

Investor Update 2Q FY08

FINANCIAL PERFORMANCE (Standalone)

Particulars	RS/MILLION					
	Q2 FY08	Q2 FY07	Variance	H1 FY08	H1FY07	Variance
Net Sales	4184.11	3606.64	16.0%	7595.26	6949.17	9.3%
EBIDTA (including Exceptional items)	588.89	298.70	97.2%	938.35	550.34	70.5%
EBIDTA (%)	14.1	8.3		12.4	7.9	
PBT	456.58	164.20	178.1%	654.99	316.17	107.2%
PAT	420.93	121.29	247.0%	565.34	232.32	143.3%
EPS (diluted) Rs :						
Including Exceptional items	13.02	3.75	247.0%	17.48	7.18	143.3%
Excluding Exceptional items	3.98	4.33	-8.0%	8.96	7.90	13.3%

Highlights -Standalone :

- **Turnover up by : 16.0% in Q2FY08
 9.3% in H1FY08**

- **PBT up by : 178.1% in Q2FY08
 107.2% in H1FY08**

- **PAT up by : 247% in Q2FY08
 143.3% in H1FY08**

** Exceptional items includes a gain of Rs.303.7 Million from Development agreement entered with the Developer for the grant of development rights in their favour in respect of the Company property situated at Mahul, Mumbai; EBIDTA(%) without Exceptional items was 7% for the Quarter and 8% for first Half Year.*

SEGMENT PERFORMANCE ANALYSIS :

Particulars	Stand alone Financial results for Quarter Ended (Unaudited)			Stand alone Financial results for 6 months Ended (Unaudited)		
	30.09.2007	Var %	30.09.2006	30.09.2007	Var %	30.09.2006
Segment Production Volumes:						
Conductors-Mt.	14,362	20.7%	11,896	29,131	25.8%	23,158
Transformer & Speciality Oils-KI	50,367	19.6%	42,112	95,468	12.2%	85,114
Polymers-Mt.	4,634	136.4%	1,960	8,869	64.2%	5,401
Segment Sales Volumes:						
Conductors-Mt.	14,928	24.1%	12,030	25,346	10.9%	22,850
Transformer & Speciality Oils-KI	49,372	21.9%	40,497	93,987	12.4%	83,593
Polymers-Mt.	5,305	71.1%	3,100	9,506	34.6%	7,061
Segment Revenue						
Conductors	20,118.37	22.0%	16,493.10	34,295.87	11.5%	30,751.11
Transformer & Speciality Oils	16,658.94	1.4%	16,431.77	32,533.31	1.7%	31,986.70
Polymers	5,321.93	63.0%	3,265.08	9,590.77	37.1%	6,994.56
Total	42,099.24	16.3%	36,189.95	76,419.95	9.6%	69,732.37
Less: Inter - Segment Revenue	143.03	566.8%	21.45	308.85	569.4%	46.14
Revenue from Operations	41,956.21	16.0%	36,168.50	76,111.10	9.2%	69,686.23
Segment Results before Interest and Tax						
Conductors	1,024.54	-18.5%	1,256.76	2,005.80	-26.9%	2,743.04
Transformer & Speciality Oils	4,537.73	136.9%	1,915.69	6,698.29	119.3%	3,054.45
Polymers	428.48	-489.7%	(109.94)	561.32	2357%	22.85
Total	5,990.75	95.6%	3,062.51	9,265.41	59.2%	5,820.34
Interest (net)	946.39	13.1%	836.90	1,877.43	22.0%	1,539.26
Other Common expenses (net)	478.55	-18.0%	583.64	838.06	-25.1%	1,119.37
Profit before Tax after exceptional items	4,565.82	178.1%	1,641.96	6,549.92	107.2%	3,161.71
Tax	356.54	-16.9%	429.05	896.54	6.9%	838.53
PAT	4,209.28	247.0%	1,212.91	5,653.38	143.3%	2,323.18
Segment Results - as % to Segment Revenue						
Conductors	5.1%		7.6%	5.8%		8.9%
Transformer & Speciality Oils	27.2%		11.7%	20.6%		9.5%
Polymers	8.1%		-3.4%	5.9%		0.3%
Total	14.2%		8.5%	12.1%		8.3%
Capital Employed:						
(Segment Assets - Segment Liabilities)						
Conductors	9,437.77	-19.8%	11,763.58	9,437.77	-19.8%	11,763.58
Transformer & Speciality Oils	14,658.92	112.3%	6,904.78	14,658.92	112.3%	6,904.78
Polymers	10,850.63	6.3%	10,206.72	10,850.63	6.3%	10,206.72
Unallocable Corporate/Segment						
Assets Less Liabilities	532.01	-84.5%	3,434.60	532.01	-84.5%	3,434.60
Total Capital Employed in Company	35,479.33	9.8%	32,309.68	35,479.33	9.8%	32,309.68

