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SEC/1011/2022 November 10, 2022

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Scrip Symbol : APARINDS	**Scrip Code : 532259**
Kind Attn.: The Manager, Listing Dept.	**Kind Attn. : Corporate Relationship Dept.**

Sub. : Submission of Transcript of Investors Earnings Call made on Un-audited Financial Results (Standalone & Consolidated) for Q2FY23

Ref.: Reg. 30 read with Para A (15) of Part A of Schedule III & all other applicable Regulations, if any, of the SEBI (LODR) Regulations, 2015 (“Listing Regulations”), as amended from time to time

Dear Sir,

Kindy refer to our letter no. SEC/0411/2022 dated November 4, 2022 w.r.t. submission of link of Audio Recording of Investors Earnings Call made on Un-audited Financial Results (Standalone & Consolidated) for Q2FY23.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Investors Earnings Call on the Un-audited Financial Results (Standalone & Consolidated) of the Company for Q2 and Six Months period ended September 30, 2022 made on November 04, 2022.

The aforesaid transcript is also made available at the website of the Company at www.apar.com.

Kindly take note of this.

Thanking you,
Yours faithfully,

For APAR Industries Limited

HARISHKUM
AR SHAMJI
MALSATTER

Harishkumar Malsatter
(Deputy Manager - Secretarial & Legal)

Encl. : As above

"APAR Industries Limited
Q2 FY '23 Earnings Conference Call"
November 04, 2022

MANAGEMENT: **MR. KUSHAL DESAI – CHAIRMAN AND MANAGING DIRECTOR – APAR INDUSTRIES LIMITED**
MR. CHAITANYA DESAI – MANAGING DIRECTOR – APAR INDUSTRIES LIMITED
MR. RAMESH IYER – CHIEF FINANCIAL OFFICER – APAR INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the APAR Industries Limited Earnings Conference Call. As a reminder, 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 star then zero on your touchtone phone. I now hand the conference over to Mr. Nihar from S-Ancial Technologies. Thank you, and over to you, sir.

Nihar Mehta: Good afternoon, ladies and gentlemen. I welcome you to the second quarter FY '23 earnings call for APAR Industries Limited. From the management side, we have Mr. Kushal Desai, Chairman and Managing Director; Mr. Chaitanya Desai, Managing Director; and the CFO, Mr. Ramesh Iyer. I would now pass on the mike to Mr. Kushal Desai.

Kushal Desai: Thank you, Nihar. Good afternoon, everyone and I'd like to take this opportunity to wish all of you happy Diwali and good wishes for the rest of the year. Let me start off with an overview of our performance and follow that up with a short industry update. Then we can get into details on the segmental performance of the three major businesses. And post that, we can open up the floor to questions.

During Q2 FY '23, the consolidated revenue came in at INR 3,235 crores up 43% year-on-year. This was largely driven by volume growth, there was a certain amount of increase that happened in commodity prices, especially oil-related products and we have substantial growth in the export business. Export revenues grew by 85% year-on-year, contributing to 47% of the overall company's revenues compared to 36% a year ago.

EBITDA is also up 82% year-on-year to INR 237 crores at a margin of 7.3%. PAT came in at INR 103 crores. So that is 80% higher than the previous year. It is at 3.2% versus 2.5% in the year ago period. So in short, Q2 witnessed a very strong performance. And if you look at the H1 revenues and the H1 profit after tax is at a historical side. The H1 consolidated revenue came in at INR 6,328 crores. So that's up 55% year-on-year. Export revenue grew by 65%. And in both cases, this was led by the cables and conductor divisions.

The EBITDA for the half year is up 77% year-on-year. And we could attribute this to premiumization of products and better product mix, also a good geographic mix with exports kicking in to a much higher extent and a better client profile.

Now coming to each of the individual division -- sorry, I'll cover first just the industry brief. So in September 22, actually, power demand grew to about 126.9 billion units. So that's about 11% higher than the period previous year. There is a growth of about 10% in the Western region, 3% in the Southern region. Residential and industrial consumptions were key factors that spurred this demand growth.

The peak demand grew by 11% to approximately 200 gigawatts. Generation increased by 12% year-on-year, while the peak deficit reduced to about 0.5% compared to 0.7% in August. The renewables came in at around 13% of the overall generation. The thermal plant load factors improved by almost 6.3% and came at 60.5%. So we expect over the next few years, India's power sector to be one of the key beneficiaries of a significant amount of capex as well as reforms, whereas electricity has now reached to even the remotest of villages, there is still an issue in terms of the quality of power that is being delivered there.

In addition to this, India targets to have 50% of its generation coming from non-conventional energy sources, including solar and wind by 2030. So this is a delta of nearly 37%, because we are at 13% today with a target of going up to 50%. The outstanding dues of electricity distribution companies towards GENCO's remains at over INR 1,00,000 crores, which is still a little bit of a worry. The government has converted the total outstanding dues of discounts towards GENCO's into an equated monthly installment plan.

The default utilities have been barred for trading at power exchanges under the electricity under late payment surcharge and related matters, which was notified by the ministry in June 2022. This should help improve discipline amongst the distribution utility. India's power consumption grew 1.64% to 114.64 billion units in October compared to the year ago period.

The national grid transmission system has added transmission lines of 1,71,149 kilometers since 2014-15 and a transmission capacity of approximately 6,04,000 MVA since that period of 2014-15. At present, the installed capacity of the national grid is 404 gigawatts with a peak demand of around 216 gigawatts.

Now coming to the individual business highlights. The conductor businesses revenue in Q2 FY '23 grew 33% year-on-year to reach INR 1,439 crores. This had a much better mix in terms of clients as well as significant increase in exports. The export revenue grew by 97% year-on-year contributing to 46% of the division's overall revenues. The premium products contributed to 44% of the revenue mix. EBITDA per metric ton post forex adjustment came in at INR 39,108 per ton, which is at a historic high.

