

May 15, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	8,877		6,564	
Sales (Rs. m)	1,94,171	2,28,314	1,90,808	2,24,408
% Chng.	1.8	1.7		
EBITDA (Rs. m)	16,424	19,655	15,729	18,948
% Chng.	4.4	3.7		
EPS (Rs.)	212.2	268.0	201.9	259.4
% Chng.	5.1	3.3		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,43,363	1,61,530	1,94,171	2,28,314
EBITDA (Rs. m)	12,269	15,223	16,424	19,655
Margin (%)	8.6	9.4	8.5	8.6
PAT (Rs. m)	6,377	8,257	8,523	10,764
EPS (Rs.)	166.6	205.6	212.2	268.0
Gr. (%)	148.5	23.4	3.2	26.3
DPS (Rs.)	40.0	40.0	63.7	80.4
Yield (%)	0.5	0.5	0.8	1.0
RoE (%)	32.3	27.0	25.4	33.5
RoCE (%)	49.4	40.8	39.5	49.5
EV/Sales (x)	2.2	2.1	1.7	1.5
EV/EBITDA (x)	25.8	21.9	20.5	17.1
PE (x)	50.0	40.6	39.3	31.1
P/BV (x)	14.3	8.6	11.8	9.3

Key Data

APAR.BO | APR IN

52-W High / Low	Rs.8,399 / Rs.2,650
Sensex / Nifty	73,105 / 22,218
Market Cap	Rs.335bn/ \$ 4,011m
Shares Outstanding	40m
3M Avg. Daily Value	Rs.977.05m

Shareholding Pattern (%)

Promoter's	57.77
Foreign	10.98
Domestic Institution	18.62
Public & Others	12.63
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	19.8	53.6	210.4
Relative	21.7	36.5	163.4

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Apar Industries (APR IN)

Rating: ACCUMULATE | CMP: Rs8,340 | TP: Rs8,877

Healthy quarter; strong outlook across segments

Quick Pointers:

- Domestic demand continues to remain strong driven by Railway Infrastructure, Renewables and Defence.
- Conductors order book stood at Rs68.9bn (domestic Rs25.5bn; exports Rs43.4bn), with premium products contributing 44.8%.

We revise our FY25/26E EPS estimates by +5.1%/+3.3%, factoring in strong outlook in the Conductors segment. Apar Industries (APR) reported revenue growth of 9.0% YoY, while EBITDA margin contracted by 91bps YoY vs a high base in Q4FY23. Despite sluggish US demand caused by inventory destocking, there has been an uptick in order intake, with improvement anticipated in FY25. Meanwhile, robust domestic demand continues to offset weak sales in US market. Robust opportunities presented by private and public capex in T&D industry along with transition from ACSR to AL-59 alloy conductors will drive growth in Conductors business. Cables business outlook remains promising, with expanding opportunities in renewable energy, railway, defense, and other sectors.

We believe APR's focus towards value-added products and strong traction in exports business will continue to drive strong topline & profitability in the long run. The stock is currently trading at a P/E of 41.3x/32.2x FY25/26E. We roll forward to Mar-26 and maintain an 'Accumulate' rating with a revised SoTP-derived TP of Rs8,877 (Rs6,890 earlier) valuing Conductors/Cables/Specialty Oil segments at 35x/40x/15x FY26E (27x/33x/12x Dec-25E earlier) owing to a robust business outlook across segments.

Strong revenue growth driven by Conductors and Cables: Consolidated revenue grew 9.0% YoY to Rs44.6bn (PLe: Rs44.5bn). Revenue mix for the quarter stood at Conductors ~50%/ Speciality Oil ~26%/ Cables ~23%. Gross margin declined by 429bps to 22.8% (PLe: 28.2%) vs a high base of 27.1% in Q4FY23. EBITDA declined by 0.6% YoY to Rs4.2bn (PLe: Rs4.2bn). EBITDA margin declined by 91bps YoY to 9.5% (PLe: 9.4%) vs a high base of 10.4% in Q4FY23, with lower other expenses (-15.9% YoY) partially offset the gross margin contraction. PAT declined 2.7% YoY to Rs2.4bn (PLe: Rs2.2bn) vs a high base, due to relatively lower operating margins and higher interest costs (up 27.8% YoY to Rs1.0bn).

