

Investor Update
Q1 FY09

FINANCIAL PERFORMANCE (Standalone)				
	(Rs in Million)			
Particulars	Q1 FY09	Variance	Q1 FY08	FY08 (12 Months)
Net Sales	5397.42	58.2%	3411.16	17102.90
EBIDTA from continuing operations	315.54	0.7%	313.20	1390.43
EBIDTA (%)	5.8		9.2	8.1
EBIDTA from Polymer Business	-		112.3	1301.8
PBT	256.05	29.1%	198.41	1025.96
PAT	191.89	32.9%	144.41	854.73
EPS Rs :	5.93	32.8%	4.47	26.43

Highlights -Standalone :

- **Turnover up by : 58.2%**
- **PBT up by : 29.1%**
- **PAT up by : 32.9%**
- **EPS up by : 32.8%**

SEGMENT PERFORMANCE ANALYSIS : (Rs in Million)

Particulars	Stand alone Financial results			Stand alone Financial results		
	for Quarter Ended (Unaudited)			for the Year Ended (Audited)		
	30.06.2008	Var %	30.06.2007	31.03.2008	Var %	31.03.2007
Segment Production Volumes:						
Conductors-Mt.	19,597	32.8%	14,754	59,373	22.2%	48,595
Transformer & Speciality Oils-KI	51,787	14.8%	45,101	208,806	19.6%	174,538
Polymers-Mt.		-100.0%	4,235	17,023	19.0%	14,304
Segment Sales Volumes:						
Conductors-Mt.	18,589	65.7%	11,217	58,338	17.7%	49,544
Transformer & Speciality Oils-KI	53,588	19.9%	44,704	210,548	21.1%	173,885
Polymers-Mt.	-	-100.0%	4,291	17,703	20.6%	14,679
Segment Revenue						
Conductors	2,741.04	93.3%	1,417.75	7,823.45	19.7%	6,534.47
Transformer & Speciality Oils	2,631.13	65.7%	1,587.44	7,528.22	12.7%	6,681.81
Polymers		-100.0%	418.15	1,854.28	21.9%	1,520.88
Total	5,372.17	56.9%	3,423.34	17,205.95	16.8%	14,737.16
Less: Inter - Segment Revenue	5.51	-66.7%	16.58	78.78	849.6%	8.30
Revenue from Operations	5,366.66	57.5%	3,406.75	17,127.17	16.3%	14,728.87
Segment Results before Interest and Tax						
Conductors	110.75	12.9%	98.13	362.08	-36.7%	571.79
Transformer & Speciality Oils	235.80	9.1%	216.06	978.10	86.9%	523.36
Polymers		-100.0%	11.23	130.18	115.7%	60.34
Total	346.55	6.5%	325.41	1,470.36	27.2%	1,155.50
Interest (net)	34.05	-63.4%	93.10	355.75	12.8%	315.32
Other Common expenses (net)	56.45	66.5%	33.90	88.65	-59.3%	218.00
Profit before Tax after exceptional items	256.05	29.1%	198.41	1,025.96	64.9%	622.18
Tax	64.16	18.8%	54.00	171.24	5.4%	162.45
PAT	191.89	32.9%	144.41	854.73	85.9%	459.73
PAT Net Of Associate Profit/Loss						
Segment Results - as % to Segment Revenue						
Conductors	4.0%		6.9%	4.6%		8.8%
Transformer & Speciality Oils	9.0%		13.6%	13.0%		7.8%
Polymers			2.7%	7.0%		4.0%
Total	6.5%		9.5%	8.5%		7.8%
Capital Employed:						
(Segment Assets - Segment Liabilities)						
Conductors	1,526.79	14.2%	1,337.12	1,508.00	-7.1%	1,623.54
Transformer & Speciality Oils	1,694.10	82.7%	927.36	1,528.05	69.1%	903.44
Polymers		-100.0%	1,045.56	10.50	-98.9%	998.25
Unallocable Corporate/Segment Assets Less Liabilities	647.24		(11.51)	629.74	5122%	12.06
Total Capital Employed in Company	3,868.13	17.3%	3,298.53	3,676.30	3.9%	3,537.29

Company as a whole (standalone) :

For the First Quarter :

- Net Sales increased from Rs. 3411.16 Million to Rs 5397.42 Million; representing a growth of Rs. 1986.26 Million (58.2%) over corresponding period of previous year.
- EBIDTA from continuing operations increased from Rs 313.20 Million to Rs 315.54 Million; representing a growth of Rs. 2.34 Million(0.7%) over corresponding period of previous year. This was after Marked to Market provisions of Rs. 299.6 Million made for the depreciation in the Re under various expenses heads. The Re depreciated from 39.97 to 1USD as on 31st March, 08 to 42.90 as on 30th June, 08 (7.3%). A portion of this will be written back in Q2FY09 as the export realization takes place in this time frame.
- Interest expense for the quarter was down from Rs.93.1 Million to Rs.34 Million. The proceeds from the sale of the Polymer business and the reduction in the rate of working capital were the main factors.
- PBT increased from Rs.198.41 Million to Rs. 256.05 Million; representing a growth of Rs. 57.64 Million (29.1%) over corresponding period of previous year.
- PAT increased from Rs. 144.41 Million to Rs. 191.89 Million; representing a growth of Rs. 47.48 Million (32.9%) over corresponding period of previous year.
- EPS increased from Rs. 4.47 to Rs. 5.93; representing a growth of Rs. 1.46 (32.8%) over corresponding period of previous year.

