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SEC/3009/2022 September 30, 2022

National Stock Exchange of India Ltd. "Exchange Plaza", C-1, Block G, Bandra- Kurla Complex, Bandra (E), **Mumbai – 400 051.** **Scrip Symbol : APARINDS** **Kind Attn.: The Manager, Listing Dept.**	BSE Ltd. Corporate Relationship Department, 27th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, **Mumbai - 400 001.** **Scrip Code : 532259** **Kind Attn. : Corporate Relationship Dept.**

Sub. : Submission of Transcript of Analyst / Investor Conference Call made on September 23, 2022

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/2409/2022 dated September 24, 2022 w.r.t. submission of link of Audio Recording of Analyst / Institutional Conference Call made on September 23, 2022.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Analyst / Institutional Conference Call organized by Equirus on September 23, 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

HARISHKUMAR SHAMJI MALSATTER

Digitally signed by HARISHKUMAR SHAMJI MALSATTER
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(Harishkumar Malsatter)
Deputy Manager

Encl. : As above

"Apar Industries Limited Analyst/Investor Conference Call"

September 23, 2022

MANAGEMENT **MR. CHAITANYA DESAI – MANAGING DIRECTOR, APAR INDUSTRIES LIMITED**
MR. RAMESH IYER – CHIEF FINANCIAL OFFICER, APAR INDUSTRIES

Moderator: Thank you, everyone, and thank you for joining in such a volatile day. We have Chaitanya Desai, Managing Director of Apar Industries; and Ramesh Iyer, CFO of Apar Industries on this Apar Industries virtual Conference on September 23, 2022 organised by Equirus. First, management will spend some time on giving the business outlook and the strategy on Apar Industries. And after that, we will have a Q&A. Over to you, sir.

Chaitanya Desai: Thank you. I'd like to first thank all the participants for joining. And if I may start with a quick overview of the company products. First division I'd like to mention about is the conductor division, where we are making the conventional conductors, we are making the high temperature, low SAG or the high-performance conductors. We are making the optical fiber ground wire, and then copper railway conductors and the conductors used in the transformers called the CTC and some of these products we are taking on our turnkey solution basis.

Over the years, we have been concentrating on more value-added products and made significant investments in this division. We also have a factory next to the Hindalco for the molten aluminum supply. And over the years, we have also moved into the Services segment, particularly for the high-performance conductors and the OPGW.

In the last 2 years, there has been the railway electrification work. So, we have entered into the copper railway business. And now there is new products for the high-speed trains, the copper, magnesium and the copper alloy types. As far as the CTC for the transformer industries, we are relatively new in this business, but this is also one of the more value-added products used in the substations. These transformers are used in the substation in the power sector. And currently, we are selling in the domestic market. And gradually, our intention is to bring some of these newer products, including the CTC and the copper railway products and OPGW in the export market.

We're already doing a fair amount of export business of the HTLS and the high-performance conductors, and that will continue. We're also seeing a fair amount of growth in some of the Western markets, with this China plus strategy. So, that is also helping in improving the margin levels for the conductor business overall and also is the case for the cables.

For the oil business, our main bread and butter product over the years has been the transformer oil. But over the years, we have also diversified there into white oils, which are used in pharmaceutical hair and care applications. We also make the various industrial and process oils, including the process oils used in the tire industry. Then we make industrial and auto lubricants, which is a B2C type of business. And then we have other premium products that we have introduced in the transformer industry with the ESG initiative and also petroleum jelly products. We also have a factory in the Middle East besides the ones in India. The Middle East is the Hamriyah plant, where we are making the transform oil, white oils etc. So, those products we are catering to in the GCC market and the African market primarily.

Moving on to the cable business, which we acquired some 15 years ago approximately. We have the power cables, HT and LT. And also recently, we have launched the electron beam-based house wires, which we have called the Apar ANUSHAKTI brand. We also have the elastomeric cables, which are used in the renewables like wind and solar in a big way, besides, of course, other applications in railways and defense.

We also have the electron beam as a service for various other industries. So, they bring their products and we E-beam and do it as a service for them. Then another product line is the optical fiber cables. And because we have both power and other various type of cables, telecom, instrumentation, we are able to make various specialty hybrid cables.

So, a lot of emphasis we have been putting for the cable division, and we have been investing a fair amount. And even in the years to come, we see a lot of traction on this front. Here, again, there is a China Plus strategy going on where a lot of exports to the Western part of the world is helping us to increase our business for the cables. We are setting up more E-beams and also CCV lines to cater towards the renewable energy sector, and that is one of the major focus for us. So, this is a nutshell about our various products in the company.

And with this, if I may open up for question and answers, please.

