

May 9, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		UNDER REVIEW	
Target Price	3,832		-	
Sales (Rs. m)	1,69,628	1,94,817	1,66,550	1,86,423
% Chng.	1.8	4.5		
EBITDA (Rs. m)	11,625	13,916	11,758	13,273
% Chng.	(1.1)	4.8		
EPS (Rs.)	146.4	183.8	146.6	165.4
% Chng.	(0.2)	11.2		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	93,200	1,43,522	1,69,628	1,94,817
EBITDA (Rs. m)	5,479	12,270	11,625	13,916
Margin (%)	5.9	8.5	6.9	7.1
PAT (Rs. m)	2,566	6,377	5,601	7,034
EPS (Rs.)	67.1	166.6	146.4	183.8
Gr. (%)	59.9	148.5	(12.2)	25.6
DPS (Rs.)	4.5	6.0	7.5	7.5
Yield (%)	0.1	0.2	0.2	0.2
RoE (%)	16.4	32.3	23.0	24.5
RoCE (%)	25.1	49.8	37.6	38.8
EV/Sales (x)	1.3	0.8	0.7	0.6
EV/EBITDA (x)	21.3	9.3	9.8	8.2
PE (x)	45.6	18.3	20.9	16.6
P/BV (x)	6.8	5.2	4.4	3.7

Key Data

APAR.BO | APR IN

52-W High / Low	Rs.3,288 / Rs.556
Sensex / Nifty	61,764 / 18,264
Market Cap	Rs.117bn/ \$ 1,430m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.432.3m

Shareholding Pattern (%)

Promoter's	60.64
Foreign	6.66
Domestic Institution	17.95
Public & Others	14.75
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	12.2	115.4	373.5
Relative	8.7	112.8	317.6

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Strong Exports and premiumisation continues...

Quick Pointers:

- Strong exports growth (up ~83% YoY), product premiumisation and volume growth across segments drives revenue growth of ~36% YoY.
- Conductor's EBITDA/ton came in highest at 58,006/ton, driven by high share of exports, premium products and favorable freight cost.

We revise our FY25E estimates by 11.2%, given strong exports outlook with further penetration in high growth markets along with robust cable segment outlook amid high elastomeric cables contribution. Apar Industries (APR) reported strong quarterly performance with revenue growth of ~36% YoY and EBITDA margin expansion of 461bps YoY. Conductor revenue (up 41% YoY) was driven by demand for conventional products from export markets and domestic demand for premium product. Cables business will likely continue its growth momentum, with growth in elastomeric cables (driven by renewables, railways and Defence) and focus on Anushakti brand. Exports outlook for conductors and cables segment continues to remain strong with increasing spends on power infrastructure in geographies like USA, Australia, Europe etc.

We believe, APR's focus towards value added products and strong traction in exports business will drive strong topline and profitability in the long run. The stock is currently trading at PE of 20.9x/16.6x FY24/25E. We recommend 'Buy' rating on stock with SoTP of Rs3,832 (Under Review earlier).

Higher volume, product mix and exports drives robust growth: Consolidated sales grew 35.7% YoY to Rs40.9bn (PL estimate of Rs46.3bn) with growth across segments. Gross margin expanded 488bps YoY to 27.1%, aided by better product mix and geography mix. EBITDA grew 144% YoY to Rs4.2bn (PL estimate of Rs3.8bn) with EBITDA margins expanding by 461bps YoY to 10.4% (PL estimates of 10.4%), owing to better gross margins. PAT grew ~193.8% YoY to Rs2.4bn (PL estimate ~Rs2bn), led by strong operational performance.

Strong growth guidance in conductor and cables segment: Conductor volume is expected to grow 10-15% for next couple of years with EBITDA/ton of ~25,000/ton. Cables business is likely to grow at 25-30% over next couple of years given healthy demand from railways, defence, renewable. Speciality oil segment is expected to report volume growth of ~5-10% with EBITDA/KI of ~5,000-6,000/KL.

Growth witnessed across segments: Conductors reported a growth of 41.1% YoY to Rs21.2bn, owing to strong volume growth (up 46% YoY) and exports growth (up 81% YoY). Cables also reported a 38.1% YoY growth to Rs9.4bn owing to strong exports growth and elastomeric products. Speciality oil revenue grew ~27% YoY to Rs11.8bn, driven by volume growth and higher base oil price.

