

August 1, 2023

Q1FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		BUY	
Target Price	4,100		3,725	
Sales (Rs. m)	1,64,972	1,90,403	1,69,628	1,94,817
% Chng.	(2.7)	(2.3)		
EBITDA (Rs. m)	11,966	14,172	11,625	13,916
% Chng.	2.9	1.8		
EPS (Rs.)	153.3	190.5	146.4	183.8
% Chng.	4.7	3.7		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	93,166	1,43,522	1,64,972	1,90,403
EBITDA (Rs. m)	5,479	12,270	11,966	14,172
Margin (%)	5.9	8.5	7.3	7.4
PAT (Rs. m)	2,566	6,377	5,866	7,291
EPS (Rs.)	67.1	166.6	153.3	190.5
Gr. (%)	59.9	148.5	(8.0)	24.3
DPS (Rs.)	15.0	40.0	46.0	57.2
Yield (%)	0.4	1.1	1.2	1.5
RoE (%)	16.4	32.3	24.0	25.1
RoCE (%)	24.8	49.4	38.8	39.4
EV/Sales (x)	1.6	1.0	0.9	0.7
EV/EBITDA (x)	26.4	11.6	11.9	10.0
PE (x)	56.4	22.7	24.7	19.9
P/BV (x)	8.4	6.5	5.5	4.6

Key Data

[APAR.BO](#) | [APR IN](#)

52-W High / Low	Rs.3,950 / Rs.1,120
Sensex / Nifty	66,528 / 19,754
Market Cap	Rs.145bn/ \$ 1,760m
Shares Outstanding	38m
3M Avg. Daily Value	Rs.423.14m

Shareholding Pattern (%)

Promoter's	60.64
Foreign	7.47
Domestic Institution	17.97
Public & Others	13.92
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.0	124.2	236.6
Relative	6.0	100.7	191.3

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Nilesh Soni

nileshsoni@plindia.com | 91-22-66322214

Long term outlook intact

Quick Pointers:

- Strong exports growth (up ~53% YoY), product premiumization and volume growth across segment drives revenue growth of ~22% YoY.
- Conductors EBITDA/ton continues to remain strong at Rs38,740/ton, driven by product mix and higher exports contribution.

Apar Industries (APR) reported strong quarterly performance with revenue growth of ~22% YoY and EBITDA margin expansion of 150bps YoY. Conductors demand from domestic market is likely to remain robust with several TBCB project under tendering and adoption of high efficiency AL-59 conductor vs conventional ACSR conductors earlier. Near term slowdown is expected in select export markets such as USA and Europe due to excess inventory and normalizing supply chain, however medium to long term outlook continues to remain strong for overall exports. Cables business likely to continue with its growth momentum and report 25-30% revenue CAGR over next couple of years, driven by growth in elastomeric cables (renewables, defence etc) and focus on expanding B2C segment with enhancing distribution and geographical reach.

We believe, APR's focus towards value added products and strong traction in domestic market and long term positive view on exports will drive strong topline and profitability in the long run. The stock is currently trading at PE of 24.7x/19.9x FY24/25E. We revise our estimates by 4.7%/3.7% for FY24/25, factoring in better margins in cables segment and healthy conductor's outlook with revised SoTP to Rs4,100 (Rs3,725 earlier). However, given the recent sharp run up in stock price, we change rating to 'Accumulate' from Buy, maintaining long term positive view.

Strong exports and volumes drives growth: Consolidated sales grew 22% YoY to Rs37.7bn (PLe ~Rs34.7bn), comprising of Conductors/ Speciality Oil/ Cables ~47%/~32%/~26% of total sales. EBITDA grew 45.8% YoY to Rs3.5bn (PLe Rs3.3bn), with EBITDA margins expanding by 150bps YoY to 9.2% (PLe ~9.4%), owing to lower other expenses as % of sales (13.6% vs 15.2% in Q1FY23). PAT grew ~61% YoY to ~Rs2bn (PLe ~Rs1.7bn), led by strong operational performance and higher other income (3x to Rs139mn).