Participant: Yes. Thanks, Chaitanya. If anyone have any questions, we can go ahead. Please raise your hand for the questions. Yes, Mihir, you can go ahead.

Mihir Manohar: Thanks for giving the opportunity and thanks for the presentation, sir. Sir, I largely wanted to understand on the profitability side, I mean, how is the profitability different in the high-value segment in the conductors versus the normal products that you are having? And also a related question to that was, I mean, how to understand the profitability, the EBITDA per metric ton for the conductors and in the oil and lubricant division from here on? I mean, how does the pricing mechanism work? Or what kind of number should we have confidence on? Is it more related to commodity prices and something like that, sir? So, largely in that context.

Chaitanya Desai: Yes. So, in the conductor business, almost all the business is going on the basis of the London Metal Exchange pricing. And then on top of that, we are charging the premium or the conversion cost plus profit. So, that is the model which we use for our various pricing. Of course, in a lot of the businesses, we just have to declare a final price. We don't have to give the breakup. And in some cases, we have a price variation formula where we use the LME as a base for the pricing.

And in terms of the margins, definitely the conventional conductors has been relatively lower margins compared to the various value-added products that I covered, whether it is the high-performance conductors or the copper-related products like railways and the CTC and also the OPGW. So, these, in terms of volumes are much smaller metric ton wise, it is smaller. But the rupees per metric ton margins is much more.

So, over the years, we have been giving like a weighted average figure for the EBITDA per ton basis. And recently, we were discussing also that since the interest rates have been increasing, we have been increasing our prices accordingly. So, another method for measurement could be the earnings before depreciation, tax and amortization. And that figure, we have been talking about is in the tune of Rs. 12,000 to Rs. 14,000 and is gradually increasing because what we have been trying to do is reduce our emphasis on the conventional conductors and concentrate more towards the export and the value-added products. So, that is bringing our weighted average EBTDA to a higher level.

Ramesh Iyer: Correct. So the EBDTA metrics, we are planning to start from Q2 onwards as we feel that interest for our type of business is like any other factors of production. And the way we look at raw materials and labor costs and power costs in the same way we look at interest cost, therefore, we try start to look at the EBTDA as a measure, hopefully from Q2 onwards.

So, coming back to your question, it's difficult to get to an exact differential between the conventional and the premium conductors because we are into order business, and these are all design specific orders that we get from customers. So, it's not a fixed thumb rule that you can apply for arriving at a difference between the conventional and the premium conductors.

Also, what is happening is that over a period of time, our export in conventional conductors is also increasing. So, that also gives us a better margin than the domestic conventional businesses. So, there's a combination of many factors that gets into the EBTDA. And a full time period of 12 months is what could be good relevance to see what could be projected in future.

Mihir Manohar: So, just an extension to that, should we see the normalized numbers will be higher than what they were historically, given the fact that share of premium products is going up?

Ramesh Iyer: Yes. As you see this trend going up, you will see the margins going up. At some point of time, once the trend stabilizes, then the margin also will get into a more stability mode.

Chaitanya Desai: We are in a state of flux in that sense because we have invested a lot in various products, new products. And while there are some parts of the factory which is fungible, so our concentration is how to load our plant with more value-added products and reduce out the proportion of the less valuable product. So, accordingly, the rupees per ton figures will increase, but the overall absolute term figures also should increase. And our concentration is not so much in terms of the volume as much as the profit margin part.

Mihir Manohar: And on the oil side, I mean, how is the profitability over there? I mean, does the pricing happen and how should we see the EBITDA per metric ton over there?

Ramesh Iyer: So, the overall oil business has been having high profitability and margin over the last 2 years. Even if you look at the first quarter, it has been a very high number. Of course, we had already mentioned during the first quarter earnings call that there could be pressure going forward as we see oil prices increasing and also customers putting resistance due to an increase in oil prices.

So, overall, to give a guidance about Rs. 5,000 to Rs. 6,000 per kiloliter for oil margins that we believe should be from a 12-month perspective. Of course, during some of the quarters you will see high margins, some of the quarters you see low margin because the oil price itself is very volatile, and there's no way to hedge the oil price. Therefore, you may see a quarter-on-quarter movement. But on a 12-month period, we expect about Rs. 5,000 to Rs. 6,000 per kL as our EBITDA.

Mihir Manohar: And just lastly, one question. I mean before I enter back to the queue. And on the cable side, you mentioned about some of the approvals that you have got specifically in the U.S. and for the renewable energy side. If you could throw some light, I mean, how will the revenue pan out here? How big is the opportunity? And how are we targeting this particular segment, especially, I mean, renewables energy or Western World?

