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August 6, 2024

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Sub. : Submission of Transcript of Investors Conference Call made on Un-audited Financial Results (Standalone & Consolidated) of APAR Industries Limited (the Company) for Q1FY25.

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/ Madam,

Kindly refer our letter no. SEC/3007/2024 dated July 30, 2024 w.r.t. submission of link of Audio Recording of post Investors Conference Call made on Un-audited Financial Results (Standalone & Consolidated) of the Company for Q1FY25.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Investors Conference Call made on July 30, 2024 on the Un-audited Financial Results (Standalone & Consolidated) of the Company for Q1FY25.

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 Kunder)
Company Secretary

Encl. : As above

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**“APAR Industries Limited
Q1 FY '25 Earnings Conference Call”
July 30, 2024**



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 APAR Industries Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Ambesh Tiwari:

Thank you. Good afternoon, everyone. This is Ambesh Tiwari from S-Ancial Technologies. I welcome you all to the Q1 FY '25 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 would now pass on the mic to Mr. Kushal Desai for the opening remarks. Thank you and over to you, sir.

Kushal Desai:

Yes. Thank you, Ambesh. Good afternoon, everyone and welcome to the APAR Industries Q1 FY '25 Earnings Call. I would like to start by giving a quick overview of our performance and then follow it up with a short industry update. We can then get into more details on the segmental performance and then finally end by opening up the floor to questions.

So, for Q1 FY '25, the consolidated revenue came in at INR4,011 crores, which is up 6.5% year-on-year. The domestic business actually grew by 43.4% versus last year. The export revenue degrew by 25.9%, essentially due to the high base of US revenues in Q1 FY '24. Export shipments across all 3 divisions were affected from the 10th of June onwards due to a sudden issue with containers, ships and freight, resulting in lower dispatches, especially on the FOB shipments where customers were to put up their containers.

The EBITDA is up 6.8% year-on-year to reach INR394 crores with a 9.8% margin. Profit after tax came in at INR203 crores, which is up 2.6% year-on-year and is 5.1% in terms of margin.

In terms of key industry highlights: Data from the Central Electricity Authority reveals that the total transformation capacity added during June stood at 4,035 MVA. On a quarterly basis, the transformation capacity added during FY '24, '25 is expected to be 10,260 MVA.

Looking ahead, India is likely to witness a record increase in transformation capacity addition. As for the CEA, the current fiscal year FY '25, which is from 1st April '24 to 31st March '25, is expected to see as much as 1,16,490 MVA of substation capacity coming on stream. If this materializes, it would be by far the highest substation capacity addition in any year compared to the previous 5 years. In fact, it would be fair to assume that this would be the highest transformation capacity commission in any financial year historically in India.

On the transmission line addition: During Q1, April to June of FY '25, the CEA reported that 973 circuit kilometers of transmission lines were commissioned, which is representing only 16.7% of what has been targeted in this year, which is 5,839 circuit kilometers.

The state utilities were the main contributors, but fell short of expectations, adding just 921 circuit kilometers out of a planned 4,494 circuit kilometers, achieving only 20% of their target. Finalization of tenders were delayed due to national elections and elections in some of the states.

In terms of the renewable energy sector, the country has made significant progress with increase in the installed capacity going up by more than twice in the last 8 years. As of the end of June 2024, the total renewable energy capacity stands at 195 gigawatts, of which 85.47 gigawatts comes from solar, 46.7 gigawatts come from wind. The total capacity under pipeline, which is being added, is 134.85 gigawatts, with 85 gigawatts coming from solar and 30 gigawatts coming from the wind side.

I would like to also now get into more details in terms of the individual business segments and their performance. Our conductor business revenue in Q1 FY '25 grew by 9.1% year-on-year to reach INR1,936 crores, with a volume growth of 6.7% in the quarter. Export revenue contributing to 29.5% of the division's overall revenues versus 52.4% in Q1 of last year. The exports were down versus last year due to delays in regulatory approvals in competition and then as I mentioned earlier in the call, due to container availability, which created delivery challenges for export shipments. The premium products contributed to 37.1% of the revenue mix. EBITDA per metric tonne post-forex adjustment came in at INR38,532 per tonne. On the back of execution of higher-margin product orders, especially with a higher amount of HTLS conductors getting executed in that period. Under the conventional conductors, the more premium variety of AL-59 continues to replace gradually the entire quantity of ACSR. Overall, our order book is at INR6,725 crores, with premium products contributing towards 41% of the order book. There was a new order inflow in the quarter of INR1,794 crores.

Coming to the oil division. Q1 FY '25 revenues came in at INR1,265 crores, which is 6.1% higher than a year ago. The volumes grew by 5.9% in the quarter. Global transformer oil volumes grew by 20% over the last year, driven by strong demand and a gain in market share globally. Exports contributed towards 45% of the oil division. EBITDA post forex adjustment came in at INR6,935 per KL, which is 15% higher than last year. The automotive oil volumes recorded a strong growth of 29% year-on-year and the industrial lubricants business grew by 7.6%.

