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Kind Attn.: The Manager, Listing Dept.	**Kind Attn. : Corporate Relationship Dept.**

Sub. : Submission of Investors Con call Transcript – for Q1 FY 2017-18

Dear Sir,

We are sending herewith transcript of Apar Industries Ltd. for Q1 & FY 2017-18 Earnings Conference Call made on August 11, 2017.

Kindly take note of this.

Thanking you,

Yours faithfully,
FOR APAR INDUSTRIES LTD.

(H. B. TRIVEDI)
DY. SECRETARY

Encl. : As above

Apar Industries Limited
Q1 FY18 Earnings Conference Call hosted by Four-S Services
August 11, 2017

Moderator: Ladies and gentlemen good day and welcome to Apar Industries Limited Q1 FY18 Earnings Conference Call hosted by Four-S Services. As a remainder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note this conference is being recorded. I would now like to hand the conference over to Ms. Nisha Kakran from Four-S Services, thank and over to you, mam.

Nisha Kakran: Thank you, good afternoon everyone. On behalf of Four-S Services, I welcome all the participants to Apar Industries Q1 FY 18 Results Conference Call. Today on the conference call, we have Mr. Kushal Desai – Chairman & Managing Director and Mr. V C Diwadkar – CFO Apar Industry. I would now like to handover the call to Mr. Desai for his opening remarks.

Kushal Desai: Thank you Nisha. Good afternoon everyone and a very warm welcome to the Q1 FY18 Earnings Conference Call for Apar Industries. I will first cover a few industry highlights and then run through a financial analysis for the quarter. Post that, we can open up the floor to questions. I am actually happy to note of the many promising developments that seems to have now come up in the T&D segment in the last quarter, having for a good start to the financial year at least from a policy standpoint. Orders received by some of the key transmission and distribution players in Q1 have increased by 34% from about Rs. 8,300 crore in Q1FY17 to Rs. 11,126 crore in Q1FY18. This should in the next few months start translating into orders for products that we manufacture. PFC has also announced that it is raising Rs. 70,000 crore to recast its portfolio by expanding in the transmission and renewable energy projects and the transmission projects awarded to private companies through tariff based competitive bidding will also now be eligible for PFC loans. So this actually opens up more avenues in terms of the financing that is available, which should hopefully result in a faster execution cycle of these transmission lines. Additionally, there is visible progress as a result of governments Uday initiative, with the losses of state discoms down by 22% saving approximately Rs. 40,295 crore. The gap between the average cost of power supply and the average revenue of state power distribution companies has narrowed. Of the 27 states and union territories that have joined the scheme, 23 are exhibiting improvement in the total technical and commercial losses and reduction of it thereof, narrowing the gap between the cost of power and the revenues that they generate. So we believe that the improving health of the discoms will have a positive impact on the distribution infrastructure particularly. GST has been rolled out as per the expected timeline but we expect that there would be a clear aberration for a few months, as the government is still in the process of clarifying various anomalies but post that initial phase, we expect demand for our products to grow. Short-term demand in June has been affected and so has July. As we get into August, there are still certain clarifications required and procedures to be completed for example by companies in the non-conventional energy sector for the defence etc., where the complete clarity is still not fully available in terms of the process to be followed. However, in this quarter at Apar, we have seen a significant increase in revenues that have been led essentially by better revenue generation from all the three divisions which is conductor, specialty oils and cable. Our recent capacity expansion in conductors and the oil segment are both being ramped up and are pretty much on the plan which we have indicated earlier. However, there has been fairly aggressive pricing that is going on both in the domestic and export markets for specialty oils and the conductor segment and this has had some sort of a short-term impact on profitability as we run through the numbers, you will get a better sense of that.

