APAR CONDUCTORS

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Dear Sir,

We are sending herewith Concall transcript of Apar Industries Limited for Q4 FY 2020-21 - Earnings Conference Call made on Tuesday, June 1st, 2021.

Kindly take note of this.

Thanking you,

Yours faithfully,

For Apar Industries Ltd.

(Harishkumar Malsatter)
Assistant Manager – Secretarial & Legal

Encl. : As above

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APAR Industries Limited
Q4 FY21 Earnings Conference Call
June 01, 2021

Moderator: Ladies and gentlemen, good day and welcome to the APAR Industries Limited Q4 FY21 Earnings Conference Call hosted by Four-S Services. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Nitesh Kumar of Four-S Services. Thank you and over to you, Sir.

Nitesh Kumar: Thank you. Good afternoon everyone. Welcome to all the participants to the APAR Industries Q4 FY21 conference call. Today on the conference we have Mr. Kushal Desai, Chairman and Managing Director, Mr. Chaitanya Desai, Managing Director and Mr. V. C. Diwadkar, CFO APAR Industries. I would now like to hand over the call to Mr. Kushal Desai for his opening remarks. Over to you, sir.

Kushal Desai: Thank you. Good afternoon, everyone and a very warm welcome to the Q4 FY21 Earnings Call of APAR Industries. I would like to actually make a small tribute to our team who we fondly call the APAR Parivar who really left no stone unturned to ensure that all our plants kept running through the pandemic through both the first and the second wave. And have serviced our customers well, we have continued to maintain very high fill rates through this period and have maintained very safe work practices throughout this whole period. So, I cannot express how proud I am today to be a member of this Parivar in the way all the members have cooperated to run the businesses and the offices.

So despite both the COVID-19 waves coming and hitting operations, we managed to grow our adjusted profit after tax by 27% year-on-year to 171 crores and the return on equity for FY21 was up by 106 basis points to 12.5%. This was also held by a 42% reduction in the finance cost. Consolidated revenue for FY21 came in at 6405 crores. The early part of the year commodity prices were very low, in the second part of the year they grew substantially. So this is around 14% lower than the previous period, mainly due to a 23% year-on-year decline in the domestic revenue side. The export revenues actually grew in the year by 3% to reach 2637 crores. The EBITDA came in at 422 crores and the EBITDA margin improved by 31 basis points to 6.6%.

Our oil business recorded growing revenues and the highest ever EBITDA per KL post FOREX adjustments which for the year came in at Rs.7032 per KL, partly aided by premiumization of our product mix as also with respect to favorable raw material prices. And then of course, a very strict focus on working capital management, which helped restrict the number of outstanding days and in turn had a positive impact on the interest that we've paid.

Our conductor business unfortunately faced unprecedented headwinds, especially towards the end of the year. And this arose from a very steep rise in commodity prices, especially steel, which is something that we cannot hedge and also hit by a very sharp escalation in international shipping freight rates. In addition to this for the HTLS projects business, there were several small lockdowns which happened, but more than that, the required outages were not possible to be obtained due to various COVID related reasons resulting an idle time and the execution not happening as per the plan.

In Q4 FY21 specifically looking at that quarter APAR posted consolidated revenues of 1907 crores which is up 6% year-on-year. Here the domestic business has grown by 12% during the fourth quarter, the EBITDA came in at 106 crores which is 3% higher than the same period previous year. The EBITDA per KL of oil business for that quarter actually crossed Rs.10,000 per KL. Finance costs were down to 21 crores from 50 crores in the same period last year. And our profit after tax grew to 48 crores which is 104% above the same period previous year.

I would also like to just touch upon a few industry highlights, there are new set of draft guidelines that have been issued of approximately 3 lakh crores, reform based results linked scheme for DISCOMS. It targets the reduction of the AT&C losses to between 12% to 15% by FY25. It also lays out a smart prepaid metering system and a reduction in ACS and ARR losses to zero by FY25. So, the capital outlay for metering and infrastructure is stated to be about 1.5 lakh crores each i.e. 1.5 lakh for the metering infrastructure and 1.5 lakh for the transmission and distribution infrastructure, over a period of five years. The outstanding dues of the DISCOMS has actually reduced by 3% and is at 78,379 crores as of 31st March.

About 16,750 circuit kilometers of new transmission lines were added in FY21 which is up 44% from FY20, the addition was 6% higher than planned. However, most of the ordering pertaining to the transmission lines which came especially towards the end of the year have not taken place due to high commodity prices. The key T&D players reported an order inflow of about 15,800 crores in the fourth quarter. Four LOI have been issued in the FY21 for new tariff based competitive bidding projects. Power Grid has also approved investments of around 2200 crores, which is actually quite small relative to the peak investments that they had. But this investment has been announced by them. And if you look at Q4 FY21, about 7.8 gigawatts of solar tenders were auctioned, which is 163% over Q3 FY21, but down 32% over the same period previous year and however, the actual completion of solar projects was much lower and it was 15% lower than what was achieved in FY20.

I would just like to now focus on specifically the segmental highlights of the three segments in the company. So, in FY21, the conductor division revenue came in at Rs. 2,908 crores which is down 19% year-on-year. The domestic revenues were down 37%, largely due to COVID-19 related issues, especially in the early part of the year, followed by delayed tendering and persistent low demand. The price situation also was not favorable. So their focus actually moved to export revenues. So export revenues were 0.4% up year-on-year, but contributed to 52% of the total revenue and this compared to 41% in FY20, so it's about an 11% increase as a percentage. The EBITDA per metric tonne post FOREX adjustments came in at Rs.7926 per metric tonne, which is 26% lower than year-on-year period. The share of the premium products was 13% for the high efficiency conductors and 14% for copper conductors for the railways.

