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

Sub. : Submission of Transcript of Investors Conference call on Un-audited Financial Results (Standalone & Consolidated) for Q1-FY24

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

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Dear Sir/Madam,

Kindy refer to our letter no. SEC/3107/2023 dated July 31, 2023 w.r.t. submission of link of Audio Recording of Investors Conference Call on Un-audited Financial Results (Standalone & Consolidated) for Q1-FY24.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Investors Conference Call on the Un-audited Financial Results (Standalone & Consolidated) of the Company for the First Quarter and Three Months' period ended June 30, 2023 made on July 31, 2023.

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

SANJAYA RAJU KUNDER

Digitally signed by SANJAYA RAJU KUNDER
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Date: 2023.08.04 18:53:40 +05'30'

Sanjaya Kunder
(Company Secretary)

Encl. : As above

"APAR Industries Limited

Q1 FY '24 Earnings Conference Call"

July 31, 2023

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: MR. AMBESH TIWARI – S-ANCIAL TECHNOLOGIES

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Conference Call of Apar Industries Limited. 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ambesh Tiwari from S-Ancial Technologies. Thank you, and over to you, sir.

Ambesh Tiwari: Good afternoon, everyone. This is Ambesh Tiwari from S-Ancial Technologies. I welcome you all to the Q1 FY '24 earnings call for Apar Industries. To discuss the business performance and outlook, we have from the management side, Mr. Kushal Desai, Chairman and Managing Director; Mr. Chaitanya Desai, Managing Director; and the CFO, Mr. Ramesh Iyer.

I will now pass on to Mr. Kushal Desai, for opening remarks. Thank you, and over to you, sir.

Kushal Desai: Yes. Thank you, Ambesh. Good afternoon, everyone, and welcome to Apar Industries Q1 FY '24 Earnings Call. Let me begin by giving you an overview of our performance. And then I'll follow that up with a short industry update. Post that, we can get into more detailed segmental performance of the three businesses.

So, during Q1 FY '24, the consolidated revenue came in at INR3,773 crores, which is 22% above the same period previous year. We witnessed an overall volume growth across all our three divisions, both in the domestic market as well as overseas. Our exports grew by 53% year-on-year and coincidentally contributes to 53% of the overall revenue of the company compared to 42% from a year ago.

The EBITDA is higher by 54% at INR369 crores at a margin of 9.8%. Profit after tax came in at INR197 crores, which is 61% higher than in the same period previous year, and is at 5.2% versus 4% in the year ago period.

In terms of some industry highlights, according to the Central Electricity Authority, the data that they published on their website. India has added 14,625 circuit kilometers of transmission line in FY '23. In the first quarter of FY '24, further 2,796 circuit kilometers of transmission lines were added. By FY '24-'25, a total of 28,700 circuit kilometers of transmission lines are expected to be added, making a total reach of about 4.5 lakh circuit kilometers.

This expansion initiative is part of the Prime Minister's Gati Shakti Master Plan, which aims to enhance and strengthen India's power transmission infrastructure. A record high investment of INR75,500 crores approximately of transmission line projects has been approved by the center. And these will be awarded under the competitive billing route.

These projects are basically expected to connect the renewable energy zone that are being set up in Gujarat, Rajasthan, Maharashtra and hydropower projects in Himachal Pradesh. The Ministry of New and Renewable Energy has a target of awarding 50 gigawatts per annum of renewable energy capacity, including 10 gigawatts per annum from wind energy between the years 2024 and 2028.

Our belief is that even a portion of these aggressive plans get executed, the demand for conductors, cables and transformer oil will all remain strong.

Coming to the more specific individual business highlights, the Conductor business revenue in the first quarter '24 grew by 15% year-on-year to reach INR1,775 crores with a volume growth of 27%. The export revenue grew by 58% year-on-year, contributing towards 57% of the division's revenues. The premium product basket contributed to 42% of the revenue mix. The EBITDA per metric ton post forex adjustment came in at INR38,740 per ton.

Overall, our order book remains reasonably robust at INR5,356 crores. The conventional ACSR conductor in the tariff-based competitive bidding for the domestic market has now been upgraded to an AL59, which is a high-efficiency conductor. So, this is a very positive development for the country as there are significant advantages of using the AL59 conductor type over ACSR and is representative of the premiumization direction that the country is doing in.

We are also seeing a gradual shift worldwide to an increased usage of specialized/ACCC-type conductors as customers are building more robust and higher capacity transmission system to evacuate power, especially from the renewable power sources.

Coming to the performance of the Oil division. In the first quarter of FY '24, revenues came in at INR1,198 crores, which is up 13% year-on-year. The volume growth was also 13% in the quarter. And this has been an all-time high volume sales for the first quarter of any year. Exports contributed to approximately 50% of revenues. The EBITDA post forex adjustments came in at INR6,035 per KL, which is lower than last year due to a higher base in the last year of Q1 but is in line with the guidance which we have been giving.

The lubricants revenue came in at INR241 crores with a volume of about 17,500 kilolitres. We expect that transformer oil and industrial oil, which saw increased demand in the quarter, will continue to show increase through the rest of the year. The retail automotive and the agricultural lubricants demand was a bit subdued in the first quarter.

Coming to our cable business. The cable business revenues grew by 52% in the first quarter to reach INR967 crores, a with an increase coming from our elastomeric products as well as our exports. Our exports contributed towards 52% of sales in Q1 versus 43% a year ago. The EBITDA margin post forex came in at INR110 crores, which is 11.4% of revenues, up by 3.8% compared to the previous period. All the sub verticals within the cable business have shown positive growth, including our B2C part of the business, which is the Anushakti house wires.