So coming to our numbers in detail, our consolidated revenue in the quarter came in at Rs. 1,306 crore which is 19% higher than the same period previous year. The largest contribution of this came from our cable segment. In the case of EBITDA for the quarter, the EBITDA declined by about 16% to Rs. 97 crore from Rs. 115 crore. The EBITDA margin actually came in at 7.4% for the quarter. Profit-after tax is down by 17% and it came in at Rs. 39 crore compared to Rs. 47 crore a year ago. So profit after tax margin is at about 3%. The temporary decline in profitability, we can attribute also to the recent expansion of our conductor and oil segments, where we are picking up higher base costs and neither of the two plants are at the moment running at its full capacity. This should end with improving capacity utilization, which will improve as we proceed through the rest of the year. So besides this higher base cost of fixed cost, which is being picked up at these places, we have also seen an environment of fairly aggressive pricing in conductors and the specialty oil segment. We expect the impact to taper off in the next couple of quarters. Depreciation also for the quarter is higher, up 36% on account of all these new capacities which we put in place. I would now like to spend some time running through each of the business segment. In the case of our conductor segment, the business has posted a revenue growth of 9%. So the segmental revenue has come in at Rs. 542 crore compared to Rs. 499 crore from the previous year. This has largely been driven by growth in volumes for Exports, which has contributed 44% of the segmental revenue. The EBITDA per metric ton post Forex adjustment has come in at Rs. 10,980 per metric ton which is down by a little over a Rs. 1,000 from the same period previous year. The high efficiency conductor revenue has increased now to 18% of the overall conductor's revenue from 9% a year ago. We expect that we would probably hit the 20% high efficiency conductor revenue in FY19 which we had originally projected to do in FY20. So that is actually a positive sign for the company. The segment order book is actually considerably down as of 30th June and it closed at Rs. 1,162 crore compared to Rs. 1,519 crore as on 31st March 2017; however, a fairly large number of orders actually got closed in the month of July and for various tenders that have opened, we have a reasonably good pipeline where we are L1. So our sense is that by the end of half year which is September closing, the order book should be back in the range of Rs. 1,500 odd crore. The export orders have contributed 49% of the current order book. As I mentioned earlier the inflow of orders have also impacted due to very competitive pricing and to some extent subdued demand from the domestic market, some of the main international markets also where we had bid, the orders did not get finalized. The Chinese players during the last quarter again benefited from lower aluminum prices. As a consequence, the gap levels between the Shanghai Metal Exchange and the LME had substantially increased but from July onwards that gap has also got completely bridged. So it is now something that really will not affect us as we start bidding on business going into the future. We are fairly well placed on the back of our Jharsuguda plant in the current bidding process and we expect that the order book will improve and normalize as I said by the end of September. We have also used this period which is a slightly lull period to complete shifting of some of our infrastructure from Silvassa to the Jharsuguda plant. We expect that post Q2 also reasonably good order book should continue to come by. To fuel our future growth, we are strategically investing and building capabilities in the reconductoring side of the business and we have also bid on a couple of turnkey project to build up our qualification criteria. As we are seeing that new HTLS lines are also coming up, so erstwhile the business has largely been focused around reconductoring of existing line. But we are seeing that through the various marketing efforts that we had over the last 5 to 7 years, now opportunities are coming up also for complete turnkey projects where new HTLS lines will be put. Apar who has traditionally not been in the EPC business would like to participate in this and build our QR for doing basically turnkey projects using high temperature conductor. Coming to the transformer oil and specialty oil segment, revenue for the quarter actually grew by 19%, so revenue came in at Rs. 499 crore compared to Rs. 420 crore from a year earlier. There was particularly strong growth in transformer oil, white oil and automotive oil segment. The total global shipments for the quarter increased by 13% to reach 96,445 KL and this actually represents historically the highest sales that we have ever had in the first quarter. The EBITDA per KL after Forex adjustment for the quarter came in at Rs. 4,072, this has been lower compared to the same period previous year, which was actually a historical high that we have had for the quarter. But Rs. 4,072 per KL is less than the average for the last financial year which again as I mentioned earlier, we account that to aggressive pricing in both the domestic and export market. Margins were also affected to some extent because our retail automotive sales and the industrial oil sales were both affected in the month of June quite substantially and both of these carry a significantly higher margins than the average margin that we get from the sale in other segment. So as a consequence, the weighted average also did have an impact. The operations at our Sharjah plant have started off fairly well and most of the critical operating parameters that we set up are in line with whatever the operating plan was for this year. On the automotive lube segment, we have seen a sales growth of 8.6%. Essentially this growth has come from new client acquisition and new sales in the OEM segment, whereas the retail segment was actually hurt and the sales came in lower than the same period previous year. GST roll out has had an impact on this. We continue to see some impact also in the month of