Ramesh Iyer: So, a couple of things we are seeing happening on a global thing. One is the infrastructure spends generally across the globe is increasing, and that gives us opportunity for us to tap these markets there. And also the space in the renewables is going up with a focus on clean energy and green energy. It's giving a lot of opportunities for us. And we happen to be in a good position because in India, we are the #1 when it comes to the renewable space, the solar and wind. So, our ability to tap these opportunities appear much better than some of the other players. Also, since the last year, mostly by the second half, our share in the exports within the cable division has gone up. So, we do see good potential coming in from our overseas geographies for our cable business.

Hitesh Joshi: If anyone have any questions, please raise your hand. Meanwhile, I will ask a few questions. Basically, on cable side, where we have entered into this consumer business, B2C business over the last couple of months and also strengthened the team, you have a couple of hires from the industry. Now it is going up. And what are the specific targets you have in the mind for achieving a certain revenue? How we are doing it?

And in terms of the profitability, the profitability of ANUSHAKTI is significantly higher at a less gross margin because we understand the business is still currently in the buildup phase. So, you have a lot of overhead right now. But on the gross margin side, is it significantly higher than the overall profitability of the cable business?

Ramesh Iyer: So, overall, I think this particular segment there is a unique reason where we are into this business. And as we see this particular segment, there's a gap in the customer expectations that we see currently. And for us, our product is a very unique and differentiated product. It basically has 2 fundamental advantages that helps us to differentiate against other players in the market.

One is that it has a much higher current carrying capacity. It can actually carry 50% more current than the existing players. And secondly, the insulation is such that it's highly short circuit resistance. So, when you actually combine these 2, it has a good technical performance and gives us a very unique and differentiated product to capitalize upon. And it actually runs through our E-beam process, and we are the only player in this segment having E-beam-based product for this LDC segment here.

So, we were already there in the Kerala and Gujarat market over the last 3 years or 4 years or so. And we have been seeing good responses in that limited geography we are in. And this year, we are actually expanding to more southern states than more north and eastern part of the country. And over a period of time, we'll see our presence actually going up across the country.

And in terms of margins, yes, we like to keep the price a bit competitive as well as a bit higher than competition because of the advantage that we have. But initially, we'll see a lot of spends going on at the local level to create awareness about the product, meet with the electricians to communicate how this product is superior than the other available products. So, we'll see a fair amount of upfront investments going up in BTL as well as advertisement over there. But over a longer period of time, this would catch up with the overall profitability, which we'll get from this segment.

Participant: So, I understand that in the last con call, Kushal bhai has mentioned about that current run rate is around 150 crore, I mean for the FY '22, right? This year, you're targeting is close to Rs. 250 crore or around Rs. 300 crore and the next year, it's around Rs. 500 crore target for this product. Are you on track on that number?

Ramesh Iyer: So, we are targeting about Rs. 500 crore by FY '25-'26 , that's the number we give.

Participant: Okay, '25-'26. Not the next year. Okay. And in terms of the cable business, the highest margin at an EBITDA level, I think 11% margin we achieved in FY '19 and '20, and then there a dip in over the last 2 years because of the pandemic and the copper pricing moving much higher where we took some of the hit on our fixed price contract.

But now because of this B2C business, which is again picking up for that, what kind of margin we are envisaging in the next 3 years? I mean will it go to the 11% and much more than that? Or is it like because we're investing significantly in a brand right now. It will be still around 10% to 11% kind of in the range?

Ramesh Iyer: So, our aspiration is to get into this double-digit EBITDA for our cable business, and we have achieved it in the past. So, there's no reason that we couldn't get into that thing. Of course, the COVID pandemic because of that, our margins reduced. But if you see the last year, we were about 5-odd percentage. And if you break that into quarters by quarter 4 FY '22, we were close to 7 percentage. Quarter 1 FY '23, we were about 7.5 percentage. So, it's kind of getting settled at 7, 7.5 percentage.

We expect that this year, we will be close to about 8 to 8.5 percentage based on what we see coming for the year. And maybe over the next couple of years, we see that getting into double digits easily. That will increase our margins. And also, the upfront investment on LDC will not be a big dent on an entire cable business point of view because the volumes are still small as compared to the overall B2B business that we have. And also, as you see good export opportunities where the margins may be better. Overall, my profitability would be much higher than the upfront investment that we are doing on the LDC business.

Participant: And on conductor business, Chaitanya, sir. We have seen like this business has always been very volatile from a volume perspective. There were the years that we grew 30%, probably next year, it was down 20%. If you look at the number, I think FY '18 or FY '19, Apar achieved around 1.8 lakh ton kind of volume on an annual basis. This year, probably the guidance which you gave that in the previous con call was around between 1.3 to 1.4 lakh.

