

# Apar Industries Limited

## **Company Presentation**

September 2010

**Company Overview** 2

**Key Highlights** 4

**Financial Statements** 12

**Appendix** 14

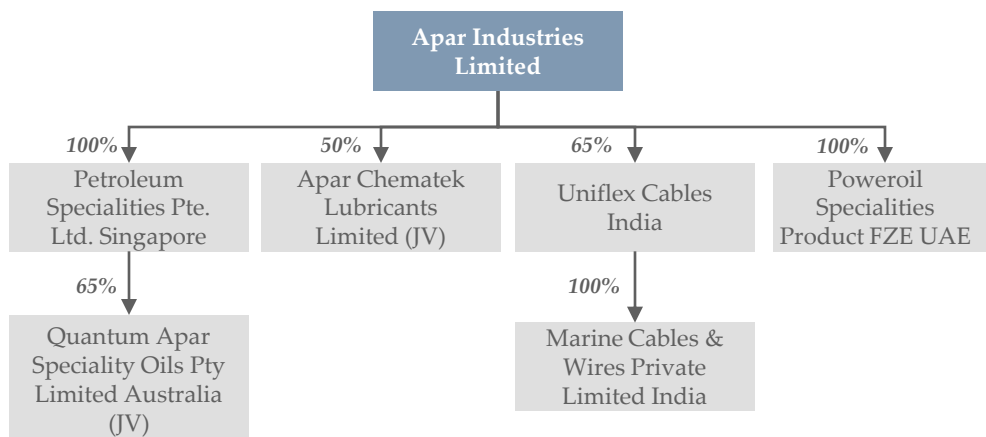
# Apar Industries Limited – An Overview



## Overview

- Entered business through its conductor division in 1958; one of the first Indian companies to manufacture transformer oils in 1969
- ISO 9001 – 2008 manufacturing facilities with a total installed capacity of 337,351 MTPA for speciality oils and 115,000 MTPA for conductors; located in
  - Rabale (Mah), - specialty oils
  - Silvassa (D&NH) – specialty oils and conductors
  - Nalagarh (HP) – conductors
  - Umbergaon (Guj) – cables & conductors
- Tie-ups in South Africa & Turkey & subsidiary companies in Singapore & Australia for manufacturing & distribution of speciality oils
- Registered export house by the Indian Ministry of Commerce