July but August as far as the retail side seems to be coming back on stream. Overall, we expect that Apar will be much more competitive in Q2 FY18 with the GST implementation, because some of the key competitors that we had in the specialty oil segment as well as in the automotive segment now no longer have CST benefit. So the real improvement of this will start coming from August and September month onwards as carry forward of materials from previous periods gets over. In terms of the cable business, we have delivered a fairly robust revenue growth of 47% in the quarter and so revenue came in at Rs. 253 crore. So we are quite confident actually based on where we stand today that we will target Rs. 1,000 crore in the cable business, which when we acquired in 2008 was about Rs. 100 crore so it will grow 10 times in a span of 8 years. Our power cable and elastomeric cable businesses both grew by about 61% and 40% respectively. Sales from the renewable sector continue to look strong though in the short-term they have been badly affected due to the lack of clarity on the government side where it is announced that these projects would attract 5% GST but the cable as the business individually carries 28% and the mechanism is not clear in terms of how the 28% and 5% will co-exist. So because of that there has been delays in terms of shipment in the month of July but we expect that clarification should come out. The prospects otherwise for renewable energy sector looks very strong and the solar projects that have come on stream in the first six months of this year is equivalent to what happened in the entire previous year. EBITDA margin post Forex adjustment has increased by 95 basis points and came in, in the first quarter at 8.1%. The power cable segment is also witnessing a good volume demand but the competitive intensity still remains fairly high and the margins still continue to remain tight. However, we see improved profitability in our cable segment simply because of the volume growth that we have, so economies of scale will drive that. Short-term sales as I mentioned will be affected to the solar and wind segments. However, we are optimistic that in terms of the total business for the year we should end up being pretty much on projection and hitting the Rs. 1,000 crore mark. Our earlier announced CAPEX which was focused around investments in power cables to manufacture the high voltage cables using the latest CCV technology is also going as per plan and we expect that production to begin in this quarter. Going forward as the T&D investment plans start to convert into orders led by the improving growth of discoms and the improving scenario for funding coming in most likely through PFCs issue and we also expect that the GST will settle down. So all these factors put together we feel fairly confident of growth happening and a strong environment from Q3 onwards. So with this I come to the end of my comments as such. I would like to thank all of you for joining our call and would be happy to open up the floor to questions at this stage.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of HR Gala from Finvest. Please go ahead.

HR Gala: Sir I just wanted to know that we have made some investment in a company to manufacture and trade the optic fiber cable and other things, can you throw some more light on that venture.

Kushal Desai: No, we have not made any acquisition or invested in, we are actually in the process of setting up a subsidiary that will manufacture certain types of fiber optic products that have some reservation for the small-scale segment. So at the moment, we are actually precluded from being able to do that, by creating a subsidiary that meets the criteria. Some of those products can then be manufactured and we have more access to that particular market segment.

HR Gala: Okay, so it is not new acquisition or anything.

Kushal Desai: No.

HR Gala: Okay, sir last year you know, I mean in the March concall, you had given some broad guidance, so do you think looking at what has happened in the first quarter and might be that July-August could also be slightly impacted, what kind of volume growth and EBITDA per ton indication you can give for the full year sir.

VC Diwadkar: More or less we are sticking to that actually as of now because our principal is that we will work for that. I agree that there will be some challenges for that as far as this one or two months are concerned with GST but we will try to get that number.

HR Gala: Okay, whatever numbers we have discussed in the last quarter.

Kushal Desai: Correct, so you know if at all there is a deviation from that it will probably happen because of things which are happening in this quarter that is Q2 but then if you look at what our projections are for Q3 and Q4, we feel reasonably confident across the businesses that it should happen. The macro environment, otherwise will actually become more positive as time has passed by, it is just these procedural issues. As I mentioned earlier in my comment for non-conventional energy, the government has stated that there will be 5% GST on generating assets, now the cables that go into generating assets would therefore could possibly attract only 5%. Because you need cabling within solar panels and then connecting the panels to the inverters which is all part of the generating system, but the general tariff is 28%. So now the mechanism is not clear whether a manufacturer like us should bill to the developer at 5% or whether you bill it to the developer at 28% and the developer then gets a rebate between the 28% and 5%, so because of a contrary like that nobody is lifting any product at the moment because as the government has not yet come out with a clear clarification.

HR Gala: Right.

Kushal Desai: Similarly, when we are selling products to the Defence, the defence is outside the GST ambit, so we need confirmation from them that whatever cables are billed by us to them, they will then pay the 28% on the reverse charge mechanism basis. So orally everything is clear but unless you get purchase orders and things you cannot actually start the invoicing. So some of these problems are there which will get sorted out but because of that you don’t know how long, I mean ideally the government should have sorted this out a long time ago because they are not new and unanticipated problems but if it takes longer then obviously the effects that it has on Q2 will be a bit more.

HR Gala: Correct, our CAPEX you said about Rs. 100 crore last time that will continue sir.