So, in conclusion, I'd like to say that we had a positive start to FY '24 with volume-led growth across all divisions. However, in the short-term, we expect a bit of a slowdown in the export markets as there is a clear sign and signal of de-inventorization of excess inventories, especially in the United States and to some extent in Europe.

Warehouses of many customers are full and they are reducing inventory, considering that the supply chains have normalized, and there is no need to hold higher inventory levels to compensate for uncertainty in deliveries, which are now available with significantly reduced lead time and with a much higher level of predictability along the delivery supply chain.

There is also some effect of the higher interest rates, which has increased the carrying cost of inventory, and that is also partly contributing towards this effect. There are also some large projects, especially in the United States, that could be pushed back to allow for the widespread expectation of interest rates to come off in the next 12 to 18 months, thereby allowing the total cost of the project to reduce for some of the developers.

However, our discussions with various EPC players, customers and asset developers indicates that even if there is some delay, the building of these renewable energy projects, transmission lines and other infrastructure are all on stream and will happen. This could consequently affect demand in the short term, especially in the U.S. market. However, the domestic Indian market remains very robust.

And as mentioned in my opening remarks, there are several projects which have been built and will be under execution. We continue to be focused on the long-term prospects of the company and remain committed to not only service the domestic market, but also increase actively our global customer presence, thereby creating what we believe would be the best value for our stakeholders.

We have a very detailed corporate presentation that has been uploaded on the company's website. And I would encourage all of you to please look at the same as it carries much more information than what is possible to put forth in these opening remarks.

So, with this, I'd like to come to the end of my comments. I thank all of you for joining our call today. And with this, could we open up the floor to questions, please.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ankur Jain from Future Investments Private Limited.

Ankur Jain: So, I have a question with respect to the Polymer division. So, recently, you mentioned in your annual report that the product APARPRENE was approved by Hasbro, the world's largest Toy company. So, what is the revenue potential do you see in this business and the overall growth in the Polymer division? That is my first question.

And second question is in respect to the cable B2C business that we have. We are kind of late entrants in this business. And now we have around 2,000 retail touch points as compared to a competitor like Polycab who has 2.5 lakhs touch point. So, wanted to know like what is the way forward for this business? And like, how our products are better than competition in terms of quality and price?

Chaitanya Desai: So, for the first question, Polymer business is relatively small compared to the other 3 businesses. And our recent approval with Hasbro will also open up doors for other toy companies everywhere in the world. And we see this business growing. The polymer business currently is about INR100 crores revenue per annum. And over a period of time, with these approvals, we hope to get to INR200 crores to INR300 crores. We are making certain investments also in this polymer business, which is quite synergistic to our cable business.

Kushal Desai: And your second question was with respect to the B2C side. So yes, we are late entrants, but as we've mentioned before, we have a very unique product. Our distributor network is constantly growing. Our retail presence is growing. And our whole focus has really been on educating electricians, contractors and specifiers. So, the level of demos and leads that we have in the first quarter is about 60% of the – 50% to 60% of the leads that we've had in the entire last year.

So, it's a gradual process of building brick-by-brick. And we don't want to buy a business. We want to grow the business organically and in a systematic manner because the product is a premium product. But if you see the growth trajectory, it has been very steady and we expect it to continue over the next few years. So, besides the Anushakti wires, we are also selling through our distribution network, a whole range of light-duty cables, but Anushakti is our flagship product.

Ankur Jain: So, what's like – aspiration we have in this business in let's say like prices down the line?

Kushal Desai: So, I mean, I think I've mentioned in some of the previous calls that we can see clear visibility of getting to about INR500 crores in FY '26. So, the business has been growing. Right now, it's been almost increasing 50% to 70% a year. As the base number grows, the percentage may fall, but you keep adding significantly. And whenever we are able to demo the product, especially in front of decision makers, we have a very high probability that they go in for the wire because of its properties.

Ankur Jain: Yes, okay. Can I just squeeze in one more question. We also have a wiring...

Kushal Desai: Please limit to two questions and you can probably, if you don't mind, come back in the question queue, so that we can address everybody else's questions also, yes.

Moderator: We move on to the next question that is from the line of Amit Anwani from Prabhudas Lilladher.

Amit Anwani: My first question is on the conductor's business. You highlighted two things in your opening remarks. One was a port slowdown, which can be sensed in the short term. And at the same time, you also highlighted move towards premiumization with ACSR. So, I wanted to understand two things; are we now, since export is the largest contributors, sticking to our guidance of 10% volume? And we also saw a realization dipping by 10%, so any sense on what we are expecting? Are we changing our stance in conductors' business?

And second, this ACSI opportunity, how that is going to pan out for us? What is the addressable market? Any colour you can throw on that?

Ramesh Iyer: So, we are not changing our guidance on all the 3 divisions. And Conductor, we continue to hold a volume growth of about 10% in terms of volume. And in terms of EBITDA, we expect it to be in the range of INR25,000 per metric ton plus the tailwinds that we get on a quarter-on-quarter basis, because these orders are something that we get in domestic business as well as an export business.

As mentioned in the opening remarks, the domestic business is quite robust and strong. And we don't expect a reduction in the volume at this stage. Also, in terms of profitability, we have been giving this guidance earlier also that we look at INR25,000 per metric ton. And this quarter, we had about INR38,000 per metric ton, which is in line with our guidance.