The other two new segments which we had introduced in FY19 and FY20, which is OPGW and the copper transpose conductors grew by 83% and 286% on a year-on-year basis, but of course one does need to keep in mind that the base number was relatively low. We expect substantial growth in both of these product lines as we move into FY22. The new order intake for the years came in at Rs. 2,425 crores, the order book as it stands on 31st March 2021 stood at Rs. 1649 crores with the export shares at 55%. Having said that, substantial orders have come in the first quarter in the early days of Q1 FY22 which are amounting to over Rs 500 crores. The fourth quarter the conductor revenue sustained at Rs. 837 crores. The HEC re-conducting work was impacted due to the lack of shut downs as continuous power had to be given to various hospitals and other important COVID response related including oxygen plants, etc. One of the highlights for the quarter is that we executed 220 circuit kilometers gap conductor line for PGCIL which is the first line of this size that has been executed by an Indian company. So, this added another milestone in our journey.

However, the EBITDA per metric tonne post FOREX adjustments fell by 97% in this quarter, and there were unfavorable and significant factors that affected this. The first was, the steep increase that took place in the international freight costs which the company was not able to pass on because it was part of a CFR or DDP contract. The second is actually aluminium premium that also substantially increased and again was a fallout of the same factor which is the international freight. So, one of them is on the outgoing product, the other one is on the incoming materials. The third is steel prices, which as all of you know, steel prices have been at record highs and there is no hedgeable mechanism unfortunately for steel.

And then lastly, the availability of containers also difficult to come by as well as at the end of the year inspections got delayed due to the lack of travel since the second wave of COVID had already started taking effect. The export orders which were actually profitable when received turned to be quite lost making due to these un-hedgeable impacts that I mentioned above. There was also a delay in customers clearances to inspect and dispatch goods as I mentioned due to travel restrictions.

And finally, the MEIS benefit which was an export related incentive scheme that the Government of India had, that resulted in a 2% benefit on the FOB value of exports was withdrawn by the government in Q3 and unfortunately, the alternate scheme has not come into replace the MEIS and at the moment, the exports are happening without any incentives. And this is equal to about 2% of the FOB value of the goods. The new order inflow for the quarter came in at Rs. 256 crores but as I mentioned in the early, in the first few days of April we received the orders were about Rs 500+ crores. EPC players have also delayed ordering due to the steep increase in the aluminium and steel prices. So even though TBCB orders, etc. have been awarded, but the downstream ordering is still something which has been withheld at this stage, looking for more favorable price points.

If I come to the specialty oil division, the situation was a little different. It happened to be actually the best performing year that the oil division has had in its history. Revenue was up 2% year-on-year in FY21 and this was driven by an 11% year-on-year growth in the overseas business that was spread across various sub verticals that we have. The overseas business contributed 41% compared to 37% of the previous year. Our plant in Hamriyah had a utilization of 79% compared to 69% in FY20. The white oil businesses sales volume was up 16%, driven largely by growth in exports. The lubricants business which comprises of automotive oils and industrial oils also grew by 15% year-on-year.

In Q4, the specialty oil division recorded a 33% growth to Rs. 719 crores as we gained market share as well as a share of business from major customers. The domestic revenue was up 43% and the export revenue was up 18% during the fourth quarter. The EBITDA post FOREX adjustment came at Rs. 104 crores which was four fold up compared to the same period previous year. Of course, we need to keep in mind that the previous year we were impacted because the end of the year was truncated, where a lot of industrial and automotive sales were restricted.

If you look at the cable business, the cable business had an overall reasonably difficult year pretty much from the beginning due to the impact of COVID-19. The revenue for the year came in at Rs. 1270 crores which was 21% lower than the same period previous year. Power cable continues to be highly competitive, but the elastomeric E-Beam cable business which really covers the solar, wind, railways and defense side of the business were all affected due to COVID related issues. These segments are also the most profitable segments for the company's business, so thereby impacting both the top line and the bottom line. The optical fiber division had revenues that grew by 21% year-on-year. During this period, we've installed the 3rd E-Beam machine which is of 2.5 MeV class and our expectation is that in FY22, as we continue to focus on growing the export business and some of our premium products, which are medium voltage covered conductors, introduction of automotive cables and harnesses and increased sales which we are already starting to see from our solar wind, railways and defense customers starting up from June, July of this year onwards, we expect this year to be a much better year.

We have further increased our export thrust in the business and during the last one year we have received various UL approval, which are mandatory for the sale of electrical cables to the U.S. market, and we received global supply approvals from some of the largest windmill producers in the world, including General Electric and Vestas, who are the two largest. There is a significant CAPEX plan which we have just approved in the board meeting of yesterday to substantially increase cables that would go into the wind and solar segment as well as target the U.S. market. The CAPEX for the cable business planned at approximately Rs. 95 crores which we plan to spend over the next 12 to 18 months, we see a window of opportunity is clearly opened up and the China Plus One strategy actually presents the company with a fairly strong opportunity.