VC Diwadkar: That will continue.

HR Gala: And sir any progress on that getting molten metal from the smelters for our Odisha plant.

Kushal Desai: So we are in a very advance stage of negotiation on that front, so I think sometime by Q3 that whole exercise should be completed but it is something that we are pursuing very seriously. We are at a fairly advanced stage but it is not signed, sealed and delivered so as a consequence we cannot really make any specific announcement in that regard.

HR Gala: And from the GST angle you don't see anything negative about that arrangement.

Kushal Desai: No on the contrary, that arrangement is possible only in a GST regime, because there was no proper set off available in the VAT mechanism that existed prior. So really the serious part of the negotiation for this could start only once GST was kind of firmed up and implemented.

HR Gala: Okay.

Moderator: We have the next question from the line of Moulik Patel from Equirus Securities. Please go ahead.

Moulik Patel: Sir you mentioned that the Chinese competition has increased in the conductor segment and you mentioned that they are having a lower cost of aluminum, can you explain this.

Kushal Desai: Yeah, what happened is that in the first quarter there was a sudden gap that opened up between LME and Shanghai Metal Exchange. The gap was several 100 dollars per metric ton of aluminum; however, it lived through only one quarter and post that actually the Chinese government has taken certain steps to shut down smelting capacity in July excess smelting capacity, so that gap has been fully bridged. What generally happens is that during such a timeframe, you may have a manufacturer from China, who sees a lower cost and tries to pass that through in the bidding that they do. So obviously in the competitive bidding process we stand to lose in terms of that but what we have seen in the last two years is that there has been periods where this have come up but it has been relatively short-lived, it has not really been able to sustain itself. So we may end up losing some bids in the short-term, but we have not really seen that to have any major impact on our business in the longer term. I think some of the clients have also waited in terms of finalizing orders and as the gap between LME and the Shanghai Metal Exchange has narrowed, they prefer to place orders on old suppliers like us.

We saw a big surge of orders actually getting finalized in July when that sort of arbitrage window got closed.

Moulik Patel: Sir my second question is that on both the facilities, we have one in Dubai and Orissa facility, TSO and conductor respectively, what could be the utilization right now and are we making an operating loss there.

VC Diwadkar: Utilization is close to around 56% in both the locations and we are not making operating loss actually. Yeah, so in fact on a total cost basis at the Hamriyah plant we were able to cover not only operating cost but also made a cash profit actually. We were not able to completely cover depreciation but that is really good for a first quarter start. We expect second quarter of course to be little slow because of the hangover of Ramadan that comes in but third and fourth quarter onwards we pretty much hit with all the key operating parameters in terms of the efficiency of the plant and things like that, so we are quite optimistic that we will be pretty much on plan.

Moulik Patel: And sir this facility we will supply entire Middle East and Africa market correct.

Kushal Desai: Yes, so the initial markets we are covering is the Middle East and the African continents.

Moulik Patel: Right, another question is you also mentioned that in the automotive segment our competition is increasing significantly.

Kushal Desai: Not on the automotive side, we have actually had an issue in terms of the retail distribution side of our business.

Moulik Patel: It was more about the specialty oil where we have to face increase in competitive intensity in the last quarter.

Kushal Desai: Yeah, that is actually in the case of transformer oil, white and pharmaceutical oil. Not in the case of automotive, the impact of the automotive oils has come because the retail side was affected particularly in the month of June and it has also been a little soft in July. That actually is the highest profit component of that business, so weighted average impact is felt when that volume goes down but otherwise there is no other change in the competitive dynamics in the automotive side, it has really come in from the white oil, pharmaceutical oil side and to some extent on the transformer oil side.

Moulik Patel: Sir this quarter the margin has come down significantly in specialty oil segment, is that because of some kind of a correction in the crude oil prices, that is why we have inventory loss or it is just because of the competition.

Kushal Desai: No, there is no real inventory loss that has come up. Mix is one component and then there has been some higher competitive intensity, you see a lot of our competition actually were CST free. So obviously they have tried to be more aggressive and pick up market share in a period when our hands are tied and we cannot go beyond a certain price point given the fact that we were having to absorb 2% cost. Now coming July onwards it is more of a level playing field. We also had a similar issue in our Rabale plant paying 2% LBT something we had to absorb, so now with that having got eliminated sometime by the end of August all the previous inventories also will get exhausted. So, from Q3 onwards we will see a very clear level playing field on both the procurement side as well as the sales side on our raw material, so that is why we are much more optimistic about what our results will look like in Q3 and Q4.