Amit Anwani: Right. My second question is on the Cables business. So, Cables, as you spoke about the de-inventorization happening across supply chain. There, what is the utilization or capex trajectory which you mentioned? Any colour on that? And if you could just highlight the breakup within Cables, which as you are already aware, that Elastomeric is growing much faster. Any colour on other divisions as well within cables, if you would like to highlight like power cable, XLPE?

Ramesh Iyer: So, even in Cables, our capex guidance continues to what we'd mentioned in the last quarter. Overall, our capex for this year, for the next 12 to 18 months are likely to be about INR350 crores to INR400 crores, about 2/3 is going to be on cable, and that is unchanged. We are not changing any of our guidance now because we believe the long-term growth prospects is very much on the cards.

It's just that temporary momentum may or there could be some slight slippages on that front, but the long term looks very promising. And therefore, the capex plan remains unchanged as of now.

Amit Anwani: Right. For Premium products contribution, did we saw any slowdown? I can see 42% versus 47% Y-o-Y and HEC is just 20% versus 26% Y-o-Y.

Ramesh Iyer: Yes. So, quarter-on-quarter these percentages vary, it's very difficult to put that on a quarter-on-quarter basis. Typically, we look at the entire 12-month period. So, these depends on the orders that we executed during the period. And in our business, there is a lot of testing requirements and approvals in place. So, depending on the execution, this mix percentages can keep changing on a quarter-on-quarter basis.

Kushal Desai: As we mentioned in the opening remarks, the premiumization drive is generally taking place across the board. So, as you start moving in time, like, for example, ACSR is now – all the new building is coming with AL59. So, in a year's time, you will see a dramatic change in the domestic market on major transmission projects, where AL59 as a conductor will become the base product.

Amit Anwani: Sir, is it fair to assume that domestic market can deliver higher volume growth over the next 2, 3 years versus exports?

Kushal Desai: We are very flexible in terms of wherever the – we look at the domestic and the export market actually as just one market where wherever we get the best realizations carrying the least amount of risk, that's where we would like to focus. But our sense is that over the next 1, 2, 3 years, the mix is not going to vary very much because there is a lot of work that's happening overseas. It's just the U.S. market, which for conductors has shown some amount of slowdown.

There are all – other markets also where there is a demand that's coming up even from Latin America, from Australia, from many other geographies. But we thought it would be prudent to mention and I think this is affecting all industries. It's not just our conductor and cable industry where the inventory levels that people were holding, they're finding today that those levels are too high because supply chains have got pretty much normalized and capacities, which were in place for not being effectively utilized by manufacturers because of their own supply chain issues, so those also have got sorted out.

So, lead times and delivery times are much shorter than what they were during the COVID period plus there is no uncertainty today in terms of calling up containers, loading them on ships, clearing them through ports, etc. So, it's any natural de-inventorization process that's taking place.

Moderator: The next question is from the line of Maulik Patel from Equirus Securities.

Maulik Patel: A couple of questions. So, in the last 2, 3 years, the export in cable business has been very, very strong, and it has grown from, let's say, 20%, 25% of the cable top line to now it's almost 50% plus top line. Is it because of our relationship with cable – relationship in Conductor and TSO segments are opening this product into same customers? Or is there something else which has been driving this growth?

Kushal Desai: So, there is a combination of 2 things at play. There are a few customers who are common in terms of conductors and cable, especially the very large EPC companies that have a division that builds transmission lines as well as the renewable energy sort of supply and erection at renewable energy sites.

So, there is one group of those customers, but there are many customers who we have opened up for supply of both conductors and cable who are end utility. So, we are looking at that aspect also. So, you can't take away from the synergy value of both the conductor and cable. Though there are two sales teams, they collaborate with each other, but they call on customers individually.

Maulik Patel: Got it. Second question is on the TSO segment. The volume growth has been strong and you mentioned in your opening remarks that because of the various government initiatives – the domestic demand across Conductor, TSO and cable has been good. So, is there anything else which has been driving the growth? I mean we understand that the government and the SEB has started procuring more transformers. That should be the one driver. But anything else which you may like to highlight?

Kushal Desai: So, there are 2 major schemes which are there. One is the RDSS, which we have spoken about in the last call, where there is a rollout taking place for the rural distribution strengthening that's going on. There, the cable business will benefit more on the power cable side.

As far as this – the Gati Shakti is concerned, it is a transmission line initiative of building transmission lines connecting all these different green sites. And the third effect which is there is that these green sites are coming up with increased combination of wind and solar and both of them have a reasonable intensity of cables. So, you'll see all of these – they are all drivers and these similar effects are there in the overseas markets also. Where you've got new transmission line is being built, you've got both wind and solar projects running.

And in every case, there is some requirement of transformer oil because there is a substation that's involved which carries a transformer. So that's the reason why in the opening remarks, I did mention that over the next 3, 4 years, we should see a good demand coming forward for transformer is also on a global basis.

Maulik Patel: Just a bookkeeping question what has been our acceptance for this quarter?

Ramesh Iyer: Yes. So, our interest-bearing LC outstanding is about INR3,700 crores as of June

Maulik Patel: That was INR4,100 crores sometimes in the end of March, right?

Ramesh Iyer: Yes.

Moderator: The next question is from the line of Charanjit Singh from DSP.

Charanjit Singh: Congratulations on a good set of numbers. Sir, my first question is, you've talked about some weakness in the U.S. market. Sir, do you think that some of the other markets which you have talked about like Latin America and Europe, they'll be able to compensate for that in the near term? And when do you see that the U.S. market can come back again because earlier you had highlighted there were large mega projects which are going on in terms of the power infrastructure in U.S., and that could create some more longer-term sustainable demand. So, if you can touch upon this aspect.

