

APAR INDUSTRIES LTD
Investor Update –Q3 FY 09

Particulars	FINANCIAL PERFORMANCE (Standalone)			RS/MILLION		
	Q3 FY09	Q3 FY08	Variance	Nine month FY 09	Nine month FY 08	Variance
Net Sales	6303.09	4729.02	33.3%	18070.40	12324.28	46.6%
EBIDTA	302.79	313.43	-3.4%	747.29	948.09	-21.2%
EBIDTA (%)	4.8	6.6		4.1	7.7	
PBT (<i>without Exceptional Items</i>)*	176.94	188.89	-6.3%	517.61	569.25	-9.1%
PBT	-24.50	183.90	-113.3%	307.47	535.20	-42.6%
PAT	-10.25	137.11	-107.5%	238.09	403.86	-41.0%
EPS Rs :	-0.32	4.24	-107.5%	7.36	12.49	-41.0%

Highlights -Standalone :

- **Turnover up by : 33.3% in Q3FY09
46.6% in 9 month FY09**
- **PBT (*without Exceptional items*) down by : 6.3% in Q3 FY09
9.1% in 9 month FY09**
- **PAT & EPS down by : 107.5% in Q3FY09
41.0% in 9 month FY09**

*Note: *1) Exceptional items consists i) Write down of Inventory by Rs 197.09 Million for the quarter and Nine month period due to sharp fall in the prices of Base Oils and consequent reduction in the Transformer and Speciality Oil products and ii) VRS Amortisation of Rs 4.35 Million for the quarter and Rs 13.05 Million for the Nine month period.*

- 2) *The Company had an Extra Ordinary Gain of Rs. 298.59 Million on sale of developments rights in the corresponding 9 month period of previous year which was excluded for the purpose of comparison.*

SEGMENT PERFORMANCE ANALYSIS –Standalone : (Rs in Millions)

Particulars	Stand alone Financial results			Stand alone Financial results			Stand alone Financial results		
	for Quarter Ended (Unaudited)			For 9 month period Ended (Unaudited)			for the Year Ended (Audited)		
	31.12.2008	Var %	31.12.2007	31.12.2008	Var %	31.12.2007	31.03.2008	Var %	31.03.2007
Segment Production Volumes:									
Conductors-Mt.	26,380	106.3%	12,788	69,898	63.9%	42,648	59,373	22.2%	48,595
Transformer & Speciality Oils-KI	46,784	-19.2%	57,919	140,694	-7.5%	152,067	208,806	19.6%	174,538
Polymers-Mt.	-		5,257	-		14,126	17,023	19.0%	14,304
Segment Sales Volumes:									
Conductors-Mt.	24,868	71.8%	14,471	68,035	63.4%	41,645	58,338	17.7%	49,544
Transformer & Speciality Oils-KI	45,000	-17.7%	54,675	142,102	-4.1%	148,202	210,548	21.1%	173,885
Polymers-Mt.	-		5,166	-		14,762	17,703	20.6%	14,679
Segment Revenue									
Conductors	3,534.49	54.4%	2,289.35	9,793.18	71.2%	5,718.94	7,823.45	19.7%	6,534.47
Transformer & Speciality Oils	2,779.58	40.1%	1,983.74	8,279.68	58.1%	5,237.07	7,528.22	12.7%	6,681.81
Polymers	-		508.21	-		1,451.62	1,854.28	21.9%	1,520.88
Total	6,314.07	32.1%	4,781.30	18,072.85	45.7%	12,407.62	17,205.95	16.8%	14,737.16
Less: Inter - Segment Revenue	3.11	-83.4%	18.69	12.87	-74.0%	49.57	78.78	849.6%	8.30
Revenue from Operations	6,310.96	32.5%	4,762.61	18,059.98	46.1%	12,358.05	17,127.17	16.3%	14,728.87
Segment Results before Interest and Tax									
Conductors	404.04	433.3%	75.76	642.84	132.6%	276.34	362.08	-36.7%	571.79
Transformer & Speciality Oils	(279.73)	-250.3%	186.17	(13.09)	-102.4%	552.30	978.10	86.9%	523.36
Polymers	-		53.37	-		105.20	130.18	115.7%	60.34
Total	124.31	-60.6%	315.30	629.75	-32.6%	933.83	1,470.36	27.2%	1,155.50
Interest (net)	99.70	15.8%	86.07	150.80	-44.9%	273.82	355.75	12.8%	315.32
Other Common expenses (net)	49.11	8.4%	45.32	171.49	37.4%	124.82	88.65	-59.3%	218.00
Profit before Tax after exceptional items	(24.50)	-113.3%	183.91	307.47	-42.6%	535.20	1,025.96	64.9%	622.18
Tax	(14.26)	-130.5%	46.79	69.38	-47.2%	131.34	171.24	5.4%	162.45
PAT	(10.25)	-107.5%	137.11	238.09	-41.0%	403.86	854.73	85.9%	459.73
PAT Net Of Associate Profit/Loss									
Segment Results - as % to Segment Revenue									
Conductors	11.4%		3.3%	6.6%		4.8%	4.6%		8.8%
Transformer & Speciality Oils	-10.1%		9.4%	-0.2%		10.5%	13.0%		7.8%
Polymers			10.5%			7.2%	7.0%		4.0%
Total	2.0%		6.6%	3.5%		7.5%	8.5%		7.8%
Capital Employed: (Segment Assets - Segment Liabilities)									
Conductors	2,253.42	75.5%	1,283.77	2,253.42	75.5%	1,283.77	1,508.00	-7.1%	1,623.54
Transformer & Speciality Oils	580.09	-55.9%	1,314.01	580.09	-55.9%	1,314.01	1,528.05	69.1%	903.44
Polymers	-	-100.0%	900.62	-	-100.0%	900.62	10.50	-98.9%	998.25
Unallocable Corporate/Segment Assets Less Liabilities	1,312.83		94.22	1,312.83		94.22	629.74	5122%	12.06
Total Capital Employed in Company	4,146.34	15.4%	3,592.62	4,146.34	15.4%	3,592.62	3,676.30	3.9%	3,537.29