Moulik Patel: And sir who are those competitors who were enjoying the CST benefit.

Kushal Desai: In fact in transformer oil and white oil, most of the major players, our biggest competitors which is Savita Oil Technologies, they had their plant which was sales tax free.

Moulik Patel: They have recently set up the plant.

Kushal Desai: Yes, they have two plants, one of them had already completed its period but the second plants from where they did a lot of the transformer oil and white oil enjoyed that sales tax benefit until the sunset period which would have come at the end of this year.

Moulik Patel: Okay, I got. And sir last question on the cable side, it has been a very fantastic performance since last couple of years, the entire operating performance and growth outlook has significantly changed than the year between FY11 and FY14. Now the cable is also contributing a lot, material part of our profitability, what could be outlook here sir, are we hoping to maintain the last two years of performance in cable or is there going to be some kind of a consolidation going ahead.

Kushal Desai: So today we see that based on our performance that we have lined up in the operating plan, we expect that our EBITDA will be above 8% through the year and we are targeting a business volume in terms of Rupees to be over a Rs. 1,000 crore. So whatever we have done in the first quarter, we clearly see an extrapolation, you may see a blip in the second quarter but it will be caught up in the third and fourth where actually there is a very strong season for laying of the cables and the business demand itself remains very strong. For example, in the solar industry also the highest activity period is from December to March, so we are quite confident that whatever you have seen in the first quarter will get at least extrapolated and you have EBITDA margins of over 8% and Rs 1,000 crore plus topline.

Moulik Patel: And sir in this elastomeric we have two machines, but are they running on in a full capacity or there is scope to expand the volumes from those two.

Kushal Desai: In the two E-Beam machines, there is adequate capacity there.

Moulik Patel: Okay, so no incremental machines to be set up to meet the new orders.

Kushal Desai: Not in the immediate future.

Moulik Patel: Okay sir.

Moderator: We have next question from Varun Aggarwal from BOI AXA Mutual Fund. Please go ahead.

Varun Aggarwal: Sir just couple of questions. Sir in cable segment we saw very strong volumes. So were the volumes higher due to the GST rates because the rates for cable had gone higher, so were there some pre-buying or are these volumes like more or less sustainable. Second question is on your OFC capacity, so how much is your OFC capacity and what are the plans for overall OFC business?

Kushal Desai: I will just comment on both separately. Well, particularly the solar developers were obviously trying to pick up as much as they could because in the old regime they had an MNRE approval which basically allowed them to not pay any excise duty on the cable. So whoever could lift whatever cables they could they did, so in that sense there was a little bit of sale that was pulled in that regard. But we are quite confident when I said earlier that the order books are fairly good and the prospects also are very strong, so once all these aberration are sorted out, the demand for that will continue to remain in place, so I don't see this as a one-off an event. And the second question is on the optical fiber side, in the optical fiber side, we have fair amount of spare capacities, we are running the plant only at little over 50% capacity utilization. We have received some orders from BSNL and we are also in dialogue with a few overseas customers and hopefully in the second half you will see a better loading of the optical fiber side. What is very strong today in demand is the optical fiber itself which is having a worldwide shortage and as a consequence the prices on those fibers also have unnaturally gone up. But the demand for optical fiber cable itself in India has not really been that robust and with all the telecom-related issues which are there, some of the CAPEX programs running with the telecom companies also have got slowed down, but in spite of that we have got some orders from BSNL. We are in fairly advanced stages of negotiation for some export business which will improve the capacity utilization as we run through the rest of the year.

Varun Aggarwal: Sir what is the capacity for OFC separately.

Kushal Desai: Well it all depends on the mix of cables and the fiber count and stuff but if we run it flat out, it will be between Rs. 180 and Rs. 200 crore revenue based on today's fiber price and we are right now running at a run rate of Rs. 100 crore.

Varun Aggarwal: So export business looks quite I mean outlook looks good to us.

Kushal Desai: Well I mean there is some possibilities of that so we are obviously looking at those avenues given that the domestic side other than BSNL nothing else is really that strong.

Varun Aggarwal: Sure sir, one last question on your oil segment, you said your UAE plant is running at 56% utilization, how much can it go to end of this year and if we use that plant more than ideally it should be giving us more benefit in terms of logistic cost and tax advantages.