## Subsidiaries & JVs



## Business Segments

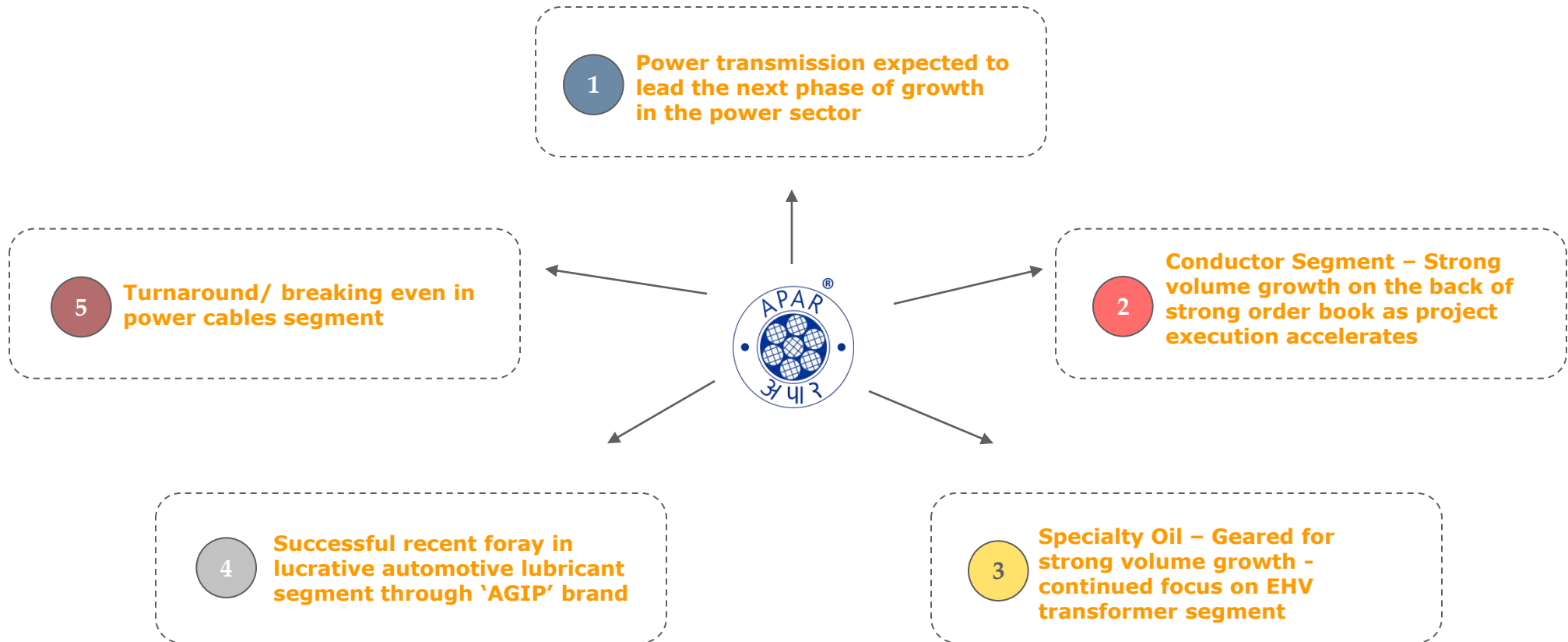
	Speciality oils	Conductors	Cables
Business Description	Offers various products that covers power, industrial, Automobile and FMCG verticals	One of the largest conductor manufacturers in India	Markets wide range of Power and Telecommunication cables under the Brand 'Unicab'
Products	Transformer oil White oil Rubber process oil Industrial oil Automotive oil	All Aluminium Conductors Aluminium Conductor Steel Reinforced All Aluminium Alloy Conductors High temperature conductors	Elastomeric Cables Power Cables Telecom Cables
Plant & Capacity	<i>Rabale</i> (152,686 MTPA) <i>Silvassa</i> (184,665 MTPA)	<i>Silvassa</i> (67,412 MTPA) <i>Nalagarh</i> (29,685 MTPA) <i>Umbergaon</i> (17,500 MTPA)	<i>Umbergaon</i>
Revenue Contribution (FY10)	49%	43%	8%

Company Overview 2

**Key Highlights 4**

Financial Statements 12

Appendix 14



# 1 Power transmission expected to lead the next phase of growth in the power sector



## Power Transmission

- XI th 5 year plan (FYP) had planned additional capacity of 78,700 MW; ~26,456 MW commissioned till Aug 2010 (Source: CEA); expansion in generation capacity to accelerate power transmission
- Historically India has lower transmission capacity. Setting up power generation capacity at pithead or coastal locations will further accelerate need for transmission capacity to transmit power to demand centres
- Spending on T&D is typically with a time lag of 24 to 30 months to commencement of generation expansion
- Increased participation from private players
- XII th FYP has proposed an investment of Rs. 4,951 Bn into power generation sector and Rs. 2,400 Bn into power transmission

