

Company Essentials

Market Cap	₹ 22,725 Cr.
Total Shares	4.02 Cr.
P/E	29.45
P/B	6.9
Cash	₹ 438.96 Cr.
Debt	₹ 306.44 Cr.
EPS	₹ 192.11
ROE	33.07%
Profit Growth	157.99%
Sales Growth	53.25%
Promoter Holding	60.64%

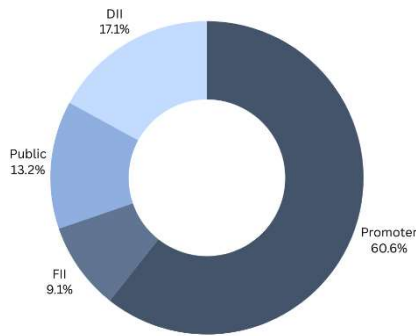
Efficiency

Gross Margin	25%
Operating Margin	9%
Net Margin	5%
FCF Margin	3%
ROA	10%
ROIC	40%
ROCE	56%

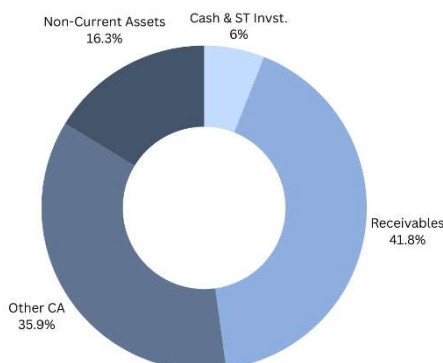
Solvency

D/E	0.13
D/A	0.7
Cash Ratio	0.08
Quick Ratio	0.09
Current Ratio	1.26
Altman Z-Score	5.11

Share-Holding Pattern



Balance Sheet Decomposition



Electric Equipment	NSE: APARINDS	BSE: 532259
Opinion: Buy	CMP: Rs. 5652	Price Target: Rs. 5950

About The Company

Apar Industries Ltd. is an electrical and metallurgical engineering company headquartered in Mumbai, Maharashtra. Since its IPO in 2004, the company has evolved to become a key player in the industry with a workforce of 1,428 employees. Apar operates in three main segments: Conductor, Transformer & Specialties Oils, and Power & Telecom Cables. The company is renowned for providing value-added products and services in Power Transmission Conductors, Petroleum Specialty Oils, and Power & Telecom Cables. Apar's specialty Oil business encompasses transformer oils, white oils, liquid paraffins, industrial/automotive oils, and process oils. With manufacturing plants strategically located in Maharashtra, Gujarat, Orissa, and the Union Territory of Dadra & Nagar Haveli, Apar Industries has established itself as a prominent player in the electrical and metallurgical engineering sector.

Apar Industries (APR) has demonstrated a robust quarterly performance, marked by a substantial YoY revenue growth of around 21% and an expansion of EBITDA margins by 193 basis points. The demand for premium conductors remains robust in the domestic market, particularly in the TBCB and re-conducting space. The company's improved re-conducting execution capabilities during Q2FY24 resulted in higher productivity. While the export of cables to US and European markets may witness near-term volume sluggishness due to inventory de-stocking, the medium to long-term outlook for overall exports remains strong. The cables business is expected to sustain its growth momentum, driven by significant growth in elastomeric cables (for renewables, defense, etc.), up by over 40% in H1FY24. The company is strategically focusing on expanding its B2C segment by enhancing distribution and geographical reach. In terms of financial performance, consolidated sales grew by 21.4% YoY to Rs39.3 billion, comprising Conductors/Specialty Oil/Cables at -49%/-31%/-22% of total sales. EBITDA surged by 54.8% YoY to Rs3.5 billion, with EBITDA margins expanding to 8.9%. PAT witnessed a growth of -69% YoY to -Rs1.7 billion, driven by operational performance and higher other income, despite increased interest expenses. In terms of segment-wise growth, the Conductors segment reported a growth of 35.1% YoY to Rs19.4 billion, while the Cables segment reported a growth of 15.8% YoY to Rs8.8 billion. The Specialty Oil segment's revenue grew by 1.9% YoY to -Rs12 billion, supported by a volume growth of 16% YoY. Over the years, Apar Industries has successfully moved up the value chain, offering superior products and expanding its export footprint. The company remains a proxy play on the domestic power sector, with a significant portion of its revenues linked to power infrastructure. Apar's focus on value-added products positions it well to mitigate risks associated with lower-margin business and gain market share both in India and globally, leveraging its wide array of premium products. The company is reaping the rewards of product innovation and investments in R&D, evident in the higher share of premium conductors and growing export share in both cables and conductors. Apar Industries is enjoying strong traction in emerging sectors like green energy, EV, and data centers, along with traditional sectors such as railways, mining, and defense.