Growth witnessed across segments: Conductors reported a growth of 14.6% YoY to Rs17.7bn, owing to strong volume growth (up 27% YoY) and strong growth in exports (up ~58% YoY). Cables reported a ~51.6% YoY revenue growth to Rs9.7bn owing to strong growth in exports and elastomeric products. Speciality oil segment revenue grew ~12.2% YoY to ~Rs12bn, driven by volume growth. Management maintained its guidance: 1) conductor volume growth to be ~10% with sustainable EBITDA/ton of ~Rs25,000/ton with multiple tailwinds 2) Cables growth of 25-30% with EBITDA margins of 10-12% and 3) Speciality Oil volume growth of ~5% with EBITDA/KL of ~Rs5,500/KL.

Exhibit 1: Higher margins and other income drives PAT growth of 61% YoY

Y/E March	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenue	30,932	32,349	39,389	40,886	37,730	22.0	(7.7)	143,522	93,166	54.0
Total Revenues	30,932	32,349	39,389	40,886	37,730	22.0	(7.7)	143,522	93,166	54.0
Expenditure	28,558	30,090	35,957	36,647	34,269	20.0	(6.5)	131,252	87,687	49.7
<i>as % of sales</i>	<i>92.3</i>	<i>93.0</i>	<i>91.3</i>	<i>89.6</i>	<i>90.8</i>			<i>91.5</i>	<i>94.1</i>	
Consumption of RM	23,374	24,517	29,377	29,820	28,475	21.8	(4.5)	107,088	72,078	48.6
<i>as % of sales</i>	<i>75.6</i>	<i>75.8</i>	<i>74.6</i>	<i>72.9</i>	<i>75.5</i>			<i>74.6</i>	<i>77.4</i>	
Employee Cost	483	507	515	700	657	36.1	(6.2)	2,205	1,725	27.8
<i>as % of sales</i>	<i>1.6</i>	<i>1.6</i>	<i>1.3</i>	<i>1.7</i>	<i>1.7</i>			<i>1.5</i>	<i>1.9</i>	
Other expenditure	4,702	5,066	6,065	6,127	5,137	9.3	(16.2)	21,960	13,884	58.2
<i>as % of sales</i>	<i>15.2</i>	<i>15.7</i>	<i>15.4</i>	<i>15.0</i>	<i>13.6</i>			<i>15.3</i>	<i>14.9</i>	
EBITDA	2,374	2,259	3,432	4,239	3,462	45.8	(18.3)	12,270	5,479	124.0
Depreciation	249	261	261	273	272	9.2	(0.2)	1,043	978	6.6
EBIT	2,125	1,998	3,171	3,966	3,189	50.1	(19.6)	11,226	4,500	149.5
Other Income	45	122	66	107	139	209.4	29.8	375	325	15.3
Interest	613	711	940	791	696	13.5	(12.0)	3,055	1,406	117.3
Extra ordinary items	-	-	-	-	-			-	-	
PBT	1,556	1,409	2,298	3,282	2,632	69.1	(19.8)	8,546	3,419	150.0
Total Tax	332	383	599	855	657	98.1	(23.1)	2,168	853	154.3
PAT	1,225	1,026	1,699	2,428	1,975	61.3	(18.7)	6,377	2,566	148.5
(Profit)/loss from JV's/Ass/MI	-	-	-	(0.2)	(0.4)			-	-	-
PAT after JV	1,225	1,026	1,699	2,427	1,974	61.2	(18.7)	6,377	2,566	148.5
Adjusted PAT	1,225	1,026	1,699	2,427	1,974	61.2	(18.7)	6,377	2,566	148.5
Adjusted EPS	32.0	26.8	44.4	63.4	51.6	61.2	(18.7)	166.6	67.1	148.5
Margins (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	bps	bps	FY23	FY22	bps
EBIDTA	7.7	7.0	8.7	10.4	9.2	150	(119)	8.5	5.9	267
EBIT	6.9	6.2	8.1	9.7	8.5	158	(125)	7.8	4.8	299
EBT	5.0	4.4	5.8	8.0	7.0	194	(105)	6.0	3.7	228
PAT	4.0	3.2	4.3	5.9	5.2	127	(70)	4.4	2.8	169
Effective Tax rate	21.3	27.2	26.1	26.0	25.0	365	(107)	25.4	24.9	44

