

**Investor Update**  
**Q3 FY08**

**FINANCIAL PERFORMANCE (Standalone)**

Particulars	RS/MILLION					
	Q3 FY08	Q3 FY07	Variance	Nine Month FY08	Nine Month FY07	Variance
Net Sales	4729.02	3594.42	31.6%	12324.28	10543.59	16.9%
EBIDTA	313.43	270.41	15.9%	948.09	820.75	15.5%
EBIDTA (%)	6.6	7.5		7.7	7.8	
PBT	183.90	161.65	13.8%	838.89	477.82	75.6%
PAT	137.11	120.11	14.2%	702.45	352.43	99.3%
EPS (diluted) Rs :	4.24	3.72	13.8%	21.72	10.90	99.3%

**Highlights -Standalone :**

- **Turnover up by :                    31.6% in Q3FY08**  
**16.9% in 9 Months FY08**
- **PBT up by :                         13.8% in Q3FY08**  
**75.6% in 9 Months FY08**
- **PAT up by :                         14.2% in Q3FY08**  
**99.3% in 9 Months FY08**
- **EPS up by :                         13.8% in Q3FY08**  
**99.3% in 9 Months FY**

## SEGMENT PERFORMANCE ANALYSIS :

Segment Performance Analysis							(RS/MILLION)
Particulars	Stand alone Financial results			Stand alone Financial results			
	for Quarter Ended (Unaudited)			for 9 months Ended (Unaudited)			
	31.12.2007	Var %	31.12.2006	31.12.2007	Var %	31.12.2006	
<b>Segment Production Volumes:</b>							
Conductors-Mt.	14,440	15.6%	12,486	29,131	25.8%	23,158	
Transformer & Speciality Oils-KI	55,999	35.9%	41,204	151,467	19.9%	126,318	
Polymers-Mt.	5,257	25.6%	4,186	14,126	47.3%	9,587	
<b>Segment Sales Volumes:</b>							
Conductors-Mt.	15,962	43.9%	11,096	41,007	22.4%	33,509	
Transformer & Speciality Oils-KI	54,235	27.8%	42,450	148,222	17.6%	126,043	
Polymers-Mt.	5,166	39.6%	3,701	14,762	37.2%	10,762	
<b>Segment Revenue</b>							
Conductors	2,289.35	57.6%	1,452.69	5,718.94	26.3%	4,527.81	
Transformer & Speciality Oils	1,983.74	13.1%	1,753.52	5,237.07	5.8%	4,952.19	
Polymers	514.30	29.3%	397.66	1,473.37	34.3%	1,097.12	
<b>Total</b>	<b>478.74</b>	<b>32.8%</b>	<b>360.39</b>	<b>1,242.94</b>	<b>17.5%</b>	<b>1,057.71</b>	
Less: Inter - Segment Revenue	18.62	539.3%	2.91	49.57	558.7%	7.53	
<b>Revenue from Operations</b>	<b>476.88</b>	<b>32.4%</b>	<b>360.10</b>	<b>1,237.98</b>	<b>17.1%</b>	<b>1,056.96</b>	
<b>Segment Results before Interest and Tax</b>							
Conductors	75.76	-41.0%	128.41	276.34	-31.4%	402.71	
Transformer & Speciality Oils	186.17	47.6%	126.13	855.99	98.3%	431.57	
Polymers	54.36	43.0%	38.02	110.50	174%	40.31	
<b>Total</b>	<b>316.29</b>	<b>8.1%</b>	<b>292.56</b>	<b>1,242.83</b>	<b>42.1%</b>	<b>874.59</b>	
Interest (net)	86.07	8.8%	79.11	273.82	17.5%	233.04	
Other Common expenses (net)	46.31	-10.6%	51.80	130.12	-20.5%	163.74	
<b>Profit before Tax after exceptional items</b>	<b>183.90</b>	<b>13.8%</b>	<b>161.65</b>	<b>838.89</b>	<b>75.6%</b>	<b>477.82</b>	
Tax	46.79	12.7%	41.53	136.44	8.8%	125.39	
<b>PAT</b>	<b>137.11</b>	<b>14.2%</b>	<b>120.11</b>	<b>702.45</b>	<b>99.3%</b>	<b>352.43</b>	
<b>Segment Results - as % to Segment Revenue</b>							
Conductors	3.3%		8.8%	4.8%		8.9%	
Transformer & Speciality Oils	9.4%		7.2%	16.3%		8.7%	
Polymers	10.6%		9.6%	7.5%		3.7%	
<b>Total</b>	<b>6.6%</b>		<b>8.1%</b>	<b>10.0%</b>		<b>8.3%</b>	
<b>Capital Employed:</b> (Segment Assets - Segment Liabilities)							
Conductors	1,283.77	4.8%	1,225.21	1,283.77	4.8%	1,225.21	
Transformer & Speciality Oils	1,314.01	79.7%	731.28	1,314.01	79.7%	731.28	
Polymers	905.17	-13.4%	1,045.24	905.17	-13.4%	1,045.24	
Unallocable Corporate/Segment Assets Less Liabilities	89.67	-71.6%	316.16	89.67	-71.6%	316.16	
<b>Total Capital Employed in Company</b>	<b>359.26</b>	<b>8.3%</b>	<b>331.79</b>	<b>359.26</b>	<b>8.3%</b>	<b>331.79</b>	