Kushal Desai: So, we have actually looked at the markets where right away some benefits can come and obviously there is a benefit that comes into sales in the GCC itself, because you can provide a much better level of customer service and it also takes away some amount of cost. Also the African continent, the delivery times are shorter than if they were to happen from India. So really the capacity utilization is dependent on the approvals we get and the kind of order book that we are able to garner for it. Our business plan for the year takes the capacity utilization into the mid-60s for this year then obviously we are going to try to increase business in the year to come.

Moderator: We have the next question from Divyata Dalal from Systematic Shares & Stocks. Please go ahead.

Divyata Dalal: Yeah, sir my question is on the conductor side. I would like to know you have mentioned that share of high temperature conductors can go to 20% in FY19 versus FY20 and you have also mentioned that we are looking to enter into EPC on the high temperature low sag conductors, so can you give us a sense of where these orders are coming from and what would be our scope of work exactly?

Kushal Desai: So, actually, we have been focusing on this as you may have seen in our various communications, we have been pioneering the work on HTLS for now little over 7 years. So previously we were always talking to the various authorities saying there are two options with HTLS, one is to do reconductoring which can help using the existing infrastructure transmit more amount of power. Second one is that you can actually go ahead and design a new line and in certain circumstances it can be more cost effective for the new installation than a conventional conductor line that is set up. So erstwhile the second option was not really being looked at, now there are various state distribution company and Power Grid, etc., that are seriously evaluating fresh lines that are coming up and these are likely to be bid on a regular turnkey basis, EPC basis. So far we were concentrating only on reconductoring because we don’t want to just get into the general purpose EPC business. We don’t really see that as our strength, but in the case of high temperature conductors, there you need some specialized knowledge in terms of how to string these high temperature conductors and that is something that we have with us. So it makes a lot of synergistic sense to start bidding on EPC work where high temperature conductors are involved, so that is where we are getting. After all this business is all domestic, we are not really trying to bid on anything outside of India. So it makes a lot of sense to do it in Hilly terrain, in areas where there are river crossings and things like that where access is normally a bit difficult and you may want to put excess capacity in place upfront given the fact that later on doing work is more expensive. So there are some niche areas where this is going on and what we are trying to build here is even take on some conventional EPC work just to be able to get the QR in place so that we can start using that qualification requirements even when bidding on the HTLS type of business.

Divyata Dalal: Okay and does our current order book include any of the EPC order.

Kushal Desai: No, it includes only reconductoring. These are new opportunities which are coming up for bidding.

Divyata Dalal: Okay and sir in terms of domestic environment for conductor segment, I understand from the presentation that it is pretty challenging, so when do you expect this to ease out and the healthy orders to come in.

Kushal Desai: So, we kind of had predicted that also in the last year that conventional products will start getting a little bit more competitive. In our case, some of our manufacturing competitiveness will now kick-in, because we have put up this plant in Jharsuguda, the plant is up and running and received approvals from several key customers including Power Grid and we are pursuing very seriously lower cost options for raw material, etc. So our sense is that our competitive position will help us, improve or bring margins back to healthier level as we start loading the Jharsuguda plant. It will take us a quarter or two to completely start ramping it up to its full capacity but the new tenders we have started bidding from there which would automatically make us more competitive.

Divyata Dalal: Okay, sir, in that case, the EBITDA per metric ton of around Rs. 10,980, which we reported for this quarter, does this look a more sustainable number going ahead.

Kushal Desai: Yeah, even we had given our guidance for the year at Rs. 10,500 per metric ton, so we still maintain that guidance. The first quarter has come in at approximately that level and I think there is no change that we have in terms of guidance either for the volume or for the EBITDA per metric ton.

Moderator: We have our next question from the line of Veeral Shah from Centrum Broking. Please go ahead.

Veeral Shah: Yeah, sir basically the follow-up question from the other participants, in terms of HTLS, technical qualification, what is the kind of bid we are qualified for on a standalone basis, or are we looking at some JV partner to extend the bid?

Kushal Desai: So, we on a standalone basis are actually qualified as a conductor supplier across all formats of conductors. Where we are trying to build-up a QR is as an EPC contractor. So as I mentioned a little earlier there are two buckets for doing EPC work, one is on a reconductoring basis and the second one is on a brand-new EPC installation. So the second one is the one where we need to build up our QR because we have only done and focused EPC work on reconductoring projects. So that is where we have started, we bid on a couple of regular EPC contracts just to build up, because that same QR is then good enough for you to bid on HTLS kind of EPC work also.

Veeral Shah: Agreed, but do we have any qualification for around Rs 50 crore order or Rs 100 crore order is where we would be qualified from a QR perspective?