Exhibit 1: Strong revenue growth of ~36% driven by strong growth across segment

Y/E March (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenue	30,125	30,932	32,349	39,389	40,886	35.7	3.8	143,522	93,200	54.0
Total Revenues	30,125	30,932	32,349	39,389	40,886	35.7	3.8	143,522	93,200	54.0
Expenditure	28,389	28,558	30,090	35,957	36,647	29.1	1.9	131,252	87,721	49.6
<i>as % of sales</i>	<i>94.2</i>	<i>92.3</i>	<i>93.0</i>	<i>91.3</i>	<i>89.6</i>			<i>91.5</i>	<i>94.1</i>	
Consumption of RM	23,443	23,374	24,517	29,377	29,820	27.2	1.5	107,088	72,078	48.6
<i>as % of sales</i>	<i>77.8</i>	<i>75.6</i>	<i>75.8</i>	<i>74.6</i>	<i>72.9</i>			<i>74.6</i>	<i>77.3</i>	
Employee Cost	437	483	507	515	700	60.1	35.8	2,205	1,725	27.8
<i>as % of sales</i>	<i>1.5</i>	<i>1.6</i>	<i>1.6</i>	<i>1.3</i>	<i>1.7</i>			<i>1.5</i>	<i>1.9</i>	
Other expenditure	4,509	4,702	5,066	6,065	6,127	35.9	1.0	21,960	13,918	57.8
<i>as % of sales</i>	<i>15.0</i>	<i>15.2</i>	<i>15.7</i>	<i>15.4</i>	<i>15.0</i>			<i>15.3</i>	<i>14.9</i>	
EBITDA	1,736	2,374	2,259	3,432	4,239	144.3	23.5	12,270	5,479	124.0
Depreciation	248	249	261	261	273	9.9	4.6	1,043	978	6.6
EBIT	1,487	2,125	1,998	3,171	3,966	166.7	25.1	11,226	4,500	149.5
Other Income	89	45	122	66	107	20.5	61.1	375	325	15.3
Interest	458	613	711	940	791	72.8	(15.8)	3,055	1,406	117.3
Extra ordinary items	-	-	-	-	-			-	-	
PBT	1,118	1,556	1,409	2,298	3,282	193.5	42.8	8,546	3,419	150.0
Total Tax	293	332	383	599	855	191.9	42.7	2,168	853	154.3
PAT	826	1,225	1,026	1,699	2,428	194.1	42.9	6,377	2,566	148.5
(Profit)/loss from JV's/Ass/MI	0.6	-	-	-	(0.2)			-	-	-
PAT after JV	826	1,225	1,026	1,699	2,427	193.8	42.9	6,377	2,566	148.5
Adjusted PAT	826	1,225	1,026	1,699	2,427	193.8	42.9	6,377	2,566	148.5
Adjusted EPS	21.6	32.0	26.8	44.4	63.4	193.8	42.9	166.6	67.1	148.5
Margins (%)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	bps	bps	FY23	FY22	bps
EBIDTA	5.8	7.7	7.0	8.7	10.4	461	165	8.5	5.9	267
EBIT	4.9	6.9	6.2	8.1	9.7	476	165	7.8	4.8	299
EBT	3.7	5.0	4.4	5.8	8.0	432	219	6.0	3.7	229
PAT	2.7	4.0	3.2	4.3	5.9	319	162	4.4	2.8	169
Effective Tax rate	26.2	21.3	27.2	26.1	26.0	(14)	(3)	25.4	24.9	44