### **Company as a whole (standalone) :**

#### **For the Third Quarter :**

- Net Sales increased from Rs. 3594.42 Million to Rs 4729.02 Million; representing a growth of Rs. 1134.60 Million (31.6%) over corresponding period of previous year.
- EBIDTA increased from Rs.270.41 Million to Rs. 313.43 Million; representing a growth of Rs. 43.02 Million (15.9%) over corresponding period of previous year.
- PBT increased from Rs.161.65 Million to Rs. 183.90 Million; representing a growth of Rs. 22.25 Million (13.8%) over corresponding period of previous year.
- PAT increased from Rs. 120.11 Million to Rs. 137.11 Million; representing a growth of Rs. 17 Million (14.2%) over corresponding period of previous year.
- EPS (diluted) increased from Rs. 3.72 to Rs. 4.24; representing a growth of Rs. 0.52 (13.8%) over corresponding period of previous year.
- The company has entered into an Agreement dated November 1<sup>st</sup> 2007 for the sale of the Polymer Business to Eliokem, a speciality polymer company headquartered in France for a consideration of Rs. 111 crores as a going concern on a Slump sale basis. The effective date for the completion of this transaction is in the month of Feb, 2008.

#### **For the Nine Months period :**

- Net Sales increased from Rs. 10543.59 Million to 12324.28 Million; representing a growth of Rs. 1780.69 Million (16.9%) over corresponding period of previous year.
- EBIDTA increased from Rs. 8207.48 Million to Rs. 9480.87 Million; representing a growth of Rs. 1273.39 Million (15.5%) over corresponding period of previous year.
- PBT increased from Rs. 477.82 to Rs. 838.89 Million; representing a growth of Rs. 361.07 Million (75.6%) over corresponding period of previous year. This includes a one time gain from sale of Development rights for Rs. 303.70 Million during 2<sup>nd</sup> Quarter.
- PAT increased from Rs. 352.43 Million to Rs. 702.45 Million; representing a growth of Rs. 350.02 Million (99.3%) over corresponding period of previous year.
- EPS (diluted ) increased from Rs. 10.90 to Rs. 21.72 ; representing a growth of Rs.10.82 (99.3%) over corresponding period of previous year.

### **Group Consolidated Performance-Q3FY08:**

- Group Turnover includes Rs. 245.03 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.
- Group Net Profit after tax includes Profit of Rs 13.95 Million of PSPL, overseas subsidiaries; Loss of Rs 3.42 Million of Apar Chematek Lubricants Ltd.

### **For the Nine Months period :**

- Group Turnover includes Rs 497.30 Million of PSPL, overseas Subsidiaries and Nil of Apar Chematek Lubricants Ltd.
- Group Net Profit after tax includes Profit of Rs. 19.87 Million of PSPL, overseas subsidiaries in Singapore and Australia and Loss of Rs. 8.12 Million of Apar Chematek Lubricants Ltd

## **Segment overview :**

### **Conductor :**

- Sales revenue in Q3FY08 was up 57.6% over the corresponding period of previous year from Rs. 1452.69 Million to Rs. 2289.34 Million. The corresponding volume growth was 43.9% as volume grew from 11,096 mts to 15,962 mts.
- Sales Revenue for the 9 Months FY08 grew by 26.3% from Rs. 45278.05 Million to Rs.57189.35 Million.
- Segment Level profit is down 41.0% for the quarter and 31.4% for the 9 Month period. There are a number of reasons for this effect :
- There continued to be issues with the flow of tenders from Power Grid through 3QFY08 due to problems that PGCIL has had with World Bank on counter guarantees to be given. We are given to understand that this issue has now been resolved and significant tenders will be floated from February 08 onwards.
- The company has continued to grow its sales volume through orders from export markets. \$ denominated sales are up from Rs. 1479 Million to Rs. 3749 Million. Physical exports were up 290% and deemed exports were up 20% in 9 months period.
- Apar's strong global reputation and risk mitigation strategy has allowed growth in volumes to take place even in such tight circumstances.
- During the Nine month period the US\$ has depreciated by 10% v/s Re. The resultant impact on the Margins was 2.4%.