- Apar Industries excels in the Specialty Oils & Lubricants segment with an extensive installed capacity of 500,000 KL in India and 120,000 KL in the UAE, strategically catering to global markets. As the third-largest transformer oil manufacturer, the company offers a full range of products, including Poweroil NE Premium, known for its exceptional lifespan and premium pricing. Apar maintains a 3% market share in the 2.3 million tons Indian lubricants market, demonstrating strength in industrial and automotive lubricants. The demand outlook remains promising, driven by increased electrification, manufacturing growth, and infrastructure development, positioning Apar Industries for sustained success in this segment.
- The Cables segment stands out as the fastest-growing for Apar Industries, witnessing an impressive 64% revenue growth in FY23, amounting to Rs32.6 billion. As a dominant market leader in specialty cables with a substantial 70% market share in domestic wind energy applications, Apar aims to secure a position among the top three cables and wires manufacturers in India. With a 3% market share in the approximately Rs65 billion domestic cables market, Apar consistently outpaces industry peers. Key demand drivers include investments in the power sector, government infrastructure initiatives, the global shift to renewable energy, 5G adoption, data centers, railway capital outlay, and the increasing penetration of electric vehicles. Apar is a crucial supplier for major manufacturers such as Siemens AG and Bombardier and has a significant presence in the US market, expecting further growth with upcoming approvals. With a capacity utilization of 88% in FY23 and plans to commission a new greenfield plant by FY24-end, Apar is strategically positioned for continued success in the Cables segment.

Key Strengths

Strengths of the company include impressive financial performance over the past three years, with a notable profit growth of 63.07% and a substantial revenue growth of 23.34%. The company has consistently maintained a healthy Return on Equity (ROE) at 20.25% and a commendable Return on Capital Employed (ROCE) at 35.01% over the same period. With a PEG ratio of 0.19, the company is positioned favorably in terms of its valuation relative to earnings growth. Efficient cash flow management is evident, as reflected in a strong CFO/PAT ratio of 1.40. Additionally, the company has a high promoter holding, indicating confidence and commitment from key stakeholders, with a substantial 60.64% ownership.