Company as whole (standalone) :

For the Second Quarter :

- Net Sales increased from Rs. 3606.64 Million to Rs 4184.11 Million; representing a growth of Rs. 577.47 Million (16%) over corresponding period of previous year.
- EBIDTA increased from Rs.298.70 Million to Rs. 588.90 Million; representing a growth of Rs. 290.20 Million (97.2%) over corresponding period of previous year. However, this includes a one time gain from the sale of Development rights of Rs. 303.70 Million during the Quarter.
- PBT increased from Rs. 164.20 Million to Rs. 456.58 Million; representing a growth of Rs. 292.38 Million (178.1%) over corresponding period of previous year. PBT (excluding Exceptional Items) was Rs.152.88 Million
- PAT increased from Rs. 121.29 Million to Rs. 420.93 Million; representing a growth of Rs. 299.64 Million (247%) over corresponding period of previous year. PAT (excluding Exceptional items) was Rs. 117.23 Million.
- EPS (diluted) increased from Rs. 3.75 to Rs.13.02; representing a growth of Rs. 9.27 (247%) over corresponding period of previous year. EPS (diluted-excluding Exceptional items) was Rs. 3.98

For the First Half of the Year :

- Net Sales increased from Rs. 6949.17 Million to 7595.26 Million; representing a growth of Rs. 646.09 Million (9.3%) over corresponding period of previous year.
- EBIDTA increased from Rs.550.34 Million to Rs. 938.36 Million; representing a growth of Rs. 388.02 Million (70.5%) over corresponding period of previous year. However, this includes a one time gain from the sale of Development rights for Rs. 303.70 Million.
- PBT increased from Rs. 316.17 Million to Rs. 654.99 Million; representing a growth of Rs. 338.82 Million (107.2%) over corresponding period of previous year.
- PAT increased from Rs. 232.32 Million to Rs. 565.34 Million; representing a growth of Rs. 333.02 (143.3%) over corresponding period of previous year.
- EPS (diluted) increased from Rs. 7.18 to Rs. 17.48 ; representing a growth of Rs.10.3 (143.31%) over corresponding period of previous year.

Group Consolidated Performance-Q2FY08:

- Group Turnover includes Rs. 178.19 Million of Petroleum Specialities (PSPL), overseas Subsidiaries in Singapore and Australia and Nil of Apar Chematek Lubricants Ltd. a 50:50 Joint Venture with Chematek, Italy, since actual launch of “Agip” brand has taken place at the end of Sept’07. Hence, no Turnover was recorded.
- Group Net Profit after tax includes Profit of Rs 4.10 Million of PSPL, overseas subsidiaries; Loss of Rs 2.75 Million of Apar Chematek Lubricants Ltd.

For the First Half of the Year :

- Group Turnover includes Rs 252.26 Million of PSPL, overseas Subsidiaries and Group Net Profit after tax includes Profit of Rs 5.62 Million of PSPL and Loss of Rs 4.71 Million of Apar Chematek Lubricants Ltd.

Segment overview :

Conductor :

- Sales revenue in 2QFY08 for the Conductor business segment was up 22.1% over the previous year from Rs.1649.31 Million to Rs. 2011.84 Million. The corresponding volume growth was 24.1% as volume grew from 12,030 mts to 14,928 mts.
- Sales Revenue for the H1FY08 grew by 11.5% from Rs.3075.11 Million to Rs.3429.58 Million
- Segment Level profit is down 18.5% for the quarter and 26.9% for the half year. There are a number of reasons for this effect :
 - There have been very few tenders for Transmission lines for various reasons, due to which tenders that were scheduled to be floated by Power Grid have not materialized. This has reduced the opportunity in the domestic market severely in the short term. Domestic volumes fell by 28% in the quarter.
 - This loss in volume was compensated with \$ denominated sales increasing by 120% - Physical exports up by 122%, Deemed exports up by 117%.
 - For the quarter domestic Re. denominated sales was at 30% vs. \$ denominated sales at 70%.
 - Apar’s risk mitigation strategy has allowed growth in volumes to take place even in such tight circumstances.

