

June 14, 2023

Company Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	3,725		3,832	
Sales (Rs. m)	1,69,628	1,94,817	1,69,628	1,94,817
% Chng.	-	-	-	-
EBITDA (Rs. m)	11,625	13,916	11,625	13,916
% Chng.	-	-	-	-
EPS (Rs.)	146.4	183.8	146.4	183.8
% Chng.	-	-	-	-

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.)	15.0	40.0	43.9	55.1
Yield (%)	0.5	1.3	1.5	1.8
RoE (%)	16.4	32.3	23.0	24.5
RoCE (%)	25.1	49.8	37.6	38.8
EV/Sales (x)	1.2	0.8	0.7	0.6
EV/EBITDA (x)	20.8	9.1	9.6	8.0
PE (x)	44.6	18.0	20.5	16.3
P/BV (x)	6.7	5.1	4.4	3.7

Key Data

APAR.BO | APR IN

52-W High / Low	Rs.3,296 / Rs.741
Sensex / Nifty	63,143 / 18,716
Market Cap	Rs.115bn / \$ 1,391m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.494.84m

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	11.4	74.9	295.0
Relative	9.4	73.2	230.6

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Premiumisation, exports to propel strong growth

We recently interacted with the management of Apar Industries Ltd (APR), where they reiterated the strong demand outlook for Conductors and Cables segments, while maintaining modest stance on Speciality oil segment. Mgmt. guided 1) exports and product premiumisation will be key growth drivers in coming years, 2) Conductors division likely to witness strong traction for its conventional conductors from export markets, while domestic market will be driven by product premiumisation, 3) Cables segment, on the other hand, will continue with its growth momentum driven by strong growth in Elastomeric/E-beam cables from renewables & defence sector and growth in B2C business and 4) Speciality oil segment, is expected to witness decent growth in Transformer oil (~33% segment contribution) while growing modestly in white oil & auto lubricants.

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. Hence, we expect revenue/PAT CAGR of 16.5%/5% from FY23-25E, amid high PAT base. The stock is currently trading at PE of 20.5x/16.3x FY24/25E. We maintain 'Buy' rating on stock with SoTP based TP of Rs3,725 (Rs3832 earlier) valuing Cables/Conductors/Speciality oil business at PE of 25x/21x/9x on FY25E EPS.

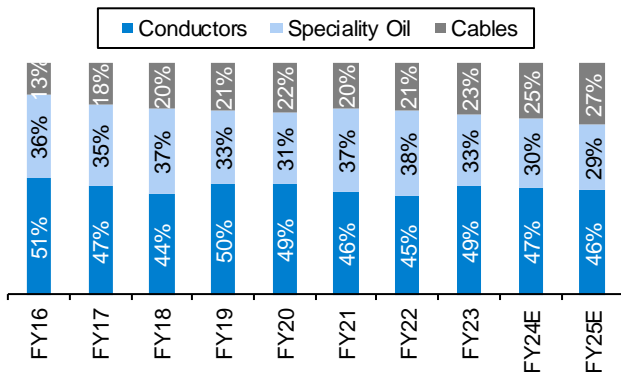
Conductors- transforming through premiumisation, exports: Conductors (~49% of FY23 revenue) has grown at ~16% CAGR over FY16-23, driven by product premiumisation and exports. Premium products contribution increased from 6% in FY16 to ~44% in FY23 and exports contribution increased from 40% to 51% during same period. Subsequently, EBITDA/MT post forex expanded to Rs44,114/MT in FY23 vs Rs17,095/MT in FY22 and Rs7,606/MT in FY16. FY23 EBITDA/MT was strong owing to favorable mix, inventory gains, normalizing freight costs. Going forward, we expect sustainable EBITDA/MT to be ~Rs25,000/MT over next 2 years with multiple tail-winds arising from strong exports of conventional conductors and increasing traction of premium products in domestic market.

Cables- Favorable mix & exports to drive robust growth: Cables (~23% of FY23 revenue) has grown at ~25% over FY16-23, mainly driven by new product launches (500+ products), innovation, capacity expansion (only Cable company with 4 e-Beam irradiation facilities) and strong growth in Elastomeric cables mainly coming from sectors such as renewables, defence and railways. We expect revenue CAGR of ~27% over FY23-25E, driven by 1) continued traction in elastomeric cables 2) strong growth from exports and 3) channel expansion in B2C segment.

Speciality Oil- Global leader in Transformer oil: Speciality oil (~33% of FY23 revenue) has grown at ~14% CAGR over FY16-23, mainly driven by strong growth in exports and higher base oil prices. Exports contribution increased from 33% in FY16 to 45% in FY23. Management expects growth to be driven by transformer oil performance (~33% of segment revenue; likely 7-8% volume CAGR), while auto lubricant and white oil growth to remain muted. Overall, we expect EBITDA/KL to be in range of ~5,600-6,000/KL in the medium term.