- Due to lower domestic market demand and consequent competition, there continues to be margin pressure. We expect this to ease only once a regular order flow takes place with regular tenders from PGCIL. Our sense is that in FY09 the situation will normalize for this segment on the margin front. The export business is lower margin due to higher freight and logistics costs and also the effect of the strengthening Re.
- The order book as on 31<sup>st</sup> December stands at Rs. 642 crores with an order pipeline of about Rs. 383 crores.
- The Nalagarh plant which went on stream in April 2007 has not been fully loaded till December due to lack of orders. For the quarter, the plant produced 1723 mts vs. a maximum output of 3600 mts. Total production at Nalagarh from April has been 5371 mts only.
- Key reason for the same has been the dearth of domestic tenders. However, from Jan 08 onwards the plant has better loading and we are likely to see substantial improvement in financial performance. The quarterly loss at Nalagarh was Rs. 12.07 Million and for the 9 months period was Rs.21.4 Million.
- There has been an additional problem in Nalagarh with respect to availability of power. Due to the cold wave in North India, and especially in Himachal Pradesh, power shortfall has been very acute. Since November 07 there is load shedding of 6 to 9 hours per day besides one industrial off day. This has hampered production and increased costs due to the use of diesel generators. This problem will reduce only post April when the snow melts and hydro generation picks up.
- Notwithstanding these issues, we expect a profit from the Nalagarh operations in 4QFY08 with the better plant utilization. The plant has also been approved by PGCIL for its contracts. This will also help in booking more orders at Nalagarh and lead to better capacity utilization.
- The future outlook for the division and the demand fundamentals for the business remain intact in the medium to long term.
- We expect PGCIL to have Capex budget for FY 08-09 to about Rs.8500 crores with appx Rs.2200 crores of Conductor requirements.
- In addition to PGCIL we expect tenders from private transmission line players to increase in FY09.
- We should be able to complete the expansion of the Nalagarh facility to 25,000 mts prior to 31<sup>st</sup> March, 2008.

## **Transformer and Specialty Oils :**

- Sales revenue in Q3FY08 was up 13.1% over the corresponding period of previous year from Rs.1753.52 Million to Rs.1983.74 Million. The corresponding volume growth was 27.8% as volume grew from 42,450 KL to 54,235 KL.
- Sales Revenue for the 9 Months FY08 grew by 5.8% from Rs.4952.19 Million to Rs.5237.07 Million.
- Sales on a global basis for the 9 months was Rs.5727 million. This represents approx 27% growth in volume over same period in FY07. Poweroil has been getting increasing acceptance globally as the company is one of the few players globally that can meet the new stringent requirements of Transformer oil specifications.
- Export and Overseas business was \$-16.44 Million for the Quarter, 32% of the total revenue and \$47.80 Million for the 9 months 36%, for the total revenue.
- Segment Level profit is up by 47.6% for the 3<sup>rd</sup> quarter and 98.3% for the 9 Months period. This however includes a one time profit from the sale of development rights at the Chembur manufacturing facilities, accrued during 2<sup>nd</sup> Quarter.
- There has been a growth of about 27.8% in Speciality Oils in the quarter on a volume basis and 13.1% increase in Re. value terms. The prices of baseoils were lower in this quarter due to greater global supply. However, this imbalance seems to have been corrected, and with the recent increases in crude prices, we see steep increase in baseoil prices in 4QFY08.
- Given this backdrop, there will likely be steep price increases announced for all products in 4QFY08. Some margin erosion can be expected in the short term as new prices from large customers takes a little longer to implement.
- The demand outlook for Transformer oils in India and globally still looks strong and the company's leadership position should allow it to reap the benefits from its unique position in the industry.
- In 3QFY08, the company through its joint venture introduced the world famous Agip brand of Automotive and Industrial lubricants. The initial response to the products has been excellent. We expect to grow the franchise on a national level through FY09.
- The oil segment is sensitive to the cost of borrowing in \$ terms. Given the recent reductions in LIBOR \$ lending rates, the division should see benefits of the same accruing in FY09 with a lower effective borrowing cost.

**Polymers :**

- Sales revenue in Q3FY08 was up 29.3% over the corresponding period of previous year from Rs.397.66 Million to Rs. 514.29 Million. The corresponding volume growth was 39.6% as volume grew from 3701 mts to 5166 mts.
- Sales Revenue for the 9 Months FY08 grew by 34.3% from Rs.1097.12 Million to Rs. 1473.37 Million .
- Segment level profit from the division is up from Rs. 38.02 Million to Rs 54.36 Million for the quarter. The 9 Months profit was up from Rs.40.30 Million to Rs 110.49 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.

.....