Kushal Desai: Yes. So, there is – a similar effect is there even in Europe as in the United States, where there is a higher inventory levels in place. So, most customers are talking about a 3 to 4 months period where ordering will be at a slower pace, that pretty much – it's not that there is no ordering. There's ordering to cover up for – making sure that the mix of product is appropriate, but you know that the free flow of demand should probably pick up in the next – maybe at the end of this quarter or in 3 to 4 months sort of time limit.

In terms of the mega projects and some of the larger projects that are concerned, as I mentioned earlier, none of them have been stalled. There is a widespread expectation that interest rates are now peaking, and there could be a likelihood that in the next 6 to 12 months, the rates would actually start maybe coming down. And there are some developers who are contemplating that. And as a consequence, looking at deferring that project.

But I don't think that it is a matter of serious worry for us simply because of the number of project sites all over the world, which are actively coming up. So, even if a developer who is looking at wanting to develop 3 sites, they may focus on 1 or 2 sites and then defer the third site. So overall, I think we'll still see good demand overseas.

And on the domestic side, so there is none of that effect because most of it is based on the government approving transmission lines for the green corridors that are coming up as well as SECI and the Ministry of Renewable Energy approving tenders to go out for solar and wind farm. So overall, Charanjit, I don't see any huge concern. There may be a few months, little bit here or there. But given the nature of the business, which is a bit long cycle, the long cycle is still pretty much intact. The medium term, long term is very much strong. And in fact, looking stronger by the day, given the number of commitments which people are looking at putting forward in terms of executing down this path.

I must also mention here that in some of the tenders which we are filling in for conductors, already customers are asking for the carbon footprint. So, they're not only asking for your Scope 1, Scope 2, but also the embedded carbon footprint, part of Scope 3, which is in terms of what is the carbon content of the aluminium that you're sourcing, etc

So, this whole ESG movement is really here to stay. And as long as that continues in this manner, there will only be an acceleration of execution. Like for example, if you see the power mix in India, it has improved from almost 78%, 79% hydrocarbon-based down to about 71% hydrocarbon-based. And if this execution continues, we'll be in the mid-60s in another couple of years. So, I hope that kind of gives you an overall view of the question that you asked.

Charanjit Singh: Yes, sir. That's very helpful. Sir my other question is on the transformer oil part of the business. When we are looking at most of the transformer manufacturers, the outlook from their side is pretty strong, and they are adding significant capacities. So, in a way, then, do you expect this transformer oil segment also in terms of volume growth can be much higher than generally single-digit growth, what we have seen with the kind of outlook which transformer manufacturers have?

Kushal Desai: So, we expect that the volume growth should definitely take place. And the 5% growth that we are projecting is for the entire basket of products, as I mentioned in my opening remarks that of that transformer oil and our industrial lubricants are probably the 2 categories where we are most bullish in terms of growth. So, essentially, moment you have a solar farm or a wind farm that comes up, there is a substation that is required then to step up the power on to a transmission line.

And then, at the other end, another substation is required to step it down for the distribution to take place. So, with this activity that's happening here, the collateral benefit is going to come to the transformer oil side. And we still maintain 40%-plus market share in the domestic market. We are, by far, the largest exporter from India on the transformer oil side. So, that part of the business will continue to grow.

Moderator: The next question is from the line of Dhananjai Bagrodia from ASK.

Dhananjai Bagrodia: Congratulations on a great set of numbers again. Wanted to understand regarding your realizations for the year for the segment, how do you see that take along?

Ramesh Iyer: So, the realization is actually a function of multiple factors and it depends on the price of aluminium, copper. It also depends on the price of the base oil that happens. We typically look at margins and also look at premium products and export products in terms of who drive the per unit profitability. But our realization will depend on the orders and there are multiple factors that basically decide the realization levels.

Dhananjai Bagrodia: So example, our realization, is it booked now, let's say for the, like A; sort of contract orders, is it variable or fixed? And B, is there a pass-through? And then C; regarding the – do OP per ton accordingly fluctuate or is it more in a band when we do our contract?

Ramesh Iyer: So it's a combination of both variable and fixed. We have all kinds of orders that comes through. And aluminium and copper are completely pass-through. We complete -- we take a back-to-back hedging for both the conductor and cable business. In the case of oil, it cannot be hedged. So we keep inventories of about 2 months. And to some extent, we are – sometimes we have inventory gains in some quarters, we have inventory losses, which averages out over a long period of time.

Dhananjai Bagrodia: And your OP per ton, is that always in a band or how does that usually fluctuate?

Ramesh Iyer: Sorry, what is that?

Dhananjai Bagrodia: Sir your OP per ton, so your OP per unit, how would that play along?

Kushal Desai: So, we self-control the operating or the EBITDA. So, in fact, we go above that, we had to control the value addition that we have or the gross margin on the product. And as Ramesh says, the aluminium and copper are pass-throughs. So, if it is a variable, we would buy on the index that's part of the variable and if it's fixed then we take the LME position – duration on any of the metals.

Dhananjai Bagrodia: Okay. So that was OP per ton, would be broad-based – would be consistently in the same range. We won't have too much fluctuations like maybe some other?

Kushal Desai: So, the variation is based only on your competitive intensity for that particular product based on what the order has come in. So, as you get into more premium products, you have more pricing power as you have more commodity products, then the competitive levels are higher in nature. So you could have a fluctuation in the operating margin, but it's not caused by generally a huge fluctuation in the basic metals because those are either variable or they are hedged on a fixed price basis.