Coming to our cable business. We saw revenue growth of 7.8% versus last year. If you exclude US revenues, ex U.S. revenues, we grew by 23.9%. The domestic revenue grew by actually 48.4% year-on-year, and export degrew by 30.5%. The export mix currently stands at 33.2%. Export is lower than last year due to the higher base of U.S. sales in Q1 FY '24. The EBITDA margin came in at 10.3% in Q1, which is down 110 basis points versus last year. And this, we can attribute to lower level of exports as well as a geographic mix. The overall order book came in at INR1,571 crores.

In conclusion, the global supply chain continues to be a bit challenging, as delivery shipments were affected in June due to container availability tightness. If you look at the total exports that got postponed across the 3 divisions, it is in excess of INR270 crores. Also, demand from the U.S. and Europe has been affected to some extent due to delays in regulatory clearances, especially on transmission line.

We have been seeing an increased level of inquiries from the Western nations recently and are hopeful for a further acceleration towards the second half of the year. The macro environment otherwise looks positive with the thrust on renewable energy capacity additions, transmission line sector expansions and we continue to remain buoyant on the robust growth drivers that should help create more value for our stakeholders.

Chinese competition, however, has increased considerably, especially in areas where there are no barriers to entry for Chinese products. Due to predatory pricing, however, duty on Chinese goods which include aluminum conductors and cables have been increased by up to 25% further in the U.S. This will likely make Indian-origin goods more favourably positioned in the U.S. market and that's the reason why we have an optimism that business will grow in the second half of this year continuing into the next financial year.

We have a very detailed corporate presentation on the company profile and performance that has already been uploaded on our website and we would encourage everyone to please access the same and go through it.

So, with this, I'd like to come to the end of my comments and open up the floor to questions.

Moderator:

The first question is from the line of Maulik Patel from Equirus Securities. Please go ahead.

Maulik Patel:

Kushal bhai, a couple of questions. One on the conductor side. We are hearing that some of this player like KEC and the Diamond Power, they have started also the conductor manufacturing capability or about to start the manufacturing capability.

Are we going to see a significant market? And if they're coming up with the new capacity, how long it generally takes for the new entity to take an approval from the relevant authorities, like PGCIL or if they're trying to get an export in U.S., how many months it generally takes to get an approval?

Chaitanya Desai:

So, companies like KEC, who are EPC companies, they will be more catering to the internal requirements because there will be a conflict of interest with other EPC companies. So, it's not likely that they will be actually upsetting the marketplace. With regard to Diamond Cable, also, they are somewhat connected to Adani in some ways. So there also, it may be more gearing up for the Adani-type requirements, which is a developer. So here again, there will be a conflict of interest with other developers. This is our perspective.

In terms of the barriers to entry, the product, which is now being used in India, which is AL-59, is not an easy product to manufacture for a new entrant. So, it is possible that some of these companies may actually start off with the conventional ACSR conductors and it may take some time for them to actually qualify and make the product as per the requirement of PGCIL and other customers.

And in the export market, it's not just a question of price, which wins the business, it is also a combination of reliability, past records of how much business has been successfully done in that geography. So, to make this kind of inroads, we had to take several decades. So, I believe it may be equally difficult for new entrants and especially when the existing entrants are well sort of in the entrenched.

So, it's difficult for a new party to get space to enter into that market. But a lot of these foreign utilities and foreign customers, they are not just looking for the lowest initial cost. They look at the total cost of ownership and they are ensuring that their project is not getting delayed or there is no problem on the quality as they execute the contract. So, their philosophy is quite different from our Indian utilities.

Maulik Patel:

Also, they look at ESG compliant also where you have the significant investment in the past, right, in terms of an ESG compliant?

- Chaitanya Desai:** Yes, especially in Europe, we are seeing a lot of that.
- Maulik Patel:** Your inflow was one of the lowest. Is that because of the election that's been a decline in the new order inflow?
- Chaitanya Desai:** Part of it was on account of the code of conduct, especially where we are directly dealing with the utility. There is also previous quarter where we had a good inflow of orders and we have certain commitments for supply. So, although we could have taken on more business, but some of the clients are looking for deliveries which are clashing with our existing commitments. So, we have not overcommitted by taking on those orders and then not being able to supply those volumes.
- Kushal Desai:** But Maulik, on a half year basis, you're looking at almost INR5,000 crores if you had to, there was more finalization that took place in the Q4 and then because of the elections and the state electricity boards are actually been running a little bit behind us, it was mentioned in the opening remarks. Our sense is that the domestic market otherwise is fairly strong.
- Chaitanya Desai:** There has been some impact on the export as was explained in our opening comments that because of the logistics disruption, the inflow of business from the export markets has been somewhat disturbed. Besides our actual dispatches, which got affected also inflow of new orders in certain export markets has got somewhat impacted because clients are hoping that once this 1st September starts, then the situation should start normalizing and container availability should start coming back into the stream because the extra duties will start kicking in of Chinese goods to the U.S. market from 1st September. So currently, there is a rush to supply all the goods to the U.S. market before 31st August. So, it's a combination of these factors also.
- Maulik Patel:** You mentioned that the duty has been increased from what percent to what percentage?
- Chaitanya Desai:** Chinese products into the U.S. from 35% close to 60%-plus.
- Maulik Patel:** Applicable to both conductor and cable or only conductor?

