



17th November, 2023

Q2 FY 24



India's Best Performing and Most Customer Centric PMS

Apar Industries Ltd has been fueling Progress and Innovation, established by the visionary Mr. Dharmsinh D. Desai in 1958, has evolved into a prominent player in the Indian industrial landscape. The company comprises three core business segments: Conductors, Transformer and Specialty Oils (TSO), and Power/Telecom Cables. Apar Industries Ltd is a dynamic and diversified leader in the energy and infrastructure sectors, characterized by a legacy of innovation and unwavering excellence. With a robust customer base, solid order books, and strategic advantages in renewable energy and public transportation, the company presents an appealing investment opportunity. Its global reach, unwavering commitment to quality, and forward-thinking approach position Apar Industries as a promising choice for investors seeking to participate in India's evolving energy landscape. As it continues to lead in innovation and market dominance, the company stands poised to drive progress and redefine industry standards

Customers and Distribution Network: Apar Industries has cultivated enduring relationships with both Indian and global industry giants, emphasizing its dedication to quality and collaboration. Notable clients in the conductor segment include PGCIL, Kalpataru Power Transmission Limited, and KEC International Limited, while the cables segment boasts prominent customers like the Adani Group and Tata Power.

Geographical Presence: In FY23, Apar Industries achieved a balanced geographical split, with 52% of revenue originating domestically and approximately 48% from exports. The company's export focus on Southeast Asia, the Middle East, Africa, and South America reflects its global aspirations and diversity.

Capacity Expansion Projects Fy24: Apar Industries' forward-looking approach is apparent in its capacity expansion projects for FY24, which encompass a new Rubber Cable facility, an LT Cables plant, a new HT Cables line, and an additional E-Beam facility for House Wires. These expansion initiatives align with market demand and position the company for sustained growth and innovation.

Specialty Oils & Lubricants: Apar stands as the third-largest transformer oil manufacturer globally, boasting a comprehensive portfolio of over 350 specialty oils, process oils, and lubricants. With a commanding 60% market share in power transformer oil and 40% in distribution transformer oil within India, the company has established itself as a pioneer in transformer oils.

Renewable Energy and Market Dominance: Holding a strategic advantage in the domestic solar cable segment, Apar is also a dominant player in the domestic wind market with a remarkable 70% market share. The company's prowess as the largest exporter of cables and conductors positions it as a key player in the burgeoning renewable energy landscape.

Stock Data	
CMP	5797.55
52 Week High/Low	6019.85/1358.55
Face Value	10
Market Cap (In Crs)	22189
Enterprise Value (In Crs)	19,580
NSE	APARINDS
BSE	532259
Bloomberg	APR:IN
Sector	Electrical Equipment

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	60.64%	60.64%
FII	9.09%	7.47%
DII	17.06%	17.97%
Government	0.00%	0.00%
Public	13.23%	13.92%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	0.00%	7.90%	7.18%
Apar Ind	5.48%	110.39%	275.40%

Key Ratios	
P/E	28.3
P/S	1.41
P/B	9.01
Debt To Equity	0.17
ROE	32.30%
ROCE	51.10%
Dividend Yield	0.71%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (Rs In Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Sales	3926	3773	3235	4.06%	21.36%
EBITDA	349	346	226	0.87%	54.42%
Net Profit	174	197	103	-11.68%	68.93%
EPS	45.44	51.59	26.82	-11.92%	69.43%

Result Highlights

In the first three quarters of FY24, Apar Industries exhibited a robust financial performance, marked by consistent growth and improved profitability. In Q1 FY24, the company recorded sales of 3,773 Crores, showing a 4.06% QOQ increase, and an impressive 21.4% YoY surge, reaching 3,926 Crores in Q2 FY24. The EBITDA witnessed a steady ascent from 226 Crores in Q2 FY23 to 346 Crores in Q1 FY24, further escalating to 349 Crores in Q2 FY24, indicating a resilient 0.87% QOQ rise and an outstanding 54.4% YoY growth. Apar Industries sustained its profitability momentum, with the net profit surging from 103 Crores in Q2 FY23 to 197 Crores in Q1 FY24, although experiencing a marginal -11.68% QOQ dip to 174 Crores in Q2 FY24. The earnings per share (EPS) followed a similar trajectory, showcasing an 11.9% QOQ decline but an impressive 69.4% YoY growth, standing at 45.44 in Q2 FY24.