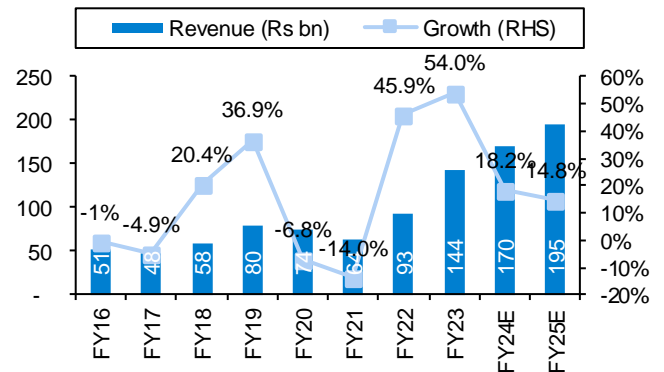
Story in Charts

Exhibit 1: Conductors accounts for major revenue share



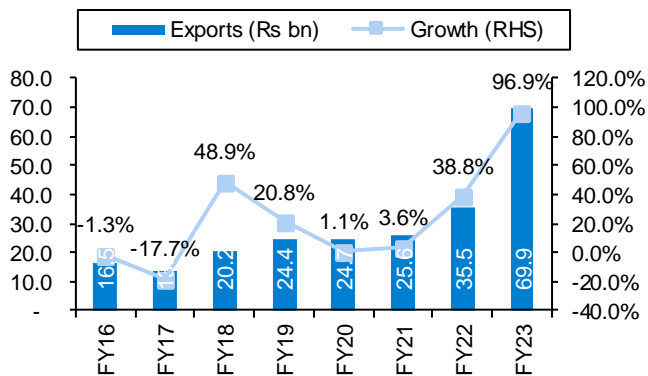
Source: Company, PL

Exhibit 2: Revenue to report 16.5% CAGR from FY23-25E



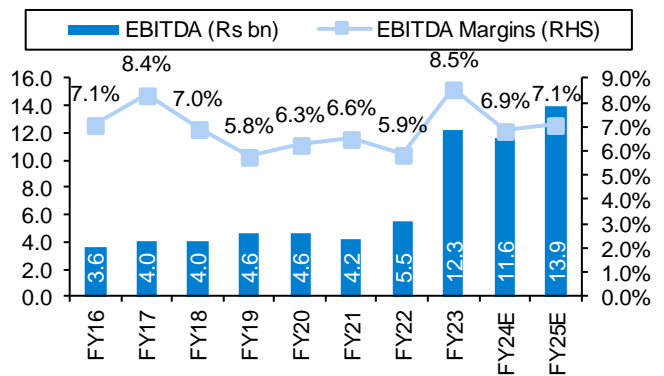
Source: Company, PL

Exhibit 3: Exports revenue reported ~23% CAGR - FY16-23



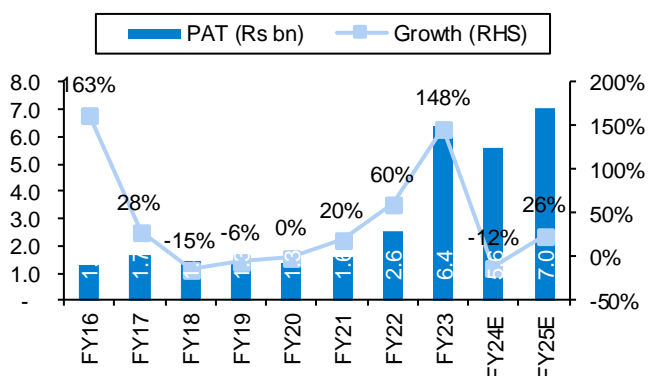
Source: Company, PL

Exhibit 4: EBITDA margins to be at 7.1% by FY25E



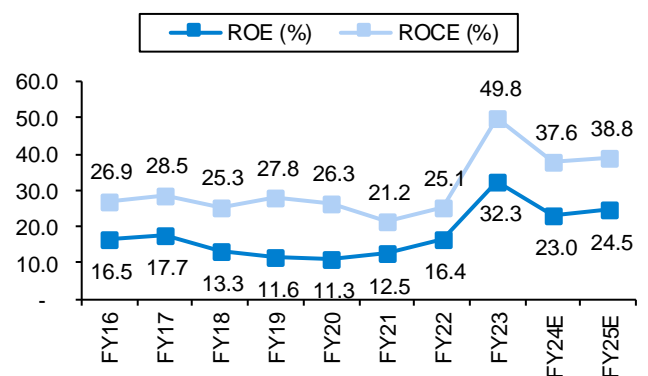
Source: Company, PL

Exhibit 5: PAT to report 5% CAGR- FY23-5E amid high base



Source: Company, PL

Exhibit 6: ROE & ROCE to expand in FY25E



Source: Company, PL

Company Overview

Established in 1958 Apar Industries Ltd (APR) is a technology driven and customer focused company with presence in 140+ countries. It is a highly trusted manufacturer and supplier of conductors, wide variety of cables, Speciality oils, polymers and lubricants in various sectors such as Power T&D, Indian Railways, Automotive, Telecom, Defence etc. APR is also a largest global aluminum & alloy conductor's manufacturer, 3rd largest global manufacturer of Transformer oil and biggest cable manufacturer of renewables in India (~60% market share in domestic windmill sector).

Exhibit 7: Apar's offerings and its advantage across various sectors

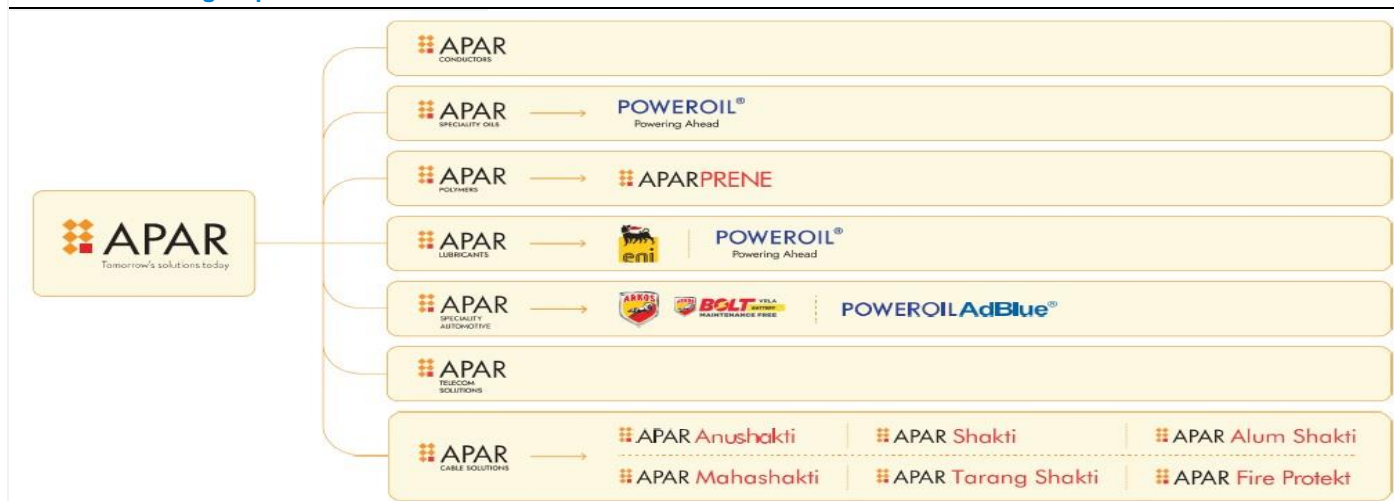
Industries	Apar Products	APAR Advantage
Power T&D and Renewable Energy	Conductors, Cables and Transformer oils (T-oils)	One of the largest global manufacturers of conductors. 3rd largest manufacturer of transformer oils. One of the world's largest manufacturers of specialised cables.
Indian Railways	Copper Conductors, XLPE & Elastomeric Cables & Harnesses	One of the India's largest manufacturers of specialised cables and harnesses.
Automotive Sector	Auto Lubes, Automotive Cables	10th largest domestic player in lubricants OEM relationships with leading Tier-1 tractor players.
Telecom Industry	Optical Fibre Cables (OFC), Optical Ground Wire (OPGW)	Significant player in both these segments.
Defense Sector	Elastomeric Cables & Speciality Cables	Major supplier of speciality elastomeric cables to the Indian Navy manufacturing establishments and to DRDO.
Exports	38% of revenue contribution in FY22	Exports to over 125 countries. Al-Hamriyah, Sharjah plant.

Source: Company, PL

With presence in 140+ countries, exports account for ~49% of revenue as on FY23 vs ~32% in FY16. APR is among preferred suppliers for products in export markets, owing to its quality products meeting stringent norms, new products launches, investment in manpower & training and client referencing & cross selling especially in electric, transmission & distribution industries.

APR enjoys strong brand recollect especially in B2C category and houses various brands in Speciality Oil, Lubricants, Cables etc. Additionally, the company has signed Sonu Sood as brand ambassador for promoting its Cable segment.

Exhibit 8: APAR group- House of brands



Source: Company, PL

Manufacturing plants are strategically located in Maharashtra, Gujarat, Odisha & Union territory of Dadra Nagar Haveli and Sarjah (UAE), with proximity to smelters (capture growing generation capacity in eastern India) and customers in Middle East & East Africa. The company's Conductor segment capacity stands at ~2,00,000MT/annum, while Speciality Oil Segment has capacity of ~5,44,000 KL/annum and manufacture 500+ range of cables.

Exhibit 9: Apar's manufacturing locations



Source: Company, PL

APR caters to buyer with low dependency on any particular sector/customer.

Over a period of time the company has significantly changed its customer mix with exports contributing ~49% of revenue (vs 30% in FY16), while in domestic market it caters to sectors such as Cosmetics, Pharma, Rubber, Plastics, Lubricants, Rail, Defence, Shipping, Mining, Telecom etc. with limited exposure to State owned electricity distribution boards (1.6% of revenue).