Kushal Desai: So, it's conductor – aluminum-based products are included in that, but the total range of products is going into many categories, including a whole lot of gears it goes into your photovoltaic cells, etcetera, etcetera. And the increases have been between 20-25 percentage points.

Maulik Patel: Kushal bhai, you've been highlighting about this slowdown in the U.S. market from a cable perspective, there has been an inventory rationalization, which I think was taking place since last couple of quarters, have we seen the bottom of that?

Kushal Desai: I think so because our inquiry rates have substantially increased. And even the order inflow has started increasing. So, when you are looking at this first quarter versus first quarter of last year, first quarter of last year was still at a fairly high level. But the shipments to the U.S. in spite of this problem which having happened is still higher compared to the previous quarter. So, I think it has already bottomed out, very clearly bottomed out, and shipments and inquiry levels have started increasing.

Moderator: The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Congratulations for the good set. First question on the volumes. So, you did highlight it on the export front the contribution this time was about 30% and last year and from recent past, the contribution was, especially in conductor used to be 40% to 50%. So, underlying the challenges which you highlighted now, what are the volume expectations?

And second thing, I wanted to understand on the regulatory delays, which you have highlighted, if you could elaborate more? Is it because of the elections or any other factor which is there in exports, U.S. exports?

Chaitanya Desai: So, on the regulatory front, the foreign regulatory bodies are more demanding, and there are a lot of more procedure for their various permissions compared to our Indian counterparts. So, to get the project clearances itself takes many years. So, these are some of the things which have affected some of the projects. And in addition to that, the higher interest rates also have sort of forced some of these

projects to get little postponed in terms of the implementation in these foreign countries, that is what we were meaning when we said about the regulatory delays.

And with regard to the future quarters, this Q2, which we are currently in, that is also obviously somewhat impacted because of the logistics disruption. And we are hoping that from Q3 onwards, things should normalize.

Amit Anwani: Right, so are we expecting that the contribution will again come back to a higher level of 40% from exports?

Ramesh Iyer: Yes. See, the mix will be better. What we are also doing is that our product peaks we are improving, as we have been mentioning from the earlier quarters, the ACSR-type conductors are being replaced with AL-59 conductor. So even though they are conventional conductors, they are having a better margin than the ACSR conductors.

Similarly, within the premium product portfolio also, we have better margin products in terms of CTC conductors having a better – higher share than PICC conductor. So, we're trying to optimize the better product mix, high margin mix within each category, and that is the reason we are getting a better EBITDA margin on a per metric tonne basis.

Now it really depends on the kind of orders and projects that get executed during the quarter. So, you may see the EBITDA margins moving in that direction, depending on the overall premium mix as well as premium mix within each category. But for the full year basis, we are expecting about volume growth to be anywhere between 10-15 percentage.

Amit Anwani: And are we revising EBITDA per tonne?

Ramesh Iyer: Sorry?

Amit Anwani: Are we revising EBITDA per tonne this quarter.

Ramesh Iyer: No, so we go with our annual guidance that we have shared last time. But we have been working on improving the product mix. So, depending on what we've executed in the quarter, your EBITDA margin will improve there.

Amit Anwani: Right. And on the oil business, we did highlight that the global transformer oil volume have gone up by 20%. Is it for APAR. And if so, then I think the overall oil volumes has been 6.7%, is it affected by other verticals and transformer is doing great, if you could explain more? And then if that is the case, what is the outlook for the oil business with respect to EBITDA per KL and volumes in the coming quarters?

Kushal Desai: So, the transformer oil, the 20% growth has been – is specific to APAR. The market is not growing at 20% a year. But as the Indian market is probably growing close to about 8% to 10%, and the overseas markets are growing at around 6%, 7% a year, depending on which geography one is looking at. We have been gaining market share in several countries, which is why the figure of 20% with respect to APAR. As far as the product verticals are concerned, transformer oil, which is a target vertical for us to grow has shown these numbers of 20% growth.