And as I mentioned, the two main factors is an improved mix of premium products. There was also a lower cost of logistics, steel and aluminum premiums. So some of the hits which we had a year ago period have actually reversed and that has also helped boost the bottom line. New order inflow came in at INR 1,468 crores, which is up 67% year-on-year.

If you look at the half year picture for the conductor division, revenues came in at INR 2,987 crores. So that's up 70% year-on-year with higher volumes. The volumes are up 29% year-on-year. And the EBITDA per metric ton for the half year period came in at INR 29,786. So that's 87% higher than in the previous year. The total order book is at INR 4,065 crores with 55% of that share coming from premium products. So overall, the conductor division has had an excellent quarter as well as a very good half year.

Coming to the oil division. Q2 FY '23 revenues came in at INR 1,176 crores, which is up 31% year-on-year. This was driven by higher base oil prices. The volumes remain flat compared to the previous period. Exports contributed towards 47% of revenues. EBITDA post forex adjustment came in at INR 4,550 per kL. The lubricant revenue was INR 207 crores with a volume of INR 16,595 kL.

If you look at the half year FY '23, the oil revenue is up 30% year-on-year at INR 2,244 crores. But again, the volumes remained flat in H1 compared to the previous period. EBITDA for forex is at INR 7,154 per kL and this was largely because of a much higher margin in the first quarter. Going into Q3 FY '23, we've seen some major challenges on the inventory cost versus market realizations for this division. The strength of the US dollar versus other currencies has not only affected cost in our case, but also the ability of various customers and countries to be able to import products.

We've also seen a demand compression taking place across all segments in the market, not only in India, but also globally. And our sense is that the stability in the market will take some time until the fourth quarter of FY '23 and the earliest.

On the other hand, in second quarter FY '23, the cable revenue grew by 79% year-on-year to reach INR 762 crores with a significant increase coming in our elastomeric products as well as exports.

Strategic focus on exports continues to deliver rich dividends. It contributed towards 50% of the sales in Q2 versus 29% a year ago. The elastomeric cable revenue was up 55% year-on-year. We see robust business in the renewables energy space. The railways, defense and the trend of all these segments also seems to be in the upward direction in the future. We have two pieces of major equipment getting commissioned in this quarter. We have our fourth electron beam machine which should get commissioned in Q3.

We also have a CCV line, which is dedicated to produce higher voltage elastomeric cables, which largely go into windmill installations and some of the higher-end oil drilling and mining applications. And this is likely to also be commissioned in Q3. If you take the EBITDA post forex, it came in at INR 70 crores, which is about 9.2% of revenues. So that's up 5.1% compared to the same period in the previous year.

If you look at the overall first half, cable revenues are up 70% year-on-year at INR 1,399 crores on the back of increase in the elastomeric cable and export business. The overall export business contributed to a 47% of sales in H1. The EBITDA post forex came in at 8.5% versus 5.1% in the previous period. The business is set to hit a target of approximately INR 3,000 crores in revenues for the year.

So overall, we believe that the current geopolitical and macro environment is providing a better platform for our industry and specifically for a company like APAR. Funds are being infused in infrastructure, both in India and overseas. There is a strong push towards renewable energy. Due to these reasons, we are quite optimistic on our business growth over the next few years to come. The main growth drivers will remain a further improvement in premiumization and a product mix the clients and the geographic mix is exports playing an increasingly important role as growth in the infrastructure spending globally takes place and the world is adjusting towards the new ESG norms.

I would also like to specifically mention that there is both an updated corporate presentation with significantly more detail on the company profile and performance that has already been uploaded on our website. And our second ESG report, which is a fairly intense effort at providing a very comprehensive picture of our ESG status and movement in the company has also been loaded on our corporate website. And I would encourage and request you all to please go through the thing. I'm sure to provide insight and status into the company and the direction in which it's headed in the future.

So with this, I'd like to come to the end of my comments. Thank you, everyone, for joining this call. And can we now open up the floor to questions please.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets, while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles, thank you. We take the first question from the line of Mr. Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel: A good set of numbers. A few questions. In the past con call, you mentioned that TSO segment which is did a very heavy lifting for overall company in the previous couple of years will be a muted one. And it seems that it's going to be or more like in the consideration phase?

And also the margin, which you said that it will come down, because there was some abnormal event in the previous quarter? So margin has come down, is there going to be more pain in margin? Or is it like more steady margin when we have reached on the TSO segment?

Kushal Desai: So actually, the real impact of the inventory costs versus market prices is going to actually hit in Q3. That's why I mentioned in my opening remarks that Q3 is where we will see a big impact in this. And I had sort of entailed a few of the key reasons for the same where there has been a demand compression. There's an expectation in the market that prices are going to fall and actually that is not happening.

So customers are being vectorized and in many cases, instead of finalizing longer-term contracts even for a month or three months. The negotiation is happening almost by every lower container or a week for that matter. So the situation is a little bit disturbed. I think it will play itself out also in the short term when something has just happened and there is panic in the market, contract prices lagged spot prices.

There are spot prices, you end up traders and some of the players who are shorter term in terms of their deliveries where they tend to gain. So there is one phase of Q3 where I expect a major drop in the profitability of the oil division. And then as we get into Q4, I think it will start getting start stabilizing. The volumes have remained flat, also partly because we chosen it to be that way. Where you see that profitability is declining, and so you stay away from some of the business, which is actually a drag. So I think my concern would not be on volumes as much as on ensuring that the margins -- the unit margins are restored.

Maulik Patel: And for Conductor, I think it's contributing surprise. I know you have given this time a number with adjustment for forex, the interest component, but still at this INR 27,000 per ton. Even if I adjust the forex interest component, do you want be a higher side? I mean because you have been historically given the guiding that it has been range INR 17,000 to INR 20,000 per ton, but it's surprise.