Conductors EBITDA/MT came in strong again: Conductors revenue grew 9.8% YoY to Rs23.3bn, with ~14% YoY volume growth. Specialty Oils revenue grew 2.7% YoY to Rs12.1bn with ~5% YoY volume growth. Cables revenue grew 15.1% YoY to Rs10.9bn led by strong domestic demand (~52% YoY growth ex-US). Conductors EBITDA per MT post forex came in at Rs48,343 (PLe: Rs36,531), while Specialty Oils EBITDA per KL post forex came in at Rs4,251 (PLe: Rs5,264). Conductors EBIT margin came in at 11.6% (vs high base of 13.0% in Q4FY23); Specialty Oils margin came in at 4.2% (vs 3.4% in Q4FY23); Cables margin came in at 10.5% (vs 11.4% in Q4FY23).

Exhibit 1: Healthy domestic volumes drive 9.0% YoY revenue growth; margins decline versus a high base

Y/E March	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenue	40,886	37,730	39,260	40,085	44,551	9.0	11.1	161,626	143,556	12.6
Total Revenues	40,886	37,730	39,260	40,085	44,551	9.0	11.1	161,626	143,556	12.6
Expenditure	36,647	34,269	35,762	36,035	40,338	10.1	11.9	146,403	131,252	11.5
as % of sales	89.6	90.8	91.1	89.9	90.5		0.7	90.6	91.4	
Consumption of RM	29,820	28,475	29,793	30,777	34,405	15.4	11.8	123,450	107,088	15.3
as % of sales	72.9	75.5	75.9	76.8	77.2		0.6	76.4	74.6	
Employee Cost	700	657	724	729	779	11.3	6.9	2,889	2,205	31.0
as % of sales	1.7	1.7	1.8	1.8	1.7		(3.8)	1.8	1.5	
Other expenditure	6,127	5,137	5,246	4,529	5,153	(15.9)	13.8	20,065	21,960	(8.6)
as % of sales	15.0	13.6	13.4	11.3	11.6	(22.8)	2.4	12.4	15.3	
EBITDA	4,239	3,462	3,498	4,050	4,213	(0.6)	4.0	15,223	12,304	23.7
Depreciation	273	272	282	288	315	15.4	9.1	1,157	1,043	10.9
EBIT	3,966	3,189	3,216	3,762	3,899	(1.7)	3.6	14,066	11,261	24.9
Other Income	107	139	188	210	328	207.2	56.2	864	340	154.1
Interest	791	696	1,031	1,128	1,011	27.8	(10.4)	3,866	3,055	26.5
Extra ordinary items	-	-	-	-	-		#DIV/0!	-	-	
PBT	3,282	2,632	2,373	2,844	3,216	(2.0)	13.1	11,065	8,546	29.5
Total Tax	855	657	629	667	854	(0.1)	28.0	2,807	2,168	29.5
PAT	2,428	1,975	1,744	2,177	2,362	(2.7)	8.5	8,257	6,377	29.5
(Profit)/loss from JV's/Ass/MI	(0.2)	(0.4)	(5.0)	(0.8)	(0.1)		(87.5)	(6)	(0)	-
PAT after JV	2,427	1,974	1,739	2,176	2,362	(2.7)	8.6	8,251	6,377	29.4
Adjusted PAT	2,427	1,974	1,739	2,176	2,362	(2.7)	8.6	8,251	6,377	29.4
Adjusted EPS	60.4	49.2	43.3	54.2	58.8	(2.7)	8.6	205.4	158.8	29.4
Margins (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY bps	QoQ bps	FY24	FY23	YoY bps
Gross	27.1	24.5	24.1	23.2	22.8	(429)	(45)	23.6	25.4	(178)
EBITDA	10.4	9.2	8.9	10.1	9.5	(91)	(65)	9.4	8.6	85
EBIT	9.7	8.5	8.2	9.4	8.8	(95)	(63)	8.7	7.8	86
EBT	8.0	7.0	6.0	7.1	7.2	(81)	12	6.8	6.0	89
PAT	5.9	5.2	4.4	5.4	5.3	(64)	(13)	5.1	4.4	66
Effective Tax rate	26.0	25.0	26.5	23.5	26.6	51	309	25.4	25.4	(0)

Source: Company, PL

Exhibit 2: Conductors registered healthy 13.8% volume growth and continued sequential improvement in EBITDA/MT