Apar Industries demonstrated commendable financial resilience and growth, with consistent sales escalation and robust EBITDA performance. The net profit and EPS figures, while experiencing a minor QOQ dip, showcase substantial YoY improvements, affirming the company's strategic and financial strength throughout the first three quarters of FY24.

Export Revenue Diversification: Apar Industries has strategically focused on expanding its global footprint, evident in the remarkable surge in export revenue, reaching 49% of the total revenue in Q2 FY24 compared to 47% in the previous year. This highlights the company's adeptness in diversifying its income streams and leveraging international markets, reducing dependence on any single market segment.

Resilience in Challenging Oil Division: Despite facing challenges in the oil division, particularly disruptions in base oil supplies, Apar Industries demonstrated resilience by achieving commendable Q2 FY24 revenues of 1,200 Crores. The company's ability to navigate and mitigate the impact of supply chain challenges emphasizes its adaptability and strategic management in overcoming unforeseen hurdles.

Strategic Initiatives in Cable Business: Apar Industries showcased an aggressive expansion strategy in the cable business, emphasizing a concerted effort to penetrate international markets. The focus on continuous improvement in reconductoring execution capabilities not only enhances productivity but also positions the company strategically for sustained growth in the evolving cable market.

Transparent Capex Planning: The company's approach to capital expenditure is marked by transparency and strategic planning. With a detailed spend analysis, Apar Industries strategically invested 150 Crores until September, primarily in the cable and conductor divisions. The commitment to revealing specific plans as the fiscal year unfolds underscores a transparent and phased approach to investments.

Focus on Premiumization and Market Expansion: Apar Industries remains committed to premiumization, innovation, and market expansion, positioning itself as a formidable player in the industry. The company's emphasis on offering a diversified product mix, including premium products, aligns with market trends and underscores its strategic vision for sustained success in a competitive landscape.

Concall Highlights

Performance: In the second quarter of FY2024, Apar Industries exhibited a robust performance, reporting a consolidated revenue of 3,926 Crores, marking a significant 21% YoY growth. This was driven by a notable 26.3% increase in exports, contributing to a strategic revenue diversification, with exports now comprising 49% of the total revenue, up from 47% in the previous year. The company showcased financial strength with an EBITDA surge of 58% YoY to 374 Crores and a substantial increase in profit after tax, reaching 174 Crores.

Progress on Last Year's Capex: Apar Industries has achieved significant milestones in its cable division, including on-schedule commissioning. This milestone not only signifies adherence to planned timelines but also reflects meticulous planning and execution capabilities. The full ramp-up strategy aligns with the company's vision of achieving full capacity loading by FY2025, emphasizing sustainable growth in the long term. The expectation of 10 to 12 times revenue from last year's capex further highlights a strategic perspective on returns, providing investors with a clear picture of the potential impact on the company's financials.

Oil Segment Challenges and Recovery: Despite facing challenges in the oil division, particularly due to disruptions in base oil supplies, Apar Industries showcased resilience and adaptability. Q2 FY2024 revenues reached a commendable 1,200 Crores, signaling a recovery from earlier complications. The volume growth of 18% marked an all-time high for the second quarter, demonstrating the company's ability to navigate complex supply chain challenges. Contracted base oil supplies started improving from September onwards, mitigating the impact of earlier disruptions and showcasing proactive measures taken to stabilize the situation.

Opportunities and Initiatives: Apar Industries is strategically positioned to capitalize on emerging opportunities. The strategic focus on Bharat Net, with active engagement in government initiatives, underscores the company's anticipation and readiness to align with evolving policies. Additionally, the company's active participation in the United States market, coupled with necessary approvals and a dedicated sales force, reflects Apar Industries' commitment to tapping into diverse markets and maximizing its global footprint. These initiatives position the company for sustained growth and resilience in a dynamic business landscape.

Order Book and Execution: The company's export order dynamics reveal a nuanced understanding of its global market exposure. With 43% composition in new conductor orders, Apar Industries has strategically positioned itself to leverage international demand. Furthermore, the commitment to a 6 to 7 months execution timeframe, coupled with proactive planning for orders that extend into the next year, underscores Apar Industries' focus on operational efficiency. This commitment ensures timely delivery and enhances customer satisfaction.