So are you moving on a new normal profitability or this again, so many moving variables in the business, so for the quarter or two, it's good business, revenue mix is in favour of high profitability margin product. It is just a two or three quarters of high margin and then it will come down?

Kushal Desai: So I think the margin profile is gradually on a steady-state basis also going up. So we -- at once upon a time, INR 12,500 of the guidance, we looked at INR 17,500. We are now on a wicket where we can see INR 21,000, INR 22,000 per ton being a long-term sort of profitability that's pretty much in place. There are a few factors that have helped us in this case.

One is that the premium product sales has been actually continuing to grow, and we see that it will further grow in the next six months and in the years to come. We also had quite a lot of export business that has been going out of India, the profitability around that also has been a bit more favorable. We have three factors, which I mentioned in the opening remarks, which have -- there were headwinds for us a year ago now they are tailwinds in this period where the premium on aluminum has come down. The logistics costs also have reduced. They're not back to what they were pre-COVID levels, but they have corrected quite substantially from the peak levels that they were at.

And also steel prices have corrected downwards. And the steel is remaining at a lower level as one goes forward. So there have been a few tailwinds, but our expectation is that the Conductor business is going to be on a very solid wicket over the next for the second half as well as for the next year or two to come. In fact along the work which happened in the year pre-COVID are now really starting to pay dividend.

Maulik Patel: And also your investment in value-added products are now reflecting into this margin also because you invested a lot in the pre-COVID also -- then we could go in the over the COVID time. That's going to be...

Kushal Desai: The Americas right across North, South America, where a lot of investment is going in on the infrastructure side. So that's why I think we expect that demand will continue to remain strong.

Maulik Patel: On cable side, can you just share some numbers of how much of the revenue we have from this Anushakti product for the quarter? And what has been the growth in the product compared to previous quarter or the previous year.

Kushal Desai: We are running at 100% growth year-on-year. And I think that -- but the base is lower. That number will continue to grow. We expect to hit our light-duty cable revenues this year between INR 180 crores and INR 200 crores.

Maulik Patel: Sure. which was around INR 123 crores last year, right?

Kushal Desai: Last year, it was yes, about INR 120 crores, where it has quite a lot of solar cables and other things in it. There is a mixture has moved -- also towards the 90mm, which is the retail pack. Our distribution continues to increase our coverage of state increases. And we've also started increasing our advertising presence state by state, depending on the distribution that has input in place. So we've already gone on the air – ATS spending has started in Kerala, where we have a good distribution setup. So this is the space where I think we will grow considerably over the next 24 to 36 months. You'll see big lot of investment going in and a lot of growth happening.

Maulik Patel: Okay. And just one balance sheet number. So out of the total payable that we have at the end of the first half of FY '23, how much of that is acceptance -- so we have around INR 4,700 crores was the payable. How much is an acceptance out of that?

Ramesh Iyer: Interest-bearing LC outstanding is about INR 3,400 crores.

Maulik Patel: INR 3,400 crores.

Moderator: Thank you sir. We take the next question from the line of Mr. Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Congratulations on a good set of numbers. Sir, lastly, I wanted to understand the profitability on the conductor side and the profitability has been quite strong. I mean INR 32,000 per metric ton. Sir we just wanted to guess are we choosing – we understand the percentage of premium products are going up. But I just wanted to understand from a business angle, I mean, are we start catering to -- how should we consider the normal profitability when the raw material prices will pull off?

And is there a permanent nature change of business -- that is what I wanted to understand. And second question was on the -- I mean, on the inventory side, I remember, especially the oil division that you mentioned. So I just wanted to understand, I mean, what is the inventory that we are getting currently on the books. And what is the difference in the market price? Or what is the carrying cost, which is there on the books?

Ramesh Iyer: To answer the -- so on the conductors thing, two reasons that is happening from the market point of view. One is that as we talked about, the share of premium products has been going up. And even in this quarter, we saw higher premium products as compared to the conventional conductors, which is now leading to higher margins. In addition to that, even within the conventional conductors, the export mix is going up.

We have seen that the proportion of exports in the conventional conductor has been much higher in quarter two. These two factors have actually led to an increase in the EBITDA numbers. And in addition to that, as Mr. Kushal Desai was mentioning, we have been getting favorable costs in logistics steels as well as low aluminum premium. And the combination of all these things is where we have seen the EBITDA post forex it to be about INR 39,000 per metric ton in quarter two.

Kushal Desai: You -- the second question that you had was on the inventory on the oil side. So there -- actually, the price is still evolving. In the sense that right now at a level which is lower than what it should be relative to the cost of the inventory. But there's obviously a conscious action to sort of raise the price level. But if you just go pretty much on a per kL sale basis, you're looking at around maybe INR 2,500, INR 3,000 per kL on an average where the price mismatch is taking place.

Our sense as you get into the fourth quarter because keep in mind that diesel or gas oil is still at very good price level. So refineries will start moving the product mix more towards diesel and reduced base oil production at base oil remains low. And in that case, what happens that spot cargo starts disappearing.

So people like us who are on contract, we end up actually getting material and the spot players actually get a bit scare. So that's why my sense is that in the fourth quarter, it will stabilize. And thereafter, it will move in the opposite direction. Diesel remains strong. And we have every reason to believe that diesel consumption worldwide has remained pretty strong. And with the Russian sanctions getting harsher, as you get into 2023, that's the way it probably will be as you get into the next year. So this is more as a one quarter sort of effect as opposed to something that will carry forward.

Mihir Manohar: Sure, sure, sure. So the pricing is matched to the tune of INR 2,500, INR 3,000.

Kushal Desai: Yes, approximately.

Mihir Manohar: Sure, sir. And just lastly, on the conductor side, you mentioned that share of premium products are going up. But last time, we were expecting some 17,000 kind of a normal number, I mean with business profitability improving. How should we see a normalized the range scenario and if you could just throw some light on the applications of this premium conductor, which are there? Thus, that was the last question. Now fully consider normalized profitability for the conductor business?.