Source: Company, PL

Exhibit 2: Conductor Segment grew 41.1% YoY and cable segment grew 38.1% YoY

Segmental Performance	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Conductor										
Volume (MT)	33,850	35,877	30,227	44,538	49,489	46.2	11.1	160,131	107,357	49.2
Revenue	15,034	15,480	14,390	19,120	21,210	41.1	10.9	70,130	42,039	66.8
EBITDA	592	850	1,230	2,270	2,820	376.0	24.2	7,160	1,950	267.2
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>5.5</i>	<i>8.5</i>	<i>11.9</i>	<i>13.3</i>	<i>936</i>	<i>142</i>	<i>10.2</i>	<i>4.6</i>	<i>561</i>
EBITDA Adj. (Rs/MT)	19,227	23,670	40,531	50,886	56,926	196.1	11.9	44,700	18,131	146.5
Speciality Oil & Lubricant										
Volume (KL)	117,021	115,359	113,360	126,731	131,132	12.1	3.5	486,582	461,589	5.4
Revenue	9,284	10,680	11,760	12,450	11,790	27.0	(5.3)	46,560	35,604	30.8
EBITDA	765	1,180	580	270	460	(39.9)	70.4	2,480	2,910	(14.8)
<i>EBITDA margin (%)</i>	<i>8.2</i>	<i>11.0</i>	<i>4.9</i>	<i>2.2</i>	<i>3.9</i>	<i>(53)</i>	<i>80</i>	<i>5.3</i>	<i>8.2</i>	<i>(287)</i>
EBITDA Adj. (Rs/KL)	6,033	10,238	5,083	2,099	3,528	(41.5)	68.1	5,102	6,298	(19.0)
Cables										
Revenue	6,827	6,380	7,620	9,210	9,430	38.1	2.4	32,630	19,937	63.7
EBITDA	225	520	720	1,090	1,150	410.4	5.5	3,480	1,060	228.3
<i>EBITDA margin (%)</i>	<i>3.3</i>	<i>8.2</i>	<i>9.4</i>	<i>11.8</i>	<i>12.2</i>	<i>269.5</i>	<i>3.0</i>	<i>10.7</i>	<i>5.5</i>	<i>517</i>

Source: Company, PL

Exhibit 3: SoTP: Conductors and Cables account for ~87% of SoTP

	Segmental EBITDA (Rs mn)	Valuation basis	Target multiple (X)	Targeted Enterprise Value (Rs mn)	Value/Share
Conductors Segment	4,844	EV/EBITDA	12	58,128	1,519
Cables Segment	5,789	EV/EBITDA	12	69,470	1,815
Speciality Oil Segment	3,343	EV/EBITDA	5	16,713	437
Total Target EV (Rs. Mn)				144,310	3,771
Less: Debt (FY25)				3,542	93
Add: Cash balance (FY25)				5,877	154
Mcap (Rs mn)				146,646	3,832

Source: Company, PL

Conference Call Highlights

- Revenue growth of 36% YoY was on account of volume growths across all divisions and growth in export of cable and conductor businesses.
- Exports revenue contribution increased to 52.7% in Q4FY23 of total revenue vs 39% in Q4FY22.
- Capex over next 12-18 months is expected to be ~Rs4-4.5bn, comprising of Cables ~Rs2.6-2.7bn (including green field expansion), Conductors ~Rs1bn and Oil segment ~Rs250-275mn.
- Competition intensity is increasing in exports market from Chinese players.
- **Conductors revenue growth (up 41% YoY)**, was driven by strong volume growth (up 46% YoY), strong exports (up 2x YoY) and healthy premium products growth. Order book stands at Rs51bn, which is executable over next 2-3 quarters.
 - High value products contribution was at 45% in Q4FY23. EBITDA per ton was at highest level, high levels on the back of improved mix of premium products, higher conventional export margin and substantial freight gain benefit.
 - EBITDA/ton to be ~Rs25,000 on sustainable basis.
 - Volume is expected to grow ~10-15% over next couple of years.
- **Speciality oil revenue growth (up 28% YoY)**, driven by volume-led growth and base oil prices.
 - EBITDA/KL is likely to remain in range of 5,000-6,000/KL going forward.
 - Volume for segment is likely to grow at 5% over next couple of quarters.
- **Cables revenue growth (up 38% YoY)**, was driven by significant increase in Elastomeric products and exports.
 - Anushakti Wire, reported revenue of Rs1.75bn in FY23 vs Rs1bn in FY22. Going forward management expected to report revenue of Rs3.25bn for FY24 and Rs4.8bn for FY25.
 - Increasing business opportunity from railways, renewables and defence resulted in elastomeric growth (up 20% YoY).
 - Order book stands at Rs12bn, executable over next one quarter.
 - Management is confident of 25-30% growth driven by healthy demand from Railways, Defence, Wind Energy, with EBITDA margin in range of 10-12% for next couple of years.