Exhibit 10: Customer mix- Exports accounts for ~49% of FY23 revenue

Particulars	12MFY23
Exports	48.70%
Industries/Corporate	16.70%
Specific industry groups	8.60%
OEM's	6.50%
EPC - Transmission companies	4.80%
Utilities - Transmission companies	7.10%
Renewables	2.70%
Utilities - Electricity Distribution Boards (Govt. + Pvt.)	1.60%
EPC - Diversified customer base across other verticals	0.60%
Others	2.70%
Total	100.00%

Source: Company, PL

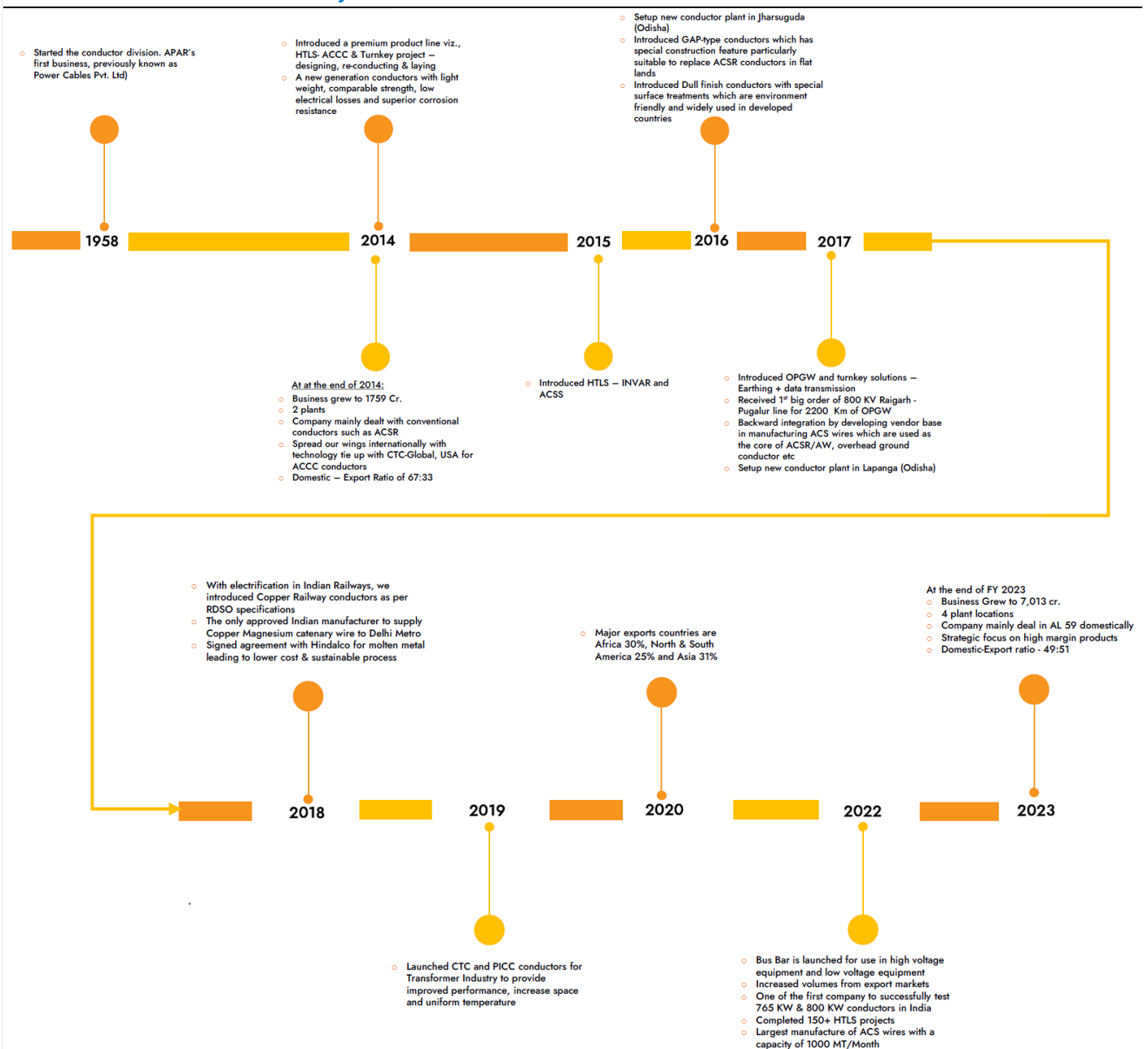
Industries/Corporates includes Cosmetics, Pharma, Rubber, Plastics, Lubricants etc. Specific industry groups includes Rail, Defence, Shipping, Mining, Telecom etc. With change in customer mix, there is limited exposure to State owned electricity distribution boards

Investment Arguments

Conductors witnessing transformational shift

Conductors accounts for 49% of revenue as on FY23, with EBITDA/MT of Rs44,114/MT vs Rs17,095/MT as on FY22 with capacity of ~2,00,000ton/annum. APR is largest global manufacturer/supplier of conventional conductors such as aluminum & alloy conductor and also manufactures premium products such as High-Efficiency Conductors (HEC), Copper conductor for Railways, Optical Ground Wire (OPGW) and Copper Transpose Conductors (CTC). APR enjoys ~22-23% market share in global addressable conductor's market, while HTLS conductor has market share of 30-35%.

Exhibit 11: Conductors business key milestones



Source: Company, PL

Focus on product premiumisation: Over a period of time company has undertaken a premiumisation exercise to reinvent its business segment from being low margin aluminum conductor company (~94% of segment revenue as on FY16) to product premiumisation with addition of copper conductors (for railways), CTC, HEC, OPGW wire (for power & Telecommunication), ACCC (Aluminum Conductor Composite Core- technology tie-up with CTC Global USA) and range of aluminum alloy rods (for special application), (high value products with better realization and EBITDA/MT). Incurred capex of ~Rs4.3bn over FY16-23, mainly towards new product launches in premium products. Additional ~Rs1bn capex has been planned over next 18-24 months towards capacity expansion to meet increasing demand.

Exhibit 12: Product offerings under premiumisation

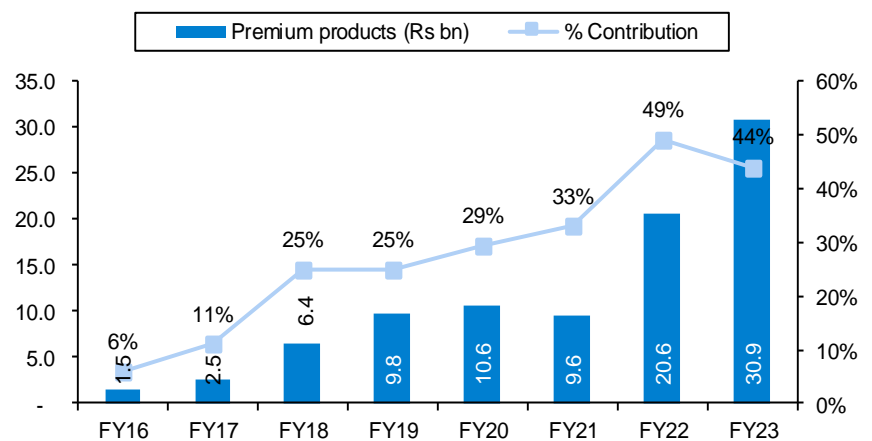


Source: Company, PL

Subsequently contribution from premium product increased from 6% in FY16 to 44% in FY23, resulting in EBITDA/MT increasing to Rs44,114/MT in FY23 vs Rs7,606/MT in FY16.