Kushal Desai: So our order book also has been going up. So if you see this quarter, we -- 44% of the revenues came from premium products. The order book is 55% so it's clearly moving in a positive direction. The premium products are all high-efficiency conductors, HTLS conductor and we are also doing copper for the railways, OPGW, which is for scanning the base data road across the country. And then we have specialty rods. And then we have the CTC which goes into transformers.

So that's the bunch of -- and we've also launched a new product range, which is busbars, which are, again, copper-based products. as we see over the next couple of years, the railway demand coming off, then CTC and busbars, which are all the copper products should start picking up.

So if you look at a longer term, we believe that now the sustainable EBITDA can be at least in that INR 21,000 to INR 22,000 per metric ton range. You may have shorter periods where it will be higher, whether our tailwinds. But if you take a longer period of time going forward, we expect that we will hit those numbers.

Moderator: Thank you very much sir. We take the next question from the line of Mr. Nemish Shah from Emkay Investment Managers Limited. Please go ahead.

Nemish Shah: And congratulations for a great set of numbers. So I also had a question on our order book on the conductor side. So if you could just help us understand the -- like you mentioned, the 55% of the order book now is premium products. So what geographies or if you could just help us, is it largely export led or domestic led what will be the breakup on that front? And which geography specifically you are seeing the demand coming from?

Chaitanya Desai: Yes, it is primarily a domestic market. And also, there is some component of export. And the export is spread out to various countries.

Kushal Desai: The concentration in the Americas, North South. The premium products as Chaitanya mentioned are mostly domestic. It's in South Asia. So India, Bangladesh in South Asia. The export is concentrated in the Americas, as I mentioned earlier.

Nemish Shah: And just to understand a bit further. So the order books are -- is it largely new capex driven? Or is it -- what are the type of orders like. Is it new investments in the infrastructure side? Or is it replacement of conductors you could just understand that.

Chaitanya Desai: The export part is largely new blend. So it's infrastructure-driven. And the domestic part is a mix of both. The new infrastructure spend as well as some component of the replacement.

Nemish Shah: Yes. And just 1 data point, if you could just share the debt figures for the quarter?

Ramesh Iyer: Yes. long-term debt is about INR 184 crores. Short-term current portion is about INR 150 odd crores. And we have cash in hand about INR 330 crores.

Moderator: Thank you very much sir. We take the next question from the line of Mr. Rajesh Kothari from AlfAccurate Advisors. Please go ahead, sir.

Rajesh Kothari: Congratulations on a good set of number. So just trying to get a little bit further into the previous participant question. What are the basically if you can give a little bit more insight into how sustainable this new order inflow? How do you see that? Is there any way to track that? And how basically from the competitive landscape, what are the competition when you do exports, how it gets driven. Do they have tariffs on the imports from other countries compared to India? If yes, what are the tariffs? Some maybe bit more detail on that would be useful.

Kushal Desai: Yes. So the competitive intensity -- see, I mentioned about this geopolitical considerations. So in many of these countries, there is a clear move to look at suppliers ex-China. And so that is helping. The sustainability of the infrastructure spend it looks quite solid. The US has just passed a major set of bills around infrastructure. And all countries, including India, have all made certain commitments in COP26 in terms of taking forward renewable energy and reducing the carbon footprint.

So our expectation is that demand will remain strong over the next several years as this unfolds. So we don't change is like a short-term phenomenon. In some segments like OPGW as data is a new oil, there is more and more every new line that's coming up, the Earth wire is actually now in OPGW with a fiber cord. So -- and that's the backbone of carrying data. As you move towards 5G, -- you require more OPGW lines because of the quality and the quantity of data both that need to be fit.

Rajesh Kothari: So on Chinese product, currently, do they have any input tariffs?

Kushal Desai: Yes, they have the tariffs in the -- United States are at 35%. There's many countries where the tariffs for Chinese products have not changed. But the buyer doesn't want to have all the rates from the Chinese basket or doesn't want to buy products from Chinese players.

Rajesh Kothari: So if you basically put more industry, the segment in which you are present, any basically statistics where how much basically with China exports to the world and what is India share? What is China share, the top 5 companies from China.

Kushal Desai: There is no published report.

Rajesh Kothari: But this basically category -- I'm sure -- I mean, because US published the monthly data of their imports. This category must be coming under the right? So from there...

Kushal Desai: Yes. But it's not at a granular level where you can then build broad category. So for example, the US imports $20 billion worth of cables this year. Just gives you an idea in terms of the category of cable, but there is no breakup available of which country and which type of cable as far as we know. It's mostly data has been picked up from being in touch with EPC players with infrastructure investors, etc.

Rajesh Kothari: And just last question from my side. So since the raw material headwinds a tailwinds do impact your business, do you enter into long-term contracts or it is like a spot as soon as you get the order, you lock the required raw material, how it works?

Kushal Desai: So both the cable and the conductor side as far as metal is concerned, we run a completely hedged book, where moment in order comes, the metal is immediately booked, so that there's no speculation on the metal. There are certain commodities where like steel and polymers, etcetera, there is no hedgeable situation. So we typically don't price for a very long period, wherever, there's no hedging. In terms of the oil business, we have 75% of our purchase is under long-term contracts.

Rajesh Kothari: So basically, therefore, these tailwinds, what you talked about, particularly the premium on aluminum steel price correction. Do you think this tailwind can also further add from here on to your EBITDA per ton…

Kushal Desai: So these are not hedgeable. So we have MJP a premium, which is over and above LME and that captures logistics cost and warehousing costs. And since both of them are sort of declining, the overall premium has also come down. So it's not something that the bigger, it has gone up to a certain level. Now it's come down to a more manageable level. The same thing with logistics. There are certain DDP contracts were in place. So we saw the other side of the problem and suddenly the freight rates went up. Now when the freight rates have come down, we are seeing some benefit, which is coming on account of that. So when you remove all of these factors, and on a steady-state basis, you go, we feel that we can be at that INR 21,000 to INR 22,000 per metric ton EBITDA. On the conductor business, with the product mix that we are looking at today.