Similarly, if you take the lubricant business, both the automotive and industrial also have grown. What has degrown for us is the process oil business and the white oil business, both of which actually carry a lower margin profile. And the main reason for the white oil business being lower is the foreign exchange issues that are existing in Africa as well as the higher logistics costs, shipping from India into Latin America and a few of these other markets, which typically we have been doing a good amount of white oil business.

So that's the reason why you've seen transformer oil at 20% and the lubricant mix, also double-digit growth, but overall growth at around 6%. But because the more profitable product line has grown, you see an overall increase of almost 15% in the EBITDA quarter-on-quarter.

Amit Anwani: Right. Lastly, sir, on Cables business. So, this quarter, we did about 7.8% top line growth. So, with the comeback in the exports business, are we still guiding more than 20% growth for the Cables business and similar kind of margins, 10.5% to 11%, 11.5%?

Ramesh Iyer: Yes. margins are likely to be in the range of 10-12 percentage. And overall, value also, we are looking at about 25 percentage growth on an annual basis.

Amit Anwani: And this is primarily when the U.S. comes back? Or again, this business is displaying much faster growth in domestic market, any colour on the domestic market with respect to optic fiber and low-duty cable, how the growth and contribution is happening from all the fast-growing businesses in Cables?

Ramesh Iyer: So domestic business is showing very strong growth. If you see even this quarter, domestic business has grown by more than 40 percentage. Of course, 25 percentage, we are assuming that U.S. also comes back. Our domestic business looks strong. Our LDC business has also grown 50 percentage in this quarter to about INR70 crores in this quarter. So apart from that, all the other verticals on domestic took strong growth in this quarter.

Amit Anwani: How was the elastomeric cable growth?

Ramesh Iyer: Elastomeric cable was over 15%...

Kushal Desai: So, the renewable energy side actually has grown even more, which is the solar cable side. The supplies that went into the railways and defence, the growth was a little bit lower, but that also is picking up. From this quarter onwards, quite a lot of railway orders, et cetera, coming in. So overall, domestic growth is fairly strong. And as the inquiry levels have increased, even the order conversions have improved with the U.S. So, our sense is that you'll see both export business going up and the domestic business going up.

So, by the half year, we will know better in terms of how much this export logistics is actually affecting shipments. But otherwise, if you take our view in terms of for the year and then going forward, none of the critical growth drivers seem to have got adjusted in the wrong direction. They're all still positive.

Moderator: The next question is from the line of Riya Mehta from Aequitas Solutions. Please go ahead.

Riya Mehta: Sir, my first question is in terms of railway. So, in the budget also the electrification numbers have reduced. And I think we are on track for the target of around 80% to 90% electrification. So, going forward, what kind of railway orders are we seeing?

Kushal Desai:

So, the railway electrification side has already, as you said, 90% is already done. The inflow of orders for copper conductors is down. However, for certain special copper alloys that business has started for the higher-speed trains. But the growth which we have seen that I was referring to previously is fundamentally with respect to the cables that are going into the trains for the locomotives as well as for the coaches.

So that part of the railway business has been continuing to grow. We are the major supplier into the Vande Bharat train. And as the manufacturing and execution of that is increasing, our supplies to the railways is also increase. However, what is compensating the conductor business for a reduction in copper conductors to the railways, we have seen a major jump in our copper transport conductors going into the transformer side of the business.

I think in the last earnings call also; we had mentioned that all transformers which have more than 400 amperes of current coming out of them have been mandated by CEA to have the copper transpose conductor. So that's one major area of growth. The second area where we've seen growth happening is in the busbar. So, these busbars are also increasingly being used, especially in high-rise buildings and larger complexes, which is a norm in India. So, between these 2, it's compensating for any reduction that's been there on the railway conductor side.

Riya Mehta:

Got it. And my second question is a lot of players who are basically forward integrated toward using conductors and to the T&D space, a few of them have started their own conducting facility because there was serious shortage previously. So, do you see the competition increasing or are target area decreasing?

Kushal Desai:

So, I think we've addressed the same question. Fundamentally, KEC has put in specific conductor capacity, and that will probably come into – so there another 6 months-or-so. So, in fact, it may be a backward integration for them to some extent. However, as Chaitanya-bhai mentioned that the base conductor today has moved to AL-59, which is not the simplest product to manufacture compared to ACSR. So, it has alloying and it has technology requirements attached to it. Besides that, they'll

have to get approval from Power Grid, which has won a significant number of new TBCB lines. That approval process is not a trivial process either.

Also, the export side of the business requires a much, much longer approval cycle. So, we really don't see that upsetting the apple cart. In addition to that, why would another EPC player buy from competing EPC player. So, we – I mean, yes, there would be a lower demand coming in from KEC, but I don't think that's necessarily going to affect the overall position that APAR has on the conductor side.