Kushal Desai: We have already won our first orders which is in excess of Rs 50 crore on an EPC basis and so that would then allow us to then start bidding on this sort of work.

Veeral Shah: Okay, fair enough sir, sir what will be the margin in this segment.

Kushal Desai: You mean the regular EPC work.

Veeral Shah: Yeah.

Kushal Desai: Regular EPC work, the margins are similar to what most of the EPC contractors have, so you are looking at an EBITDA of around 6%.

Veeral Shah: No, I am talking about HTLS.

Kushal Desai: Yeah, so HTLS EPC work is still a new ball game, so that is something that is likely to come up, so already projects are being discussed, preliminary engineering work is going on, dialogue with industry is happening. Exercise something like that will happen in the near future, so this is part of a preparation to make sure that we are in a position to meet the markets requirements at that point.

Veeral Shah: Okay, just to understand correctly for a Rs 50 crore QR work are we eligible to bid around Rs 100 crore or it is 50; 1:1 ratio or 1:2.

Kushal Desai: See different clients have different QR requirements, so we have already won our first EPC business which is in more than Rs 50 crore bracket and then as you execute that if there are any other opportunities, basically when you are above Rs 50 crore you are in a position to bid on a lot of these type of opportunity that we see coming forward. There may be a few clients where you need to go to a Rs 100 crore in which case until we build up our own QR we will bid in partnership with somebody.

Veeral Shah: Okay, fair enough sir, sir couple of things, can I have the volume number in terms of absolute numbers for conductors and oil segment for the quarter.

Kushal Desai: So the oil business did approximately 96,000 Kiloliters on a global sales basis and conductor has done about 38,000 MT.

Veeral Shah: 38,000, sir because in the presentation I believe it shows a growth

Management: To be exactly, 38,267MT, but the growth is based on the value.

Veeral Shah: Okay, because we were looking at 8% kind of a growth.

Kushal Desai: The moment you get into specialty conductors like the HTLS etc., your tonnage may go down but the value substantially increased.

Veeral Shah: No, that I agree but when we look at your presentation, I believe somewhere it was written that volume growth was around 8%, so overall volume growth.

Kushal Desai: No 9% is the revenue growth, it says the business posted a revenue growth of 9% which came at Rs 542 crore compared to Rs 499 crore in the same period previous year.

VC Diwadkar: Sales quantities have grown by 7.2%. Last year same quarter was 35,689, this year 38,267.

Veeral Shah: Okay fine, because I had a number of 38,000.

Kushal Desai: 38,000 is current quarter number.

Veeral Shah: Okay fine sir. And secondly sir what will be the order book for our cable segment.

Kushal Desai: So we don't really run on an order book system like we run in the case of a conductor business but we have orders in place which are running through at least over the next three months.

Veeral Shah: Over the next 3 months. Because I believe that numbers also you used to give in the presentation, some quarters back.

Kushal Desai: So we have right now if you the number is close to about Rs 300 crore, our current run-rate is about Rs 80 crore a month so it is a little over 3 months.

Moderator: We have the next question from the line of Sandeep Baid from Quest Investment. Please go ahead.

Sandeep Baid: My question is also on the HTLS business, the new business that we are looking at. Would we be stepping on our customer's shoes because of this because we would be competing with some of our customers now?

Kushal Desai: So Sandeep the thing is that we don't really want to get into doing general EPC work because that is really not an area where we would have strength over KEC or Kalpataru or Tata Power or L&T and many of their jobs actually are fairly large in size and quite complex in terms of terrain and the other. Our whole idea here is that we have a very strong position on the high temperature conductor side and we want to dominate that space. The difference is that a very large portion of it really comes from the conductors which we manufacture unlike in the EPC case, general EPC where our conductor portion is contributing between 25% and 30% of the value of the job.

Sandeep Baid: And what will be the percentage here.

Kushal Desai: Depending on this thing it would be double of that.

Sandeep Baid: But we will still have to put the towers and all sir, so towers we will be sourcing from them.

Kushal Desai: Yeah, so we will source the tower etc., but the expertise that is around high temperature EPC actually we have got developed tremendous skills because of the reconductoring work which we do. The stringing and everything is a bit different compared to just using a regular ACSR conductor.

Sandeep Baid: Right, sir on the installation of tower and all, are we looking at outsourcing that or we are going to have an in house team for.