Rajesh Kothari: You mean E-B-D-T-A, which is right now INR 20,000 about that, right?

Kushal Desai: No. E-B-I-D-T-A. EBIDTA. First half -- INR 29,000.

Rajesh Kothari: So I think that you are seeing that INR 21,000, INR 22,000 Okay. So why that decline you are saying?

Kushal Desai: Because we just explained to you that there are certain factors which have been tailwinds that have added to this -- and so a little bit of fluctuation will always happen. The longer-term situation, when you look at it over a year, four quarters, six quarters, that's the steady state that we can expect.

Moderator: Thank you very much. We take the next question from the line of Mr. Vignesh Iyer from Sequent Investments. Please go ahead sir.

Vignesh Iyer: Congratulations a good set of numbers. I just want to know, we have done around in conductor division. Yes, we've done around 66,000 volume and then 66,000 metric ton for the first half. Can we expect still to do around like 1.3 lakh, 1.4 lakh tons for the entire year?

Kushal Desai: Yes. The target is to do about 140,000 tons. So second half volume will be higher than in the first half.

Vignesh Iyer: We're still on track as we have thought about it in the first quarter one, right? Year online...

Kushal Desai: 140,000 tons for the year. So 66,000 tons is what we've done in the in the first half. So second half, we expect to do closer to 70,000 -- 75,000 tons. Something that may happen is that you may have, in some cases, the volume going up, the EBITDA per ton may be a bit lower. But that's the reason why the steady pace 21,000, because a little bit of it moves up and down to the mix of the product also. So looking at we have about 75,000 tons, which we expect to execute in the second half of the year.

Vignesh Iyer: But as I said, like two points on the EBITDA side of the conductor division, it is like firstly if I am not wrong the currently quarter two, the premium mix is around 44% and your order book premium mix is around 55% and we have got also, I expect that the 75,000 tonnes which has executed might have more of a premium share of the product, right? So can you see that addition of EBITDA per ton kicking in?

Ramesh Iyer: Yes. So -- as we explained, there are some multiple reasons that accounted for this Q2 EBITDA, and we saw premium share going up. Secondly, you see that even within the conventional, I think the export mix is going up.

Vignesh Iyer: Adjusted for the aluminum and logistic part, keeping that aside can we see that a bit of upside because of the premium mix, solely because of premium mix?

Ramesh Iyer: Yes. So anything continues, we see a similar kind of momentum that we saw in H1, but it will also depend on the macro environment and how the external costs are there. Also, as you see the interest costs are likely to go up. If the interest cost goes up, it could also have an impact on the EBITDA level and the EBDTA number.

Kushal Desai: In short, because these businesses, see what you need to understand is that, there are two layers that are there ahead of us who actually call the shots. One is the developer of the ultimate infrastructure. The second one is a set of EPC players that are involved in terms of actually putting our clients and building this infrastructure. So, all of these things don't sit in our hands. So there are some movements that happened back and forth.

But what we can explain here is that, as the premium products keep increasing the baseline of your EBITDA will also keep on moving up. So, as we were concluding at 17,500, we are now almost INR 3,000 to INR 4,000 a ton higher on a steady-state basis given the mix that's in race. So you will always find some positive noise. There could be some quarters with a negative noise, but the median line will keep rising as the premium product category grows. So that's the point which I just wanted to make.

Vignesh Iyer: I got it, thanks. So yes, on the cable division side sir, are we now seeing a new, I think you more of has revised your target. If I'm not wrong, you had given a target of around INR 2,600 crores sales for the entire year. But in the management commentary, right now, you gave it, it could be around INR 3,000 crores. So keeping that in mind, can you say that we may in the end of clocking around INR 750 crores to INR 800 crores every quarter?

Kushal Desai: Absolutely. Our expectation is to do INR 3,000 crore for the full year. So it will be a little over INR 1,500 crores in the second half. We have order books to kind of support and also our visibility. Not all of it is order books, but we have the visibility to support.

Vignesh Iyer: So sir, our cable division is quite big and a lot of products involved in, I'm here catering to a different division as well. So, do we think it is the right time where we start giving the mix of business under cable as to what comes from elastomeric, what comes from -- what caters to specifically could have defense or what comes from the export for renewable or etcetera? Because we are looking at the division which is growing quite fast. So, it would give us a better idea as to which part of the business is expanding and how much?

Kushal Desai: So given -- one thing that we do need to be cognizant of is that a lot of cable business in the B2B space undergoes competitive bidding or negotiation. And there's only a certain level of granularity, which we would like to have in the public domain because buyers use their information also, they probably go through reports, -- carefully any analyst does before he negotiate.

So there is only a certain amount beyond that we draw a line. We don't have a plan or actually crossing it right now. But the point here is that, again, if you look at the mix of products, which the cable division is doing, we are investing more and more on that elastomeric renewable energy side. We put a fourth team in place. It goes towards ANUSHAKTI wires, it goes towards solar cables, etcetera.

We put the CCV line in place, which is going to be dedicated largely towards wind mills and cabling that goes into wind mills. So that whole segment is going to grow. The windmill side with this new addition coming in also enables us to go and start exporting the product. So all the major windmill players in the world are pretty much present in India. And we established, we have over 70% market share in the Indian market on windmill.

And with this investment going in, we've got global approvals from many of these players, which I had mentioned in call maybe six months ago and so that will also start playing out. So that segment will definitely grow, the whole elastomeric side. Also the ANUSHAKTI wire business to grow as we roll out the wire and cable through our distribution center.

Vignesh Iyer: So 1 final question on my side. I just wanted to know, considering this wind mill cable export I just want to know which part of the world getting more traction from like from Europe or the US at such? If you could just give us an idea?