At the same time, the focus has been more on the profitability and value-added products and not more on the volume. Our EBITDA per ton has seen significant jump from Rs. 10,000, Rs. 12,000 to Rs. 17,000, Rs. 18,000 right now. And we understand that you continue to focus on the value side. But is the market for the values expanding at a much, much faster pace than the traditional, number one?

Number two, we have seen a lot of this government making some initiatives on reducing the deficit or I think that I would say that improving the power sectors finances, do you see any scope for the distribution companies or the SEBs to start doing some kind of Capex on the conductor side or the transmission line side? And are they doing to go to more on the traditional or is it going to be more on the value-added products which we have developed over the last many years?

Chaitanya Desai: Yes. So, on your first point, I agree there has been a fair amount of volatility on the volume side in the conventional conductors in the past. And definitely, during COVID, things were hit because a lot of infrastructure spend was getting diverted to attend to the medical front. And also projects were getting delayed and procedural tender-related things were getting delayed.

So, that is one thing which had happened. But now all that sort of pent-up demand is coming back on track because all projects people are working all over the world and want to finish their projects. So, that is one part of it. Then as was discussed earlier, the renewable energy is a big driver to both the conductor and the cable business and actually transformer oil also. So, definitely, we see a sustained demand going forward. Hopefully, there should not be any such pandemic going forward or any such disruption.

So, assuming that on one hand. And on the other hand, the products that we have introduced in the last few years where we are starting off with a low base and definitely, we have a lot of scope to grow in India and then outside India as well. So, that will also sustain the demand in terms of metric tons. And another part is that the demand for the type of conductors is also growing a little bit more on these value-added products, particularly where the clients are looking for a solution as opposed to simply a supply because they are not just putting up new lines, they are also doing reconductoring of old lines to feed more power with the right-of-way issues.

So, these are some of the things which we are confident of that demand will be sustainable and also of the value-added products with the trend which is going on with the urbanization and more power requirement in the cities. So, that will also require the governments to do a lot of things in terms of augmenting the power supplies to the urban areas. This is one area.

Secondly, on the renewable energy front also, it requires the grid connection. So, that will also drive the demand. And also in terms of the type of products that the renewable energy requires will be more robust type of products because they need to take care of the surge requirements as more solar parks and the wind farms are added to the system.

So, instead of building up at every point, a new infrastructure to connect to the grid, a lot of these developers are seeing this as a long-term investment to put up a connection to the grid, which has the robust connectivity and which can take care of the future demand. So, the nature of the product also, the requirement is also having a larger component of more value-added conductors like the high-performance conductors.

In terms of the OPGW also, there is a fair amount of sustainable demand we see because of the digital initiatives and the connectivity to various parts of the villages, et cetera, in India. And also similar phenomena is going all over the world with more transfer of data requirements. So, they are finding it more convenient to kind of replace the earth wire with the OPGW, which gives a very good connectivity for various companies which are not only in the telecom providers, but also other major corporates, which need to have transfer of the data going from one city to another city.

So, OPGW is one of the best ways to actually have the least attenuation losses. This is one sustainable demand we see there. Similarly, in some of the other products as well, where we have a low base currently, we see that the odds are that it's only going to increase in volume. We have built up the capacity. So, definitely, we'll be in a position to cater to those things as more approvals come through. Definitely, in COVID, some of those new products took a little longer time to get approvals because the plant audits, et cetera, could not be done. But now those things are coming in place. And gradually, we have got all the approvals from Power Grid, including the 765 KV approvals as well.

So, this is one question that you had with regard to demand. We see a very sustainable demand. And also, I would add to that, even in the export markets, with the geopolitical situation and India being favorable in terms of supplies to the western part of the world, we see a lot of increased interest to buy from us and also, we have already been established in those countries. The country's requirements there are not just on price. They buy also keeping in mind the quality, service, deliveries, and they are very thorough in all their documentation requirements. So, it's more holistic kind of approach that these buyers abroad have as opposed to an India where it's a tender-driven simply on L1 type basis, the decision is taken for purchase.

So, what we can say that is this move from China and also some of the European local players, even some of the American players, they are not equipped to take care of this sudden surge in demand, which has come about. So, the delivery schedule also for them is moving to after 1 year and therefore, these utility companies are forced to look at other options. And therefore, they find in India already, there is an existing good amount of capacity available. So, they are coming more and more towards buying from people like us.