Coming to the fourth quarter, Q4 for the cable division, the revenues came in at Rs. 443 crores which is 7% higher than the same period previous year. The EBITDA post FOREX was at Rs. 14 crore, and EBITDA margin came in at 3.2%. We expected a much better FY22 in the cables vertical with already reasonably strong traction of order infl ows that has started coming in.

So to conclude, for us in FY21 has been a challenging year. FY22 has started off a little bit difficult because of the second wave, but as I mentioned as we progress through the year we expect things to improve substantially. We would like to continue to broaden our focus on the export markets. Our portfolio of products are increasingly being targeted to be focused around safety first, more environmentally friendly products and more energy efficient products as the ESG theme dominates infrastructure investments. We are also actually awaiting the details of the mega investment pushed by the Bidengovernment in the United States and we are very well placed to actually service this opportunity as it unfolds. So, with this, I would like to come to the end of my comments, I thank you all for joining the call . Wish you the best of health. We could please open up the floor to questions if any.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Sir, I had a few questions, so just firstly on this delisting of our copper wire by railways. So, just wanted to understand how much of an impact that we have on our top line, and is that in the conductor segment or it’s in the cables business?

Chaitanya Desai: So, the copper conductor is in the conductor business and in terms of the top line, it may impact worst case scenario to the tune of about Rs. 400 crores and it is something that the company has already appealed against because it was more of a procedural issue which has been brought up which is disputed. So, we are reasonably confident that we would actually be able to mitigate some of that hit.

Nemish Shah: Okay, understood. And one more thing, so just wanted to understand if you could give us some break up in terms of our cables business. So, how much of solar and wind would be contributing towards our revenues and say how much will be telecom, railways, and defense, some ballpark numbers is will be helpful.

V. C. Diwadkar: Telecom is around 13% actually, solar is closer to 18% and wind is at present wind is only 3% to 4%.

Nemish Shah: Okay. And the balance will be sir?

V. C. Diwadkar: Balance is the utility is there, EPC contractor, EPC defense is there, shipping is there, lot of things are there.

Kushal Desai: Even the railways segment is.

V. C. Diwadkar: Yes, railway is also substantial.

Kushal Desai: Railways for cables are comprising of two parts one is supply of cables to the railways and the second is supply of harness to the railway, which is wired up cables on a frame that delivered directly to the railways and these are used both in, largely in passenger compartments and we've also got qualified to supply to the locomotives side for harness.

Nemish Shah: Sure. And like you mentioned that you would be focusing on automotive wires and harnesses so, is that a new product that we have introduced?

Kushal Desai: We already had that and even in previous earnings calls as I had brought it up that we are focusing on supplying electron-beam cured cables into the automotive segment. So, one segment where it's already started is in all the electric vehicle. So we have been supplying to JBM auto, who are supplying these buses to the various government bodies, in fact they have a reasonable amount of orders. So the wiring of all the JBM buses is coming through us. Also, there are some of the scooter companies to whome we have supplied that. As well as we have got our products, approved for supply to the mainstream Trucks and passenger car companies so we are working with the auto companies and harness manufacturers to supply automotive cables into the wiring of the vehicles itself, besides the EVs, the EVs is something that we've already advanced quite a bit.

Nemish Shah: Sure. And just one more thing, so the CAPEX plan in the cables division, so are we planning to add capacities in the current plan?

Kushal Desai: Yes, so it's all coming up in our plant which is Khatalwada plant. And the focus is all on, as we've got these global approvals for the wind side, as Mr. Diwadkar mentioned earlier, currently the Indian demand has been a little bit muted. FY22 is expected to be a lot more demand on the wind side, because today the projects are being built on an integrated basis, which is a composition of solar and wind, but oversees the wind capacity increase is likely to be in most of the Western countries significantly higher than solar, given the nature of the sunshine that they get through the years. So this capacity will actually go into being able to supply windmills both onshore and offshore. As well as augmenting capacity for solar cables, as well as a lot of the EV cables get supplied into the United States market also. So as this whole infrastructure program in the U.S. is opening up, we don't know the exact details of it. But it looks like the demand will substantially increase. So we want to make sure that all the investment goes in as early as possible. So that as that program is rolled out, we are in a position to participate in it.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from PGIM Mutual Funds. Please go ahead.

Himanshu Upadhyay: I have a question on the conductor's side. We have stated that there has been a significant inflation in almost all the segments aluminium pricing and logistic cost and how we are in these two-level existing order book of Rs. 1600 crores. So, what is the outlook on the margin or can be raise the prices and incremental orders what we are tendering are we seeing that we are able to increase the prices for the tender because of the inflation being so high across the board what we have stated?

Kushal Desai: So, the order book actually consists of orders which were tendered and filled in fundamentally prior to, in the previous year that is in 2020, they are carried at that point in time freight rates, steel prices, et cetera which existed then. Subsequently as new tender are being filed in obviously all of these gets corrected upward as we bid on it, where the problem lies is that most of these are on a fixed price basis to EPC contractors and international freight steel prices are not hedgeable as things stand today.

Himanshu Upadhyay: So, would it be right to say that the new orders what we have got of Rs. 256 crores would be at a better margin and where we would be back to normalize the numbers?

Kushal Desai: So, there will be a more significant impact in the first half of the year because that's where the vintage of the orders which are being executed are older which are impacted by this unless there is a debottlenecking of freight which is expected to happen as all these economies open up but the newer orders which are there obviously have all these components factored into it .So, once you're locked in you don't have an ability to change, but whenever you quote for a new tender obviously each of these parameters is then is corrected.