Kushal Desai: So we haven't started exporting yet in a big way. Currently, whatever exports have been going out, they've been going both to Europe and the US. It depends because there are certain players who are much stronger in the Americas, which is General Electric, Nordics, etcetera. There are other players like Siemens, Gamesa and etcetera, who are stronger in Europe.

In both places, when you start something new as in the export going out, it's not easy to sort of predict the trajectory. But our sense is that business will start going to all these major players who are also present in the Indian market..

Vignesh Iyer: Actually, my question was more from the side of, who is showing interest, at least the preliminary talks, because Europe is sort of facing crisis because of the conventional way of energy, right? So they might be more reluctant, interested actually to shift to the nonconventional?

Kushal Desai: So you're absolutely right that there is definitely a crisis in Europe, both in availability of power as well as manpower. Both the powers are an issue at this stage. So, we've got approval from the 2 largest, which is Vestas and Siemens, Gamesa in Europe. And then we also have approvals in place from Nordic and General Electric. GE is the largest now windmill producer in the world. So we have approval from all of these four players and a few other smaller ones.

So our sense is that, the line is getting commissioned in this quarter. So in FY '24, you will start seeing volumes going out to the player. And in the Northern Hemisphere, there is a lot of wind capacity coming in, just given that they have lesser number of sunshine days.

Moderator: We'll take the next question from the line of Mr. Sujan Shah from Congruence Advisors please go ahead sir.

Sujan Shah: My first question would be, as we have talked in the previous quarter that we have been in defense, we are focusing INR 80, INR 100 crores of the revenue, so currently, are we trajectoring any better revenue conversation from defense? And could you just give us the split between the railway division, how much order has been from railway specifically mixing of conductors and cables, if you can give that split?

Kushal Desai: So. We don't want to get into too much of detail in terms of each of the subsegments. But on -- the two are going in different trajectories. The cable side is going into locomotives as well as coaches. And this is whole Vande Bharat, you will see increasing requirements happening on the cable side. We have two channels. One is, direct supply to the coach factories. The other one is through the harness manufacturers, of which one we are also a harness manufacturer, but that are like 20-odd. So the volume is growing there as the locomotives and coaches are being added.

On the other hand, if you see the conductor side, there the railway electrification project is -- has progressed now on at a very advanced stage of its completion. And so we will see over the next 1.5 years or so, the volumes starting to fall off, unless they start upgrading some of the electric lines to higher speed line. So that part of the program is being talked about, but the exact details and numbers still need to come out. So there you will have to upgrade the lines to copper alloys as opposed to copper.

Sujan Shah: And sir, for the defense, we are eying any specific better contribution of INR 80-100 crores?

Kushal Desai: So we are right now at that level of about INR 80-odd crores. We've been continuing to build -- they are looking at higher and higher indigenous content. So our expectation is that over the next few years, that volume also will grow. The defense business can be a little lumpy in the sense that once the ship is done, then the in the second -- I guess, in the last trimester of the ships deliver the cabling work starts. So -- and most of it is going into the Indian Navy because that's where it's very instrument heavy and the sizes are quite large. My expectation is it will grow. I don't know to what extent it will grow from the current level, but it's in that positive direction.

Sujan Shah: My second question would be on the cable EBITDA margin. On our trajectory side, we have said that we would be around 8% to 9% and currently, we are at 9%. So are we seeing a better improvement going forward for the EBITDA margin in cable side because there is a strong demand in the specific in the industry as a consumption in the household and all that?

Kushal Desai: So the stronger demand is there for the specialty cables, and there is a good demand, which is there, I say that there is premiumization happening in the house wire and building wire where because of the ESG impact and various other things, branded goods are selling more as opposed to lesser players who don't carry brands.

The overall volumes are not growing at some very, very high level yet. So, there is an overcapacity in the general power cable side. The results which APAR has shown has fundamentally come on the power cable side, from focusing on exports. The domestic market still remains very competitive on the standard power cable. Now having said that, you asked specifically what our guidance is on the margin. So we are at about 8.5% for the first half. We expect to do the full year at about between 9% and 9.5%.

Sujan Shah: Ok. And sir, we have initiated the B2C lubricant, which we wanted to get into that space. So what are the current situation and how you are eyeing for that thing specifically, retail part, B2C part of the oil and lubricant?

Kushal Desai So the oil and lubricants, the B2C part is actually reasonably established because it's been around for over a decade. So we continue to grow by introducing new products and winning new distribution, but it's a steady growth. There's no meteoric growth that you will see on that front. On the other hand, the B2C growth in the wire and cable side will be at a much, much higher pace and the total there that will be involved also will be much, much higher than in the oil lubricant because the addressable market is much larger.

If you see the total cable market of around INR 60,000 crores, 50% of it is coming from your light-duty cables and building wire. So it's a INR 30,000 crore sort of market which is out there. So we have -- as I mentioned, we will be about INR 180 crores to INR 200 crores on the LDC this year. The last year was for INR 120 crores. Going year, we should have a similar sort of growth percentage.

Moderator: Thank you very much. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference please limit your questions to two per participant. Should you have a follow-up question we would request you to re-join the question queue. We'll take the next question from the line of Mr. Amit Anwani from Prabhudas Lilladher.

Amit Anwani: My question is sir, with respect to the recent parliamentary committee, which announced that there are plans of setting up a renewable energy zones for 66 gigawatts and I think additional 185 gigawatts by 2030. So any thoughts sir, what kind of market it can create for us? What kind of products and assessment if you would have that?

Kushal Desai: So fundamentally, the products of us which go into this is when solar grows then there are two sets of cables which go in. One is for the solar panel wire and the other one is from the electric panel into the network. So it linearly will grow with the addition of solar capacity. Similarly, in the case of windmill, you have a certain amount of cabling that goes inside the windmill. So that also is linear to the kind of wind mills that are getting executed.