So, I see this as a sustainable demand actually for the conductor business and also the move towards a more value-added products that will continue. We are gradually reducing our emphasis on the local market. We had put up the factory in Orissa keeping in mind the local demand, but some of that capacity also will be going in catering to the export market. We are generally agnostic as to where we will sell. We are trying to simply improve our margins by catering to the various geographies where we may improve our margins and also various products, which can give better value addition compared to the conventional local business. So, this is, in short, I think, on the question on the demand side. You also asked something else, if you don't mind repeating that?

Participant: So, only one thing, my question was on overall this SEB situation. Are you seeing any improvement on that side?

Chaitanya Desai: So, on the SEB, the Government of India, Central government has brought out this RDSS scheme, which will be a very huge investment, but it will benefit our cable business for sure because a lot of it is for underground cables and a little bit is overhead type of conductors. And it will be for strengthening the state electricity boards \or the distribution segment. It will not result in the high-performance conductor demand. That is being catered to by the state transmission companies. And this RDSS scheme is for the distribution companies only.

Participant: And you mentioned about is there a lot of shifting on orders from China to India? I mean obviously, you are being competitive on the cost side compared to the Chinese one, but is that the shift which we have seen in the last couple of months? And what you said about the new geographies are getting open and customers are coming up, is this across the players in India? Maybe there are others who are also doing export of the some of this conductor. Or is this specific move to Apar?

Chaitanya Desai: There are some percentage of export going by others, but we have the main business. And because we were already in this for a long time, we have built up certain credentials in those markets. And as I mentioned, those countries, they don't go just on price. Price is an important consideration, but actually, it's not the most important. There are other aspects which they look into. So, therefore, to get entry into some of these markets, customers take a lot of time. But once you're in, then they don't kind of change.

So, other parties, whether they're in India or China or elsewhere in the world also, we see this as sustainable kind of demand going forward. Also, I'd like to mention that some of the geographies where we have not yet penetrated, we see a good potential in some of those markets as well besides, of course, the ones where we're already entrenched in. So, there is a lot of scope. And everywhere in the world, we are seeing people slightly moving out of dependency on Chinese conductors and cables.

So, this phenomena, I think, will continue, and we will benefit from that. That also we have been wondering whether it was sustainable or not. And our feeling by talking to some of these clients is that the chances are that actually they want to consciously reduce their dependency on China. So, earlier, if they were buying 100% from China now they started buying at least 10%, 20%, 30% from other countries and they want to gradually sort of reduce their further dependency on China as well. And if possible, bring it down to 0.

We are also encouraged that some countries like Australia where China and Australia have a 4% advantage because they have an FDA. Still, the Australian customers are finding that buying from India is overall cheaper option and more value proposition, not just from a price point of view, but also if they have to make the timely supply for their projects, then they cannot depend on supplies from China if there are disruptions in the supply, which may happen. So, even from that angle, we find that they prefer to buy it from India and from Apar more specifically.

Participant: If I understood very simple that we are just entering into a very long-term trend where a lot of geographies, particularly Europe and others start diverting their import from China to India and some of the countries. And we have just seen probably, let's say, 10% or 20% of the demand shift from China to other nations. And still, there's a long way to go. Is it the right understanding?

Chaitanya Desai: Yes, because some of these clients are systematic in their approach. They will go gradually up. They do not sort of put all their eggs in like a new vendors basket. They would want to test out and see how the overall experience with the vendor is, and then build that further to so that they can have a very sustainable secure supply for their own requirements. So, that is a trend which we are seeing, and we foresee that the percentage of business coming from these clients also will grow in year-to-year basis.

Participant: Great. And they are all likely in a value-added products, right, largely?

Chaitanya Desai: Both actually, conventional as well as value-added. Even in those countries, there is a similar trend of renewable energy and same issues of right-of-way, et cetera. So, depending on their own planning, they have been buying some part of conventional and some part of value-added products.

Participant: We have a next question from Manoj Bahety. Manoj Please go ahead.

Manoj Bahety: So, I have 2 questions. Just a follow-up to the question which was earlier asked. So, both on oil side and conductor side, we have seen significant increase in margins. And as you explained that on the conductor side, part of this margin increase is also attributed to the product mix stage. But even on the conventional side, is there a short-term margin jump? And what kind of normalized margin would you see on the conductor side? And oil side, I think you have already mentioned that 5,000 to 6,000 would be a normalized margin, right?

Chaitanya Desai: Yes. Actually, what I can say is that in the past, we have envisaged how this situation is based on the current situation. And every quarter, we have been seeing actually improvement, at least on the conductor and cable side. So, it's like a moving situation, and we are just sharing with you the way we see the marketplace. And it is very encouraging to say the least especially what I just explained on the various export markets and even the move away from China and a very big push also on renewable energy everywhere.