Company as a whole (standalone) :

For the Third Quarter FY2009.

- Net sales increased from Rs 4729.02 Million to Rs. 6303.09 Million; representing a growth of Rs. 1574.07 (33.3%) over corresponding period of previous year.
- EBIDTA decreased from Rs 313.43 Million to Rs 302.79 Million ; down by Rs. 10.64 Million (-3.4%) over corresponding period of previous year.
- The sales volume and profit growth in the conductor business grew over the previous period at 71.8% and 433.3% (margin) for the quarter. During the quarter, there was a full loading of both plants at Silvassa and Nalagarh resulting in the highest sales value and margin that this segment has achieved till date.
- The Oil segment results for the quarter was down to Rs. 82.63 Million. In addition to the performance, inventory has been written down by Rs.197.1 Million due to difficult market conditions resulting in an expected lower realizable value. Based on prudence and relevant accounting standards, this write down has been provided. The management believes that with this write down, the high cost inventory has now been corrected.
- PBT down from Rs. 183.90 Million to Rs. -24.50 Million; less by Rs. 208.40 Million (-113.3%) over corresponding period of previous year. This was after providing for written down of inventory value by Rs. 197.1 Million due to temporary fall in the prices of Transformer and Speciality Oil products and VRS Amortisation of Rs 4.35 Million. Excluding these exceptional items, PBT would have been Rs. 176.94 Million instead loss of Rs.24.50 Million.
- PAT reduced from Rs. 137.11 Million to Rs. - 10.25 Million; less by Rs. 147.36 Million (-107.5%) over corresponding period of previous year.
- EPS reduced from Rs. 4.24 to Rs. -0.32; less by Rs. 4.36 (-107.5%) over corresponding period of previous year.

For the Nine- Month period ended :

- Net Sales increased from Rs. 12324.28 Million to Rs 18070.40 Million; representing a growth of Rs. 5746.12 Million (46.6%) over corresponding period of previous year.
- EBIDTA decreased from Rs 948.09 Million to Rs 747.29 Million ; down by Rs. 200.80 Million (-21.2%) over corresponding period of previous year.
- PBT down from Rs. 535.20 Million to Rs. 307.47 Million; less by Rs. 227.73 Million (-42.6%) over corresponding period of previous year. Excluding Exceptional items—Writing down of inventory value by Rs. 197.1 Million due to temporary fall in the prices of Transformer and Speciality Oil products and VRS Amortisation of Rs 13.05 Million, PBT would have been Rs. 517.61 Million.
- PAT down from Rs. 403.86 Million to Rs. 238.09 Million; less by Rs. 165.77 Million (-41%) over corresponding period of previous year.
- EPS down from Rs. 12.49 to Rs. 7.36 ; less by Rs. 5.13 (-41%) over corresponding period of previous year.

Group Performance- Nine-Month Period

- Group Turnover for the Nine month period was Rs. 19490.58 Million which includes Rs. 932.94 Million of Petroleum Specialities (PSPL), overseas Subsidiaries in Singapore and Australia and Rs. 612.46 lacs of Uniflex Cables Ltd, an Indian Listed Subsidiary.
- Group Net Profit after tax for the Nine month period was Rs. 152.86 Million which includes Profit of Rs. 70.17 Million of PSPL, overseas subsidiaries; Loss of Rs. 142.35 Million of Uniflex Cables Ltd and Loss of Rs 9.89 Million of Apar Chematek Lubricants Ltd.