Cable Business Insights: In providing a detailed breakdown of the cable order book, amounting to 1,000 Crores, Apar Industries showcases transparency in its business operations. The emphasis on shorter execution periods for cables aligns with market dynamics, ensuring flexibility in meeting changing customer requirements. This insight into the order book composition and execution strategy provides investors with a comprehensive view of the company's approach to managing both short-term and long-term demands, contributing to its strategic agility in a competitive market.

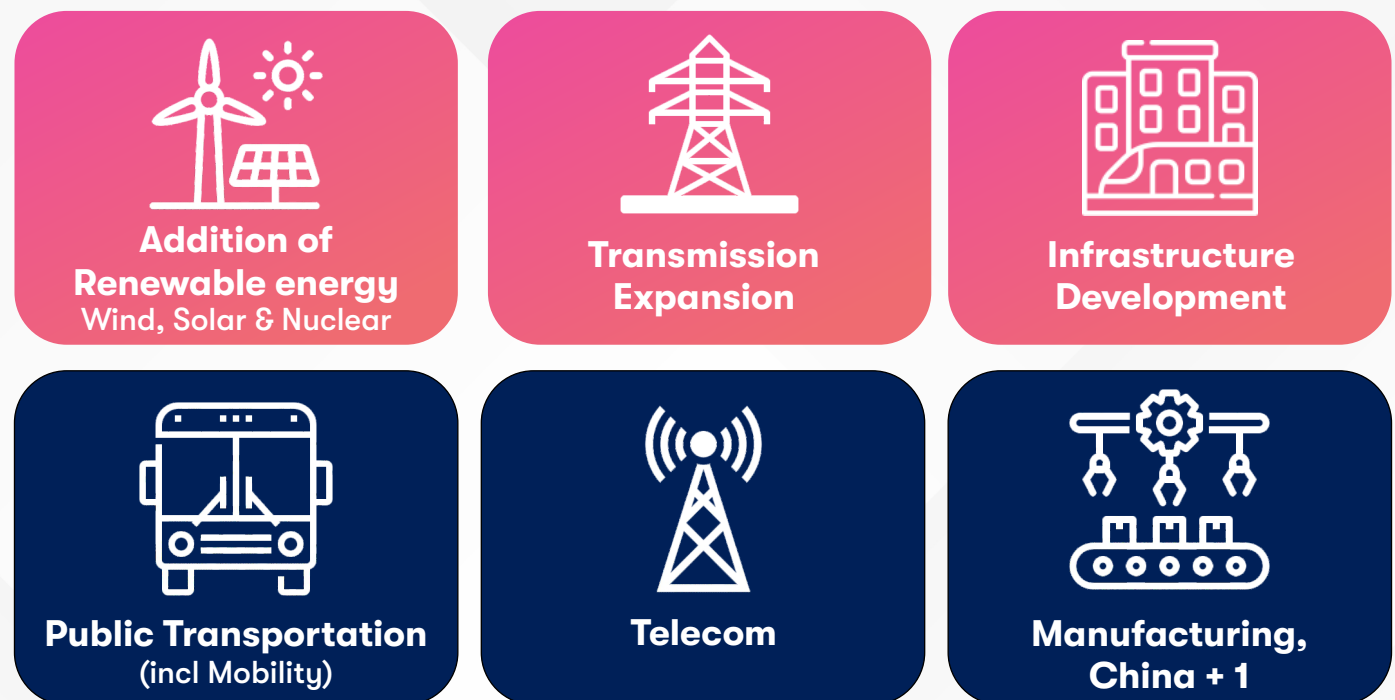
Strategic Initiatives: Apar Industries aggressively expanded its cable business with an increased focus on international markets. The company emphasized continuous improvement in reconductoring execution capabilities, enhancing productivity and flexibility in challenging scenarios.

Capex Progress and Plans: Apar Industries strategically invested 150 Crores until September, primarily directing funds into the cable and conductor divisions, critical components of its business strategy. This investment is pivotal in enhancing production capacities and technological capabilities. On the trajectory to achieve a year-end capex of 350-400 Crores, the company underscores a phased and transparent approach to investments, ensuring financial prudence and optimal resource utilization. While specific details about next year's capex plans remain undisclosed, the commitment to revealing this information as the fiscal year unfolds showcases transparency and strategic planning.