So, some part of it is on account of these trends. And of course, a little bit is on account of this Russia and Ukraine situation, which is causing a difficulty to the European producers and therefore, the customers in Europe are also now off late looking more actively. But of course, we are in the process of getting more penetration there. It's not happened in terms of actual big business, but we see this is another big market, which we were not having much presence in, but there is a possibility we may enter in a much bigger way in times to come there also.

So, we see that these opportunities are there, and maybe the situation on the Russia, Ukraine may stabilize. But once we are in, then we may have some decent market share going forward. And earlier, we were not getting much chance to get into those markets. But now once being entrenched, we may have a better sustainable demand. So, as I mentioned, these Western clients are not the type who give opportunity to many vendors. But when you do get a chance, then you're kind of in for a much longer period.

Manoj Bahety: And these are like once you enter into that, these are long-term contracts or these are like the spot contracts as soon as they get their original supplies plant, again, they can switch back?

Chaitanya Desai: So, the nature of the businesses are 2 types. One is the EPC, which is a project like type of business. So, the EPC companies, again, they – once they have a comfort level with particular vendors, then conductor manufacture, cable or oil suppliers, then they would continue to buy certain percentage of business from them. So, somebody has to do something very wrong to kind of come out of that business later on. That is the nature of the relationship that continues on with these type of clients.

Manoj Bahety: So, you expect the margins on the conductor side will continue, right? Or even it can improve on year because of the product mix change, which is likely to continue, right?

Chaitanya Desai: Yes. Product mix and geography mix, both. Same for the cable also, the same thing.

Manoj Bahety: And my second question is if you can elaborate a little bit more on your retail cable strategy, like how you're going to penetrate geographically? How we're going to build your distribution, the brand awareness? And secondly, how difficult is to copy the superior features of our product, which we have introduced for the retail consumers?

Ramesh Iyer: So, as I explained earlier, in terms of difficulty to compete with the other players, in our case, we have a very unique and differentiated product that I talked about just a while ago, which is an E-beam-based product, and it has a higher current carrying capacity and therefore to that extent, it's completely different product than what is available in the market. The way approach what we are trying to do is to educate and bring awareness about this uniqueness to our consumers. And we have been doing that successfully in the Kerala and Gujarat market until now. And now we're expanding to other southern states, North and Eastern states. And our strategy is to educate the consumers through various iteration means that we have been doing that.

To bring this awareness to them that how our product is different than other products available in the market. Basically, this has a high short circuit resistant and is able to carry 50% more current than the product that is available in the market. So, our strategy would be to improve our reach in different states. We've commissioned a separate team within the Apar Cable division, who will exclusively look at this particular market, a lot of ongoing BTL activities and brand awareness activities are going on. We recently signed up a new brand ambassador, Sonu Sood, for promoting these products in the market. And we'll see a lot of activities around this particular segment that will help us to improve the reach and penetration across the markets.

Participant: We have a next question from Siddharth. Siddharth please go ahead.

Siddharth: Sir, as you said, your contracts are priced based on the prices in LME. So, is it fair to assume that we don't carry any inventory like risk of any inventory on our book? And also, is it that despite very sharp volatility in metal prices also our EBITDA per ton will be the current trend. So, is it fair to assume that? Because last couple of months, we have seen very sharp unpredictable move on both the sides.

Ramesh Iyer: Yes. In the conductor and cable, there is no risk of inventory because all the orders are back-to-back completely by our hedge. That we take on the LME. And to that extent, there is no inventory loss that we do. We have a very strong risk management strategy, wherein we are able to completely hedge the aluminum and copper prices in the market.

In terms of volatility, the price of aluminum is volatile and so is the case with copper, and that's the reason this hedging strategy helps us because it actually ensures that we are able to procure the material at the rate at which we accepted the order. And as we take this hedging position once we accept the order, we are able to source the material exactly at that price. And therefore, even though if there are price volatility that happens, we, as a company, don't end up absorbing the gains or loss because it's all hedged in the LME.

Siddharth: So, is it fair to assume that the current EBITDA will be the new like a benchmark for you for like coming like in multiple years?

Ramesh Iyer: So, we have given our guidance, and we keep on revisiting our guidance depending on opportunities that we see, the recent guidance you've already given as the end of Q1, that's what we expect going forward. But however, depending on how the situation pans out in the future quarters and the future years, we will keep on revising depending on what we see as a realistic EBITDA margins.

Participant: We have next question from Levin. Levin, please go ahead.

Levin: Sir, I had a question on the cable division. So, we say that we have a 60% market share within the wind power. So, what would be our market share into solar? And what kind of opportunity do you see both in domestic as well as exports market for the solar cable?