Source: Company, PL

Exhibit 2: Healthy growth across segment

Segmental Performance	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY gr. (%)	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Conductor										
Volume (MT)	35,877	30,227	44,538	49,489	45,564	27.0	(7.9)	160,131	107,357	49.2
Revenue	15,480	14,390	19,120	21,210	17,742	14.6	(16.3)	70,130	42,039	66.8
EBITDA Adj	790	1,180	2,270	2,870	1,770	124.1	(38.3)	7,060	1,840	283.7
EBITDA margin (%)	5.1	8.2	11.6	13.5	10.0	487	(356)	10.1	4.4	567
EBITDA Adj. (Rs/MT)	21,933	39,108	49,942	58,006	38,740	76.6	(33.2)	44,114	17,095	158.1
Speciality Oil & Lubricant										
Volume (KL)	115,359	113,360	126,731	131,132	130,654	13.3	(0.4)	486,582	461,589	5.4
Revenue	10,680	11,760	12,450	11,790	11,980	12.2	1.6	46,560	35,604	30.8
EBITDA	1,180	580	270	460	780	(33.9)	69.6	2,480	2,910	(14.8)
EBITDA margin (%)	11.0	4.9	2.2	3.9	6.5	(41)	67	5.3	8.2	(287)
EBITDA Adj. (Rs/KL)	9,712	4,550	1,646	3,697	6,035	(37.9)	63.2	4,781	6,347	(24.7)
Cables										
Revenue	6,380	7,620	9,210	9,430	9,668	51.5	2.5	32,630	19,937	63.7
EBITDA Adj.	490	700	1,090	1,170	1,100	124.5	(6.0)	3,480	1,060	228.3
EBITDA margin (%) Adj	7.7	9.2	11.8	12.4	11.4	48.2	(8.3)	10.7	5.3	537

Source: Company, PL

Exhibit 3: Cables accounts for 64% of SoTP

	Segmental PAT (Rs mn)	Valuation basis	Target multiple (X)	Targeted Value (Rs mn)	Value/Share
Conductors Segment	1,940	P/E	21	40,739	1,065
Cables Segment	3,701	P/E	27	99,938	2,611
Speciality Oil Segment	1,625	P/E	10	16,248	425
Total Target (Rs. Mn)				156,926	4,100

Source: Company, PL

Conference Call Highlights

- **Revenue growth of 22% YoY** was on account of volume growths across all divisions and growth in export of cable and conductor businesses.
- **Competitive intensity** is increasing in exports market from Chinese players in select geographies such as Africa, Latin America etc.
- **Expects slowdown in near term in USA and Europe market** for cables and conductors due to excess inventory and also likely delay in projects by contractors due to increasing interest rates. While Latin America, Australia to continue to witness robust demand.
- **Capex:** Overall capex for next 18-24 months to be ~Rs3.5bn off which ~67% will be towards cable division.
- **Conductors revenue growth (up 15% YoY)**, was driven by strong volume growth (up 27% YoY), strong exports (up ~58% YoY) and healthy premium products growth. Order book stands at Rs53.6bn to be executable over next 6-7 months. Order inflow came in at Rs19.5bn in Q1FY24. High value products contribution was at 41.6% in Q1FY24.
 - **Domestic market:** Upgrading use of conventional ACSR conductor to AL-59, which is high efficiency conductors for upcoming TBCB projects. Domestic market outlook is robust with several project under execution.
 - **Exports market:** Traction for Specialized ACCC type conductor is witnessing traction globally, driven by renewable energy sector.
- **Speciality oil revenue growth (up 13% YoY)**, driven by volume-led growth. EBITDA post forex was at Rs6035/Kl down by 38% YoY due higher base in Q1 FY23 but in-line with the guidance.
 - Continue to maintain ~40% market share in transformer oil segment.
 - Traction has been seen in Transformer oil and Industrial oil, while it has been weak in Agri and retail oil.
 - EBITDA/KL is likely to remain in range of ~Rs5,000-6,000/KL going forward; with volume growth of ~5% for next couple of years.
 - Speciality oil growth will be driven by Transformer and Industrial lubricant growth, while it will be muted for retail automotive and Agri segment.
- **Cables (revenue growth 52% YoY):** All sub-vertical of cables segment including B2C have shown strong growth in Q1FY24. Elastomeric cables revenue up 44.6% YoY from increased business in renewable energy installations, railways etc.
 - Segment to report ~25-30% growth for next couple of years.
 - **B2C:** Target to reach Rs5bn by FY26 with increasing distribution reach and geographical expansion.
- **Polymer Business:** It is small segment as of now with revenue of Rs1bn and targets to reach Rs2bn in coming year. Capex of ~Rs350mn has been planned for polymer business. Polymer division will cater to captive consumption for Cables business as well as external sales for sector other than cables.