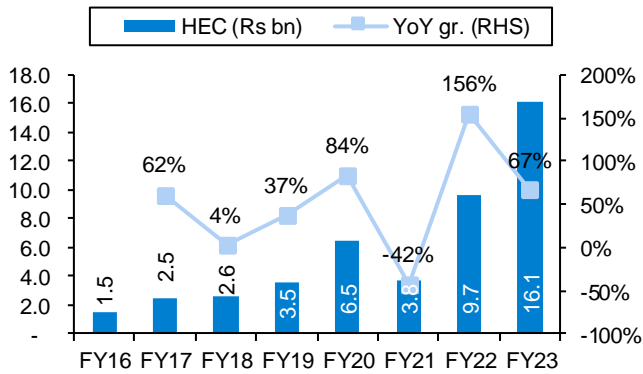
- Within premium products, HEC (~52% contribution of premium product) reported a strong revenue CAGR of ~40% over FY16-23 to reach Rs16bn (as on FY23).
- Copper conductor for railways (39% contribution of premium product) which was introduced in FY18 reported a strong 18% CAGR over FY18-23 to reach Rs11.9bn (as on FY23), mainly driven by increasing railway electrification.

Exhibit 13: Contribution from product Premiumisation stands at 44% in FY23



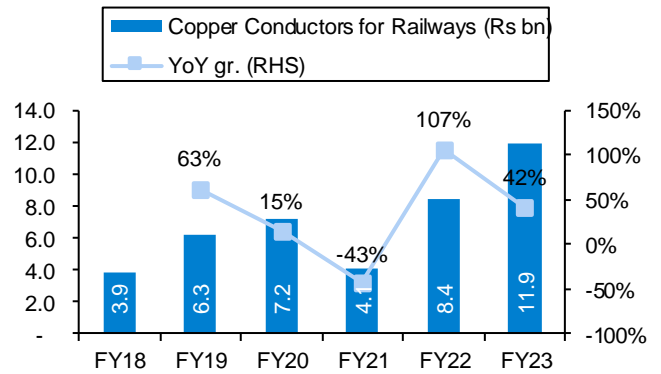
Source: Company, PL

Exhibit 14: HEC reported ~40% CAGR from FY16-23



Source: Company, PL

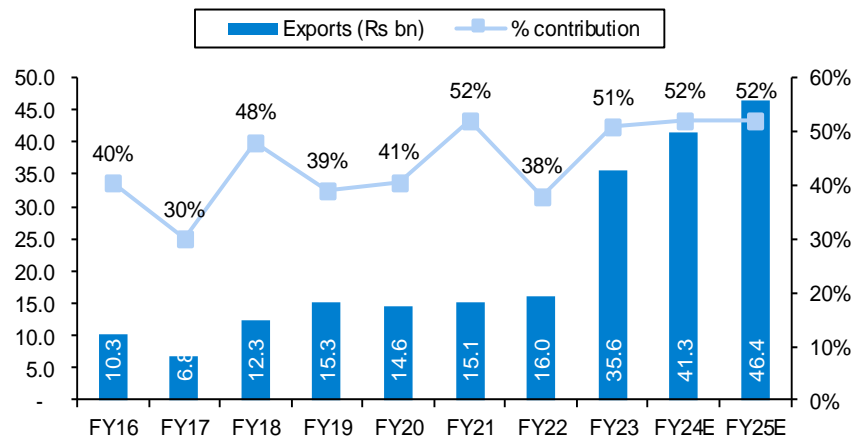
Exhibit 15: Copper conductor grew ~18% CAGR - FY18-23



Source: Company, PL note * assumptions- based on past trend

Exports driving demand for conventional conductors: Exports contribution has increased from ~40% in FY16 to ~51% in FY23, driven by increasing focus on expanding geographical footprint. Additionally, strong traction has been witnessed for conventional conductor in last two-year from key markets such as USA, owing to increasing spends on revamping existing transmission lines. FY23 exports revenue grew 123% YoY driven by increasing demand for conventional conductor from USA & Europe and higher realization in export markets.

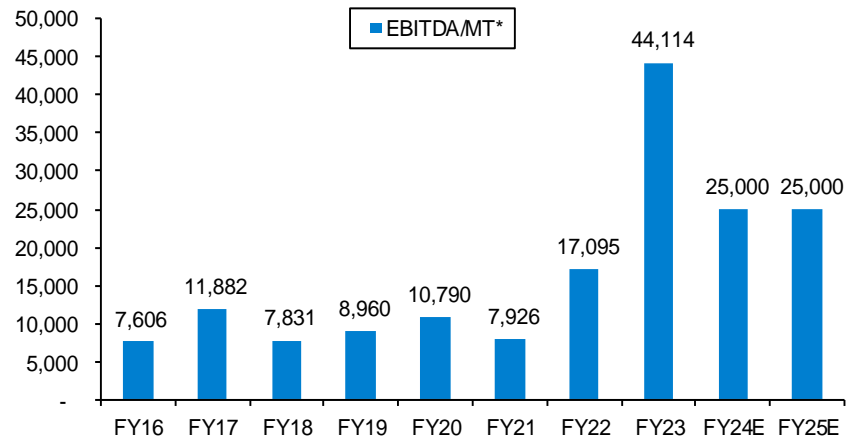
Exhibit 16: Exports contribution increased to 51% in FY23 vs 40% in FY16



Source: Company, PL

Increasing EBITDA/MT: Higher contribution from product Premiumisation & export markets and agreement with Hindalco for molten metal (cost saving on Rs1,200/MT) resulted in EBITDA/MT improving from Rs7,606/MT in FY16 to Rs44,114/MT in FY23, which was higher owing to 1) low cost logistics, 2) steel & Aluminum premium and 3) higher premium from export markets for conventional conductors (vs Rs17,095/MT in FY22). However, management guided that sustainable EBITDA/MT is expected to be ~Rs25,000/MT in long run with multiple tail-winds.

Exhibit 17: Product Premiumisation & exports drives EBITDA/MT post forex



Source: Company, PL * Note- EBITDA/MT post Forex adjustments

Exhibit 18: Apar’s Competitive advantage in conductors’ segment

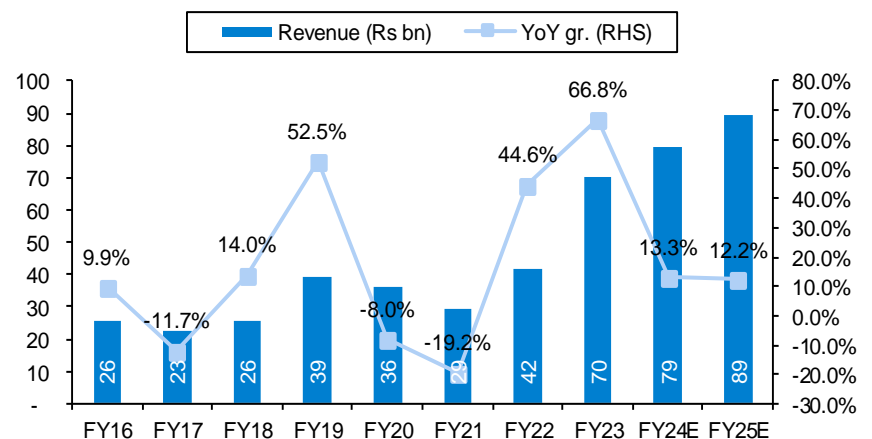
Premium products	Conventional products (exports)
Technology & know-how involved in product and design, acting as a barrier to entry for competition	Customers criteria being massive capacity delivering large volumes within a short period of time with quality & reliability.
Solution-oriented ecosystem of trained manpower, gangs required to get complex work done with no/minimal power outages	Tight audit requirements, documentation & transparency making some of the weak players ineligible.

Source: Company, PL

Between FY16-23 APR reported a strong revenue CAGR of ~16%, driven by increasing contribution from product premiumisation and export markets (conventional conductors demand from USA).