Himanshu Upadhyay: Okay. And on the specialty oil and lubricants, in lubricants what would be our breakup between industrial and auto size?

Kushal Desai: So, we combine the two together and the volumes are little over Mr. Diwadkar can give the exact number but it's a little over 60,000 kilo liters, I mean 60 million liters a year.

V. C. Diwadkar: 63,000- 64,000 Kilo liters.

Himanshu Upadhyay: And are we seeing traction because of what we are hearing more on the manufacturing side traction is happening. So, do you think lubricants should continue to do well both on industrial and automotive. And are the margins sustainable in the market, because what we hear some of the players have not raised prices for the automotive side, what is the outlook here or what you are seeing in market?

Kushal Desai: So, on the automotive, so let me just split it into two parts, the automotive side and the industrial side. So, on the automotive side actually we have a relatively strong position and a focus on the agriculture side of the automotive so fundamentally product sales to tractor manufacturers, harvesters, combines, et cetera. So our bigger clients, would be ITL Sonalika Tractors, Escorts, Eicher. So, these are the main OEMs that we service. So we don't see actually the demand from whatever the projections are coming from the agriculture side. We're expecting a stronger 21 compared to 20 obviously, the first quarter has been affected. But just yesterday, most of the states have started opening up the agri site, starting up from 1st of June. So, that side is quite secure and will continue to grow as some amount of mechanization and things improve in India.

On the industrial side, I would imagine that industrial sales will continue to increase as you know a lot of expansions are happening, CAPEX expansions taking place. So both first fill as well as lubrication requirements on the industrial side will grow. And if you look specifically at the industrial oil segment, after the oil PSUs and Castrol, we are one of the larger industrial oil players in the country. Many others like Gulf Oil and the MNCs are more automotive focused. It's only Shell and Mobil among the MNC who focus on industrial.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: I have two questions, one is regarding this cable business CAPEX will you throw some more light on the details of it as in what would be the post and what would the revenue capability of the Rs. 95 crores CAPEX which we are doing, what kind of ROCs we are expecting, as these are, we are doing CAPEX in businesses where we won't have any operating leverage because current revenue is very small and we'll be targeting U.S. market so something on that side. Second, how long you believe this current margin in oil business sustainable and how much of this you would attribute to this rising spread to the inventory, the low cost inventory in case you had or is it because we are getting more on share from unorganized players who may not be getting able to procure the base oil in current scenario?

Kushal Desai: So, let me answer the two questions separately, as far as the CAPEX is concerned on the cable side, there are two major projects which are there. And by the way the fundamental infrastructure is fungible to produce various types of products, so there are new lines going into produce these elastomeric cables that go into wind. They can also be used in solar installations where they are more tuned to producing the larger cables that go into wind installations. We see actually a pretty rapid ramp up because the key milestone is actually to go ahead and get approved. We have already started supplies from existing infrastructure that we have, but the capacity will end up, many fold increasing once these two new lines are put in place for servicing windmills. The paybacks on all these projects are in the four years kind of timeframe.

As far as the E-Beam capacity that goes in that can be used of course across all E-Beam, various types of E-Beam products, but the size of the machine has been selected such that a lot of the sizes that are expected to pick up in volume in the U.S. markets pick up, we are already started exporting to the U.S. markets in this year. So, all this infrastructure coming in is going to augment capacity to service customers who would have already started in FY22. Some of the business has already come in the fourth quarter of FY21 also.

Saurabh Patwa: Okay, just something more on this same thing. So how long it would have taken for us to become L1 in many of these customers?

Kushal Desai: That's not really an L1 situation here because this is all negotiated, it goes customers or people like General Electric, Vestas, Siemens, Gamesa, Nordex, these type of companies. So it's all a negotiated deal, we were of course supplying them in the domestic market in India, but for us to be able to service the global market, it had to undergo certain timeframe of supply in India and then additional testing and requirements which would go into those overseas markets so both of those have been completed.

Saurabh Patwa: And who would be our competitors in these businesses overseas?

Kushal Desai: So our competitors in this are companies like Nexon, Prysmian they are all overseas players LS Cables, et cetera. We have almost 70% market share in the domestic market at the moment. You just said that market has been relatively small at this stage, but as you know the wind segment in India also is growing.

So, coming to the second question, which is the sustainability in the oil business. So, there has obviously been a tailwind in terms of inventory as the market prices have been continuously rising, raw material prices. So, there has been some benefit from the inventory side of things. But, as you see the finished lubricant business has also grown substantially. So, both the automotive and industrial businesses of ours have grown through these years, in spite of all the pandemic related issues, our share of business with all the three tractor companies has increased. And the commitments which we have as we get into FY22 is higher than what we have in terms of share of business, compared to FY21. Also, our industrial business, will grow primarily with new CAPEX coming in. And a lot of it has to be driven by CAPEX that goes into manufacturing infrastructure. So, whatever I've heard from our product managers and sales teams, is that for the first time we are seeing Brownfield and Greenfield expansions happening in terms of the manufacturing infrastructure. So a lot of first fill requirements being floated, et cetera. So, the finish lubricant side is quite sustainable. In terms of our overseas operations, the Hamriyah plant actually has received a lot of more approvals through this pandemic period, as people have tried to balance the geographic risk. And now, with the second wave in India, you will see that the first quarter of FY 22, the volumes our Hamriyah plant has even gone up further, because many companies are insisting that the split should take place between two locations and two countries given the fact that, a lot of container freight ships are also missing India because of the second wave that we've faced.