And your question, as Ramesh has tried to answer that question in terms of – the revenue will depend upon which direction aluminium and copper moves in. So, off-late we've seen commodities sort of strengthening a little bit. especially in the crude and gas oil. So, in that case, with a lag of a couple of months, it pretty much gets passed on, into the market.

Generally, when there is an increase, then we tend to gain. When there is a decrease, then prices tend to fall a little sooner because customers get overly anxious to negotiate down. But, overall, we don't see a very complex environment on commodities. Whatever movements are there, they'll be flattish or they will be gradual. That's our sense.

Dhananjai Bagrodia: Sure. And sir, one question regarding competitive intensity. See, since our factories now might be running at higher utilization, so we were able to pass on some of the cost advantages. Anything along the lines there of what's happening globally in terms of competitive intensity?

Kushal Desai: So, globally, the competitive intensity has increased in the last earnings call also, I've mentioned that China, a lot of supply-related issues in China also have got straightened out, just like the rest of the world because these COVID effects are behind us.

So, the competitive intensity has increased. And that is the reason why we have been talking about our guidance on conductors of INR25,000 per ton from a higher level than existed last year. But having said that, we are quite confident that we'll be able to live up to whatever guidance's we've given.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: My question is basically predominantly in the Cables division. Sir, we are seeing a sequential decline in the Cable order book, so where is this coming from? And could you guide us in the pipeline for the same?

Kushal Desai: So you know in the cable business, the order book is not as critical as in the Conductor business, because the conductor business is a much longer cycle than cable, where there is a lot of inquiries and transaction flow that's taking place. What we are seeing today is that the orders coming from the United States have slowed down. And as I mentioned, will be soft for the next few months until inventory levels start straightening out.

Against that, the offtake in the domestic side has been stronger and there, the order cycle is much shorter. You get an order and you start executing within days of getting the order. So, the order book, I don't think on the cable side actually is a measure of that. Having said that, we do have an order book of almost INR1,000 crores. So, it's covering at least 1 quarter worth of sales.

Riya Mehta: How much will be export in this cable order book?

Ramesh Iyer: About 50% would be exports.

Riya Mehta: And if I look margins, should we expect further decline in the margins considering that the export percentage would go down and domestic would increase in the cable division?

Ramesh Iyer: Yes. So we are guiding a margin of 10% to 12%, which should be around that levels.

Riya Mehta: Okay. In terms of Oil division, since we are seeing crude going up tad bit on a fortnightly basis, how does this impact margins?

Ramesh Iyer: So, this will actually happen over a period of time because you know it depends on what inventory you are carrying.

Kushal Desai: In the short term, usually when prices go up, there is a benefit that takes place because when you buy your base oil on a contract basis, then the contract formula takes -- there are backward-looking formula. So, you get a breather in terms of time before it comes and hits you.

But on the reverse cycle, when prices come down, the reverse happens where the contract formula takes the same amount of time longer for it to come down. So that's why Ramesh has been saying that up and down, it kind of negate each other, but this cycle, if prices go up, then you tend to benefit at least in the short term.

Moderator: The next question is from the line of Pratiksha Daftari from Aequitas Investments.

Pratiksha Daftari: Just wanted to understand the order book for the Conductor division. This would be for 6 months?

Ramesh Iyer: So, typically, its range is about 6 to 7 months. Of course, there are still some orders within that order book wherein the execution time happens over a period of 1 year also. So otherwise, generally, it's about 6 to 7 months with the exception of few orders having long execution period.

Pratiksha Daftari: Okay. And what would be the contribution of value-added products, specifically HEC and OPGW in this order book?

Ramesh Iyer: So, it's about – it's about 45%.

Pratiksha Daftari: Both put together?

Ramesh Iyer: Yes. The premium products that we call. These could be about 45% of the order book.

Pratiksha Daftari: Okay. And this – the whole idea of basically destocking or lesser demand or – that we are seeing, that would be predominantly or completely in export market, right? How do we look at order pipeline in domestic market?

Kushal Desai: So Pratiksha, on the domestic side; see, even in the export side, the PV cable, the solar and PV, etc, the demand still fundamentally remains strong. It's just for destocking where people realize that they don't need to carry that level of inventory anymore for servicing their project size. But domestic side, the demand has been strong. The competitive intensity is a bit higher than in export because in exports, you need a lot of approvals, especially if you want to export to the United States, you need the U.L. approval, if you want to export to Europe, you need a CE or a VDE approval.

The domestic market is a bit more open and more competitive, but we are finding that not only power cables, where demand has been growing for wind and some of the more specialty cables also. So I think as Ramesh has mentioned that we are looking at a 25% to 30% growth for the business as a whole and an EBITDA guidance of between 10% and 12%.

Pratiksha Daftari: Okay. And just one last question. You may have mentioned Gati Shakti and you mentioned RDSS as policies that are – how do you look at BharatNet as an opportunity for our products?

Kushal Desai: So, BharatNet is also an opportunity for our optical fiber side of the business. And – but some of that is just still getting crystallized in terms of how the – it's very clear that there is a huge, about INR35,000 crores worth of turnkey projects that are going to come on stream for BharatNet, but the modalities of how it will be executed is still not completely finalized, and that should come out in the next few weeks, but that opportunity is absolutely there.

Pratiksha Daftari: Okay. But that will be, again, competition intensive, right?