Conclusion: We expect increasing spend in T&D infrastructure in domestic and exports market will continue to drive demand for conductors in medium to long run. Going forward, APR’s conductor business will be driven by demand for conventional conductor from exports and premium product from domestic market. We expect Conductor segment to report revenue CAGR of ~13% over FY23-25E. EBITDA/MT is expected to be ~Rs25,000/MT in long run vs Rs7,606/MT in FY16, mainly driven by exports and premiumisation.

Exhibit 19: Premiumisation & exports to drive ~13% revenue CAGR - FY23-24



Source: Company, PL

Cables: favorable mix, exports to drive robust growth

APR entered into cables segment with acquisition of Uniflex in 2008 and reported a robust ~25% revenue CAGR over FY10-23, mainly driven by new product launches (500+ range of cables), innovation, capacity expansion (only Cable company with 4 e-Beam irradiation facilities) and strong growth traction in Elastomeric cables from sectors such as renewables, defence and railways. Segment contributed ~23% of total revenue and reported EBITDA margin of 10.5% in FY23.

APR caters to various Speciality sectors like railways, naval ships, submarines, solar, windmills, telecoms etc. with widest ranges of medium-voltage & low-voltage XLPE cables, elastomeric cables, speciality cables and fibre optic cables.

Exhibit 20: APR's cable segment caters to various sector through its offerings



Source: Company, PL

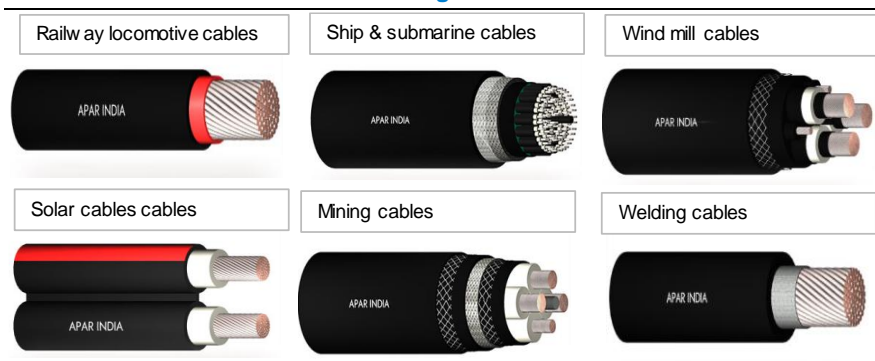
APR's cables product can be broadly classified as A) Elastomeric & E-Beam Cables, B) Electrical/telecom Cables and C) Light Duty Cables

A) Pioneer in Elastomeric/E-beam and Speciality cables: APR's is world's largest manufacturer of Speciality cables and has pioneered in elastomeric and E-beam (only Indian player with 4 E-beam facilities) cables in India and now caters to various industries such as railways, ship building, steel, defence, mining and housing wires.

- **Elastomeric cables** reported strong revenue growth in FY23 (up 41% YoY to Rs7.2bn), driven by increasing traction from renewable energy, defence, and railways. Elastomeric is the largest revenue contributor for cables.
- APR enjoys first mover advantage for manufacturing cables such as house wires, railway cables and solar cables using **E-beam technology**. It is the only company using this technology giving the product a 50-year life, melt resistant and flame retardant till 105 degrees for house wirings.
 - APR's E-beam cables and low fire hazardous cables were used for Indian Navy's destroyer INS Surat and Frigate INS Udyagiri, for ship's power control and major instruments.

We believe Elastomeric/Ebeam cables to grow ~35% CAGR from FY23-25 to reach ~Rs13bn, driven by increased business from renewables, railways and defence.

Exhibit 21: Elastomeric cables offerings



Source: Company, Company, PL

B) Within Electrical/telecom cables APR manufactures LV, MV, HV, XLPE cables upto 66kv suitable for various application and industries such as power distribution, renewables, water, nuclear & Thermal power, manufacturing and telecom industries.

- It is also focusing on strengthening distribution reach and engagement with top builders and consultants, hence we believe Power/telecom cables will witness healthy growth of ~23% revenue CAGR from FY23-25E.

Exhibit 22: Electrical cables offerings

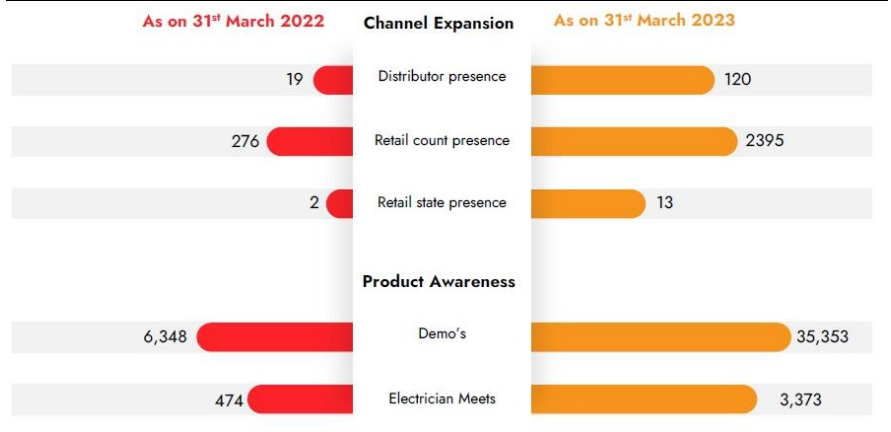


Source: Company, PL

C. APR’s Light Duty Cables (B2C) reported a robust growth in FY23 (up~75% YoY), led by various initiatives taken in last one year such as product awareness, channel expansion and enhancing geographical reach (expanded business in Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, Maharashtra etc). Subsequently light duty cable revenue grew 75% YoY to Rs1.8bn in FY23.

We believe light duty cable revenue to report ~43% CAGR from FY23-25E to reach ~Rs3.6bn, from ~Rs1.8bn in FY23. Management targets revenue to reach ~Rs5bn by FY26E.

Exhibit 23: Initiatives taken in B2C segment



Source: Company, PL

Additionally, Sonu Sood has been signed as brand ambassadors for its Light duty cables to increase visibility. The company has released two Ad campaigns PAN India with total audience reach of ~29mn.

Exhibit 24: Sonu Sood Endorsing Light Duty Cable

SONU SOOD ENDORSING OUR LIGHT DUTY CABLES RANGE

- APAR Anushakti**
 - House wire
 - Round Multicore
 - 3 core flat cable
 - Solar cable
- APAR Alum Shakti**
 - House wire
 - Round Multicore
 - 3 core flat cable
- APAR Mahashakti**
 - Round Multicore
 - 3 core flat cable
- APAR Tarang Shakti**
 - CAT 6 LAN cable
 - Telephone cable
 - CCTV
 - Speaker cable
 - Fibre optic cable
- APAR Fire Protekt**
 - HFFR
 - EBXL HFFR
 - Fire alarm cable
 - Fire survival cable
- APAR Shakti**
 - House wiring
 - Round multicore
 - Core flat cable
 - Uninyvin
 - Braided cable
 - Welding cable

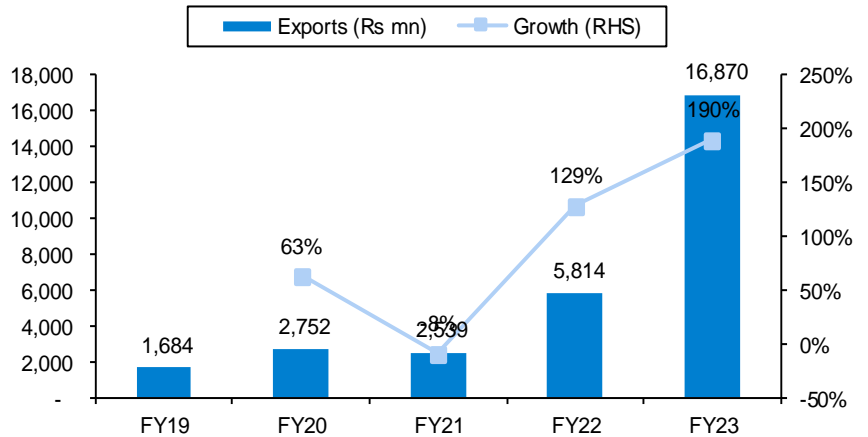
Source: Company, PL

Focus on growing exports business: APR is a leading Indian player for exports of wires and cables. Strategic focus on enhancing exports continues to prevail, thereby resulting in growth of ~190% in FY23 along with ~78% CAGR over FY19-23 mainly driven by geographical expansion, new product launches, increasing traction for global renewable energy and quality products leading to increasing acceptance. Exports contributed 52% of cables business revenue in FY23 vs 10% in FY19. APR supplies to country such as America, Africa, Middle East, Africa, Europe, Australia and SAARC region.