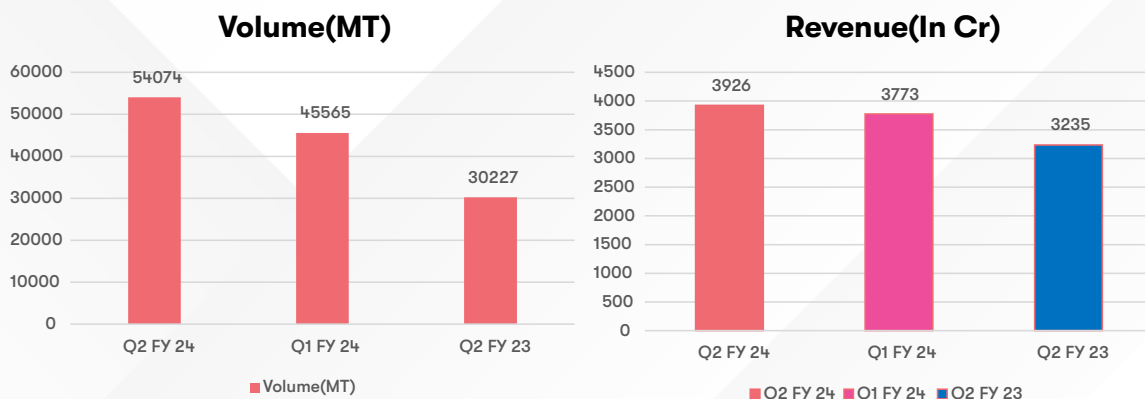
Interest Cost and Working Capital: The detailed breakdown of factors contributing to the sequential increase in interest costs provides investors with a comprehensive understanding of the company's financial dynamics. Apar Industries' transparent communication about discounting rates, volume impact, and exchange rate fluctuations helps investors make informed decisions. Furthermore, the historical maintenance of a 35-day net working capital reflects the company's commitment to operational efficiency and prudent financial management strategies, instilling confidence in its ability to navigate financial challenges.

Premium Product Focus: Apar Industries' commitment to a strategic product mix is highlighted by the clarity on the composition of premium products in new conductor orders. With 40% to 42% premium product composition, the company emphasizes its dedication to offering a diversified product mix. This strategic focus caters to premium market segments, positioning Apar Industries as a provider of high-value solutions in the industry.