## Existing Transmission Line and Expansion (2012-2017)

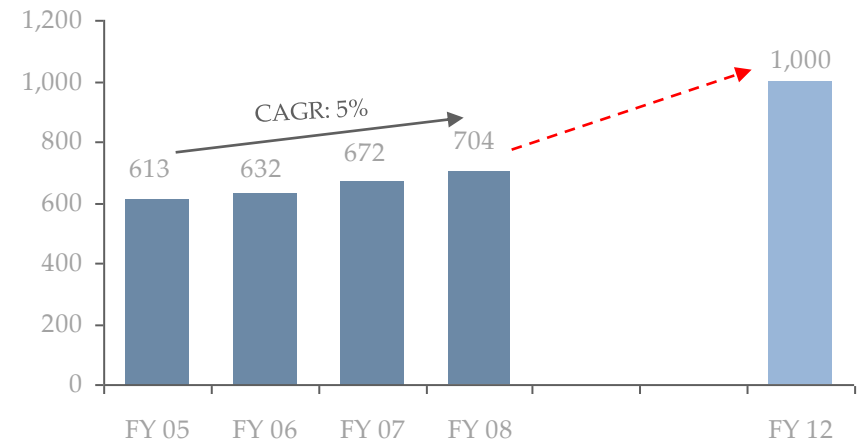
C Km

Transmission Lines	Existing by 10 <sup>th</sup> FYP	Additions 11 <sup>th</sup> FYP	Total by Mar 2012	Estimated additions in 12 <sup>th</sup> FYP
765KV	2,184	5,428	7,612	25,000 to 30,000
HVDC 500KV	5,872	1,606	7,478	NA
HVDC 800/600KV	0	3,600	3,600	5,000
400KV	75,722	49,278	125,000	50,000
220KV	114,629	35,371	150,000	40,000

Source: CEA

## Govt target - 1,000 kwh per capita power consumption

Kwh/year



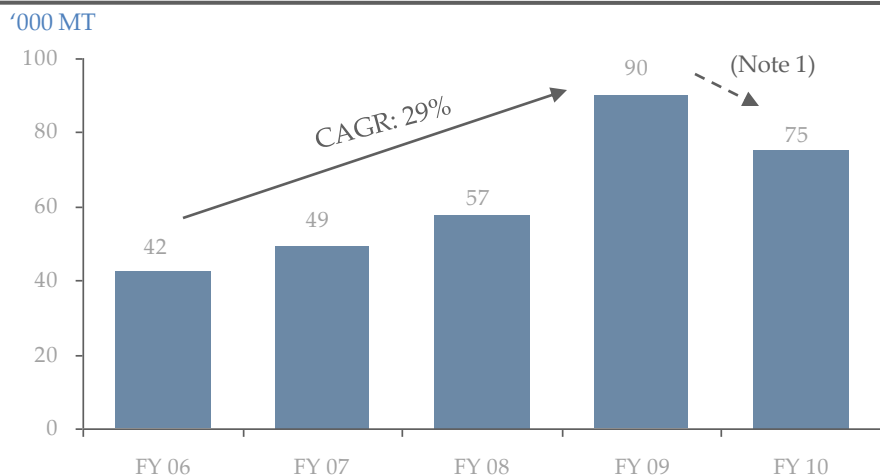
Source: CEA

## Competitive Strengths

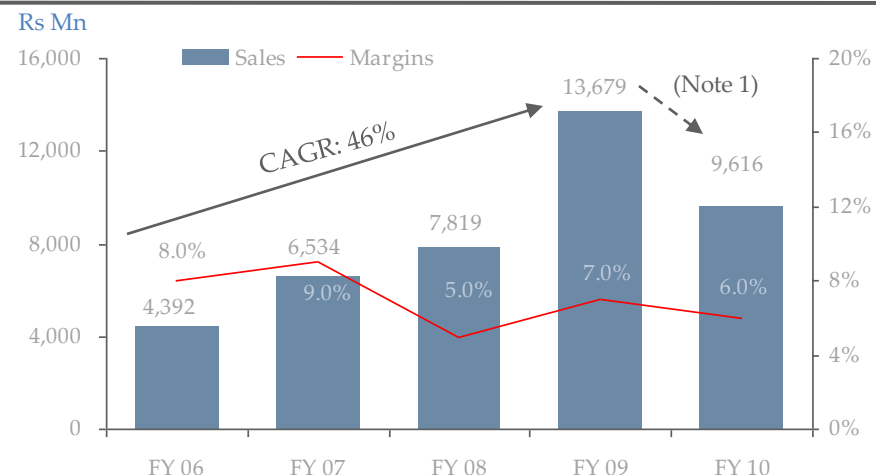
## Conductors Segment

- One of the leading conductor manufacturers in India; amongst the top few conductor manufacturers in the world
- Volume CAGR 29% (from FY06 to FY09); Revenue CAGR 46% (FY06 to FY09)
- Segmental margins in the range of 6% to 8%
- Secured technical approvals from leading utilities for high temperature conductors (HTC), value-added, alloy-based conductors
- Investment in significant product development of HTC and leadership established through approvals from utilities
- As on August 2010, has an order book position of Rs. 1,176 cr – with exports contributing to ~32% of the total book
- Reduced dependence on PGCIL - increased private sector customers (Reliance, Adani etc.)

