

# Investors Update 4Q FY07

## Financial Information

<b>Segment Performance Analysis</b>									
Particulars	STANDALONE FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH,2007						CONSOLIDATED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH,2007		
	Quarter Ended (Unaudited)			Year Ended (Audited)			31.03.2007	Var %	31.03.2006
	31.03.2007	Var %	31.03.2006	31.03.2007	Var %	31.03.2006			
<b>Segment Volumes:</b>									
Conductors	15,026	22.3%	12,286	49,544	16.8%	42,434			
Transformer & Speciality Oils	47,842	6.2%	45,065	173,885	-0.2%	174,204			
Polymers	3,917	8.3%	3,618	14,679	0.5%	14,599			
<b>Segment Revenue</b>									
Conductors	20,068.01	44.5%	13,888.57	65,374.41	48.8%	43,922.28	65,374.41	48.8%	43,922.28
Transformer & Speciality Oils	17,329.77	11.6%	15,522.35	66,805.00	29.7%	51,494.02	71,345.74	33.0%	53,627.93
Polymers	4,237.28	18.2%	3,584.48	15,208.09	7.4%	14,158.95	15,208.09	7.4%	14,158.95
<b>Total</b>	<b>41,635.08</b>	<b>26.2%</b>	<b>32,995.40</b>	<b>147,387.52</b>	<b>34.5%</b>	<b>109,575.25</b>	<b>151,928.24</b>	<b>36.0%</b>	<b>111,709.16</b>
Less: Inter - Segment Revenue	7.71	-58.0%	18.35	82.97	49.4%	55.54	82.97	49.4%	55.54
<b>Revenue from Operations</b>	<b>41,627.38</b>	<b>26.2%</b>	<b>32,977.05</b>	<b>147,304.55</b>	<b>34.5%</b>	<b>109,519.71</b>	<b>151,845.28</b>	<b>36.0%</b>	<b>111,653.62</b>
<b>Segment Results before Interest and Tax</b>									
Conductors	1,690.81	18.7%	1,424.99	5,717.94	64.1%	3,484.50	5,717.94	64.1%	3,484.50
Transformer & Speciality Oils	917.87	-45.2%	1,673.82	5,233.59	12.6%	4,649.15	5,629.01	13.9%	4,944.01
Polymers	200.35	-36.2%	314.26	603.42	-26.6%	822.49	603.42	-26.6%	822.49
<b>Total</b>	<b>2,809.02</b>	<b>-17.7%</b>	<b>3,413.07</b>	<b>11,554.94</b>	<b>29.0%</b>	<b>8,956.14</b>	<b>11,950.37</b>	<b>29.2%</b>	<b>9,251.00</b>
Interest (net)	822.82	39.9%	588.18	3,153.19	55.8%	2,023.51	3,242.42	54.8%	2,094.20
Other Common expenses (net)	542.62	-13.0%	623.79	2,179.99	16.2%	1,876.04	2,179.99	16.2%	1,876.04
<b>Profit before Tax after exceptional items</b>	<b>1,443.59</b>	<b>-34.4%</b>	<b>2,201.10</b>	<b>6,221.78</b>	<b>23.0%</b>	<b>5,056.59</b>	<b>6,527.96</b>	<b>23.6%</b>	<b>5,280.76</b>
Tax	370.60	-36.8%	586.10	1,624.47	53.3%	1,059.71	1,675.88	53.1%	1,094.75
<b>PAT</b>	<b>1,072.99</b>	<b>-33.6%</b>	<b>1,615.00</b>	<b>4,597.31</b>	<b>15.0%</b>	<b>3,996.88</b>	<b>4,852.09</b>	<b>15.9%</b>	<b>4,186.01</b>
<b>Segment Results - as % to Segment Revenue</b>									
Conductors	8.4%		10.3%	8.7%		7.9%	8.7%		7.9%
Transformer & Speciality Oils	5.3%		10.8%	7.8%		9.0%	7.9%		9.2%
Polymers	4.7%		8.8%	4.0%		5.8%	4.0%		5.8%
<b>Total</b>	<b>6.7%</b>		<b>10.3%</b>	<b>7.8%</b>		<b>8.2%</b>	<b>7.9%</b>		<b>8.3%</b>
<b>Capital Employed:</b> (Segment Assets - Segment Liabilities)									
Conductors	16,235.40	61.5%	10,053.17	16,235.40	61.5%	10,053.17	16,235.40	61.5%	10,053.17
Transformer & Speciality Oils	9,034.42	16.7%	7,743.42	9,034.42	16.7%	7,743.42	9,632.99	19.0%	8,095.26
Polymers	9,982.53	18.5%	8,424.76	9,982.53	18.5%	8,424.76	9,982.53	18.5%	8,424.76
Unallocable Corporate/Segment Assets Less Liabilities	120.60	-96.3%	3,235.91	120.60	-96.3%	3,235.91	101.04	-96.9%	3,214.49
<b>Total Capital Employed in Company</b>	<b>35,372.95</b>	<b>20.1%</b>	<b>29,457.26</b>	<b>35,372.95</b>	<b>20.1%</b>	<b>29,457.26</b>	<b>35,951.95</b>	<b>20.7%</b>	<b>29,787.68</b>