Kushal Desai: Well, if it's on a turnkey basis, yes, it will be but then, you know, each package INR2,000 crores to INR3,000 crores, and it generally entails about 10% of cables and then the remaining 90% is accessories write-off, way of digging, you know all these other aspects. But the ticket of each will be over INR2,000 crores, INR2,000 crores to INR3,000 crores each package. So the competitive intensity is there, but it cannot be that high because the players only with a requisite balance sheet would be in a position to bid for that business.

You need to provide bank guarantees and all these other things, which are not the easiest to come by. And besides that, we see also as the 5G rollout – right now, you don't see a big amount of 5G rollouts. But around the world, 5G rollouts are starting to take place, where you have a combination of fiber optic and copper because the pipelines which are laid, it's much faster to lay.

You don't have to lay a separate fiber optic line and a separate power line. So when you have the combination in a single cable, you end up cutting your laying cost by half. We play a significant role in the U.S. and some of the other markets. So that's another area which we are looking at various products are under testing, approval, etc, on the fiber optic and power side.

Moderator: The next question is from the line of Kishan Tosniwal from Polar Ventures LLP

Kishan Tosniwal: I have one question that as you mentioned like in the Conductor division, the premium conductors will become the new norm or the new normal. So, why are we guiding for INR25,000 EBITDA realization when we are seeing that the premium products will become the new normal, then why so low guidance from realization of conductors?

Kushal Desai: So, typically, ACSR conductors carried guidance for decades, which were in the INR8,000, INR9,000 crores, INR10,000 per ton. And so then getting to INR25,000 plus is a good step up to that. So, our expectation is that it should be in that range. This move is a relatively new move of CEA having approved this AL59, which is one of the high-efficiency conductors in there. And so, over a period of time, we will be able to determine exactly where that margin level will fall because today, there are 5, 6 major players who can do AL159 versus about 30, 35 players who would have bid against ACSR sort of contract or tender.

I'm sure some of those 30 players who'd all make this cable will also try to make – sorry, conductor, will try to make this conductor. But all I can say is that it is a positive direction.

Kishan Tosniwal: So, in continuation to that, in the last con call, you were guiding in the range of INR25,000 to INR30,000. Now you are saying INR25,000 plus. But now you are not saying INR250,00 to 30,000, that range can be...

Kushal Desai: We were very – we've always guided INR25,000-plus any tailwind effects which are there, and those tailwind effects do happen where you've got sometimes more favourable freight, sometimes you've got certain execution that happens sooner and faster than had been anticipated. But we've not changed our guidance. It's still remaining at INR25,000-plus any tailwinds that actually come by. And as you go quarter by quarter, some of the freight benefits and all will obviously level itself out. So you'll be then down to the basic intrinsic strength of the margins on the underlying products.

Moderator: The next question is from the line of Himanshu Upadhyay from o3 PMS.

Himanshu Upadhyay: Yes. See, I – in the starting of the thing, we stated that the slowdown we are seeing or expecting in conductors is there in the export. Do you expect that similar slowdown can also come in the cables business because both the end markets would be similar, okay? And even on the DSO.

And should not this slowdown be for all the segments? Means, why only conductors, any thoughts of yours on that?

Kushal Desai: So, as I mentioned that there is an effect on both cables and conductors. And it's an effect that's happening across almost every product line that's being exported to the United States, because they were all holding higher inventory levels due to all the uncertainties and lead times for delivery.

As those are normalizing, it is natural that the deliveries – I mean, the inventory levels fall. And today, especially with the high interest rates, the cost of carrying higher inventory is also a big burden. So, that is also catalyzing some level of de-inventorization. So, we are seeing it in both product categories. Fortunately, the domestic demand has been quite robust. So, that's the reason why we're not changing guidance really for the year.

You may have a temporary fall in export as a percentage of total revenues. But in the – once this process in the next few months gets settled, you'll find demand in both the sectors, both domestic as well as export continuing to be quite strong.

Himanshu Upadhyay: And the cable exports should be majorly – predominantly to U.S. only?

Kushal Desai: So, the U.S. is the largest export market that we have. But we are seeing good demand from Australia and we have some amount of demand coming and growing even from Europe. There are projects that are still continuing in Africa, which are African Development World Bank aided. It – we will export product to multiple countries around the world. So even though the U.S. is the largest and there is a bit of a temporary slowdown over there. We expect overall the market to still be good -- the export market to still be good. And other geographies are starting to pick up.

Himanshu Upadhyay: Okay. And one last thing. The transformer oils or the Oils business, do you think the numbers are sustainable and the market has – means the pressures of high-priced inventory and all those are now far behind. And that INR6,000 is sustainable on…

Kushal Desai: So, I think the INR6,000 per KL, I mean we've guided at INR5,500 a KL for the year. And I think as you run through the remaining 3 quarters, we should be able to – as things look today, we should be able to reach those numbers.

Moderator: Thank you. The next question is from the line of Sujal from Girik Capital. The lines of the current participant have dropped off. We'll move to the next, that is from the line of Vishal Kediya an Individual Investor.

Vishal Kediya: Sir, how much exports are contributed from U.S. in the Conductors and Cable segment?

Ramesh Iyer: Which Conductor is it?

Vishal Kediya: How much exports are contributed from U.S. in conductors and cable segments.

Kushal Desai: What is a percentage of...

Ramesh Iyer: Out of our total exports, total cable quarter sales to U.S. will be about 25% to 28%, total sales

Kushal Desai: Any other questions, Vishal?

Vishal Kediya: And is the cable segment, sir?

Ramesh Iyer: Cable is what I mentioned.