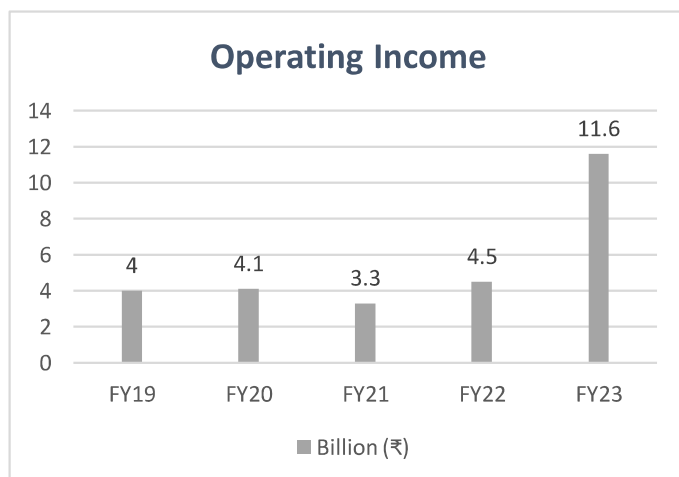
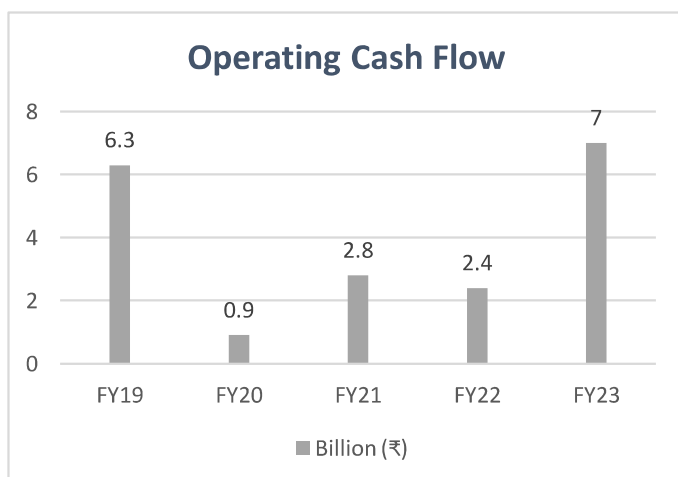
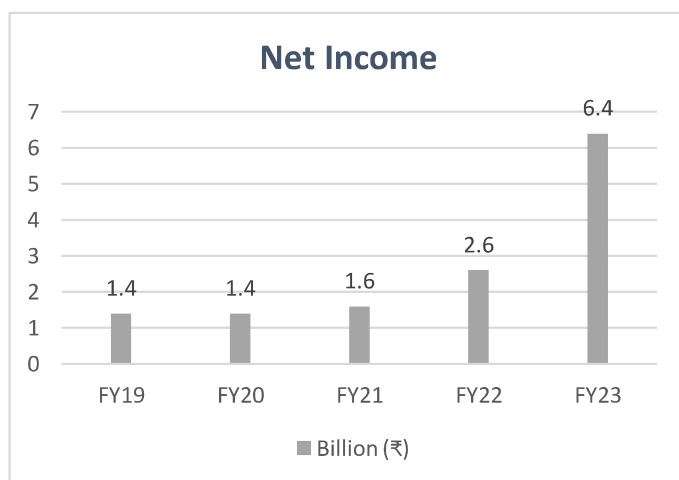
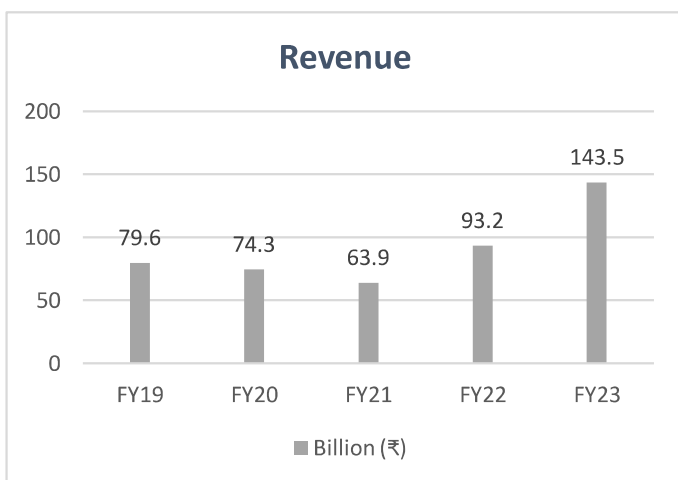
Quarterly Result

Particulars	Rs Cr.			
	DEC 2022	MAR 2023	JUN 2023	SEP 2023
Net Sales	3,627.23	3,809.34	3,505.65	3,644.36
Total Expenditure	3,305.50	3,408.57	3,174.68	3,294.44
Operating Profit	321.73	400.77	330.97	349.92
Other Income	4.774	12.19	15.72	20.73
Interest	89.47	74.46	64.12	97.77
Depreciation	22.98	24.17	24.09	25
Profit Before Tax	214.02	314.33	258.48	247.88
Profit After Tax	157.86	234.82	193.38	185.62
Tax	56.16	79.51	65.10	62.26
Adjusted EPS	41.25	61.36	50.53	48.50