Segmental Performance	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Conductor										
Volume (MT)	49,489	45,565	54,074	50,695	56,299	13.8	11.1	206,633	160,131	29.0
Revenue	21,210	17,742	19,433	19,855	23,280	9.8	17.3	80,310	70,200	14.4
EBITDA Adj	2,820	1,770	2,110	2,110	2,730	(3.2)	29.4	8,720	7,170	21.6
EBITDA margin (%)	13.5	10.0	10.9	10.6	11.7	(180.5)	109.9	10.9	10.1	79
EBITDA Adj. (Rs/MT)	58,006	38,740	39,007	41,530	48,453	(16.5)	16.7	167,730	168,989	(0.7)
Speciality Oil & Lubricant										
Volume (KL)	131,132	130,654	133,788	136,329	137,090	4.5	0.6	537,861	486,582	10.5
Revenue	11,790	11,980	11,986	12,396	12,103	2.7	(2.4)	48,466	46,680	3.8
EBITDA	460	780	660	1,140	570	23.9	(50.0)	3,150	2,490	26.5
EBITDA margin (%)	3.9	6.5	5.5	9.2	4.7	80.8	(448.7)	-	5.3	(533)
EBITDA Adj. (Rs/KL)	3,697	6,035	4,562	8,157	4,251	15.0	(47.9)	23,005	19,604	17.3
Cables										
Revenue	9,430	9,668	8,823	9,240	10,858	15.1	17.5	38,589	32,640	18.2
EBITDA Adj.	1,170	1,100	980	1,067	1,230	5.1	15.3	4,377	3,450	26.9
EBITDA margin (%) Adj	12.4	11.4	11.1	11.5	11.3	(107.9)	(21.9)	11.4	10.7	69

Source: Company, PL

Exhibit 3: Cables segment accounts for ~50% of SoTP

Segmental PAT (Rs mn)	Valuation basis	Target multiple (X)	Targeted Value (Rs mn)	Value/Share	
Conductors Segment	4,342	P/E	35	151,964	3,783
Cables Segment	4,432	P/E	40	177,269	4,413
Speciality Oil Segment	1,822	P/E	15	27,332	680
Total Target (Rs. Mn)			356,565	8,877	

Source: Company, PL

Conference Call Highlights

- Revenue growth came in at 9.0% with continued strong domestic demand offsetting lower US sales caused by inventory de-stocking by customers. Global sales ex-US grew by 29.8% YoY.
- Export mix for sales and order book was 39% and 38% respectively. As project execution picks up, export mix is expected to improve in FY25.
- Supply chain and volumes continue to get affected by the re-routing of the ships in Red Sea, causing delays in shipments to western markets especially in Europe.
- Conductors volume grew 13.8% YoY** with good domestic demand offsetting lower demand from export markets affected by the disrupted supply chain and higher freight costs. EBITDA/MT (post forex) was lower at Rs48,453 on the back of lower share of exports (40.3% in Q4FY24 vs 53.5% in Q4FY23).
 - Premium products contributed 48.9% to conductor sales (HEC ~24.5%)
 - Order book stood at Rs68.9bn (44.8% share of premium products) with inflows of Rs30.2bn in Q4.