- However, due to the strengthening of the Re by 10% from April 07 to Sept 07 EBITDA on exports has been affected by 2.07 %.
- Alloy mix for the quarter was at 26% of the total. In the second half of this year the mix is likely to increase with Alloy vs. ACSR at about 35% resulting in higher value additions.
- Due to lower market demand and consequent competition there has been pressure on the margins for this quarter. We expect the margins to improve with a better flow of tenders and increase in capacity booking in the industry, especially in FY09.
- The order book as on 30th September, stands at Rs. 642 crores with a order pipeline of about Rs. 225 crores.
- The Nalagarh plant, which went on stream in April 2007 has not been fully loaded due to lack of orders. For the quarter, the plant produced 1300 mts vs. 3600 mts maximum output possible.
 - Main reasons for the same are due to a dearth of domestic tenders for both Transmission and Distribution. The Nalagarh factory is not favorably located for exports, and hence its dependence on the domestic market.
 - The quarterly loss at Nalagarh was Rs. 2.8 Million and for the half year was Rs. 9.4 Million.
 - However, there are many transmission lines planned in the Northern corridor and North Central corridor for which the Nalagarh plant is well located. The management is confident that from December 2007 onwards there will be a much better loading at the plant.
- The future outlook for the division and the demand fundamentals for the business remain intact.
 - We expect PGCIL to tender about 90,000 mts of conductors before the end of this fiscal year.
 - The first 2 BOOT lines have been awarded to Reliance Energy which will also require 37,000 mts of conductors.
 - We should be able to complete the expansion of the Nalagarh facility to 25,000 mts prior to 31st March, 2008.
 - We expect a better volume performance in Second half.

Transformer and Specialty Oils :

- Sales revenue in 2QFY08 for the Oil business segment was up 1.4% over the previous year from Rs.1643.17 Million to Rs.1665.89 Million. The corresponding volume growth was 22% as volume grew from 40,497 KL to 49,372 KL.
- Sales Revenue for the H1FY08 grew by 1.7% from Rs.3198.67 Million to Rs.3253.3 Million
- Sales Revenue on a global basis for the half year period was Rs. 3505.26 Million. This represents approx 30% growth in volume that includes increased sales volumes for the company through its overseas strategic partners in Australia, South Africa and Turkey.
- Export and Overseas business was \$18.10 Million for the Quarter, 41% of the total revenue and \$ 31.36 Million for the first half year, 39% for the total revenue.
- Segment Level profit is up by 136.9% for the quarter and 119.3% for the half year. This however includes a one time profit from the sale of development rights at the Chembur manufacturing facilities.
- There has been a growth of about 20% in Transformer Oils in the quarter and 24% in other oils.
- The cost of oil per KL has been affected due to the strength of the Re. Hence, to gauge the growth of the business a focus on the volume sales would be more representative of the market.
 - We expect stronger Transformer Oil volumes in the second half of the year, led by higher transformer deliveries.
 - Overseas business is growing from the greater acceptance of Apar's newly introduced High Performance Low Sulphur oils in several markets. This product range will be a key driver in supporting the business going forward.
- In late September 2007, Apar, through its joint venture company introduced the world famous Agip brand Automotive and Industrial product range in the Indian market. The product range consists of 13 key automotive lubricants in 64 pack sizes through a phased national rollout. The company is very confident of the success of this launch based on the product quality, credentials and acceptance from the launch.
- Capital employed in this business segment has increased from Rs 690.48 Million to Rs. 1465.89 Million. This was mainly due to retirement of Foreign L/Cs towards end of the quarter. Debtors and Inventory for the division have been at similar levels as before. Interest costs are expected to reduce as a result, through the second half.

Polymers :

- Sales revenue in 2QFY08 for the Polymer business segment was up 63% over the previous year from Rs.326.51 Million to Rs. 532.19 Million. The corresponding volume growth was 71.1% as volume grew from 3100 mts to 5305 mts.
- Sales Revenue for the H1FY08 grew by 37.1% from Rs.699.46 Million to Rs.959.07 Million .
- Segment level profit from the division is up from a loss of 10.9 Million to a profit of 42.84 Million for the quarter. The half year profit was up from Rs.2.28 Million to 56.13 Million.
- The benefits of the restructuring that were undertaken in the business are now being reflected in improved production, sales and profitability. The increased volumes have been due to both higher sales in existing customers and adding several new customers for the Nitrile Polymer part of the business.
- The domestic market demand has shown positive growth driven by auto and industrial requirements. The company is expected to further improve its production by about 3000 mt per annum basis as the new plant fully stabilizes. This would enable higher sales and higher profitability in the second half of this year.

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