Riya Mehta: And for the conductor, what percentage of the order book is currently coming from exports?

Ramesh Iyer: Exports, this quarter was less about – exports in conductor is about 30 percentage, but earlier it used to be about 40-45 percentage. But this quarter has been 30 percentage.

Riya Mehta: This is as a percentage in order book, right?

Ramesh Iyer: This is also for the quarter 1.

Kushal Desai: Yes. For the Q1 order booking.

Riya Mehta: And in terms of cables, U.S. would form around 50%, 60% of our exports mix. So, going forward, with domestic overcompensating for the lacklustre in U.S., what kind of growth do you see in other geographies in export market apart from U.S.?

Kushal Desai: So, we have, in fact, in the U.S., as far as the cable side is concerned, as I mentioned earlier, we have started seeing increased inquiry levels as well as an increased conversion. So, the order book for the cable side has already started growing. On the conductor side is what was being referred to that the – some of these regulatory approvals are taking longer than had been indicated earlier. So, the conductor ordering from the U.S. has been a bit slower. The cable side has actually started growing. So, you would see a significantly higher amount of execution taking place of cable sales to the U.S. in the second half compared to the first half of this year

and even then comparing with the second half of last year. So, the trend is a clear upward trend.

Moderator: The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Sir, in recent past, there has been, I mean, the prices of copper and aluminum has dropped significantly. So, what impact this will have on us in coming quarters?

Ramesh Iyer: So, copper and aluminum rates doesn't affect our margins because we run our full hedge book for all the orders that we have. The only impact possibly you could see is that the interest line item may go up or come down depending on our copper, aluminum going up or down, but that also is factored in the selling price of the product. So, at a net margin, we don't expect any significant impact of copper or aluminum price going up or down.

Kushal Desai: Also, Mahesh, you do need to keep in mind that both copper and aluminum had shot up in the recent past, and then now have recorrected downwards, but they are still at a higher level than they were 1.5 months, 2 months. But then having said that, as Ramesh has mentioned, we run pretty much a hedge book. and the changes in the price of aluminum and copper eventually affect working capital or could affect future business given that the capex cost may go up for a particular project.

Chaitanya Desai: So, some of our customers may before their deliveries, if they have not hedged, but it will not impact us directly.

Mahesh Bendre: Okay, sure. And sir, domestic side, the transmission capex seems to be very strong. This is indicated by Power Grid and all transmission companies. So, over the next 5 to 7 years, do you think the domestic market could be much more, I mean, attractive for us compared to export? Or is it that both markets will be flourished for us?

Chaitanya Desai: Yes. In the medium to long term, we see both markets being strong. In the short term, the Indian market has actually done quite well, and it has helped us take care of the reduction in the export demand due to this logistics disruption issues.

Kushal Desai: Also, we tend to think that everything in India is very slow. But as APAR is executing in 140 countries around the world, actually, the speed with which Indian regulatory authorities have been acting on new transmission lines or new infrastructure is actually faster than pretty much most countries around the world.

So that's the reason why in the shorter term, the U.S. regulatory clearances are taking a bit longer to come through, so somehow the demand has actually got pushed back because of that. But the Indian transmission line side should be looking up. If you see currently PGCIL's capex additions have been relatively low in the last quarter as they've reported in their financial numbers. But going forward, they won a number of lines. So, we see demand in the domestic side actually increasing.

Moderator: The next question is from the line of Himanshu Upadhyay from Buglerock pms. Please go ahead.

Himanshu Upadhyay: Yes. My first question was on the 30% growth in auto industry or the auto volume. Have you added new OEMs, which is leading to such high growth? Because last year, we had a pretty flattish numbers and we're not seeing so much growth on the OEM side. So, what led to this high growth? What would be the mix of aftermarket versus OEM sales?

Kushal Desai: Yes. So, this – the growth has really come from the B2B side of the business, where the sale has come through B2B distributors, has come through OEMs and sales that have gone in directly into industries and end consumers. On the automotive side, besides these 3 channels, the OEM portion, APAR has actually gained market share or share of business from some of the existing OEMs. And that has also resulted in the higher numbers coming in on the automotive side. Some of the key OEMs that we service also had a quarter-on-quarter base effect.

So, they bought a lower number of lubricants, especially for their SPD, spare parts division, in the same period previous year, and they bought a larger quantity in the current year. So it's a combination of a higher level of purchase higher share of business from existing OEMs and some new product lines being added to some of the OEMs, which we have completed all the R&D testing, et cetera, et cetera, and

have had acceptance for, which some of our competitors in the account haven't been able to cross that barrier yet. So, it's a combination of these things.

Himanshu Upadhyay: But can we assume that it will over the year normalize to 4%, 5% or do you think its high momentum.