Chaitanya Desai: In terms of the solar cable market share, actually, there have been new entrants and our concentration has been also not to sort of just sell it as a commoditized kind of product. So, our share in terms of market may have gone down because earlier, there were like 3 players, now there may be a couple of more players.

So, we are in the vicinity of about 20-odd percent market share in the case of the solar cables in the Indian market, but we are now trying to export a lot of these products also. And there, we have basically just touched the tip of the iceberg, and we feel there is a huge scope. And as we discussed earlier, our concentration is how to improve our overall net bank as opposed to be committed to only Indian market, which may not give us that kind of margin that other geographies may allow us to do so.

So, our concentration is not just to increase our market share in India, but to grow in the world markets. And also, we are putting a lot of new investments for some of these products, which have a little differentiated requirement with other type of certification, which is a barrier of entry to those markets. So, even the compounding is a very special type for these markets. So, we have been actually concentrating on building our business in those markets as opposed to the Indian, which is a little commoditized case. Like in the case of the conductor also, we have a conventional type conductor. Same way, there is a commoditized type solar, which is in the Indian market. So, our concentration has been how to increase our share outside India.

Siddharth: Sir, and will it be fair to assume that within the cables division and the elastomeric as well as the solar cable, the margins would be better than the segmental margins overall that we report?

Ramesh Iyer: Yes. Relatively, that will be better than the other segments.

Siddharth: And sir, lastly, just to understand the kind of opportunity that we might see in renewables both domestic as well as exports, what kind of cables are required per megawatt of installation, any thumb rule so that can give us some sense about the opportunity?

Chaitanya Desai: So, what we are seeing generally is in big projects, the cable part is roughly 5% or so of the project cost. So, if suppose the RDSS scheme of Maharashtra is, say, Rs. 40,000 crore investment, then maybe 5% of that will be cable requirement.

Ramesh Iyer: Also these are all design specific special application products. So, it's difficult to actually get on to exact number because there is a huge amount of industry that we cater to and different products have different applications. So, depending on the requirement of the customer, your design actually gets finalized. So, it's actually a bit difficult to put exactly a number how you can get into that. But yes, it depends on the specification and the design requirements.

Siddharth: What I generally meant is that if you look at the exports opportunity, like everybody is talking about big numbers in terms of renewables over the next 3, 5 years, be it the U.S., Europe and like you also said that we have just started to look at those markets or just started supplying, there is going to be a huge requirement of cable over there as well in the exports market. So, just wanted to understand what kind of opportunity size we may have in next 3 to 5 years?

Ramesh Iyer: Yes. So, if you look at overall, the global market is much, much times bigger than the Indian market. And with all this China plus one strategy, all the spends of infrastructure that is going to increase over the years and all the renewals put together, the opportunity in the market is much more. Now companies are becoming ready to adapt to this product requirement, the customer specifications, the customer approving the company's technical specification, et cetera, will play a role in terms of how do we gradually grow the business from here. And that will be true for many other players as well. But different companies will have uniqueness in terms of how to tap these opportunities that is coming through.

Participant: We have a next question from Mihir. Mihir Manohar, please.

Mihir Manohar: I had 2 questions. First was on the Capex. I mean, are we looking at any capacity expansion in these verticals? And second thing was on the payables side. I mean, out of the Rs. 4,000 crore payables that we are having, are they completely interest funded, interest bearing? Or how is it? I mean I wanted to understand the working capital funding.

Ramesh Iyer: So, the CAPEX, we already have given our number for FY '22, it's about Rs. 150-odd crore that we plan to spend in FY '23, about 2/3 will be coming in the cable division. And in terms of your payables, the way we look at payables is that it's completely for working capital purposes and if I'm not wrong, about Rs. 2,000 crore or Rs. 2,500 odd crore and we look upon interest as any other cost of production.

So, for us, what happens at all this interest gets into the price of my customers, we actually calculate the interest for our suppliers outstanding and then accordingly price it to our customers. So, in a way, your interest is looked upon as any of the cost of production and that is the reason even earlier that we talked about, whether for our company, whether EBIDTA or EBDTA should be a better basis because barring the fixed interest bearing loan that we have on the borrowing, there are no other loans on the balance sheet. And all this are working capital, which completely gets into our pricing when we build it to our customers.

Mihir Manohar: So, is it like the payables become interest-bearing after 3 months? Or how does it work?

Ramesh Iyer: Yes, correct. That's after 3 months, it becomes.

Mihir Manohar: And just lastly, I mean you gave the CapEx for FY '23. But anything on FY '24, I mean, for the last 5 years combined, we have done Rs. 880 crore kind of in CapEx. So, I mean, any indication over the next 3 to 5 years, how are we looking at this number?