- The company has 11 certificate of compliance for US market (highest from Indian Player) for specialized and power cables.
- Largest exporters, a leader in CATV/ broadband fiber optic cables.

Going forward, we expect exports to report its growth momentum driven by increasing geographical presence, products approval, superior product quality, increasing acceptance for products, backed with strong demand from key geographies such as US, Europe etc. increasing traction in renewable energy and China + 1 strategy.

Exhibit 25: Exports witnessed strong growth with geographical expansion

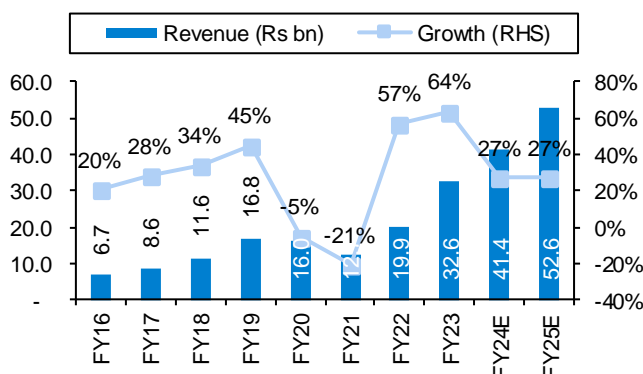


Source: Company, PL

Enhancing capacity to meet growing demand: Capex of ~Rs4.3bn has been incurred over FY16-23 for new product launches, meeting growing demand from domestic as well as exports market and debottlenecking of current facilities. Capex carried out includes 1) Green Field expansion a for E-beam, Elastomeric Cables, OFC Cables, 2) high-voltage power cables, 3) import substitution products for the defence sector, 5) Debottlenecking of HT/LT cable capacity at Umbergaon plant and 6) New product launch such as - MVCC and specialized wiring harness. Going forward, capex of ~Rs2.6bn has been planned to be incurred in next 18-24 months towards capacity expansion.

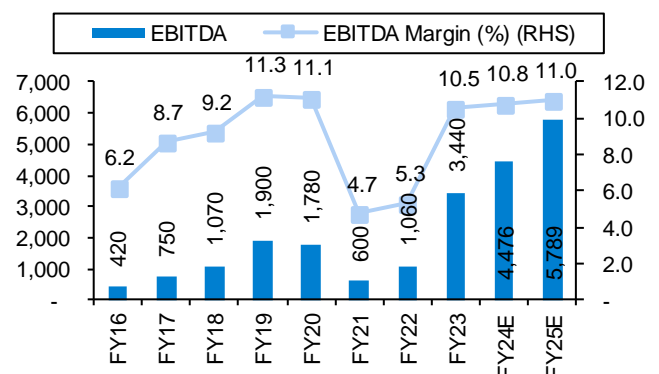
Conclusion: We expect Cables to report a healthy 27% revenue CAGR from FY23-25E, driven by new product launches, geographical expansion, increasing product approvals in exports market, benefit from China + 1 strategy, import substitution in defence sectors, healthy growth in elastomeric cables, growth in B2C segment with increasing distribution reach and increasing demand from key sectors such as railways, defence and renewables.

Exhibit 26: Revenue to report 27% CAGR from FY23-25E



Source: Company, PL

Exhibit 27: EBITDA margin to stabilize at 11% by FY25E



Source: Company, PL

Speciality Oil: Global leader in Transformer oil

Speciality Oil segment accounts for ~33% of revenue with EBITDA/KL of ~Rs4,781/KL as on FY23. APR is leader in oil industry for more than five decades, with capacity of ~5,44,000 KL/annum and 400+ different types of Specialty Oils. It enjoys market share of ~60% in power transformer oil and ~40% distribution transformer oil in domestic market. Segment offers comprehensive product range including transformer oil (T-oil), white & pharmaceutical oils, petroleum jelly, industrial process oils, industrial lubricants, automotive lubricants and greases. T-Oil accounts for ~33% of total segment revenue.

Strong leadership across various industries:

- Pioneer in transformer oils in India, 60% market share in power transformers and 40% market share in distribution transformer oil.
- Only Indian company to win entire T-Oil supply to all major HVDC projects in India.
- Launched best-in-class 99% biodegradable natural ester transformer oil.
- Leading supplier to tractor OEMs, TAFE, Eicher, ITL, Escorts.
- Leading domestic player for auto lubes.

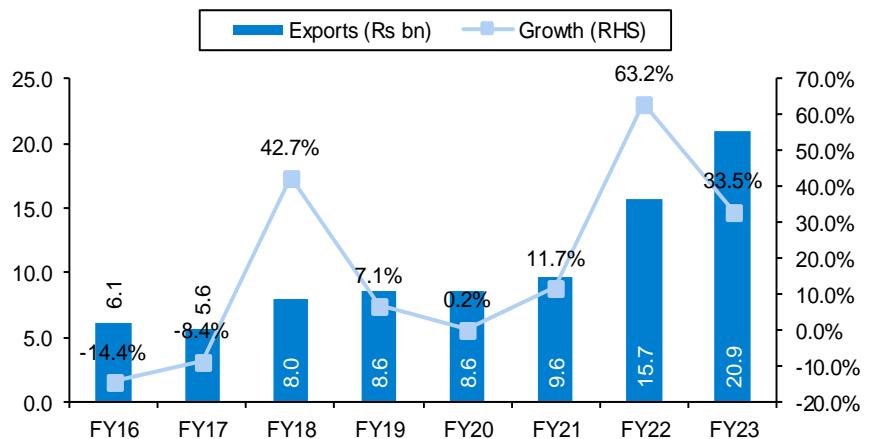
Exhibit 28: Products offering under Speciality Chemicals



Source: Company, PL

Exports witnessed a strong CAGR of ~19% over FY16-23 vs segment CAGR of ~14% over same period, mainly due to new plant at AL-Hamriyah – Sharjah, providing proximity to customers in Middle East and East Africa thereby opening avenue for bulk exports.

