.3%	8.0%	6.3%	6.7%
Transformer & Specialty Oils	2.5%	6.6%		5.8%		4.8%	8.3%	4.8%	7.0%
Power and Telecom Cables	5.9%	1.5%		0.3%		3.5%	-0.1%	3.5%	-0.5%
Others	5.5%	9.0%		9.7%		9.0%	6.8%	9.0%	7.0%
Total	4.1%	5.0%		6.0%		5.3%	7.1%	5.3%	5.9%
Segment contribution- as % to total revenue									
	Q3 FY'15	Q3 FY'14		Q2 FY'15		9MFY15	9MFY14		FY14
Conductors	50.4	30.6		45.3		44.7	34.6		36.1
Transformer & Specialty Oils	38.5	55.4		45.4		44.2	52.3		50.1
Power and Telecom Cables	10.7	13.6		8.9		10.6	12.7		13.4



Shareholding pattern

As on Dec 31, 2014
Outstanding shares – 3,84,95,356



Major Non-Promoter Shareholders	Shareholding (%)
Templeton Strategic Emerging Markets Funds	9.45
HDFC Trustee Company	4.27
Reliance Capital	4.00
Raiffeisen Kapitalanlage	2.55
Goldman Sachs	1.50
ICICI Lombard	1.43
Aadi Financial Advisors	1.11



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