Chaitanya Desai: As the opportunities are surfacing, we are also investing to avail of those opportunities and build the capabilities with the more value-added offerings from our side. So, it may be difficult to give you a number, but it looks actually that there is a lot of potential for us to grow and with marginal investment and to take avail of our infrastructure and a good access to certain markets and to grow them in a much bigger way.

So, accordingly, I think the investment trend, the way that things are going right now in the western part of the world and also the renewable push and the China plus one type strategy and even with the European high cost of energy, et cetera. So, those things are encouraging and would suggest that there is a good potential for us to grow even beyond our existing years plans. And accordingly, we will keep on debottlenecking wherever necessary to avail of those opportunities.

Mihir Manohar: That's it from my side. Thank you very much for the answer and thanks for giving the opportunity.

Participant: I have 1 question. So, I mean there are 2 trends. One is that the LIBOR is moving up. So, will that increase our interest cost? The second trend, the commodity prices are coming down, particularly copper, aluminum and also the oil in the last couple of weeks also.

So, that also reduces our working capital. So, given this one, will we see an increase in our overall interest cost going ahead?

Ramesh Iyer: Yes. In fact, there is one more vertical to that, even the exchange rate also is going up. So, our interest cost is a the combination of, as you rightly said, SOFR going up. The prices of aluminum and copper being volatile and also exchange rate going up and also the quantum that we procure in a particular quarter. So, it's a mixture of all these 4 variables that actually end up determining the interest cost. So, all this will influence interest costs.

And therefore, it's difficult to see which will weigh more than the other because it's so many moving parts to that. But directionally, we really see that interest costs will be on the higher side, rates are going up and also exchange rate is going up and we are actually seeing a higher interest cost in times to come.

Chaitanya Desai: But when we are pricing our product, we are factoring these costs and our competitors are also in the same boat, so to speak. So, everyone will be considering the same cost of the commodity or the interest costs.

Participant: That's what I think you mentioned it earlier also that because it's in a very long cycle, right, from the product, the raw material procurement to the dispatch and the billing, it's in a long cycle to that. So, probably, I think it's a good way to look at the numbers that in our EBITDA way rather than an EBIT way. And that can give probably a better picture to the investors from looking in the business on a trend long-term perspective.

Chaitanya Desai: Correct. We agree.

Participant: One more question. So, not many people have spoken on oil segment per se. I think the more excitement is currently one on the cable and the conductor business. But I mean given that and also Kushal bhai in earlier con call gave a commentary that TSO did a lot of job of heavy lifting in the last 2, 3 years, where the conductor and cable were surprised because of the COVID pandemic and other things.

Now in the coming years, 1 or 2, the TSO settlement will probably go on a relatively small lower growth compared to the last 2, 3 years of growth. Is it because of the market is saturated? Or is it because of we are run out of the capacity at UAE where we are running it in a full and not looking to add the capacity? Or is it something that the focus of the company is much more to grow on the cable and conductor and we don't want to chase the opportunity in the oil segment?

Ramesh Iyer: No, there's nothing about capacity. In fact, we have enough capacity to grow our oil business clearly. So, that is definitely not a constraint. Also, what is happening there with the increase in oil prices, you may find customers postponing their orders or pushing their deliveries because oil prices being high, it also affects their cost because finally, we pass on the increase in oil cost to our customers. So, that's where we felt that the volumes could be coming under pressure for the year as a whole.

Also, we are being very careful in terms of the customers to whom we want to sell. So, our products are approved across all the customers there which we have, but we want to be very careful in terms of who we want to service so that we don't want to end up chasing them for payments. And over the last 2, 3 years, we have actually removed about 30-odd percentage of our customers.

And so that our DSO in the oil business has come down from 100 to 70-odd days. So, we want to be very specific in terms of the customer profile, which we are servicing. And given that the comments that you said will be valid. But also, I would like to say that as the level of infrastructure increases, as more transmission capacity getting added, and that the more and more transformers will be needed. And out of our oil business, about 1/3 is for transformer oil. And you will see a high requirement for the transformer oil business to cater to these increased infrastructure spending and also the new transformers that will be coming.

Participant: That's it. Any other questions any participants have? I think that's all. Thanks, Chaitanya Bhai. Thanks, Ramesh, for participating in our conference. Apar has always been in a great health in Equirus and it's been privileged to track the Apar for the last almost 10 to 12 years since we have been tracking it. Thanks for coming. Thank you. And thank you all the participants. We may end the call now.

Chaitanya Desai: Thank you, everybody.