And then you have evacuation from the windmill installation into the grid. So in both cases, a grid portion will determine or the conductor demand will come up for that. So I'm not sure whether we will be able to meet that target by 2030 because we are at 13% and to go to 50% on an increased base in a span of 17 years is a huge -- sorry, 7 years is a huge ask.

So I'm not sure at what time frame it will get executed. But one thing is I can guarantee is that the demand for products will remain for quite a while to come. And this is just in India. It's also happening all over -- globally all over the world. And that is one of the primary reasons that I mentioned also in my closing paragraph that we expect demand to continue for a while because as countries try to meet their COP26 and now COP27 is coming up. There are new commitments and increased commitments which are coming in from the various national leaders around the world. And as I get executed, I think our infrastructure is in a pretty good position.

Amit Anwani: Right, sir. So my next question is on the Cables business, where you mentioned that we are on the words of achieving INR 3,000 crores. Any outlook you would like to give for FY '24, '25 on the cable sales and how the margin projection will look like?

Ramesh Iyer: Yes. So as we explained that this year, FY '23, we're likely to cross about INR 3,000 crores. And given that the development is happening on the overseas global front as well as in India, we expect about 20%, 25% growth happening on an annual basis.

Amit Anwani: My last question on the conductor side. Just for my understanding, if you could just explain how this is the conductor market globally in value terms and in India.

Ramesh Iyer: The global market share for the conductor is about 1.5 million metric tons.

Amit Anwani: In India?

Ramesh Iyer: Globally.

Amit Anwani: India, sir?

Ramesh Iyer: About 150,000 tons.

Moderator: We take the next question from the line of Mr. Pratik Shah from Aequitas. Please go ahead, sir.

Pratik Shah: Just two questions, how do we see this new lines that we are commissioning in Q3? What would be the ramp-up plan for this year and what kind of ramp can we expect to the full of next year?

Kushal Desai: So our sense is that actually, the line should get loaded within a span of 12 to 18 months and if the initial shipments to some of the customers, especially in Europe, go through well, then it could even get accelerated sooner than that because there is a serious at least at the moment in energy as well as our manpower crises in Europe. I can tell you that the line is coming in at the right time. And if the initial product that goes on the line is well accepted, then its ramp-up can be pretty fast. But otherwise, our plan was to get it fully loaded in a 12-month to 18-month time frame.

Pratik Shah: And what would be the full revenue potential of both these lines put together at current price?

Chaitanya Desai: Around INR 250 crores approximately.

Pratik Shah: Okay. So -- and when we say that we improve our guidance for cable division of INR 3,000 crores, there is not much contribution that we're expecting from this line right now, right? Because...

Kushal Desai: Once again, that INR 250 crores is from -- just from the CCV line. The e-beam -- the 4th E beam, there's a whole mix of products that will run through the e-beam, including solar cables.

Pratik Shah: Right. But this year, there wouldn't be a very substantial contribution from these lines, right?

Kushal Desai: Yes. You have some contribution coming in Q4, but it will be quite small compared to the total INR 3,000 crores.

Ramesh Iyer: So we have baked in those numbers also in this total of INR 3,000 crores and the next year numbers that I just mentioned about.

Pratik Shah: Okay. My second question is on interest cost. So I understand that we started factoring in our product pricing and our EBITDA numbers reflect that. But just if I want to look at our interest costs, if you could elaborate a bit on the forex fluctuations and interest costs going ahead?

Ramesh Iyer: So as you see, over has been increasing on a steady basis. and also forex has been almost increasing continuously. So these two will have an impact going forward. The current quarter still does not factor the full impact of this increase, especially from SOFR rate point of view because we have LC that keeps on building over a month-on-month basis. But yes, this is one area that will see an increase. Fortunately, the commodity costs are on the lower side, especially the aluminum and copper that is helping us to reduce the impact of the increase in SOFR and foreign exchange rates.

Pratik Shah: Sir, working requirement is expected to remain low?

Ramesh Iyer: It depends on the commodity prices on aluminum and copper rates are much lower, the requirement will be low, on oil front, it will be higher. But yes, in the volumes, as you see, are going higher, the overall impact will be high. So it's actually a mixed bucket of many factors that will determine whether it will be how significantly its proportion would account for. So you see interest rates going up, forex going up that will be requiring more working capital. The volumes are going up, it will be high, but the commodity prices come down, then to that extent it will be lower.

Pratik Shah: And if you could just tell me in the conductor division, the order book, how much would be export contribution from export and contribution from HEC conductors?

Ramesh Iyer: Export would be about 50% of the total pending order book.

Pratik Shah: Okay. And HEC.

Kushal Desai: It's around 35%. Yes, about 35%.

Moderator: We take the next question from the line of Mr. Vikram Sharma from Niveshaay.

Vikram Sharma: Sir, what is overall renewable energy contribution in overall business of the company?

Ramesh Iyer: We have put this part of our slide in the corporate presentation about 4 to 5 percentage for the company as a whole.

Vikram Sharma: And sir, one you mentioned about the busbar product, so what is it and what is the opportunity size in this product?

Kushal Desai: So actually, busbar going to a whole lot of electrical installation. So the market size is fairly large runs it to several thousands of crores, there are a number of players in this, it's a product which can go complementary with some of the cables that we have in some of the other products, which we are going to sell. And fundamentally, as the railway business comes off. Some of the infrastructure with some minimal investment is being redirected towards this product. It will not be a flagship product like how you would have HTLS and now you're getting OPGW and things. But this is a good addition to the basket.

Moderator: Thank you very much. We take the next question from the line of Mr. Pawan Nahar, Individual Investor. Please go ahead sir

Pawan Nahar: Thank you, gentlemen, once again, congratulations. I want to for simplification, say, I want to focus on EBITDA after the interest right? Last time we have discussed that is the better way to communicate. And before I get there, I just -- we've done INR 55 EPS in the first half. There are positives for two segments. One segment will have impact, basically inventory effect, which I would imagine is not generally more than one month, am I right?