## Stable growth in the volumes sold



## Healthy growth in the revenues



Note 1 : Fall in FY10 on account of a delay in the floating of tenders, postponement in the award of contracts by customers

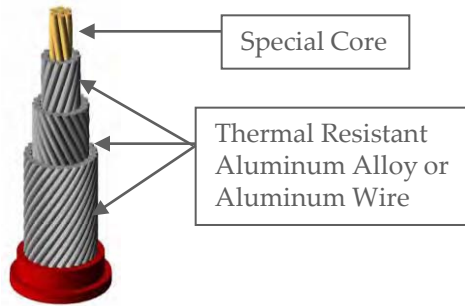
## 2 New initiatives to ensure future growth

### High Temperature Conductors - New paradigm in technology

Conductors Segment

- ✓ Power consumption is growing in urban areas, resulting in more power transmission
- ✓ Physical limitations of securing right of way for installing new transmission lines especially in urban areas

### Apar's solutions



- Special types of HTC using thermal resistant aluminum alloys and all annealed aluminium
- Capable of handling 50% to 100% additional power load

### New Plant at Orissa

- ✓ In process of implementing increased production capacities in by setting up new conductor plant in Orissa
- ✓ Located near the supply of raw material as well as close to the east coast which is expected to witness significant development in power sector

# 3 Specialty Oil – Geared for strong volume growth - continued focus on EHV transformer segment



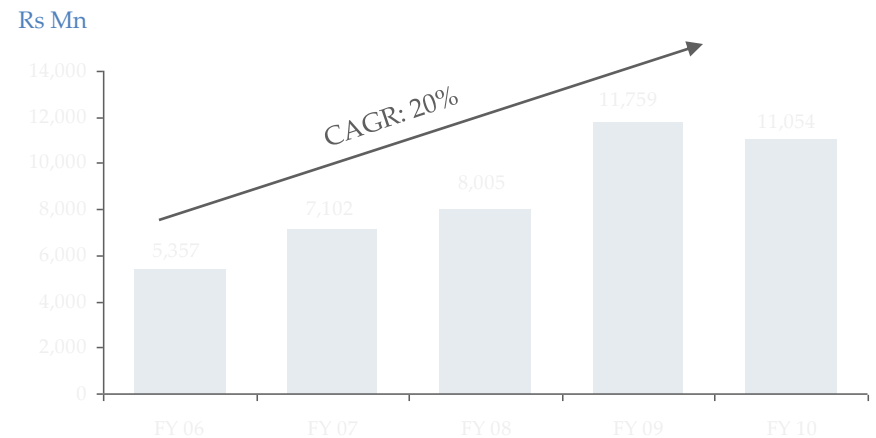
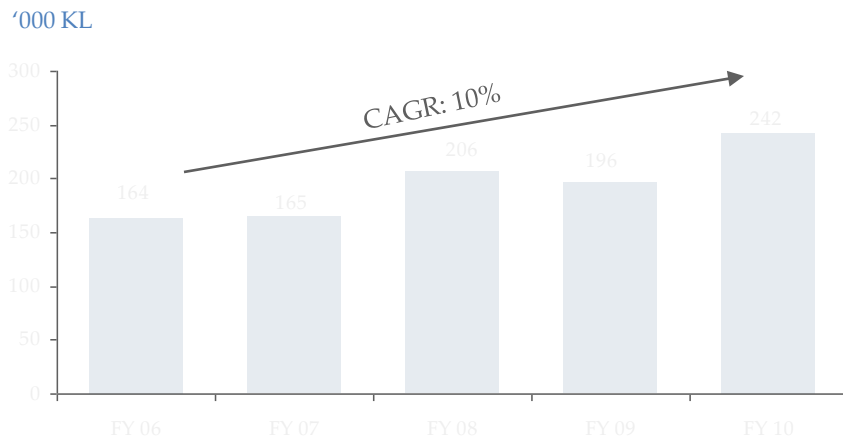
## Competitive Strengths