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	93,166	1,43,522	1,64,972	1,90,403
YoY gr. (%)	45.8	54.0	14.9	15.4
Cost of Goods Sold	72,078	1,07,088	1,24,845	1,43,900
Gross Profit	21,088	36,434	40,127	46,503
Margin (%)	22.6	25.4	24.3	24.4
Employee Cost	1,725	2,205	2,590	3,008
Other Expenses	13,884	21,960	25,571	29,322
EBITDA	5,479	12,270	11,966	14,172
YoY gr. (%)	30.7	124.0	(2.5)	18.4
Margin (%)	5.9	8.5	7.3	7.4
Depreciation and Amortization	978	1,043	1,244	1,373
EBIT	4,500	11,226	10,722	12,799
Margin (%)	4.8	7.8	6.5	6.7
Net Interest	1,406	3,055	3,308	3,527
Other Income	325	375	429	476
Profit Before Tax	3,419	8,546	7,842	9,747
Margin (%)	3.7	6.0	4.8	5.1
Total Tax	853	2,168	1,976	2,456
Effective tax rate (%)	24.9	25.4	25.2	25.2
Profit after tax	2,566	6,377	5,866	7,291
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,566	6,377	5,866	7,291
YoY gr. (%)	59.9	148.5	(8.0)	24.3
Margin (%)	2.8	4.4	3.6	3.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,566	6,377	5,866	7,291
YoY gr. (%)	59.9	148.5	(8.0)	24.3
Margin (%)	2.8	4.4	3.6	3.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,566	6,377	5,866	7,291
Equity Shares O/s (m)	38	38	38	38
EPS (Rs)	67.1	166.6	153.3	190.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	13,201	14,827	16,827	18,827
Tangibles	13,184	14,814	16,814	18,814
Intangibles	16	14	14	14
Acc: Dep / Amortization	4,387	5,320	6,564	7,938
Tangibles	4,387	5,320	6,564	7,938
Intangibles	-	-	-	-
Net fixed assets	8,814	9,507	10,263	10,890
Tangibles	8,798	9,494	10,249	10,876
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	1,980	2,475
Current Assets				
Investments	300	501	501	501
Inventories	21,387	25,756	29,831	34,429
Trade receivables	25,424	32,256	37,062	42,775
Cash & Bank Balance	2,664	5,301	5,721	6,324
Other Current Assets	5,615	6,008	7,127	8,759
Total Assets	66,075	82,177	94,359	1,08,523
Equity				
Equity Share Capital	383	383	383	383
Other Equity	16,770	21,981	26,088	31,191
Total Networkth	17,152	22,364	26,470	31,574
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	965	1,528	1,528	1,528
Trade payables	40,834	52,066	59,661	68,336
Other current liabilities	4,646	4,488	4,669	4,854
Total Equity & Liabilities	66,075	82,177	94,359	1,08,523

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	3,419	8,546	7,842	9,747
Add. Depreciation	979	1,043	1,244	1,373
Add. Interest	608	1,553	3,308	3,527
Less Financial Other Income	325	375	429	476
Add. Other	480	794	-	-
Op. profit before WC changes	5,486	11,936	12,395	14,648
Net Changes-WC	(2,140)	(2,763)	(3,130)	(4,074)
Direct tax	908	2,190	1,976	2,456
Net cash from Op. activities	2,438	6,983	7,288	8,118
Capital expenditures	(1,293)	(2,467)	(2,100)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	386	(222)	-	-
Net Cash from Invt. activities	(906)	(2,689)	(2,100)	(2,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(226)	(67)	300	200
Dividend paid	(364)	(574)	(1,760)	(2,187)
Interest paid	(474)	(1,200)	(3,308)	(3,527)
Others	-	-	-	-
Net cash from Fin. activities	(1,064)	(1,841)	(4,768)	(5,515)
Net change in cash	468	2,453	420	603
Free Cash Flow	1,133	4,505	5,188	6,118