So, these are structural changes, they're not going to be something that will disappear overnight. We've also increased our presence as far as transformer oil is concerned in some of the markets like Australia, Turkey, et cetera where the demand for transformers will go into ESG projects has started again, increasing. So we see that the domestic side of transformer oil has gone down substantially because of the lack of funding, to the utilities but the overseas side of transformer oil is still doing well.

Saurabh Patwa: So from a medium term point of view maybe not be 22, but for historically our last 10 years average maybe close to like 4500, a peak of around 6000 and maybe bottom of around like 2500 types. But, have you mentioned that this is sort of a structural change. So going forward, what is the range of EBITDA per KL which you believe is more sustainable?

Kushal Desai: So, between Rs. 5000 a KL is something that has been historically a sustainable number, especially in the absence of a lot of violent movements on the foreign exchange side. So when the FX environment is stable Rs. 5000 a KL is not something that's out of place. So, this year if you see the numbers were closer to 7300, but your operating plan for next year is in the 5000 odd range.

Saurabh Patwa: So that would be a substantial discount to what we reported in last two quarters?

Kushal Desai: Yes, so actually some of it was a bounce back if you go through some of the previous earnings call, we had issues where we had some of the customers differ their deliveries. So, we used the expensive raw materials, the new orders which we got at the current lower prices in Q2 particularly. And those deferred orders, which executed in Q3 were then at relatively high prices but with cheaper raw materials. So, I would really look at the full period. And so that is a number which is a Rs. 7300 per KL number, and whatever we work should then be benchmarked against that, so about Rs. 5000 odd a KL is something that's very sustainable.

Saurabh Patwa: Understood and this last one small question which is, how long, of course you mentioned in the previous answer itself that by second half you believe the current order should come. But when you say that sir does that mean that, the profitability will be sharply higher, assuming things remain here or come down, as you said like the freight rates are going to come down and the current?

Kushal Desai: Just to give you a perspective, these export orders, which we've executed in Q4 of last year, and which will come in the next few months of this year, they were all profitable when the orders were taken. Nobody expected freight rates to the U.S. to increase 3x and to some of these markets which are three times, four times so the impact per tonne of that itself is Rs. 8,000 to Rs.10,000 a tonne in some locations. Also, one of the things you're not able to hedge is the premium on aluminium and the premium on aluminium has also increased fundamentally, because of the same ocean freight, because that's what the premium captures. So it's really, both for incoming and outgoing material, the same parameter that's actually hitting that. Just as we think that margins on oil business are not sustainable, and they will correct downward. I don't think these freight rates are sustainable either. That may not go to the levels which existed pre-COVID. But, when you had containers going on a road which is $1,000 per container, and today you're paying $6,000 per container, it's certainly not a sustainable type of equation.

Saurabh Patwa: Absolutely sir. So, my question was slightly different actually, I just wanted to understand like, so when we are bidding for a new project now or when we are taking orders for a new conductor project now. So, we are taking the normalized freight levels or normalized spreads or we are taking the current spread and the current freight level?

Kushal Desai: So, we are taking the current levels at the moment.

Saurabh Patwa: The profitability will increase sharply is that?

Kushal Desai: So, it's a current , because it is a DDP contract, you will take the current rate, there's also a freight baltic index which is something that is declared which we are now talking to various customers and utilities globally, to see what is the level of acceptance they have of that because it's not only a conductor manufacturer, but if you see all the EPC guys, everybody is now trying to figure out what to do because never in the history before was there such a delta on freight. So, it's a completely new problem that has arisen. There has been impact also in terms of steel, but the steel comes impacts on conventional, largely conventional type of conductors, the ACCC and AL59 and these sort of conductors have a lower element of steel in them. So, as the sophistication of the conductors and premiumization increases the steel component will keep going down. And the last thing is that in the year, we expect a much higher order book on the HTLS and the premium high efficiency conductors and actually some of that has already started coming in. And finally, we were expecting more orders to come in OPGW wires but those tenders had to be retendered in the past because it entailed a number of Chinese players who were participating previously in those tenders and today they're debarred from quoting. So those tenders have been refloated and they would have not got finalized but because of these last few months COVID related matters. So our expectation is that it should happen in the next few months, with deliveries commencing in this financial year itself.

Moderator: Thank you. The next question is from the line of Sanjay Pandit from 1729 Capital. Please go ahead.

Sanjay Pandit: My question is, by when does the company overall expect to achieve, say 18% to 20% return on equity, which is sort of talked about a while ago. And related to that, what kind sort of long term return on capital threshold do you have when making new capital expenditures overall by division?

Kushal Desai: So typically, we would look at, it depends on how strategic the investment is. But paybacks, which are in the range of 4 years, is what one would typically look at if you're setting up something which is a significant Brownfield expansion, and if it is just a expansion in existing product lines, and you're looking at something which is three years in terms of return on the CAPEX, in this particular case, we've actually brought forward and we've also bunched the CAPEX together, because we physically see that there is a maybe an opportunity of lifetime that's going to come up, in this area. The U.S. market has never really been that accessible to Indian cable companies, because of differential tariffs, that India has faced, especially relative to China, 5% difference, 5% to 7.5% difference in tariff. And also, the infrastructure spending in the U.S. has been talked about for many, many years. But the sense is now that it's really time for them to press the button and the seriousness with which the discussions are going on, there will be a big increase in the electrical infrastructure, in addition to this the whole electric vehicle movement, which even though it may be relatively slow in India is starting to pick up in these markets, overseas market. So all of that put together is what has accelerated us, putting the CAPEX in place, our depreciation itself is about 90 crores a year. So, the cash generation that comes from the depreciation itself can be used to fund this, and we have already taken a line of credit- an ECB so together it makes sense for us to actually press the button sooner than later. The groundwork for this has already been done, as I mentioned earlier in terms of both cables that going to windmills as well as just general electrical cables going into the U.S. market.