## Specialty Oil Segment

- One of the largest transformer oil manufacturer in the world; continued focus in the EHV transformer segment
- High entry barriers owing to approval process; oil is tested for 5-7 years before pre qualification
- Volume CAGR of 10% (from FY06 to FY10); revenue CAGR 20% (FY06 to FY10)
- Segmental margins in the range of 8% to 9% (except in FY 09)
- One of the few specialty oil producers in India to receive the NABL and DSIR registration for laboratories, specialized quality testing and research capabilities
- Growing portfolio of other oils – white oils, industrial and process oils
- Long term growth plan: higher rating transformer segment (high demand expected in 765 KV class); one of the few companies with product approvals from global transformer OEMs and utilities including PGCIL

## Stable growth in the volumes sold

## Healthy growth in the revenues



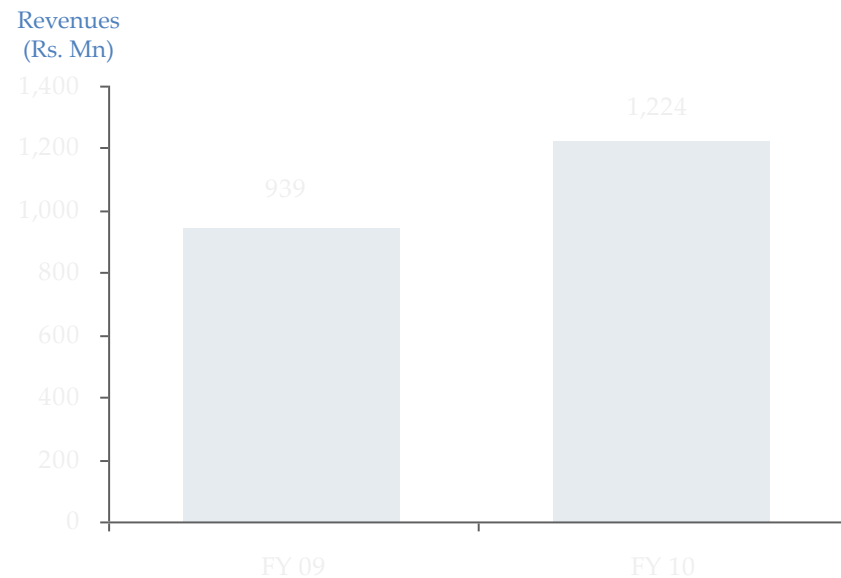
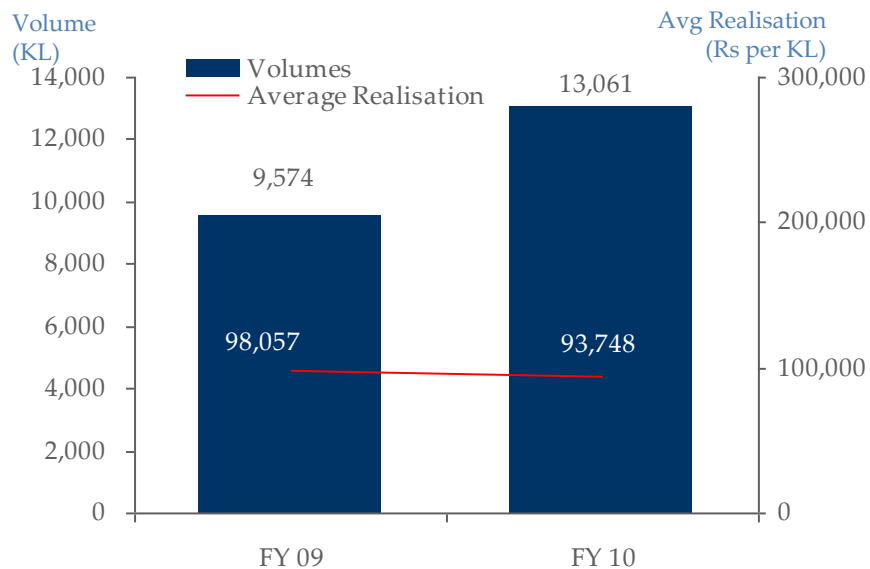