### **For the Quarter :**

- At the company level, Revenue Q4 was up to Rs. 416 crores from 330 crores, up by 26.2% for the quarter.
- At the segment Revenue level :
  - Conductors was up to Rs. 200.68 vs. 138.88 crores, up 44.5%
  - Oil was up to Rs 173.29 cores vs. Rs. 155.22 crores, up 11.6%
  - Polymer was up to Rs.42.37 crores vs. Rs.35.84 crores, up 18.2%
- At the Segment margin level,
  - Conductors was up to Rs. 16.90 vs. 14.25 crores, up 18.7%
  - Oil was up to Rs 9.17 cores vs. Rs. 16.73 crores, down 45.2%
  - Polymer was up to Rs.2 crores vs. Rs.3.14 crores, down 36.2%
- The Net profit for Q4 company as a whole was lower compared to previous year.
  - Net profit for the quarter came in at Rs.10.72 vs. 16.15 crores.

### **For the Year as a Whole :**

- At the company level, Consolidated Revenue FY07 was up to Rs. 1519.28 crores from Rs. 1116.53, up by 36 % for the year.
- At the segment Revenue level for the FY07
  - Conductors was up to Rs.653.74 vs. 439.22 crores, up 48.8 %
  - Oil was up to Rs 713.45 cores vs. Rs. 536.29 crores, up 33 %
  - Polymer was up to Rs.152.08 crores vs. Rs.141.59 crores, up 7.4 %
- At the Segment margin level for the Consolidated Revenue by segment for FY07
  - Conductors was up to Rs. 57.18 vs. 34.85 crores, up 64.1 %
  - Oil was up to Rs 56.29 cores vs. Rs. 49.44 crores, up 13.9 %
  - Polymer was down to Rs.6.03 crores vs. Rs.8.22 crores, down 26.26%
- The Net profit after tax for FY07 Consolidated basis, company as a whole was higher at Rs. 48.52 crores vs. Rs. 41.86 crores, up 15.9%.

**We would like to point out a few important factors that should be noted :**

- The PBT FY07 was up by 23.6 %. There was a higher net tax payout due to
  - Exemptions reducing at Silvassa to 30% of Profit from 100% for the Conductor business.
  - The effective tax rate increased from 11.4% in FY06 to 26.7% in FY07.
  - Higher profits in the oil business from exports which are done from the Mumbai plant where there are no exemptions.
- The profits for the 4 quarters in FY07 were much more evenly spread through the year compared to FY06. Q4FY06 was 44% of the total profit for the year, which was unusually high. This was due to back ending of contracts in that year. However, in FY07 we had much more even loading through the year. This confuses the overall performance.

PBT		2006-07		Var %	2005-06	
	Q1	1519.76	24%	103.3%	747.48	15%
	Q2	1641.96	26%	64.5%	998.04	20%
	Q3	1616.48	26%	45.6%	1109.97	22%
	Q4	1443.59	23%	-34.4%	2201.10	44%
<b>Total</b>		<b>6221.78</b>	<b>100%</b>	<b>23.0%</b>	<b>5056.59</b>	<b>100%</b>

PAT		2006-07		Var %	2005-06	
	Q1	1110.27	24%	76.9%	627.48	16%
	Q2	1212.91	26%	58.6%	764.64	19%
	Q3	1201.14	26%	21.4%	989.76	25%
	Q4	1072.99	23%	-33.6%	1615.00	40%
<b>Total</b>		<b>4597.31</b>	<b>100%</b>	<b>15.0%</b>	<b>3996.88</b>	<b>100%</b>

- There were no tenders from Power Grid from April 2006 onwards for a year. This put pressure on the business for new orders that had to come largely from exports. Price pressures have been seen due to lack of order booking from the industry. Considering all that, the conductor business still managed a good performance through FY07. There will likely be this price pressure for a part of FY08, as PGCIL tenders have just started, supplies of which will be from November onwards.
- For the Transformer oil business, Revenue for the quarter was up 12%, but the segment level profit was down 45%.
  - In Q3FY07 there was a very sharp increase in the price of base oils, due to the increase in crude which increase from \$62 levels to \$78 levels and then fell sharply to \$58 levels.
  - This resulted in 2 things

- Customers expecting immediate reductions.
    - An opportunity for competition to “forward” reduce prices to try and enter accounts.
  - There was hence a mismatch between the cost of inventory and customer expectations. As we had mentioned in the last call, we decided as a strategy that it is critical to maintain market share in our key accounts.
  - Our objective is to lead this game through the next 7-8 years uninterrupted, and hence this strategic view. We don't see this as a prolonged phenomenon.
    - The business's overseas business continues to grow. The strategic investments made through Petroleum Specialities have been showing good results in Australia, South Africa etc.
    - We are optimistic about this business through FY08.
    - Plan is for an increased volume of 23% for FY08.
- Polymer business restructuring was completed and increased production at Valia site.
  - The price of monomers reached a peak with Butadiene at about \$1500 per MT. The prices have come off, to level of about \$1000/MT basis.
  - The selling prices were also reduced due to the appreciation of the Re. And the 2.5% reduction in the import duties of the finished products.
  - However, volume sales are increasing gradually as we win new customers with the expanded production.
  - We expect higher sales volume for FY08 for Nitrile Polymers, which is the key to the success of this division.