Segment overview –Third Quarter & Nine-Month period :

Conductor :

- Sales revenue in Q3FY09 was up 54.4% over the corresponding period of previous year from Rs. 2289.35 Million to Rs. 3534.49 Million. The corresponding volume growth was 71.8 % as volume grew from 14,471 mts to 24,868 mts.
- Sales revenue in 9 month period was up 71.2% over the corresponding period of previous year from Rs. 5718.93 Million to Rs. 9793.18 Million. The corresponding volume growth was 63.4% as volume grew from 41,645 mts to 68,035 mts.

- Segment Level profit for the third quarter was up 433.3% over the corresponding period of previous year from Rs. 75.75 Million to Rs. 404.04 Million.
- Segment Level profit for the 9 month period was up 132.6% over the corresponding period of previous year from Rs. 276.34 Million to Rs. 642.85 Million.
- This quarter saw the highest sales value, volume and margin for this segment till date. Both the Silvassa and Nalagarh plants had full loading. We were also helped by a favourable mix of product that was scheduled for manufacture in the quarter.
- Conductor order book stood at Rs.1093 crores as of 31st December, 2008. Of these orders, 46% are domestic orders (in Rs.) and 54% is either Physical or deemed export (in \$ or \$ equivalents). The orders in the pipeline are at about Rs. 315 crores of which about 75% are domestic (in Rs.) and 25% are Physical or Deemed export (in \$s).
- The company has seen an improved order flow in the last quarter both from domestic as well as overseas customers. We believe that there should not be a slowdown in order booking in the short term (1-2 years). The company has also seen a regular flow of tenders from PGCIL in the last few months.
- Due to the turmoil in the financial markets , the value of Aluminum has fallen very sharply. As a prudent and normal business practice, the company hedges metal against all fixed priced orders. This ensures that the risk of volatility is eliminated and the results are reflective of the actual operating performance of the company. Based on this policy, the company has hedged all the metal required to execute firm price orders. Due to the sharp fall in the price of Aluminum, the company has had to make substantial arrangements to LME brokers to guarantee the Mark to Market losses in these positions until the physical delivery of the metal is taken. The consequence of this is that there will be blockage of the companies banking limits in the short term and an additional cost that the company will incur for providing the Bank Guarantees.
- The notes to the limited review accounts for the quarter indicate an MTM loss of Rs.124.32 crores. This loss indicated is arising from simple forward cover positions taken on booking Aluminum for non-speculative purposes on a back to back basis against confirmed sales contracts that the company has. As the sales orders get executed, this notional loss will get eliminated. We would like to state that this has no cash impact on the profitability of the company. The fixed price orders for which the company has hedged remain intact, and as on date are to be executed on schedule.

Transformer and Specialty Oils :

- Sales revenue in Q3FY09 was up 40.1 % over the corresponding period of previous year from Rs. 1983.74 Million to Rs. 2779.58 Million. However, the corresponding volume was down by 17.7 % as volume reduced from 54675 KL to 45000 KL.
- Sales revenue in 9 month FY09 was up 58.1% over the corresponding period of previous year from Rs. 5237.07 Million to Rs. 8279.68 Million. The corresponding volume growth was down by 4.1% as volume reduced from 148202 KL to 142102 KL.
- Sales on a consolidated basis for the quarter was Rs. 3046.55 Million and for the 9 month period was Rs 9106.13 Million.
- Export and Overseas revenue was Rs. 794.82 Million for the Quarter and 26.09% of the total revenue and Rs. 2475.71 Million for the 9 month period and 27.18% of the total revenue.
- Segment Level profit for Q3FY09 was down by 250.2% over the corresponding period of previous year from Rs. 186.17 Million to Rs.(-279.73) Million. And for 9 month period down by 102.4% from Rs. 552.29 Million to Rs.(-13.09) Million
- The loss in the oil segment is due to a sharp fall in the price of Base oils resulting in a drop in sales prices more rapid than the depletion of higher cost inventory. This has resulted in a loss of Rs. 82.63 Million for the quarter. In addition to this, the management has provided a write down of inventory costs to the extent of Rs 197.1 Million to reflect the realizable value of the inventory as per the required accounting standards.
- There has also been a loss due to the depreciation of the Re vs. US\$ in the quarter resulting in forex loss of Rs. 253.64 Million.
- The demand for our oil products has been affected in a few segments. The Transformer Oil sub segment has seen a marginal fall in sales. However, the whiteoil, industrial oils and rubber process oils sales have been more sharply affected, largely on account of the slow down in general industrial activity and more particularly in the automotive sector.
- We expect the 4th quarter to also be affected but to a lesser extent than the 3rd quarter. Due to the uncertainty prevailing in the user industries for our oil products it will be difficult for us to provide any specific guidance. However, once the industrial activity picks up, the demand for our products will automatically be reflected, as the usage of oil products in these applications is largely inelastic in nature.