## Developing Agip brand

Specialty Oil Segment

- Manufactures 'Agip' brand - premium automotive lubricant; Brand under manufacturing and license agreement from ENI S.p.A and distributed by a JV 50% owned by Apar
- Strategy to grow Agip brand and increase the product mix – yielding higher realisations and hence higher margins
- Sales turnover of "Agip" brand increased by 31.1% in FY10 compared to FY09 due to increased volumes

## Increasing volumes sold & revenues of Agip



# 5 Turnaround/ breaking even in power cables segment



## Acquisition of Uniflex Cables

Cables Segment

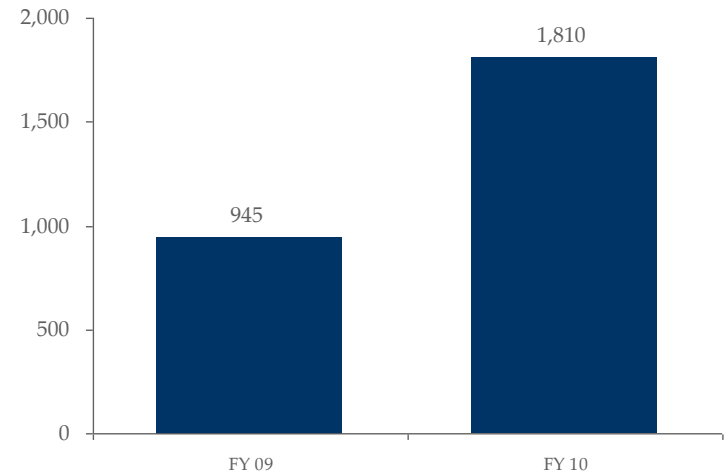
- Acquisition rationale - diversify presence in the last leg of the transmission and distribution network – presence across all levels
- ISO:9001-2008 certified integrated plant at Umbergaon
- Diversified customer base with approvals from Utilities, Defense, Oil and Gas sector, Railways, major EPC contractors etc.
- Volume growth to aid in EBITDA breakeven
- As of 31<sup>st</sup> August 2010, order book of Rs. 81cr; 44% exports
- Accumulated losses of Uniflex : Rs. 103 cr; Tax losses can be claimed in the future period

## Apar’s turnaround strategy



## Revenues

Rs mn



Note: FY09 revenues for ~8 months

Company Overview 2

Key Highlights 4

**Financial Statements 12**

Appendix 14

# Financial Summary



## Consolidated Income Statement (Rs. mn)

Income Statement	March 31, 2010	March 31, 2009	March 31, 2008
Sales (net)	22,355	26,371	17,658
Other income	160	62	56
<b>Expenditure:</b>			
Material cost	17,365	22,488	13,946
Personnel cost	321	256	185
Manufacturing and other expenses	3,297	3,124	2,335
Interest (net)	332	412	371
Depreciation	185	147	140
Exceptional items – Net	12	17	38
<b>Profit Before Tax</b>	<b>1,004</b>	<b>(12)</b>	<b>700</b>
<b>Profit After Tax</b>	<b>780</b>	<b>(35)</b>	<b>583</b>

## Consolidated Balance Sheet (Rs. mn)

Particulars	March 31, 2010	March 31, 2009	March 31, 2008
Shareholder's fund	2,834	2,800	2,845
Loan funds	1,617	1,614	1,009
Fixed Assets	1,811	1,793	1,107
Goodwill on Consolidation	-	603	-
Net Current Assets	2,715	2,148	2,403
<i>Cash and Bank balances</i>	4,882	6,109	4,920