Exhibit 29: Exports reported strong 19% CAGR over FY16-23



Source: Company, PL

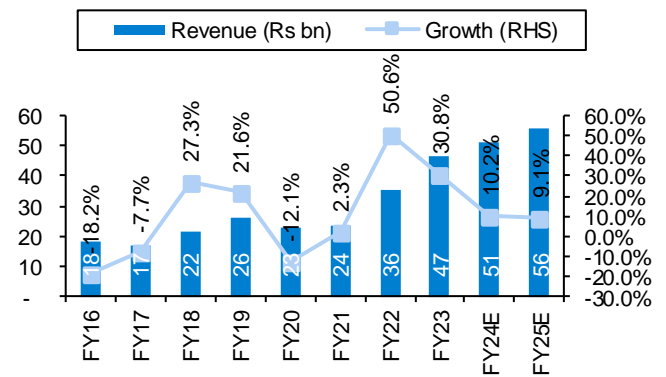
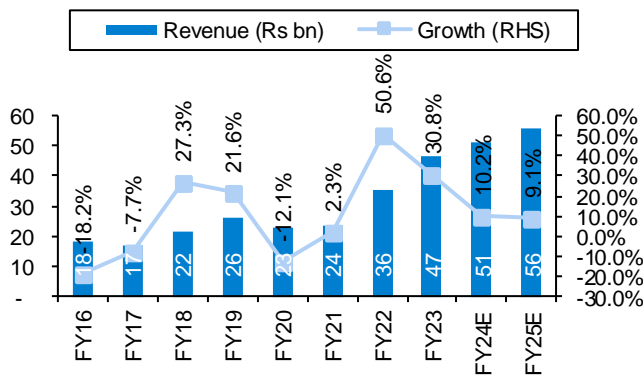
Capex of ~Rs2.5bn has been incurred from FY16-23, including 1) construction of 1,00,000 KL capacity Al-Hamriyah, Sharjah plant (Rs1bn), 2) expansion of T-Oil capacity & range (including 765KV & 800KV HVDC) and 3) Doubling Industrial & Automotive blending and automated packing capacity. Current capacity is enough to meet demand in medium term, hence no major capex is planned for the segment.

Oil segment reported 14% Revenue CAGR over FY16-23, mainly driven by higher volumes in industrial & automotive segment, strong growth in export markets, diverse product offering (1200+ products), strong distribution channel (450+ dealers, 22,000 mechanic reach). However, EBITDA/KL was impacted in FY23 (Rs4,781/KL in FY23 vs Rs6,331/KL in FY22) owing to excess supply of base oil globally.

Conclusion: We believe that within Speciality Oil segment, T-Oil is going to be key growth driver in near to medium term, driven by increasing capex in Transmission sector, strong HVDC pipeline and new product launches in new range (765KV & 800KV HVDC). While Auto lubricant is expected to decline or be muted due to increasing adoption of EV segment. Management expects volume to be driven by transformer oil performance (~33% of segment revenue; likely 7-8% volume CAGR), while auto lubricant and white oil growth to remain muted. Overall we expect revenue growth of ~10% CAGR from FY23-25E, with EBITDA/KL of ~Rs5,600-6,000/KL for FY24-25.

Exhibit 30: Revenue to report ~10% CAGR from FY23-25E

Exhibit 31: EBITDA/KL to be ~5600-6000/KL



Source: Company, PL

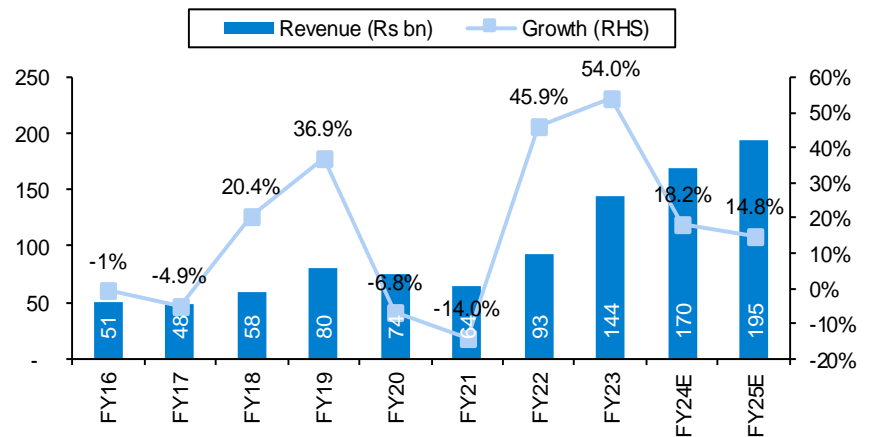
Source: Company, PL * Note- EBITDA/KL post forex adjustment

Financial Analysis

Revenue to witness a 16.5% CAGR form FY23-25

APR reported a healthy revenue CAGR ~16% from FY16-23, mainly driven by increasing share of product Premiumisation and export markets. Going forward we expect strong revenue CAGR of ~16.5% from FY23-25E, mainly driven by strong growth in cables segment, product premiumisation and continued focus on export markets.

Exhibit 32: Premimuization & exports to drive 16.5% revenue CAGR - FY23-25

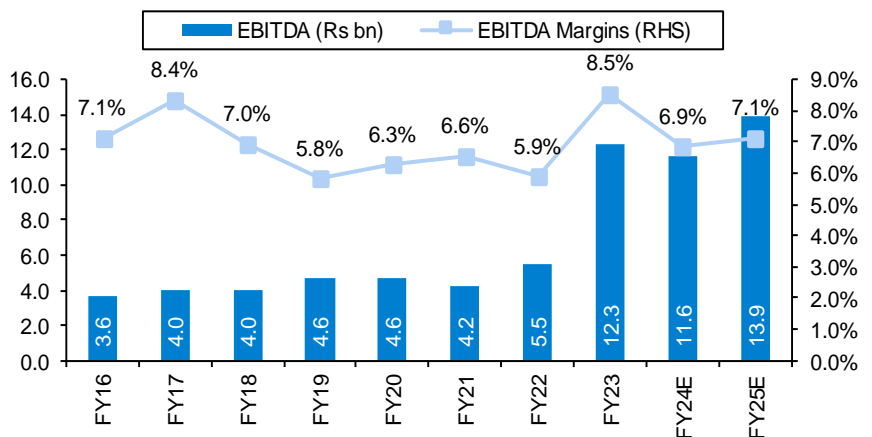


Source: Company, PL

EBITDA margins to stabilize at 7.1% by FY25E

EBITDA margins expanded from 7.1% in FY16 to 8.5%, mainly driven by increasing contribution from exports & product Premiumisation, focus on operational efficiency and inventory cost benefit in FY23. Going forward we expect margins to stabilize at 7.1% by FY25, with normalizing EBITDA in conductor's segment.

Exhibit 33: EBITDA margins to stabilize at ~7.1% by FY25E

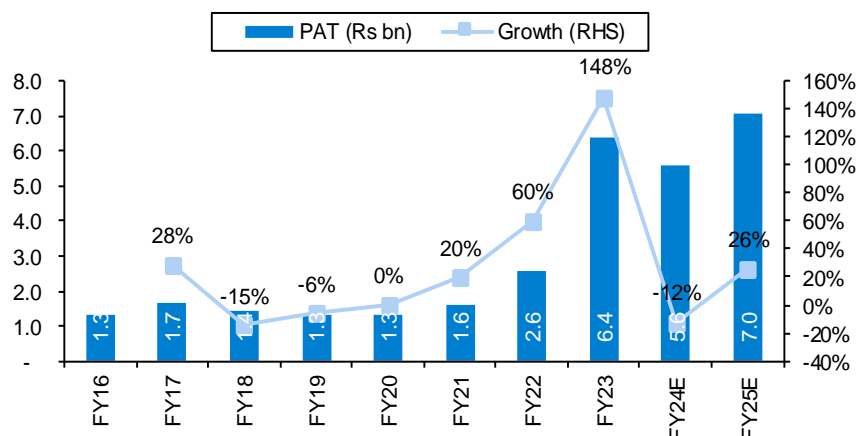


Source: Company, PL

PAT to report 5% CAGR- FY23-25E, amid high base

PAT reported a robust growth of 148% to Rs6.4bn, mainly driven by, revenue growth and strong EBITDA/MT in conductor and margins in cables segment. However, we expect APR to report PAT CAGR of ~5% from FY23-25E, amid high base.