Kushal Desai: So, the OEM side we will see a double-digit growth over last year.

Himanshu Upadhyay: Okay. And one more question on this. We had this UAE facility. If we take out consol minus stand-alone revenue and EBITDA, we are not seeing much traction there. Can you give some thoughts on what is happening in UAE? And is it – means, it should have more benefits of exporting as it is much more nearer to Europe and all those markets, especially on the oil's segment, what is happening there.

Kushal Desai: So there has been – if you see, there have actually been 2 adverse areas that have affected export coming out of the UAE, one which you probably know very clearly is the issues in the Red Sea because the proximity to the European markets to West Africa to all of these happens through the Red Sea. So, with the Red Sea pretty much closing down, freight rates have gone up both from here as well from the UAE. Secondly, a lot of export was happening from there into Africa. And with the foreign exchange issues on the white oil side, which I spoke about earlier, there has been some impact in the Middle East operations there.

Having said that, the transformer oil side of the business continues to grow quite strongly over there. So, you will still see in this year a better performance coming out of even the Middle East operations as compared to the same period in the previous year. So, FY '25, we expect to do better than FY '24 in spite of these issues because the transformer oil side of the demand remains very strong even in the Middle East.

Himanshu Upadhyay: And one more thing. Are we seeing delivery challenges only in conductor or with the transport challenges? And how is the situation in oils and wires? Because the rates you are saying have increased even for oil shipments.

Kushal Desai: No, so the logistics, meaning the export logistics or the freight has affected all the 3 divisions. The number which we mentioned of INR270 crores of shipments having got stranded, which would have otherwise been planned for dispatches in Q1, are largely comprising of FOB shipments, where the client was supposed to actually provide for the logistics and the container costs.

And this is something that we have been pushing for to isolate ourselves from the movement in the freight prices. So there is a challenge, which all our 3 divisions have faced and I think every exporter out of India has also faced because it just came in too fast and without adequate warning, a huge number of containers got diverted, many ships which we are supposed to call to India actually bypass India with empty containers and went straight to Chinese ports.

But having said that, that the effect of this whole China piece is by very nature, likely to be short term because of the higher duties which are kicking in from first of September onwards. So Chinese manufacturers have kind of moved the inventory that they held into the U.S. market before the change in the duty structure happens. So yes, when you have a disruption like this, it takes a few months for it to get normalized, but it should get normalized.

Himanshu Upadhyay: And you said that in oils business, the transformer oil and auto oils have been doing better and they are the higher-margin products, do you think the mix of products for the year, means, '25-'26 would remain similar or do you think it will mean revert to backward historically it has been?

Kushal Desai: So, we will definitely see higher growth rate in both of these product lines, in transformer oil as well as in automotive oils. On the more commodity side, which is the technical grade white oils and some of the process oils which go into raw materials in the manufacturing goods, in fact, the margins have been very bad in that, in that area. So overall, you will have 2 positives and 2 negatives. But overall, the positive should outweigh the negatives. So, I think we will be able to meet the guidance or possibly achieve the guidance through the year.

Himanshu Upadhyay: And the capex, are we on time to complete all the capexs which we had committed in last year?

Kushal Desai: So, on the capex front, we are progressing as per plan. The delivery cycles for critical equipment's have all been very long, and there have been further delays coming in delays as in, the longer lead time that has been indicated, but we have planned quite well to ensure that we spend the capex money keeping a buffer in terms of time. That is a reason why we've actually been accelerating some of this capex going in, and trying to build a buffer. So, we still should have most of the capex coming in within the indicated time frame.

Moderator: The next question is from the line of Mohit Motwani from Tara Capital. Please go ahead.

Mohit Motwani: Congratulations on a good set of numbers. My first question is on the cables front. So, you mentioned that you are maintaining the guidance of 25% growth for FY '25. So, this is factoring in the slowness in Q2 that you mentioned, right, if I understand correctly?

Ramesh Iyer: Yes. We expect that the demand from the U.S. coming up and we should be able to catch up with the growth numbers. So just assuming that not the export demand also completely comes up, that's where we expect 25% growth in the annual numbers.

Mohit Motwani: And can you elaborate a bit on the competition that you're seeing in the cables segment? So, have you seen – because some of your peers have also started exporting to the U.S., so have you seen any pressure on the market share or maybe pricing pressures, which could mean some negativity for the margin front? So, any colour on that you can share with us?

Kushal Desai: So, the U.S. imports nearly USD20 billion of cables in the year and the aggregate import from India of all the cable companies put together is – last year's numbers were close to 400-odd million. So, the real competition is still not just from, necessarily from other Indian cable manufacturers, but is against imports that are

happening from China, from Southeast Asia, Middle East, Europe, Mexico, Colombia and some of the Latin American countries.