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	67.1	166.6	153.3	190.5
CEPS	92.6	193.9	185.8	226.4
BVPS	448.2	584.4	691.7	825.0
FCF	29.6	117.7	135.6	159.9
DPS	15.0	40.0	46.0	57.2
Return Ratio(%)				
RoCE	24.8	49.4	38.8	39.4
ROIC	22.2	49.5	37.5	37.3
RoE	16.4	32.3	24.0	25.1
Balance Sheet				
Net Debt : Equity (x)	-	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	23	15	16	17
Valuation(x)				
PER	56.4	22.7	24.7	19.9
P/B	8.4	6.5	5.5	4.6
P/CEPS	40.8	19.5	20.4	16.7
EV/EBITDA	26.4	11.6	11.9	10.0
EV/Sales	1.6	1.0	0.9	0.7
Dividend Yield (%)	0.4	1.1	1.2	1.5

Source: Company Data, PL Research

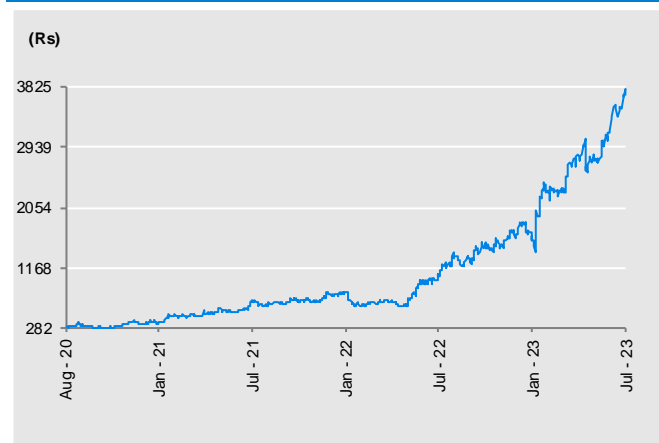
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	32,349	39,389	40,886	37,730
YoY gr. (%)	42.6	76.7	35.7	22.0
Raw Material Expenses	24,517	29,377	29,820	28,475
Gross Profit	7,832	10,012	11,066	9,255
Margin (%)	24.2	25.4	27.1	24.5
EBITDA	2,259	3,432	4,239	3,462
YoY gr. (%)	77.0	196.5	144.3	45.8
Margin (%)	7.0	8.7	10.4	9.2
Depreciation / Depletion	261	261	273	272
EBIT	1,998	3,171	3,966	3,189
Margin (%)	6.2	8.1	9.7	8.5
Net Interest	711	940	791	696
Other Income	122	66	107	139
Profit before Tax	1,409	2,298	3,282	2,632
Margin (%)	4.4	5.8	8.0	7.0
Total Tax	383	599	855	657
Effective tax rate (%)	27.2	26.1	26.0	25.0
Profit after Tax	1,026	1,699	2,428	1,975
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,026	1,699	2,428	1,975
YoY gr. (%)	80.4	209.1	193.9	61.3
Margin (%)	3.2	4.3	5.9	5.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,026	1,699	2,428	1,975
YoY gr. (%)	80.4	209.1	193.9	61.3
Margin (%)	3.2	4.3	5.9	5.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,026	1,699	2,428	1,975
Avg. Shares O/s (m)	38	38	38	38
EPS (Rs)	26.8	44.4	63.4	51.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	3,725	3,493
2	14-Jun-23	BUY	3,725	2,993
3	09-May-23	BUY	3,832	3,056
4	11-Apr-23	UR	-	2,695
5	31-Jan-23	BUY	2,260	1,687
6	04-Jan-23	BUY	1,834	1,789
7	04-Nov-22	BUY	1,834	1,464
8	04-Oct-22	UR	-	1,445

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,119	4,400
2	Apar Industries	BUY	3,725	3,493
3	Bharat Electronics	Accumulate	140	130
4	BHEL	Reduce	67	93
5	Carborundum Universal	BUY	1,501	1,203
6	Cummins India	Accumulate	1,750	1,916
7	Engineers India	Accumulate	116	120
8	GE T&D India	Hold	184	216
9	Grindwell Norton	BUY	2,604	2,191
10	Harsha Engineers International	Accumulate	475	469
11	Kalpataru Projects International	BUY	625	555
12	KEC International	Accumulate	578	598
13	Larsen & Toubro	BUY	2,955	2,560
14	Praj Industries	BUY	475	416
15	Siemens	Accumulate	4,018	3,731
16	Thermax	BUY	2,613	2,240
17	Triveni Turbine	Accumulate	416	396
18	Voltamp Transformers	Hold	3,961	4,069

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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