Exhibit 34: PAT to report 5% CAGR from FY23-25E

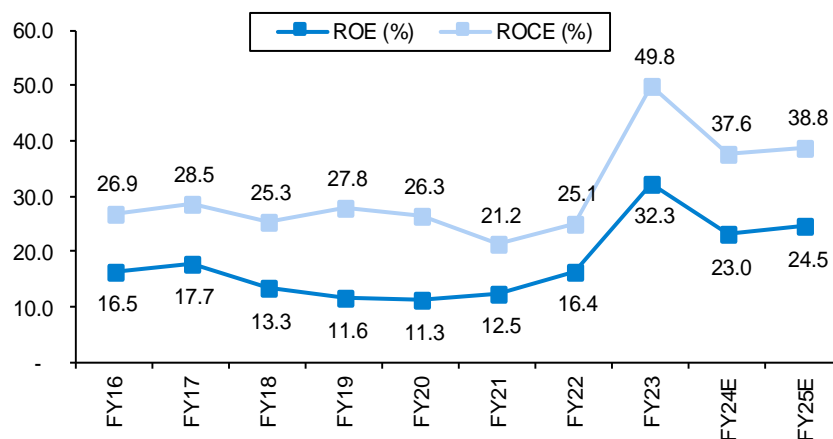


Source: Company, PL

ROE to be at ~ 24.5% by FY25E:

ROE stood in range of ~11-16% between FY16 to FY22, while it expanded to 32.3% in FY23, mainly due to strong operational performance. However, going forward, with EBITDA normalizing for conductors segment we expect ROE to be at ~24.5% for FY25E.

Exhibit 35: ROE to be ~24.5% by FY25



Source: Company, PL

Outlook and Valuation

APR traded at PE of ~11x-12x 1 year forward P/E as on Jun'16, wherein it was mainly a conventional product driven company. However, over last two years the company saw multiple re-ratings due to business shift from conventional products to product premiumisation and increasing exports contribution.

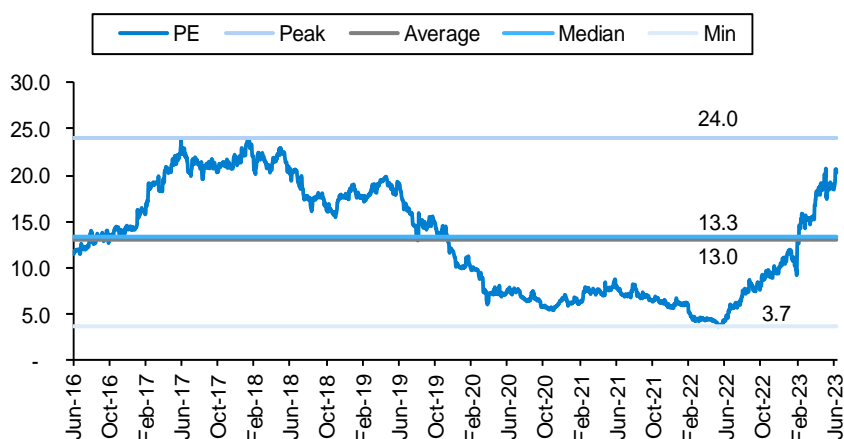
We believe, continued strong traction for Conductors and Cables in exports market coupled with strong demand for premium products in domestic and exports market to drive strong performance in medium term. We expect Revenue/PAT CAGR of 16.5%/5% over FY23-25E (amid high PAT base). The stock currently trades at PE of 20.5x/16.3x FY24/25E. Maintain 'BUY' rating with revised SoTP of Rs3,725 (Rs3,832 earlier) after valuing Conductor business at P/E of 21x FY25E, Cables business at P/E of 25x and Speciality Oil business at P/E of 9x FY25E.

Exhibit 36: Cables account for ~62% of SoTP

	Segmental PAT (Rs mn)	Valuation basis	Target multiple (x)	Targeted Value (Rs mn)	Value/Share
Conductors Segment	1,890	P/E	21	39,684	1,037
Cables Segment	3,534	P/E	25	88,343	2,308
Speciality Oil Segment	1,614	P/E	9	14,527	380
Total Target (Rs. Mn)				1,42,554	3,725

Source: PL

Exhibit 37: Apar trading below its peak 1-year forward PE of 24x



Source: Company, PL

Key Risks

- Slowdown in any key export markets to impact overall revenue of conductors and cables business.
- Increasing completion across key segments and geographies likely to impact overall profitability for the company.
- Slowdown in key sectors such as railways, T&D, defence etc. in domestic market to impact the revenue and profitability growth momentum.

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	14	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

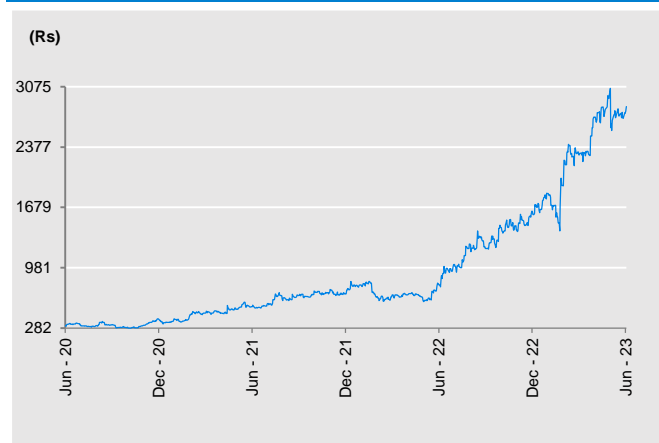
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	67.1	166.6	146.4	183.8
CEPS	92.6	193.9	179.5	220.9
BVPS	448.2	584.4	686.8	815.5
FCF	29.6	117.7	131.6	155.7
DPS	15.0	40.0	43.9	55.1
Return Ratio(%)				
RoCE	25.1	49.8	37.6	38.8
ROIC	22.5	50.0	36.3	36.7
RoE	16.4	32.3	23.0	24.5
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	22	15	16	17
Valuation(x)				
PER	44.6	18.0	20.5	16.3
P/B	6.7	5.1	4.4	3.7
P/CEPS	32.3	15.4	16.7	13.6
EV/EBITDA	20.8	9.1	9.6	8.0
EV/Sales	1.2	0.8	0.7	0.6
Dividend Yield (%)	0.5	1.3	1.5	1.8

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	09-May-23	BUY	3,832	3,056
2	11-Apr-23	UR	-	2,695
3	31-Jan-23	BUY	2,260	1,687
4	04-Jan-23	BUY	1,834	1,789
5	04-Nov-22	BUY	1,834	1,464
6	04-Oct-22	UR	-	1,445
7	30-Jul-22	Accumulate	1,194	1,124
8	05-Jul-22	UR	-	941

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,119	3,719
2	Apar Industries	BUY	3,832	3,056
3	Bharat Electronics	BUY	125	109
4	BHEL	Reduce	67	79
5	Cummins India	Accumulate	1,750	1,649
6	Engineers India	Accumulate	116	111
7	GE T&D India	Hold	184	188
8	Harsha Engineers International	Accumulate	475	436
9	KEC International	Accumulate	559	514
10	Larsen & Toubro	BUY	2,615	2,364
11	Praj Industries	BUY	475	374
12	Siemens	Accumulate	4,018	3,723
13	Thermax	BUY	2,613	2,280
14	Triveni Turbine	Accumulate	416	398
15	Voltamp Transformers	Hold	3,961	3,871

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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