Company Overview	2
Key Highlights	4
Financial Statements	12
Appendix	14

# Apar Industries Limited – History & Timelines



## History & Timelines

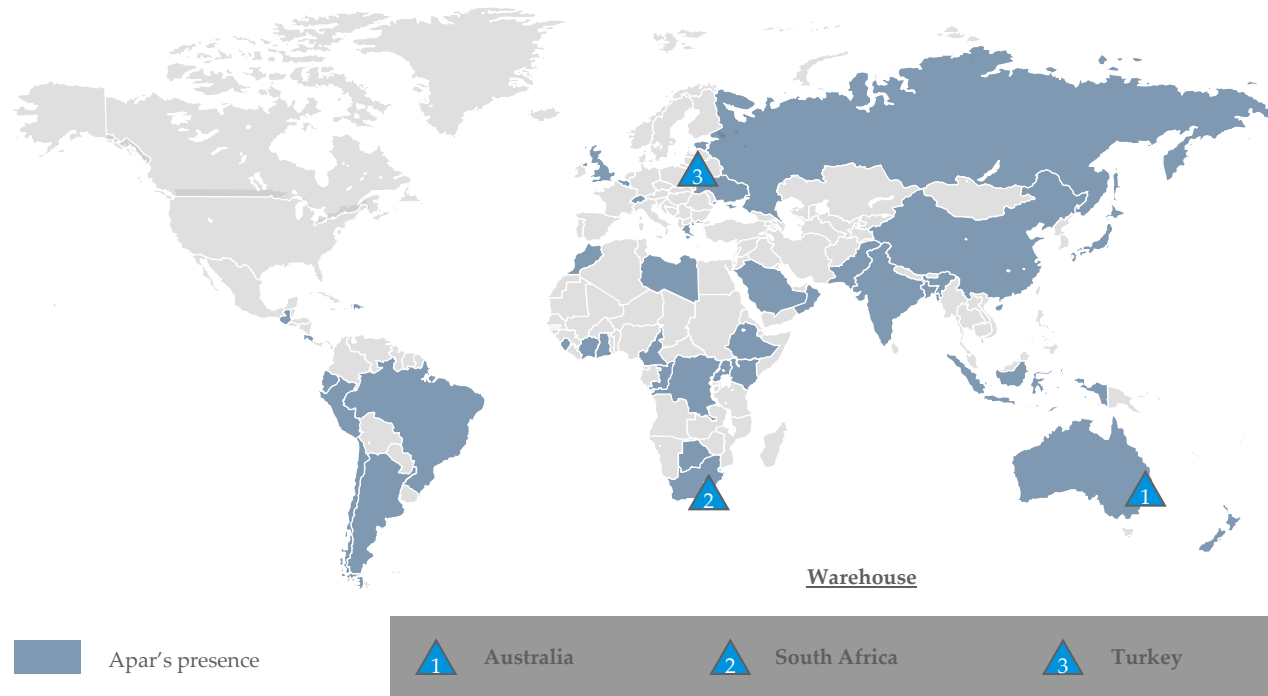


- 2008 ▪ Acquired a strategic stake in Uniflex Cables Limited
- 2008 ▪ Sold High Styrene Rubber and Nitrile Butadiene Rubber business
- 2007 ▪ JV arrangement with CHEMATEK SPA, Italy and technology and licensee agreement with ENI, Italy
- 1999 ▪ Conductor and Speciality Oil business was merged with Gujarat Apar Polymers Limited ; name changed to Apar Industries Limited
- 1989 ▪ Gujarat Apar Polymers Limited was incorporated
- 1969 ▪ Established speciality oil business with the technical know-how from Sun Oil Company (USA)
- 1958 ▪ Conductor Division with the technical know-how from Alcan (Canada) and Properzi (Italy)

# Robust distribution system



## Presence in 50 countries across the world



- ✓ Adopted a hub and spoke manufacturing and distribution model for specialty oils - allows efficient delivery cycles to global transformer OEM's across Asia, Africa and Australia
- ✓ Commissioned storage facilities in South Africa, Australia and Turkey by entering into JVs/ strategic alliances with local partners
- ✓ Over 25 company operated warehouses in India to service industrial and automotive clients effectively

## Considerable experience with strong academic background

### **Narendra Dharmsinh Desai – Non Executive Chairman**



- Ex-Chairman of GE Lighting India, Apar Infotech, USA
- Past President of ELCOMA (Electrical Lamp and Component Manufacturers Association) and AMPS (Association of Manufacturers of Petroleum Specialities)
- Electrical Engineer from the University of London and Masters and Ph. D. from U.S.A