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	93,200	1,43,522	1,69,628	1,94,817
YoY gr. (%)	45.9	54.0	18.2	14.8
Cost of Goods Sold	72,078	1,07,088	1,28,708	1,47,431
Gross Profit	21,122	36,434	40,920	47,386
Margin (%)	22.7	25.4	24.1	24.3
Employee Cost	1,725	2,205	2,663	3,078
Other Expenses	13,918	21,960	26,632	30,391
EBITDA	5,479	12,270	11,625	13,916
YoY gr. (%)	30.7	124.0	(5.3)	19.7
Margin (%)	5.9	8.5	6.9	7.1
Depreciation and Amortization	978	1,043	1,269	1,419
EBIT	4,500	11,226	10,356	12,497
Margin (%)	4.8	7.8	6.1	6.4
Net Interest	1,406	3,055	3,275	3,542
Other Income	325	375	407	448
Profit Before Tax	3,419	8,546	7,488	9,404
Margin (%)	3.7	6.0	4.4	4.8
Total Tax	853	2,168	1,887	2,370
Effective tax rate (%)	24.9	25.4	25.2	25.2
Profit after tax	2,566	6,377	5,601	7,034
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,566	6,377	5,601	7,034
YoY gr. (%)	59.9	148.5	(12.2)	25.6
Margin (%)	2.8	4.4	3.3	3.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,566	6,377	5,601	7,034
YoY gr. (%)	59.9	148.5	(12.2)	25.6
Margin (%)	2.8	4.4	3.3	3.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,566	6,377	5,601	7,034
Equity Shares O/s (m)	38	38	38	38
EPS (Rs)	67.1	166.6	146.4	183.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	13,201	14,937	16,937	18,937
Tangibles	13,184	14,924	16,924	18,924
Intangibles	16	14	14	14
Acc: Dep / Amortization	4,387	5,430	6,699	8,119
Tangibles	4,387	5,430	6,699	8,119
Intangibles	-	-	-	-
Net fixed assets	8,814	9,507	10,238	10,819
Tangibles	8,798	9,494	10,224	10,805
Intangibles	16	14	14	14
Capital Work In Progress	383	991	1,091	1,091
Goodwill	-	-	-	-
Non-Current Investments	5	67	42	42
Net Deferred tax assets	(523)	(217)	(217)	(217)
Other Non-Current Assets	1,024	1,153	1,781	2,240
Current Assets				
Investments	300	501	501	501
Inventories	21,387	25,756	30,672	35,227
Trade receivables	25,424	32,256	38,108	43,767
Cash & Bank Balance	2,666	5,301	5,683	6,190
Other Current Assets	4,104	6,008	6,955	8,572
Total Assets	64,190	81,592	95,156	1,08,547
Equity				
Equity Share Capital	383	383	383	383
Other Equity	16,770	21,981	25,902	30,826
Total Networkth	17,152	22,364	26,285	31,208
Non-Current Liabilities				
Long Term borrowings	1,954	1,514	1,814	2,014
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	575	1,528	1,528	1,528
Trade payables	41,225	52,066	61,345	69,921
Other current liabilities	4,646	4,488	4,646	4,828
Total Equity & Liabilities	66,075	82,177	95,834	1,09,715

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	3,419	8,546	7,488	9,403
Add. Depreciation	979	1,043	1,269	1,419
Add. Interest	608	1,553	3,275	3,542
Less Financial Other Income	325	375	407	448
Add. Other	480	794	-	-
Op. profit before WC changes	5,486	11,936	12,032	14,364
Net Changes-WC	(2,140)	(2,763)	(3,008)	(4,036)
Direct tax	908	2,190	1,887	2,370
Net cash from Op. activities	2,438	6,983	7,137	7,959
Capital expenditures	(1,293)	(2,467)	(2,100)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	386	(222)	-	-
Net Cash from Inv. activities	(906)	(2,689)	(2,100)	(2,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(226)	(67)	300	200
Dividend paid	(364)	(574)	(1,680)	(2,110)
Interest paid	(474)	(1,200)	(3,275)	(3,542)
Others	-	-	-	-
Net cash from Fin. activities	(1,064)	(1,841)	(4,655)	(5,452)
Net change in cash	468	2,453	382	507
Free Cash Flow	1,133	4,505	5,037	5,959