Group Consolidated Performance- For the First Quarter:

- Group Turnover includes Rs. 251.23 Million of Petroleum Specialities (PSPL), overseas Subsidiaries in Singapore and Australia .
- Group Net Profit after tax includes Profit of Rs. 19.74 Million of PSPL, overseas subsidiaries; Profit of Rs 0.4 Million of Apar Chematek Lubricants Ltd. a 50:50 Joint Venture with Chematek, S.p.A. Italy.

Segment overview –First Quarter:

Conductor :

- Sales revenue in Q1FY09 was up 93.39% over the corresponding period of previous year from Rs. 1417.75 Million to Rs. 2741.05 Million. The corresponding volume growth was 65.7% as volume grew from 11217 mts to 18589 mts.
- Segment Level profit for the first quarter was up 12.9% over the corresponding period of previous year from Rs. 98.13 Million to Rs. 110.75 Million.
- The expansions at the Silvasa plant and the Nalagarh plant were stabilized. Thus, higher production and sales were possible during the quarter. Efforts are on to further improve productivity and optimize the operations.
- The orders executed from the Silvasa plant during this quarter were mainly for export. Apar's strong global reputation had helped it to bag these export orders at a time when the domestic market was soft last year. Powergrid has since tendered out large quantities, and Apar is favourably placed in a number of tenders which are expected to be converted into orders for execution from December 08 onwards.
- During the April-June quarter, the costs of many inputs shot up due to global increases in commodity prices and inflationary pressures. Apar had hedged its Aluminum exposures, and hence was significantly protected. However, other inputs such as Packing, Steel, manpower costs etc. have affected the margins.
- Apar has an order book of Rs. 5685 Million and orders in the pipeline expected are Rs. 7745 Million as of 1st. July 2008. The general outlook in the Power Transmission Line business looks positive, and Apar is well suited to take advantage of its strengths in order to generate growth in this business.
- The Conductor and Cables businesses are complementary. With the acquisition of Uniflex Cables, Apar's conductor division is jointly quoting many tenders along with Uniflex. This combination would help both the Conductor Division and Uniflex in order to fetch orders and service clients better.

Transformer and Specialty Oils :

- Sales revenue in Q1FY09 was up 65.75% over the corresponding period of previous year from Rs.1587.44 Million to Rs.2631.16 Million. The corresponding volume growth was 19.9% as volume grew from 44,704 KL to 53,588 KL.
- Sales on a consolidated basis for the quarter was Rs. 2882.36 Million.
- Export and Overseas business was Rs. 834.17 Million for the Quarter, 29% of the total revenue.

- Segment Level profit was up by 9.1% over the corresponding period of previous year from Rs.216.05 Million to Rs.235.80 Million. Besides the prices of base oils the profitability for the quarter was affected by a sharp decline in value of the Re from 39.97 to 1USD to 42.90. The company offset some of the negatives by increasing the premium value added product sales in the quarter.
- There has been a very steep rise in the prices of Base oils since Jan 08. There are several reasons for the same which we had highlighted in our Q4FY08 investor update, but we highlight a few of the most important ones :
 - The prices of crude oil have increased from about \$100 per bbl to \$140 per bbl. in the quarter.
 - There is an unprecedented demand for low sulphur diesel worldwide. Vacuum Gas Oil can be used for either manufacturing diesel or base oils. The spreads that diesel has over crude are at record highs at this moment, also driving up the prices and reducing the appetite that refiners have to produce base oils.
 - The industry faces twin issues of higher raw material prices and reduced availability of base oils in general.
- Even though the circumstances were very difficult, the company ensured that its long term customers remained serviced through this period with stable supply. ***We believe, that we have demonstrated beyond doubt to our customers that Apar remains the most reliable and stable supplier of specialty oils in India.***
- The price increases have been largely passed on to customers through this quarter. However, given the acute shortage of base oils, and the long term nature of the relationships with customers, the company has kept the selling prices at a reasonable level under the circumstances, rather than try to take undue advantage.
- In spite of the steep increases in prices of its base oils and finished products, the company doesn't foresee any major reduction in demand for its products given the critical and specialty nature of its applications.

- The company continues to grow its overseas business in Transformer Oils and White oils. The expected growth in overseas business is expected to exceed 50% of that in the previous year.
- The current scenario for crude, diesel and lubricants remains volatile. The company is trading with caution, and pricing all its sale on a month to month basis or with modified price variation formula. We expect supply of base oils to ease to some extent towards the end of the Q2FY09 as refining economics of base oils improve compared to diesel.