### **Kushal Narendra Desai– Managing Director**

- Held senior management positions in General Electric India from 1993 to 1996, including the position of MD of GE Lighting Private Limited, now known as GE Lighting India Limited
- Was associated with Apar Infotech, he co-founded in 1997
- Bachelor of Science in Electrical Engineering from Moore School, University of Penn., USA and a Bachelor of Science in Economics from the Wharton School, University of Penn., USA

### **Chaitanya Narendra Desai – Joint Managing Director**

- Bachelor of Science in Chemical Engineering from University of Penn, USA and a Bachelor of Science in Economics from the Wharton School; conferred Summa Cum Laude for both degrees and many other awards
- Successfully turned around and divested Gujarat Apar Polymers Ltd and Apar's erstwhile Polymer Division
- Has been managing Apar's Conductor Division's operations for over a decade

### **Himatlal Narottam Shah Independent Director**

- Chartered Accountant by profession since 1952
- Vast knowledge and experience in the field of finance, commercial, legal, taxation etc.

### **Navinchandra Krishnappa Thingalaya Independent Director**

- Doctoral degree in Economics from the University of Bombay in 1966
- Ex-Chairman and Managing Director of Syndicate Bank

### **Fatehchand Bhagwandas Virani Independent Director**

- M.S. (Chemical Engg.) and MBA from universities in India and USA
- 42 years of corporate sector experience in the areas of chemical/petrochemical and energy businesses
- Ex- Managing Director of Gujarat Gas, Advisor (Business Development) in Adani & Essar Group

## Considerable experience with strong academic background

### **N. R. Bhoopatkar – Senior VP – Industrial Oils**

- Overall in-charge of technical aspects of Industrial Oil Division
- Extends support to the marketing team including ENI Italy JV
- 49 years of experience and has been associated with Apar for the last 13 years
- Holds a degree in Electrical and Mechanical Engineering

### **Sanjay Abhyankar –VP Marketing – Oil Division**

- Heads marketing department of oil division both domestic and international
- >32 years of experience and associated with Apar for the last 15 years
- Holds a bachelors degree in Electrical Engineering and Masters degree in Management

### **T. C. S. M. Gupta – VP - Operations**

- Heads operations including R&D and Quality Control of Oil Division
- >23 years of experience and associated with Apar for the last 6 years
- Ph.d. in refining chemistry

### **Ashwin Shah –VP – Marketing, Conductors**

- Responsible for marketing department of conductor division - domestic and international exports business
- >36 years of experience and associated with Apar for the last 34 years
- Holds a bachelors degree in science

### **A. G. Vohra –VP – Operations, Conductors**

- Responsible for planning, organization, co-ordination of all conductor business division
- 34 years of experience and has been associated with Apar for the last 32 years
- Holds a bachelors degree in Arts along with Diploma in Career Development, Trainer with Marketing and Selling skills

### **H. S. Dhanjal – VP – Project, Conductors**

- Responsible for planning, organization, co-ordination and control of the project department of conductors division
- >48 years of experience and associated with Apar for the last 30 years
- Holds a bachelors degree in Electrical and Mechanical Engineering

### **V. C. Diwadkar – Chief Financial Officer**

- Responsible for planning, organization, co-ordination and control of financial accounting
- >30 years of experience and associated with Apar for the last 16 years
- Fellow member of the Institute of Chartered Accountant of India (ICAI) and ICWA (Inter)

### **Malcolm D'Sa –VP Finance**

- Responsible for banking matters and finance department
- >37 years of experience and associated with Apar for the last 29 years
- Holds a bachelors degree in Commerce and CA (Inter)

## Considerable experience with strong academic background

### **E. N. Doraiswami –VP – HR**

- Responsible for planning, organization, co-ordination and control of the HR and Administration related work
- 47 years of experience
- Holds diploma in SP, labour law and HR practices

### **Sanjaya R. Kunder – Company Secretary and Principal Officer / Compliance Officer**

- Responsible for handling secretarial functions
- 20 years of experience and associated with Apar for the last 4 years
- Holds a bachelor degree in commerce and LL.B, a Diploma in Central Excise, Customs and Service Tax
- Associate member of the Institute of Company Secretary of India

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