Kushal Desai: Cable is around 28% of total sales. And in the case of Conductors, it is also in the 20s.

Moderator: The next question is from the line of Pawan Nahar, an individual Investor.

Pawan Nahar: My question is, we have a very robust order book for conductors, more than 3 quarters of current quarter revenues. So, we would have a good sense how many more quarters the tailwinds on spreads are likely to continue. So, if you can talk a little about that, 1 quarter, 2 quarters, 3 quarters?

Ramesh Iyer: Yes. So, some of the orders, Pawan, the execution happens over a period of time. It's not that all these orders come on a first-in first-out basis. We get these orders and some of the orders execution, in fact, can even start 1 year down the line. So, what is reflected here is the entire order book that we have as of now.

Kushal Desai: So, the bulk of, I would say, 75%, 80% of these orders are to be executed over the next 6 to 7 months. And as Ramesh has mentioned earlier, there is a few which actually runs longer. Our sense is that within this period, there will be new orders which will come up. So, it's a completely moving…

Ramesh Iyer: It's a moving number, yes.

Kushal Desai: Yes, it's a moving number. So if you take the U.S. market, Pawan, there are a bunch of utilities, almost about 30 utilities, which are very large utilities. There are 3,000 utilities which are much smaller utilities. So, those smaller utilities for their maintenance and capex requirement, they rely on distributors. These distributors have high level of stock. So as their stock decrease over the next 3 to 4 months, they will come back into the market to stock and carry.

The stock levels will not go up to the levels that they were because they don't need to. But then the demand flow will start coming based on the way the execution is happening. For the larger utilities, they have now we – they move towards direct purchases. And even they are reducing their stock level because they don't need to carry as much stock. So, our sense is that most of the de-inventorization process will be a 3-to-4-month process. It's not going to be like a 1-year sort of situation.

I had also mentioned that there are certain big asset aggregators that are there, like we have even in India, a few. So, some of them, if they've got multiple projects running, they are reducing the number of simultaneous projects that they're executing today, waiting to – deferring a few projects since the interest rates may come down. So, they're concentrating on accelerating a certain set of projects and slowing down some others. So, as far as final demand equation is concerned, we don't see any huge impacts or change taking place.

Pawan Nahar: Let me mention the demand side, actually, I want to say congratulations for me because I've been watching you all over a decade. I mean U.S. is 20% plus of our conductor business, that's like quite huge. I'm sorry, I missed it. And cables it is more than 25%, impressive. So sooner or later, they'll come back. But my question was more on the spread side that we are saying, conductors, INR25,000 is the normal plus the tailwind. So, my – what I'm saying is, we have a certain amount of order book. We know what will be distributed in the next 2, 3 quarters. So, for how many more quarters can we expect this tailwind to continue before it goes to INR25,000. That's the question.

Kushal Desai: You'll find that the tailwind is – the velocity on that is reducing because as you execute orders where you carried a higher freight than current freight, etc; as the execution is getting done, you're monetizing that. And the new orders that are coming in are more in line with current freight and current cost structures, which are in place. So, our sense is that you will finally get to that INR25,000 level.

The tailwind also comes not only from freight and things, but also in the product mix. So there are a whole lot of projects which have been built upon. And then as they get fructified, then you could have the mix altering on a positive side. But otherwise, considering all factors, INR25,000 is what we had thrown up as a long-term sustainable number.

Pawan Nahar: I understand that long term INR25,000, which is amazing. All I'm saying is, we have a certain amount of order book, we will have some spend about next 2 quarters, right? So can we – like all I'm trying to get to is, incrementally I understood INR25,000, but this tailwind from – is there in the existing order book is my understanding. So can we expect this tailwind to continue for the next 2 quarters?

Kushal Desai: Yes, yes. So, there will be some effect of that for the next 2 quarters. It will start – the effect will start tapering off, but there will be an effect over the next 2 quarters.

Ramesh Iyer: It will not be a steep fall. It was wane down naturally.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Congratulations on a good set of numbers. Sir, just largely wanted to understand on the export side. I mean, given the fact we are seeing some amount of slowdown in the exports. Just wanted to understand the profitability improvement, which has happened, right, from INR17,000 per metric ton to INR58,000 kind of a metric ton and starting getting normalizing. So just wanted to understand, what was the profitability, which was driven by higher exports. If you can throw some light as to what is the realization difference in EBIT – realization difference per metric ton for U.S. business and for domestic business, that will be really helpful.

And just my second question was on the competition side. I mean last time you had mentioned that some of the Chinese suppliers have, once again, started to get entry, especially in the U.S. conductors' business. So, what is the stand as of now? I mean, how is the Chinese part playing out specifically on U.S. conductors? Just wanted to understand that.

Ramesh Iyer: Yes. This INR17,000 to INR58,000 per metric ton is the combination of various things that has happened. You had all your tailwinds, which includes this supply chain disruption that happened and China plus 1 happened and then you have the renewable energy push in the U.S. And also a lot of distributors wanting to just fill up their warehouses.

So it's a combination of multiple things that has gone up. And in addition to that, we had our own premiumization that happened within APAR where we could – premium conductors there. So it's really multiple combination and there's no one number that can be attributable to what actually increased. So that's the reason we are still guiding at INR25,000 plus a tailwind because we expect some of the tailwinds will definitely continue over next 2, 3 quarters and some may even continue perpetually, depends on the competitive intensity and China Plus 1 strategy.