In terms of your, our clear target is to get to a 20% return on equity. And our sense is that in FY22 itself we will make a progress towards that, not getting to 20% but moving up in terms of because the cable business is clearly going to do a lot better than in FY21 and in the second half we expect the conductor business also to come back into more normalized working. So, difficult to give you an exact timeframe, but we're clearly moving in that direction.

Sanjay Pandit: So then perhaps sometime in FY23, you can have a run rate ROE of maybe 18% to 20%?

Kushal Desai: That would clearly be an aspirational, it would clearly be a target and it is quite feasible. Because, we don't expect a very long gestation period to load the equipment's that come in, in this cable CAPEX that we're talking about. Both the oil business and the conductor business have limited CAPEX, that is going in. And in fact, the plan was to just sweat the current assets. But in order for us to be able to optimize this opportunity, we need to put this CAPEX in place and it can add to a revenue that exceeds 500 crores by putting in this 95 crore CAPEX.

Sanjay Pandit: Yes, absolutely. It looks like the CAPEX is an excellent thing to pursue, provided attractive returns on capital, which is what appears to be the case. Even Warren Buffett talked about major CAPEX happening in the United States with respect to power transmission. And so that ought to be an opportunity for the whole industry?

Kushal Desai: So, we expect the CAPEX to happen not only on power transmission, but also on the distribution side. For example, in Mumbai, I have been informed that new parking that's going into buildings 20% of it needs to building a malls, malls actually 20% of the parking has to have an electrical charging point. So, with these sort of things coming in the distribution infrastructure also will increase not only in India, but everywhere around the world.

Sanjay Pandit: So based on what you are seeing today, if you were to look out three to five years, what kind of sort of revenue and operating margins do you think APAR could get to and what kind of CAPEX will required to get there?

Kushal Desai: So, our CAPEX plan actually we didn't have a plan to invest such a large amount of another 95 crores, we've just come through with a reasonably large CAPEX plan over the last five years. Our expectation is that, you will see this big jump on the cable side, in the next two years you can easily see the top line growing by Rs. 500 to Rs. 700 crores some of it coming from this CAPEX and some of it coming from the underutilized capacity that already exists. In the conductor and oil business the growth will be more tempered. And our oil business will continue to grow at 7%, 8% a year, the focus continues to remain on premiumising, whatever offering we have.

Conductor business, we really don't want to focus on any top line growth, we are really focused on just improving the product mix. So as you will see all the new product lines which are gone in, that's where we expect the growth to come from a higher value addition. The CTC is now growing, the OPGW will actually kick in this year with a lot of new tenders where is restricted to pretty much Indian players. And HTLS which is the premium conductors that we have, this year you will see a very large growth on that conductor side. In addition to that, the services which were involved which is actually designing the whole line and executing it. The re conducting business, that has actually hit very badly last year because of COVID related outages and with the hope that some of this falls in place, as we get into the second half of this year, that will also start kicking in there are already tenders which are being finalized, as we speak. And so, in the next few months we probably have a much better order book on these HTLS to report also. So, all this premiumization is going on. And that should help increase the finally the return on equity at our end.

Sanjay Pandit: And finally, what kind of weighted average cost of borrowing can you fund this CAPEX at?

Kushal Desai: Mr. Diwadkar you want to take that question?

V. C. Diwadkar: We have taken an ECB loan which is closer to around 3% or so, and if you add maybe today the forward, we don't forward cover for, forward cover for long term, but today's forward cover cost is around 5%.

Moderator: Thank you. The next question is from the line of Maulik Patel from Equirus Securities. Please go ahead. As there is no reply from the current participant, we move to the next question from the line of Nilesh Jethani from Envision Capital. Please go ahead.

Nilesh Jethani: Sir, my question is on the conductor business. So, what I have observed that, there has been a huge swing in the EBITDA per tonne we have seen in the conductor business. So, what comes to my mind is that, the sharp decline in the railways business could be one of the reasons Apart from the sharp rises in commodity and freight prices going up. So wanted to understand, so one of the price hikes so probably the new order which we have so approximately 55% again is coming from the export side. So, what could be the impact on EBITDA per tonne going forward, what's the inventory we currently have, as far as low cost commodity inventory we have that second question. And third would be, can you give some color on what is the difference in the EBITDA per tonne, we earn in the railways versus the conventional T&D conductor?

Chaitanya Desai: So, some of the business as explained earlier, has been taken earlier when the cost of various components like the ocean freight, aluminium premium, the steel, those were at a lower numbers, and now we have those orders which we're executing and some of it will be happening during this first couple of quarters in this year. So, it is difficult to predict what the rates of the ocean freight will be ultimately, so depending on what they are, accordingly there will be some plus or minus going on with regard to those old orders.