Kushal Desai: No, well we will have our own supervisory team in place, but there are contractors who actually do the physical stringing work, etc. Also one more thing is that the accessory that are required for high temperature conductors are different than regular conductors and again there we have developed a certain amount of expertise because of the reconductoring work which we are doing. So it is really a logical extension in that, the third thing Sandeep that involved when you start doing HTLS work and the way the industry will move over the years is that there will be a design element that comes in, of designing the system which then translates its way into the conductor that you make and in the way in which you install it. So it is a more specialized and more involved process compared to just doing a conventional EPC job. So we continue to do business with all the major EPC players and I don't really see that changing because this is not part of their bread and butter whereas we wanted it to become a part of our bread and butter in terms of the way the core mix of product which we manufacture on the conductor side.

Sandeep Baid: Right and my second question was on aluminum prices, they have gone up to over $2000 now, I know that you fully hedge your position there but do you see any impact of that and secondly how is the premium behaving on the LME, is the premium under control or it is going up as you said.

Kushal Desai: See the prices have gone up both of the metal and the premiums also have increased but so if you take a low point the premium was at around $75 a ton, which was hit towards the last quarter of 2016 and after that it has been steadily rising. It is at about $125 for this April-June quarter, it continues at the same level in July-August, so there has been an increase in the premium between peak and gross by about $50 general LME premium. We have negotiated in many cases special deals with the smelters directly which allows us longer period and a better protection, having this gone up. The main thing that happened was that in the first quarter which is April-June period for some reason the Chinese-Shanghai Metal Exchanges premiums collapsed because there was a lot of production and apparently not as much demand and that had an impact and given the decision that the Chinese government took in July of pushing for shutdown of excess capacity, because they are losing tens of billions of dollars a year these smelters. That has had a sympathy effect and prices in Shanghai have shot up like anything and caught up with LME but LME also has gone up.

Sandeep Baid: Right, so going forward you don't see aluminium prices or the premium going up and creating challenge for the business.

Kushal Desai: We don't really see that, I mean as and when our orders get finalized we keep on taking our forward premiums and today's situation there is no advantage that any Chinese manufacturer has. One other things to keep in mind is that it is not possible to operate in futures on the Shanghai Metal Exchange, so it only helps you in terms of that immediate period which is there for delivery. I cannot take a position on the Shanghai Metal Exchange or a Chinese company cannot take it for 3 months, 6 months, 1 year. So if someone quotes a lower price on us for immediate delivery then we tend to lose.

Moderator: We have next question from the line of Levin Shah from Value quest Research. Please go ahead.

Levin Shah: Sir my question is on the cable segment, sir basically last year full year we had done a turnover of around Rs. 860 to Rs. 865 crore and this year we are targeting a turnover of around Rs. 1000 crore so roughly that translates into a growth of 15% to 16%, whereas in this quarter which is supposedly being a weak quarter, we have grown by 47%, so don't you think that this Rs. 1000 crore turnover guidance that we are giving is a bit conservative in that sense.

Kushal Desai: Well actually our targets for this year is actually Rs. 1,100 crore and the growth that we targeted for was 27% increase. In the first quarter, yes there is a 47% increase but in last year if you see from Q2, Q3, Q4, there was a substantial ramp-up that had happened in volume in those three quarters, so we are fairly confident that we will hit this number of about Rs. 1100 crore as per what we projected and that we will have an EBITDA on that higher sale of about in excess of 8%.

Levin Shah: Okay, so our target is actually Rs. 1,100 crore for this year.

Kushal Desai: Rs 1,100, I actually have Rs. 1000 plus. So we are on that runway, first quarter was Rs. 253 and usually the third and fourth quarter is stronger. Our production of power cables also increases in Q3, Q4 which coincides with the increased season for laying off cable, so the second half will obviously be more than the first half.

Levin Shah: Sir, next question is on the specialty oil segment, so this quarter we have done EBITDA per KL of around Rs. 4,100, what is our guidance for full year EBITDA per KL?

Kushal Desai: The guidance which we have given was between Rs. 4,600 and 4,700 per KL.

Levin Shah: Okay and we maintained that guidance?

Kushal Desai: Yeah, we should be in that range.

Levin Shah: Okay.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Nisha Kakran for closing comments, over to you mam.

Nisha Kakran: I would like to thank the management for giving us this opportunity to organize the call and all the participants to join in. We look forward to connect with you in the next call, thanks everyone.

Kushal Desai: Thank you.

Moderator: Thank you sir. Ladies and gentlemen, on behalf of Four-S Services that concludes this conference call. Thank you for joining us and you may now disconnect your lines.