- Management expects ~15% volume growth in FY25 and long-term EBITDA/MT of Rs28,500+. Current capacity of ~205k MT will expand to 225-230k MT by FY25-end, in line with expected volume growth.
- **Threat from Chinese competition** is more prominent in Conductors business than Cables business in most markets. Negative impact from such competition is expected to be felt in near future.
- **Specialty Oil EBITDA (post forex) grew by 15.0% to Rs4,251/KL** on the back of low margin profile in the same period last year. Profitability for the quarter was partly affected due to higher weighted average cost of inventory due to delay in shipments. Long-term guidance of Rs5,000-6,000/KL.
 - Global transformer oil volume rose ~22% YoY and should grow in double digits going forward.
 - Lubricants revenue grew by 4% YoY to Rs2.4bn. Volume declined by 3% YoY to 17,813 KL due to 11% YoY decline in Automotive volume partly offset by 17% YoY improvement in Industrial volume.
- **Cables business to grow at a CAGR of ~25%** in the coming years driven by strong opportunities in Indian Railway infrastructure, Defence and Renewable energy. Q4FY24 export mix of 24.7% is expected to improve in as exports to US pick up in FY25.
- Rs3.0bn to Rs4.5bn of capex is expected to be incurred every year with a large portion to be spent on greenfield expansion and de-bottlenecking in Conductors and Cables segments.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,43,363	1,61,530	1,94,171	2,28,314
YoY gr. (%)	53.9	12.7	20.2	17.6
Cost of Goods Sold	1,10,762	1,25,400	1,48,523	1,73,956
Gross Profit	32,601	36,130	45,647	54,359
Margin (%)	22.7	22.4	23.5	23.8
Employee Cost	2,205	2,889	3,398	4,110
Other Expenses	18,126	18,019	25,825	30,594
EBITDA	12,269	15,223	16,424	19,655
YoY gr. (%)	124.0	24.1	7.9	19.7
Margin (%)	8.6	9.4	8.5	8.6
Depreciation and Amortization	1,043	1,157	1,299	1,503
EBIT	11,226	14,066	15,126	18,152
Margin (%)	7.8	8.7	7.8	8.0
Net Interest	3,055	3,866	4,423	4,641
Other Income	375	864	718	913
Profit Before Tax	8,546	11,065	11,421	14,424
Margin (%)	6.0	6.8	5.9	6.3
Total Tax	2,168	2,807	2,898	3,660
Effective tax rate (%)	25.4	25.4	25.4	25.4
Profit after tax	6,377	8,257	8,523	10,764
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,377	8,257	8,523	10,764
YoY gr. (%)	148.5	29.5	3.2	26.3
Margin (%)	4.4	5.1	4.4	4.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,377	8,257	8,523	10,764
YoY gr. (%)	148.5	29.5	3.2	26.3
Margin (%)	4.4	5.1	4.4	4.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,377	8,257	8,523	10,764
Equity Shares O/s (m)	38	40	40	40
EPS (Rs)	166.6	205.6	212.2	268.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	14,827	14,842	17,342	20,342
Tangibles	14,814	14,814	17,314	20,314
Intangibles	14	28	28	28
Acc: Dep / Amortization	5,320	5,320	6,619	8,122
Tangibles	5,320	5,320	6,619	8,122
Intangibles	-	-	-	-
Net fixed assets	9,507	9,522	10,723	12,220
Tangibles	9,494	9,494	10,695	12,192
Intangibles	14	28	28	28
Capital Work In Progress	991	1,207	1,207	1,207
Goodwill	-	-	-	-
Non-Current Investments	67	97	74	74
Net Deferred tax assets	(217)	(9)	(9)	(9)
Other Non-Current Assets	1,153	1,155	1,359	1,827
Current Assets				
Investments	501	34	34	34
Inventories	25,756	28,645	31,918	37,531
Trade receivables	32,256	39,404	44,686	53,169
Cash & Bank Balance	5,301	6,460	3,743	3,128
Other Current Assets	6,008	6,441	7,767	10,502
Total Assets	82,177	93,734	1,02,191	1,20,719
Equity				
Equity Share Capital	383	402	402	402
Other Equity	21,981	38,363	27,947	35,482
Total Networkth	22,364	38,764	28,349	35,884
Non-Current Liabilities				
Long Term borrowings	1,514	3,946	3,846	3,696
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,528	810	810	810
Trade payables	52,066	48,131	63,837	74,437
Other current liabilities	4,488	4,498	5,340	5,884
Total Equity & Liabilities	82,177	96,158	1,02,191	1,20,719

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	8,546	11,065	11,421	14,423
Add. Depreciation	1,043	1,157	1,299	1,503
Add. Interest	1,553	2,749	4,423	4,641
Less Financial Other Income	375	864	718	913
Add. Other	794	46	-	-
Op. profit before WC changes	11,936	15,017	17,143	20,568
Net Changes-WC	(2,763)	(15,917)	6,576	(6,503)
Direct tax	2,190	2,474	2,898	3,660
Net cash from Op. activities	6,983	(3,374)	20,821	10,405
Capital expenditures	(2,467)	(3,296)	(2,500)	(3,000)
Interest / Dividend Income	-	110	-	-
Others	(222)	505	-	-
Net Cash from Invt. activities	(2,689)	(2,681)	(2,500)	(3,000)
Issue of share cap. / premium	-	9,826	-	-
Debt changes	(67)	901	(100)	(150)
Dividend paid	(574)	(1,530)	(2,557)	(3,229)
Interest paid	(1,200)	(2,845)	(4,423)	(4,641)
Others	-	-	(16,382)	-
Net cash from Fin. activities	(1,841)	6,352	(23,462)	(8,020)
Net change in cash	2,453	296	(5,141)	(615)
Free Cash Flow	4,505	(6,681)	18,321	7,405

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	166.6	205.6	212.2	268.0
CEPS	193.9	234.4	244.5	305.4
BVPS	584.4	965.0	705.7	893.3
FCF	117.7	(166.3)	456.1	184.3
DPS	40.0	40.0	63.7	80.4
Return Ratio(%)				
RoCE	49.4	40.8	39.5	49.5
ROIC	49.5	37.5	32.7	40.4
RoE	32.3	27.0	25.4	33.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	0.0	0.0
Net Working Capital (Days)	15	45	24	26
Valuation(x)				
PER	50.0	40.6	39.3	31.1
P/B	14.3	8.6	11.8	9.3
P/CEPS	43.0	35.6	34.1	27.3
EV/EBITDA	25.8	21.9	20.5	17.1
EV/Sales	2.2	2.1	1.7	1.5
Dividend Yield (%)	0.5	0.5	0.8	1.0