The second part is with regard to the orders that you've taken in the last quarter, and in this quarter, we have been pricing this with the current market of these costs. So, again, hopefully as long as the rates of these steel and other things are remaining in this range, we may not see any much hit on those fronts. The copper conductor which you mentioned, that has not really hit us in the last quarter, this is more of a phenomena which is going to probably affect us in the future if we are not successful in our legal efforts. So, the other point which was mentioned is that, new business has come in of the more value added products like the HEC as well as we are in envisaging some OPGW business coming in. So that will get executed also. So, some of the orders, they will sort of have a weighted average impact on our ultimate results, some would be coming in that better current prices and some the old prices so the old thing will be like a weighted average impact. Also, I'd like to mention that as far as the copper conductors, there are two parts to it, one is the catenary wires, and the other is the one type of contact wire for which currently we have been not permitted to get the business unless the appeal comes in our favor. Although we are quoting for it and we are allowed to quote for it. So, that situation may sort of slightly improve the profitability going forward if we are successful in our efforts to get this overturned in the railways.

Nilesh Jethani: Understood. And so some color on what is the differential in the EBITDA per tonne we make when we supply conductors to railways versus the other conventional conductors, is the differential too high?

V. C. Diwadkar: We don't give the breakup like that actually, but the conventional conductor is having the lowest EBITDA and the copper conductor is higher than the conventional conductor. And the highest is the HTLS conductor. Highest EBITDA is HTLS conductor.

Kushal Desai: in terms of pecking order, we have got HTLS, OPGW which are at the top of the pack. Then followed by the copper transpose conductors which are going into transformer manufacturing. And then off the two conductors to the railways you have catenary and contacts, so catenary is more profitable than contact because contact has got more players in the industry. So to just clarify the current situation the RDSO took objection to a certain procedural matter, which, even though the RITES which is the inspection agency of the railways had cleared. So we've got an appeal. So we are actually able to participate in every tender that's out there. And none of those tenders can be finalized unless a decision comes, finally in this regard. So we are still working our way towards seeing whether they actually going to have any impact or not.

Nilesh Jethani: Understood.

Kushal Desai: So, it's not that the business is actually lost already. But it could potentially be lost, the contract wire business for a certain period of time if the judgment goes against us. So pass the appellate then it can go to the High Court. And it's actually nothing to do with the technical suppliers, it's to do with the procedural matter.

V. C. Diwadkar: Period is one year from 1st April 21.

Nilesh Jethani: So, what is the EBITDA per tonne we aspire to achieve in the conductor segment, not FY22.

Kushal Desai: So, we have been focused on trying to achieve Rs. 12,000 per tonne. And, that's the target which we would like to achieve based on the mix of these products, which we have and on a sustainable basis.

Nilesh Jethani: Understood. And sir what will be sustainable EBITDA margin for the cable business?

Kushal Desai: So the cable business for the mix of products that we have, we can sustainable margin would be in the 10% to 12%.

V.C. Diwadkar: We were already doing 11%, we have done in FY20, FY19 closer to 10.5%.

Kushal Desai: In the cable business, you also had the same hits also we just come in and our export portion has gone up so container freight has increased, we have significant orders from some of the Latin American countries where freight rate or box rates have increased. But unlike in the conductor case there, when the quarter passes by we have applied for new revision in the rates. There's also been an increase in the case of cables, very substantial increase with respect to polymer cost, which don't necessarily get captured in any price variation. And steel of course is also a component. But the difference between conductor and cable, generally the cable supplies and value of a single order is smaller in size. So as a consequence you can correct your pricing and strategy as you go forward. So that's why the hits are smaller and we expect actually a faster recovery there and followed by the recovery happening on the conductor side. I hope that explains the sort of framework.

Moderator: Thank you. The next question is from the line of Mayank Bhandari from Nirmal Bang Securities. Please go ahead.

Mayank Bhandari: Sir, I just wanted to understand in the conductor side of the business, as the government is focusing more on the localized domestic manufacturing and banning more of the Chinese imports. So from the conductor point of view, aren't we slated to benefit from government move, I just wanted to understand from industry perspective?

Kushal Desai: Yes. So, the product line which gets the most affected as far as Chinese is concerned and the most favorable as far as the Indian manufacturers is concerned, is the OPGW wires and today with the data is the new oil. So every overhead line is actually carrying an OPGW earth wire. So that data transmission happens on the fiber optic link there. So, the benefit of this actually going to come this year, because last year there were a lot of Chinese companies that had participated in the tender. So all of those tenders have got scrapped, the government refloated tenders, but there were some technical issues which were there in refloated tenders so government themselves, scrapped those and have now for a second time refloated the tenders. So in the next few months, we would expect the OPGW tender finalization. And there are, principally APAR and Sterlite are the two major manufacturers in the country and even though one of the Chinese companies has a subsidiary in India given the ownership rule which is there they can't participate.

So, we would expect that a reasonable amount of OPGW business would come by, as it gets finalized in the next few months. So, there is no Chinese competition which is conventional conductors, HTLS, copper conductors for the railway, CTC for the conductor, transformer companies, et cetera but OPGW is quite a significant benefit which will come.

Mayank Bhandari: So, what would be the market size of this OPGW?

Chaitanya Desai: Actually, the cost of the raw materials have gone up quite a bit but from market size in terms of kilometers is to the tune of about 20,000 kilometers per year. The transmission lines are finally executed because it's the earth wire that is used on the line. So, as the projects keep on getting announced, each one of them carries some OPGW component.