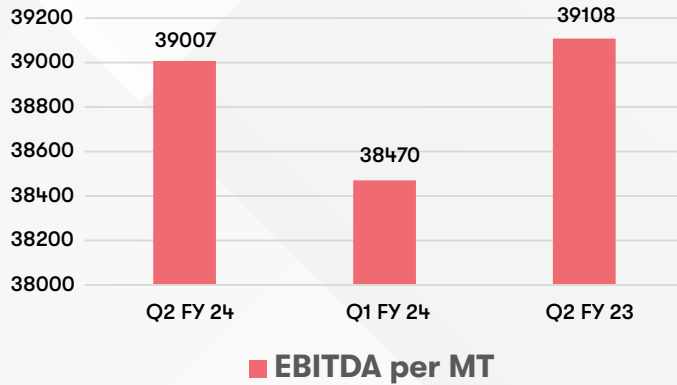
Strategic Opportunities



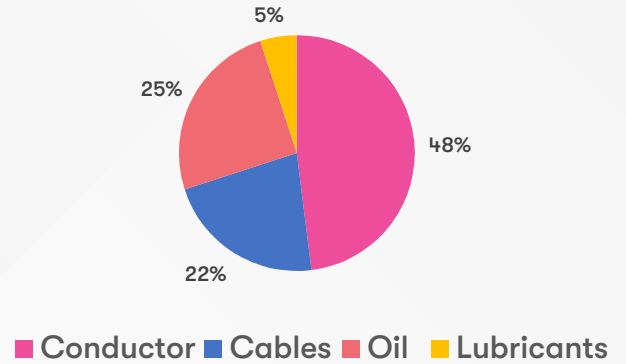
Story Through Charts



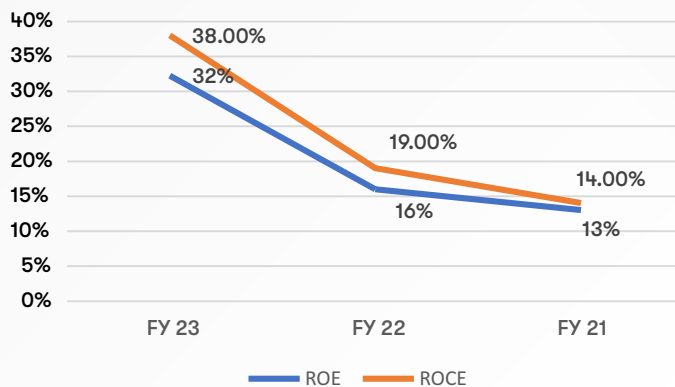
EBITDA per MT



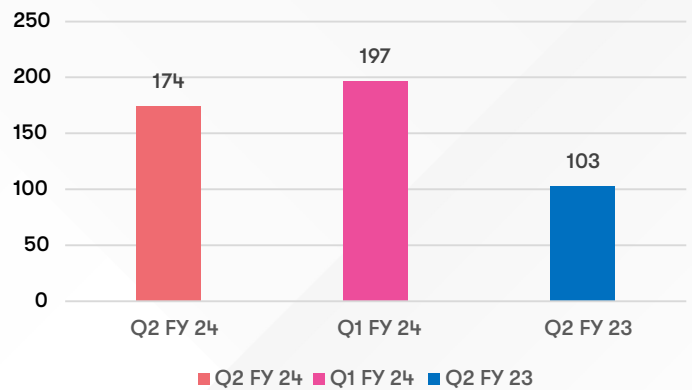
Segmental Mix



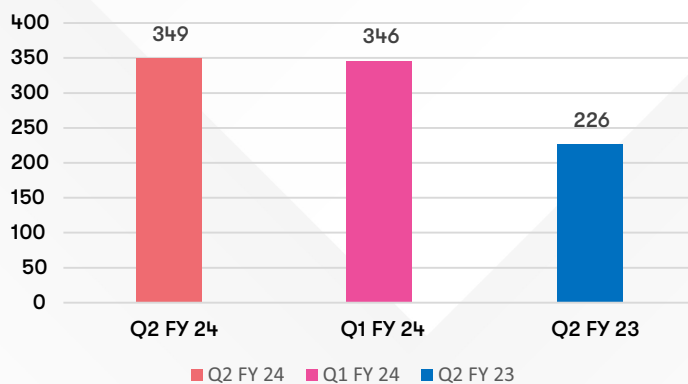
Return Margins



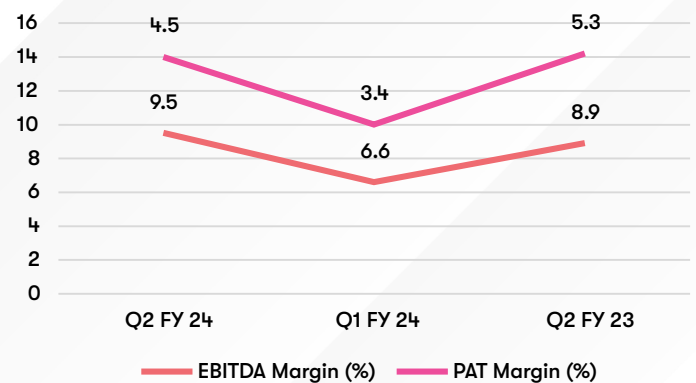
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



Apar Industries Ltd is displaying a sustained upward momentum within a parallel channel, suggesting a favorable uptrend as the stock seems to be approaching near its 52-week high level.

The 5EMA>10EMA>20EMA>50EMA>100EMA>200EMA shows strong bullish momentum in the stock on both higher and lower time frames.

Also, Daily and Weekly RSI above 60 suggest bullishness in the stock.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	5515.34	5552.29
10	5319.69	5408.26
20	5218.74	5313.36
50	5262.70	5127.06
100	4643.29	4653.31
200	3599.59	3843.36

Pivot Levels : FIBONACCI

R1 5625.64	Pivot 5582.13	S1 5538.62
R2 5652.52		S2 5511.74
R3 5696.03		S3 5468.23

Relative Strength Index (RSI)	Daily	Weekly
	68.13	78.55

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