Highlights

1. **Revenue Growth and Exports:**
 - a. The company achieved a remarkable revenue growth of approximately 21%, attributed to volume expansion across all divisions and robust exports, up by around 26.3% YoY.
 - b. Exports witnessed substantial growth, with the conductor division experiencing a remarkable surge of 158.3%, and cables contributing an 18.4% increase.
2. **Enquiry Pipeline and Capex:**
 - a. The company reported a strong enquiry pipeline for both conductors and cables, indicating potential future growth opportunities.
 - b. The overall capital expenditure (capex) for the fiscal year 2024 is estimated to be around Rs3.5 billion.
3. **Geographical Exports Breakdown:**
 - a. The US market constitutes 16% of the total revenue for the company, underlining its significant presence in the US market.
4. **Conductors Division:**
 - a. Conductors' revenue growth soared by 35% YoY, primarily driven by substantial volume growth (up 79% YoY) and robust exports (up ~1.6x YoY).
 - b. The order book stands at Rs59.8 billion, with 51% attributed to exports, to be executed over the next 6-7 months.
 - c. Order inflows for Q2FY24 were impressive, reaching Rs25.1 billion, marking a 71% YoY increase.
 - d. High-value products contributed 45.6% in Q2FY24.
5. **Re-conducting and Speciality Oil Division:**
 - a. Re-conducting is experiencing healthy traction due to increasing power demand, with the company enhancing productivity and efficiency in the re-conducting EPC space.
 - b. Speciality oil revenue reported muted growth of 2% YoY, impacted by supply chain issues from a major base oil supplier. Contracted base oil supplies have improved from September onwards.
6. **Cables Division:**
 - a. Cables achieved revenue growth of 16% YoY, with exports growing by 18% YoY.
 - b. EBITDA, post-forex adjustment, maintained a double-digit margin at 11.1% in Q2FY24, showing improved product mix and scale-up in economies.
 - c. The distribution channel in the US and Europe experienced a slowdown due to de-stocking of excess inventory, with expectations for this trend to continue for the next couple of months.
 - d. The B2C segment is progressing as planned, with an increase in retail touchpoints by 70% YoY and current activity in 18 states

Financials



Summary

The strategy of buying APARINDS stock when it was at least 20% undervalued and selling when overvalued over the past 5 years has yielded significant potential profits. The company demonstrated strong profitability, as reflected in a 58% increase in EBITDA to INR 374 crores, with an impressive margin of 9.5%. Profit after tax surged by 69% to INR 174 crores. The Conductor business led the growth with a 35% increase in revenue to INR 1,943 crores, driven by a substantial volume surge of 79% and a remarkable 158% expansion in exports. The Oil division showed an 18% volume growth, contributing to a revenue of INR 1,200 crores, despite temporary profitability challenges. The Cable business recorded a commendable 16% year-on-year revenue increment to INR 882 crores, with indications of minor market slowdowns affecting near-term distribution channels.

Key Risks

- Economic Sensitivity:** Apar Industries exhibits sensitivity to economic fluctuations, particularly in the power and infrastructure sectors. Economic downturns can lead to reduced demand for its products and services, impacting overall revenue and profitability.
- Global Market Exposure:** The company's significant exposure to international markets, particularly the US, exposes it to geopolitical uncertainties, trade tensions, and fluctuations in currency exchange rates. Changes in global economic conditions can affect demand for Apar Industries' products and pose risks to its financial performance.
- Supply Chain Vulnerability:** Recent challenges faced by the Oil division due to supply chain issues underscore the vulnerability associated with disruptions in the supply chain. Any prolonged or intensified disruptions may impact the company's ability to meet customer demand and affect operational efficiency.
- Distribution Channel Slowdown:** The Cable business experienced a slowdown in distribution channels in the US and Europe, indicating potential risks if this market deceleration persists or deepens. Slower distribution can lead to excess inventory and affect revenue growth in the short term.
- Commodity Price Volatility:** Apar Industries is subject to fluctuations in commodity prices, especially in raw materials such as metals and oils. Volatility in commodity prices can influence production costs, potentially affecting profit margins and overall financial performance. Implementing effective risk management strategies becomes crucial in mitigating the impact of commodity price fluctuations.

Additional Data

Key management personnel

Kushal Desai	Chairman and Managing Director
Chaitanya Desai	Managing Director
Sashi Amin	CEO - APAR Cable Solutions
Rishab Desai	Director

Top Shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP Flexi Cap Fund	3.87
2	HDFC Trustee Company Ltd.	5.97
3	HDFC Small Cap Fund	2.70
4	Investor Education and Protection Fund	0.28
5	LLP	0.06
6	Nippon Life India Trustee Ltd.	2.95