So, I think the market is so large and the Indian share is so small that even though others may want to start exporting from India, other manufacturers, I think we still are quite focused in terms of the market and increasing our client base over there. So, we don't see the increased Indian competition has actually been the issue, the real issue will be whether we are able to compete against existing channels of supply into the U.S.

Mohit Motwani:

Sure, sir. And sir, on the gross margin front, I understand that you have a complete hedge book, so the movement in the copper and aluminum prices don't really affect them. But if I look at gross margin in this quarter versus the last year as well or in the previous quarter, so it has been down. So, can you give a sense on how does your gross margin move and how does it depend on these raw material prices? I know you hedge it, but just a little bit, if you can elaborate on that?

Ramesh Iyer:

Yes. This quarter, it has been down largely because export mix has also been less and the margin profile has been lower because the U.S. sales has been down and overall export mix has been less. So overall, we are looking at about 10% to 12% EBITDA margins. And once the scale of the business goes up, we can expect improvement in a few basis points due to your factory manufacturing overhead, conversion costs getting spread over a larger volume.

But yes, if you theoretically put in the copper-aluminum going up as a percentage to sales, it may marginally come down because in this thing, you're looking at a percentage to sales. But as the scale improves, we also expect the cost to come down as well.

Mohit Motwani:

Okay. And right now, in terms of conductors in the domestic market for the Indian transmission lines. So, is it – this is more of AL-59 conductor that is going into these transmission lines or is there more of any reconductoring that has started right now? If you can give a colour on that?

Kushal Desai: Yes. No, it's primarily AL-59, the conventional product. But there is some HTLS or the reconductoring business also, which is going on. Which was mentioned in our remarks also that after this election is through, we expect now the momentum to pick up there.

Mohit Motwani: Sure. And sir, this container availability issue that you spoke about for conductors, how long do you expect it to persist? I mean, I know you said that Q2 may be impacted. So, after that, do you expect this to normalize from Q3, the container availability issue?

Kushal Desai: Container availability issue is not only the conductor division, it's across our 3 divisions and across every single exporter from India. As I mentioned earlier, so I'm sure as you attend other companies' earnings calls and people who export, you will find that this has affected everybody.

As I said, it's – the duration by very nature is short term because of a lot of movement from China into the U.S. to beat that deadline. Now how long it will take for it to normalize? It will take a few months. I don't know whether it will be 3 months or 6 months, but it will normalize because these containers, once the delivery happens, the U.S. will get destuffed and come back into circulation.

Moderator: The next question is from the line of Mukesh Patil, individual investor. Please go ahead.

Mukesh Patil: Just wanted to know cables and wire business volume growth for this quarter?

Ramesh Iyer: Sorry, your question was not clear. Can you repeat?

Mukesh Patil: What is the volume growth for cable business this quarter?

Ramesh Iyer: So, in the cable business, we don't report the volume numbers because there are a wide variety of different product sets. So here, we only report the value numbers.

Kushal Desai: 7.8% is the value mix.

Mukesh Patil: Okay. And what is the capex plan for this year and next year?

Ramesh Iyer: We are looking at capex of about INR300 crores to INR350 crores in this financial year.

Mukesh Patil: And next year?

Kushal Desai: It should be in the similar range.

Mukesh Patil: And it will be basically towards?

Ramesh Iyer: Largely towards the cable and the conductor division.

Moderator: The next question is from the line of Saurabh Patwa, Quest Investment Advisors Private Limited. Please go ahead.

Saurabh Patwa: Sir, I just wanted your thoughts on a medium-term volume outlook for transformer oil given the context of the increased investment in new power generation capacity as well as transmission, especially given the solar, which will require the increase in transmission line to much more extent versus thermal?

Kushal Desai: So, as I mentioned earlier, Saurabh, we expect that there will be a good demand for transformer oil. There is a number of substate – with every generating site, every renewable energy-generating site, a substation goes in to step up the power and then a substation is required to step it down.

So, this entire renewable energy journey or transition that's happening is also becoming more substation intensive. And as a consequence, the value of transformers in the whole chain is also increasing. And that has a direct linear bearing on the demand for transformer oil. It also has a linear bearing in terms of the demand for copper transpose conductors or CTC conductors.

Saurabh Patwa: Right. And sir, out of the data center-led demand can impact, especially if the localization has to happen in India, will this drive another set of demand?

Kushal Desai: Absolutely. Not only in India, but around the world. So, there are a number of global studies which are out there on data center addition, the highest which is happening in the United States, India is actually a distant like 6 or 7 at the moment. But these

data centers are extremely power intensive. If you take the data centers which are being added in Navi Mumbai alone, once this current set, which have been announced are added, we need in excess of 3,000 megawatts of power to service them. So, it is a single largest, it's like 75%, 80% of the operating costs.

Saurabh Patwa: Right. So, is the product requirements different in terms of transformer oil?