Source: Company Data, PL Research

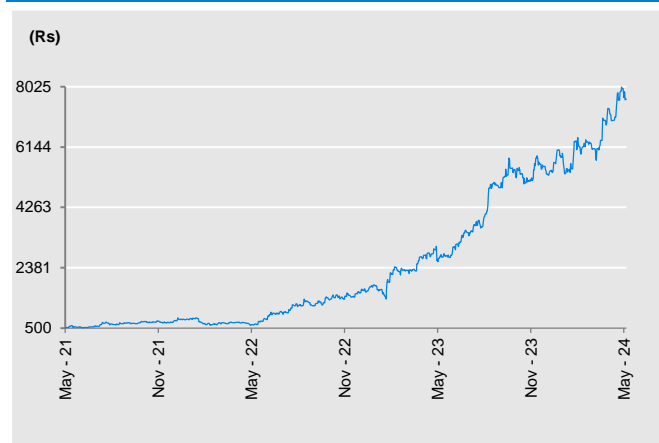
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	37,730	39,260	40,085	44,551
YoY gr. (%)	22.0	21.4	1.8	9.0
Raw Material Expenses	28,475	29,793	30,777	34,405
Gross Profit	9,255	9,467	9,309	10,146
Margin (%)	24.5	24.1	23.2	22.8
EBITDA	3,462	3,498	4,050	4,213
YoY gr. (%)	45.8	54.8	18.0	(0.6)
Margin (%)	9.2	8.9	10.1	9.5
Depreciation / Depletion	272	282	288	315
EBIT	3,189	3,216	3,762	3,899
Margin (%)	8.5	8.2	9.4	8.8
Net Interest	696	1,031	1,128	1,011
Other Income	139	188	210	328
Profit before Tax	2,632	2,373	2,844	3,216
Margin (%)	7.0	6.0	7.1	7.2
Total Tax	657	629	667	854
Effective tax rate (%)	25.0	26.5	23.5	26.6
Profit after Tax	1,975	1,744	2,177	2,362
Minority interest	-	-	-	-
Share Profit from Associates	-	(5)	(1)	-
Adjusted PAT	1,974	1,739	2,176	2,362
YoY gr. (%)	61.2	69.4	28.1	(2.7)
Margin (%)	5.2	4.4	5.4	5.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,974	1,739	2,176	2,362
YoY gr. (%)	61.2	69.4	28.1	(2.7)
Margin (%)	5.2	4.4	5.4	5.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,974	1,739	2,176	2,362
Avg. Shares O/s (m)	38	38	40	40
EPS (Rs)	51.6	45.4	54.2	58.8

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	Accumulate	6,564	7,153
2	31-Jan-24	Accumulate	6,890	6,069
3	09-Jan-24	Accumulate	5,776	5,950
4	26-Oct-23	Accumulate	5,630	5,165
5	05-Oct-23	Accumulate	5,499	5,393
6	28-Sep-23	Accumulate	5,418	5,486
7	29-Aug-23	Accumulate	5,418	5,047
8	01-Aug-23	Accumulate	4,100	3,782
9	06-Jul-23	BUY	3,725	3,493
10	14-Jun-23	BUY	3,725	2,993

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,400	7,984
2	Apar Industries	Accumulate	6,564	7,153
3	BEML	BUY	3,345	3,465
4	Bharat Electronics	Hold	182	229
5	BHEL	UR	-	263
6	Carborundum Universal	Accumulate	1,631	1,516
7	Cummins India	Hold	2,480	3,001
8	Engineers India	Hold	257	223
9	GE T&D India	UR	-	930
10	Grindwell Norton	Accumulate	2,512	2,196
11	Harsha Engineers International	Accumulate	441	412
12	Hindustan Aeronautics	Hold	2,787	3,565
13	Kalpataru Projects International	Hold	1,211	1,188
14	KEC International	Hold	750	737
15	Larsen & Toubro	BUY	4,047	3,487
16	Praj Industries	BUY	636	520
17	Siemens	Accumulate	4,617	5,570
18	Thermax	Reduce	3,923	4,609
19	Triveni Turbine	BUY	532	555
20	Voltamp Transformers	Hold	10,018	9,985

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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