Kushal Desai: No, I think it is probably it will affect the quarter. So you have an overall effect in the quarter.

Pawan Nahar: So Kushal, my simple question first to start with the H1, INR 55 EPS -- H2, can it be similar, higher, lower as things stand today, and of course, things can change.

Kushal Desai: It should be in the similar range. It could be a little bit lower depending on what the impact is on the oil side. But on the cable and conductor side will actually be a bit higher. So it's a question of how much the other two will be able to offset whatever Q3 problem we have. But if you look at it broadly, it should be in the same range.

Pawan Nahar: Okay. And the oil thing actually could even end up in a gain because it's only the inventory right and who knows. We leave it at that. I mean, for now we leave it at that.

Kushal Desai: Q3 is quite clear that there is a challenge. But then as we see, after going through a difficult period, sometimes the rebounds are the surprise on the positive side. So keeping my finger cross for Q4 and into FY '24.

Pawan Nahar: So we'll stay with broadly 55 again for the second half, right? And okay, the next question was on the EBITDA after interest. So should I call it EBIT as a better metric to look ahead because it simplifies a lot of things for outsiders like us.

Ramesh Iyer: Yes. And that's the reason we started reporting that from this quarter onwards. Call it EBDTA.

Pawan Nahar: Yes, I was surprised. I was hoping you all would guide the conversation into that but never mind. So what I want to ask is what would be, let's say, in the conductor business, we've done INR 20,000 as the EBIT number, INR 20,240 or something for the EBIT, right? What would be our guidance for the full year in terms of EBIT.

Ramesh Iyer: We've just mentioned our guidance on EBITDA to be about 20,000 to 22,000 per metric tons. Now depending on how the external environment pans out, if this kind of EBITDA achieved, our EBDT would be in the range of 7,000 to 8,000 per metric ton reduction from EBIDTA.

Pawan Nahar: So 22,000 it will become 14,000.

Ramesh Iyer: Yes.

Pawan Nahar: Right? Okay. And then what about the -- for the cable business, we've done about EBIT of 7%, what we've given.

Ramesh Iyer: Yes, the cable business, we are seeing a guidance of about 9 percentage. The EBDT will be in the range of 6.5 to 7 percentage.

Pawan Nahar: Right. 7% is what it is in the first half. So can we then assume similar in the second half?

Ramesh Iyer: Yes.

Pawan Nahar: Okay. and the third is on the oil business. Here, we've done -- I want to ask both the volume number and the EBIT number. So we've done about EBIT number is about INR 6,000 round figures for the first half. Yes, it is lower in the second quarter. For the full year, what kind of a number we should expect?

Kushal Desai: So the first half EBIDTA has been 7,150. I wouldn't want to add a guess in the Q3 because I don't know how bad this Q3 is going to be. Q4 will go back to an EBITDA of closer to 5,500 kind of level. And the gap between the two is in the range of about INR 1,500-odd so that will remain between the interest components will be around that INR 1,500 per Kl.

Pawan Nahar: Okay. And how much inventory do we have right now where you think will impact the Q3 numbers? How many months generally, sorry.

Kushal Desai: It's about two months of carry. So you see what happens is that we follow SAP where is weighted average cost. So there is a historical is effect, where it drags on a little bit because every part of that comes average is down cost. So fundamentally, it will hit this Q3. As you get into Q4, I think it should have got itself levelized because most of this would have got sold out.

Pawan Nahar: Okay. So let's leave Q3, let's leave, what is the new number we should assume for EBIT, right? INR 6,000 is first half, not -- I'm not saying FY '23. Generally speaking, what is the number to resume for EBIT in the oil business?

Kushal Desai: That is something that is not ready to commit because I don't know what the situation is. When you go into a war, you don't know how much you're going to lose. So this quarter is the one where there is a hangover the irrational behavior coming from players -- difficult to tell. But even like the overall for the company as a whole, that guidance is pretty much in place, which would mean that the second half would be something relatively close to the first half, including the issue that you will see in the oil business in the Q3.

Pawan Nahar: So Kushal, I'm not asking -- understood. Oil business, I'm not asking you for FY '23. What I'm asking is, let's say, FY '24 once oil prices normalize. Whatever happened. What should be the normal EBIT number to take. Earlier, we used to buy INR 6,000 as EBITDA? And you are saying INR 1,500 of interest cost?

Kushal Desai: Yes. So we were guiding INR 5,500 And the interest right now is at close to around INR 1,500. But with the increase in the in SOFR and some of these rates, if that's not passed on another maybe INR 200-odd is something that one could look at.

Pawan Nahar: About, let's say, INR 4,000 is possible as an EBDT number. Not for this year when things normalize, not for this year.

Kushal Desai: Exactly.

Pawan Nahar: And what about volumes for this year in the oil business, you've done INR 230,000 round figure. Can we assume INR 460,000 for the full year or...

Kushal Desai: Yes. It will be in that range. Yes.

Pawan Nahar: So basically, to conclude, we are on track with our ROE number of 18% to 20%. Probably even higher.

Ramesh Iyer: Yes, that's our ambition, but we need to work out the math to see that.

Kushal Desai: But fundamentally, it's moving in that direction.

Pawan Nahar: Yes, because 55 first half, 55 second half, 110, it is more than 20% or close to 20%.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing comments.

Kushal Desai: Thank you, everyone, for patiently hearing us through the opening remarks and the Q&A on this earnings call. And just in terms of closing remarks, even though we see a short-term issue in our oil business, overall, we are quite optimistic in terms of the way business will unfold. -- not only in the second half but also in FY '24 and some of the years to come. The fundamental drivers to the business remain intact and are actually accelerating which is, i.e., the infrastructure that's going into the electrical space. So with that, I'd like to close the call, and thank you very much for your time.

Moderator: Thank you very much. On behalf of APAR Industries Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.