Source: Company Data, PL Research

Key Financial Metrics

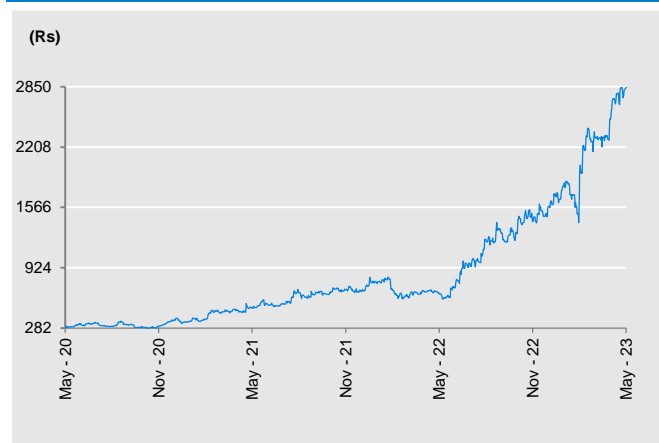
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	67.1	166.6	146.4	183.8
CEPS	92.6	193.9	179.5	220.9
BVPS	448.2	584.4	686.8	815.5
FCF	29.6	117.7	131.6	155.7
DPS	4.5	6.0	7.5	7.5
Return Ratio(%)				
RoCE	25.1	49.8	37.6	38.8
ROIC	22.5	50.0	36.3	36.7
RoE	16.4	32.3	23.0	24.5
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	22	15	16	17
Valuation(x)				
PER	45.6	18.3	20.9	16.6
P/B	6.8	5.2	4.4	3.7
P/CEPS	33.0	15.8	17.0	13.8
EV/EBITDA	21.3	9.3	9.8	8.2
EV/Sales	1.3	0.8	0.7	0.6
Dividend Yield (%)	0.1	0.2	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	30,932	32,349	39,389	40,886
YoY gr. (%)	70.9	42.6	76.7	35.7
Raw Material Expenses	23,374	24,517	29,377	29,820
Gross Profit	7,558	7,832	10,012	11,066
Margin (%)	24.4	24.2	25.4	27.1
EBITDA	2,374	2,259	3,432	4,239
YoY gr. (%)	83.8	77.0	196.5	144.3
Margin (%)	7.7	7.0	8.7	10.4
Depreciation / Depletion	249	261	261	273
EBIT	2,125	1,998	3,171	3,966
Margin (%)	6.9	6.2	8.1	9.7
Net Interest	613	711	940	791
Other Income	45	122	66	107
Profit before Tax	1,556	1,409	2,298	3,282
Margin (%)	5.0	4.4	5.8	8.0
Total Tax	332	383	599	855
Effective tax rate (%)	21.3	27.2	26.1	26.0
Profit after Tax	1,225	1,026	1,699	2,428
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,225	1,026	1,699	2,428
YoY gr. (%)	96.6	80.4	209.1	193.9
Margin (%)	4.0	3.2	4.3	5.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,225	1,026	1,699	2,428
YoY gr. (%)	96.6	80.4	209.1	193.9
Margin (%)	4.0	3.2	4.3	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,225	1,026	1,699	2,428
Avg. Shares O/s (m)	38	38	38	38
EPS (Rs)	32.0	26.8	44.4	63.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	UR	-	2,695
2	31-Jan-23	BUY	2,260	1,687
3	04-Jan-23	BUY	1,834	1,789
4	04-Nov-22	BUY	1,834	1,464
5	04-Oct-22	UR	-	1,445
6	30-Jul-22	Accumulate	1,194	1,124
7	05-Jul-22	UR	-	941
8	31-May-22	BUY	855	691

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,119	3,719
2	Apar Industries	UR	-	2,695
3	Bharat Electronics	BUY	125	100
4	BHEL	Sell	36	71
5	Cummins India	Accumulate	1,708	1,587
6	Engineers India	BUY	85	74
7	GE T&D India	UR	-	128
8	Harsha Engineers International	BUY	440	414
9	Kalpataru Power Transmission	BUY	670	519
10	KEC International	Accumulate	559	514
11	Larsen & Toubro	BUY	2,479	2,310
12	Praj Industries	BUY	495	343
13	Siemens	Accumulate	3,351	3,384
14	Thermax	BUY	2,608	2,316
15	Triveni Turbine	BUY	340	332
16	Voltamp Transformers	Hold	3,056	2,905

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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