Kushal Desai: No, no, no. So, see, the transformer oil will go into the transmission side of the system. If you're talking about liquid cooling, then for the data center. So that is still a category that is still being developed and is slowly increasing. There are standards which are slowly evolving in terms of data centers. And it would be a combination of using mineral oils and synthetic oils.

Saurabh Patwa: I have one more question related to oil. So, you highlighted you've gained market share on export. So, is it from the local firms or is it – are these global firms which you've taken market share or the local domestic players?

Kushal Desai: From global firms. If you take share of export that's happening from India, anyway APAR has the lion's share of the export portion. So are really as new avenues have opened up, we've been able to pick up a larger share of the business, plus one of our competitors out of Europe, which was erstwhile the largest supplier of transformer oil, they've still been affected with financial problems and things.

They're in a better situation than they were a couple of years ago, but not the kind of force to reckon with before. So, we've managed to gain shares. Most of our share gain has been in Southeast Asia, Australia, South Africa, Middle East. These are the regions where APAR has been strong and a fair amount of growth has also been happening.

Moderator: The next question is from the line of Gaurav Uttrani, IIFL Securities. Please go ahead.

Gaurav Uttrani: Sir, could you just highlight like what would be the revenue contribution from ACCC conductors in our conductor division?

- Chaitanya Desai:** We don't have a specific breakup of that. But in the overall context, it is a very minor percentage of our conductor business.
- Gaurav Uttrani:** Okay, sir. My point of asking this question is that CTC Global has added one other player in domestic market to supply these conductors. So are we expecting any decline in volumes or distribution of volumes between the two of...
- Chaitanya Desai:** Well, actually, there is no net increase in the partners. There was one partner which currently has gone into NCLT. So, there's another one which has now come in place. So, we don't see much difference here in our future offtake. In fact, the overall pie of the market also is growing. So, we may not have a problem in any case, even if there are more players.
- Gaurav Uttrani:** Okay. Got it. And sir, any ideal revenue share between domestic and export, which we're targeting going forward, like it would be 50-50 or 60-40 in terms of if you could highlight a directional sense in terms of exports, which we are seeing largely in conductors only?
- Chaitanya Desai:** Yes, in the past also, we have actually clarified that we are generally agnostic to where we sell. We try to optimize our net realization. Of course, current market in the export is somewhat affected and in India, there's a good offtake. But in the medium to longer term, I think it may be more like 50-50. As already explained, we anticipate growth both in the local market as well as in the international markets, both.
- Moderator:** The next question is from the line of Mukesh Patil, individual investor. Please go ahead.
- Mukesh Patil:** Just want to know capacity utilization product wise for us?
- Ramesh Iyer:** Can you repeat?
- Mukesh Patil:** Capacity utilization for cables, conductors and...
- Ramesh Iyer:** Capacity, we are running over 90 percentage on our cables and conductor division.

- Mukesh Patil:** Okay. And what is the margin profile for our export business?
- Ramesh Iyer:** There are multiple products which are there...
- Mukesh Patil:** Specifically for export cables?
- Ramesh Iyer:** Yes. Again, there are export products, there are multiple products. Overall, your EBITDA is in the range of 10 percentage. Exports typically are higher than the domestic margin, but because of multiple products involved, we don't give individual EBITDA margin for the division.
- Mukesh Patil:** Okay. And are we – so our domestic business are growing very fast in the last few quarters in cable business, so are we looking to increase our product portfolio?
- Ramesh Iyer:** Increase our, sorry, what?
- Mukesh Patil:** Product portfolio. Are we increasing our product portfolio?
- Ramesh Iyer:** We have a wide variety of products already in our in the current kitty. So – and we are also looking at opportunities to increase the product portfolio wherever there is demand and products that are ancillary to the current portfolio.
- Moderator:** Ladies and gentlemen, as there are no further questions, I would now like to hand over the conference to Mr. Kushal Desai for closing comments.
- Kushal Desai:** I'd like to take this opportunity to thank everyone for joining our Q1 FY '25 earnings call and thank you for your time and attention. Just in conclusion, I'd just like to reiterate that all the growth drivers that we've been talking about for the last couple of years, they remain intact. And in fact, our conviction in the growth continues to remain fairly strong. There have been a few factors that have disrupted in the short term, the latest of which has been container shipments going from China to the U.S. to beat a certain tariff deadline and then prior to that, the Red Sea kind of problem.
- But we feel that these are not going to remain forever. They will be overcome and the growth will continue. Fortunately, the backdrop of domestic demand continues to remain strong and the Indian market is maturing and premiumizing in terms of

the requirements that they have in terms of the infrastructure within the country. So, we continue to remain reasonably optimistic and see a good growth profile in the medium to short term. Thank you so much.

Moderator:

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