Kushal Desai: The U.S. is not – your second question was that the China Plus 1 with respect to the U.S. So, the Chinese players, as I've mentioned earlier also, are not the biggest threat in the U.S. market because the – currently, the tariffs for Chinese products still remain higher than for Indian products. The competitive intensity of Chinese manufacturers is showing up in other geographies where they do not have any differentiated tariffs and in some cases case, they actually have a more favourable tariffs than Indian companies, which are in certain Latin American markets.

So, the Chinese competition has definitely increased, but it's not in the U.S. It's in – the United States, Australia, etc, are kind of staying away from the Chinese suppliers. It's more in Europe, Latin America, etcetera, maybe in Africa, where their presence is being felt today.

Mihir Manohar: Sure, sir. Sir, just wanted to understand the realization difference for non-premium products, I mean, what is the realization difference for U.S. and non-U.S. or/and domestic market?

Kushal Desai: So, there's just so many orders and it's very difficult to pin any such number. All I can say is that the strategy has been to take standard products and sell them as much as possible in premium markets and take premium products and then sell them as much as possible in the domestic market, especially on the conductor side by selling a turnkey solution for the HTLS, ACCC, etc. The copper products, which are there, we are inherently carrying a higher margin and are more specific in their application. So, such a level of granularity, something that we would not be able to provide.

Moderator: The next question is from the line of Pujan Shah from Congruence Advisers.

Pujan Shah: Only one – not a clarification, but a question would be, if we look at the specific HEC component, which has been decreasing in the total mix, if we assume that the total mix would remain the same as the last quarter, would we get to achieve the same EBITDA per metric ton, what we have achieved in the last quarter?

Ramesh Iyer: So the EBITDA, it depends on this HEC as well as exports. So, and all this depends on the level execution over there.

Pujan Shah: Okay. But if you assume...

Kushal Desai: We don't have a like-to-like reduction in HEC, but you've got HEC contributes towards some 20%-odd of the total basket. So, the remaining products also – it's a moving mix, which is taking place.

Kushal Desai: See, the HEC will be in the same vicinity plus or minus 3%.

Pujan Shah: Okay. And second question would be on the polymers business. So, how much your total capital we like to invest in this specific – for this year and the next year? And yes, we are assuming that to see growth to INR200 crores, INR300 crores. But are we mainly focusing for – like is it for the cable business or that the polymer can be used or it is used probably – specific for the reason of – purpose of the sale?

Chaitanya Desai: Our investment will be in the tune of about INR35 crores, and part of it will be to grow the polymer business, partly for the in-house requirement for cables and also to sell those same products outside our in-house requirements, other applications other than for cable industry also

Moderator: The next question is from the line of Aditya Khandelwal from Securities Investment Management.

Aditya Khandelwal: I have a couple of questions regarding our oil business. So, if you could bifurcate the volume share of different products like transformer oil, white oil and industrial process oils from the total volumes?

Kushal Desai: So, we've never given a guidance in terms of the exact breakup of the transformer oil, white oils, etc. But we've given the details in terms of the lubricant side of the business, which is at INR241 crores, and that's about 17,500 KL – kiloliters, out of – a total of about 1,35,000 kiloliters in total.

Aditya Khandelwal: I just wanted a rough break-up of the 1,30,000 KL which we sold, what would be the proportion of transformer oil, white oils, just a rough proportion?

Kushal Desai: So, yes, transformer oil, is yes, about a third.

Kushal Desai : Yes, probably 30% to 35%, and white oil is about 30%, 28% to 30%. And the lubricants are forming about 17,500 out of 1, 30,000.

Aditya Khandelwal: So, sir, the 13% year-on-year volume growth, which we witnessed with lubricants showing a flat growth and white oil being a slow-growing segment, would it be fair to say that we would have grown by more than 15% in the transformer oil segment?

Kushal Desai: We've had a double-digit growth in that quarter in transformer oil as well as in industrial – on the industrial lubricant side. So, I would see these businesses, it's difficult to just take a quarter and if you look really at the – you've got to really look at 12-month periods to be able to make a call. Our general sense is that transformer volumes will grow, given the amount of infrastructure on the power side that's going in not only in India but around the world. So, the lead product in – one of the lead products will be transformer oil.

Aditya Khandelwal: Sure. And sir, I just wanted to get a better understanding of working of industrial lubricant business. So, are these products sold directly to the customers or they are sold through distribution channels? And are they sold primarily on price or is there some element of branding also involved?

Kushal Desai: So, larger accounts are sold by us directly. Smaller accounts, we have an extensive distribution setup because industrial oils for some customers, they would buy just 1 barrel or 2 barrels. So, distributors take care of that. In terms of performance, branded and non-branded, you have fundamentally multiple categories. So, the performance products, high-performance products and products, which you've got to sell along with the service are the two which are more sticky in nature.

They either carry OEM approvals or they are much higher performance products there. The lubrication requirement is lubricating a machinery of very high value. So that segment is a branded segment. Then there is – all of it is branded. But you may have hydraulic oil and some of these which are less critical. Within Hydraulics also if you're running high injection molding machines and some of these more expensive equipment, then they would carry OEM approvals.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Kushal Desai, for his closing comments.

Kushal Desai: I'd like to thank all of you for joining our Q1 FY '24 earnings call. Just in conclusion, I'd say that we've had a good start to FY '24, and we expect that all the long-term indicators – the medium and long-term indicators remain intact. In the short term, there could be some adjustments in demand in a few export markets like the United States, but the domestic market remains robust. And we continue to be very optimistic of our business in the quarters and years to come. So, once again, thank you very much for joining our call

Moderator: Thank you, members for the management team. Ladies and gentlemen, on behalf of Apar Industries Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.