Mayank Bhandari: And sir lastly, in your trade payables so about Rs. 3000 crore what is the level of acceptances now?

V. C. Diwadkar: Just a minute. LIBOR related acceptances are Rs. 1034 crores and the domestic interest rate acceptances are Rs. 566 crores, so total is about Rs. 1600 crore.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: My first question is, you are seeing some traction in the white oil segment both in India and export. So, what has led to this and what is the sustainability of this, any structural changes in the white oil business?

Kushal Desai: So, there has been some amount of growth that has happened because some of the products which we sell actually find their way into wipes and sanitary wipes and things like that. So, there has been an increase, that goes into some of those products. Also, some of our white oil and we are quite specialized in this it goes into manufacturing food grade additives. So, it's used in packaging for food, its used in nappy liners, any of the products where you need very clean application. So, customers for this are people like Henkel, Bostik, H.B. Fuller, Avery Dennison these type of companies. So, they have seen fundamentally a growth in terms of the applications of their end products. And therefore, because our products are actually just building blocks, the raw materials which go into what is manufactured and used by them. So, one direct is clearly usage in cleaning wipes and things like that, which as you know, because of COVID there has been an increase clearly on that front.

Anuj Sharma: And this traction is visible both in domestic and export market?

Kushal Desai: So, there has been a traction in both domestic and export our white oil businesses largely export or overseas focused. So we've clearly seen benefits that have come in from that side.

Anuj Sharma: Sure, thanks. In the transformer oil we have been cautious in our volume is down but I believe market would have been steadily growing. So are we consciously letting market share going with segment?

Kushal Desai: So the market has actually declined in India, especially has declined pretty sharply in FY21. Primarily because the budget that the utilities would have had in ordering new transformers has reduced. So as a consequence, it's not just us but every transformer manufacturer has faced this problem. We have consciously reduced further exposure to smaller transformer players. And as know, what's happening because of COVID today is that size does matter. And, some of the smaller companies are finding it more difficult, to survive in this environment. So, as a consequence we have become significantly more cautious. And we rather err on the side of not supplying then getting stuck and getting into a bad debt situation. So, we've actually improved our collections during this last one year period. So there are two effects, which have happened on the domestic transformer side. One is the demand itself has been lower. And secondly, we have been a little bit more cautious , but at the upper end of the spectrum, which is the big power transformer guys. We've not really lost any business there, so it's only been on the distribution side with the various small companies that have been involved.

Anuj Sharma: Sure, thank you. And a small question on the conductors. What is the timeframe between a tender and the material procurement in conductors?

Kushal Desai: It varies, but some of the, what we call TBCB tariff based competitive bidding, typically it takes about six months.

Anuj Sharma: Okay. And so there's no way for us to shrink this timeline, it will be always a six month gap between the tendering, we being selected as a bidder and we procuring the material is it?

Chaitanya Desai: No, actually, there are a couple of levels of bidding. So the first level is at the boot level, that is the operator level, once they get the business then they will give it to an EPC company. And then the EPC company will buy the conductors. So initially, the EPC company, once they get the business, after the boot party has won it's business that takes over a few months, and then the EPC company will first do the civil work and put up the towers, and then they will call for the conductors. So, it starts after six months, and usually the supply is spread over a period of six months to a year depending on how fast the EPC contractor wants to, or the developer has given time for developing the line.

Anuj Sharma: And my last question is, we had strong cash flow, strong operating cash flows in FY21. Now, going ahead, what is outlook on cash flows at operating level ?

Kushal Desai: So we would see, cash flows only increasing as we go forward, because we've had one business that has delivered good numbers, I guess next year, the number will be slightly lower for that, but for the other two divisions the cable as I said will kick in sooner, and then followed by that conductors, we also had in the early part of the years a lot of delays in terms of collections and payments because of COVID related problems, which in the second half of the year a lot of that has been also cleaned up. So, I don't think that's going to just quickly repeat itself, in FY22. So the cash flow side, we are quite confident that cash flow will be good.

Moderator: Thank you. The next question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

Niteen Dharmawat: I just wanted to know the impact that you see, because of the ongoing commodity prices, especially of aluminium and copper that we could see in the current quarter. So what is the trajectory that you see going forward next quarters?

Kushal Desai: So, actually the impact that has come from aluminium and copper is actually very minimal, the impact that has come in and hit in the cable business on account of polymer and steel and a little bit in terms of international freight. But in the conductor business, so biggest impact has come because of international freight followed by steel. And then whatever has been seen on aluminium is actually on account of the premium to LME. So the way you would hedge is that you would take a position on London Metal Exchange and freeze the price of the aluminium. But there is no way of hedging the premium and this premium essentially covers warehousing and logistics costs. So, because of the increase in international freight, the premium also has increased from about $80 to about $145 to $150 as we speak today. So, the impact has come because of that not because of aluminium and copper prices moving much.

Moderator: Thank you. The next question is from the line of Pawan Nahar, an Individual Investor. Please go ahead.

Pawan Nahar: So, my questions first are, if you can talk a little bit about the volume growth that is expected in the oil business, conductor business?

Kushal Desai: Okay, so in the oil business the first and the largest product name we have is transformer oil. So, we would see in the coming in FY20 to FY23 that there will be a substantial growth in transformer oil, simply because FY21 was a very depressed number. So, as normal spending starts coming into the utility there is a major focus on the distribution side, this is the Electricity Act has already been modified and the government wants to they've been very successful with the experiment of privatizing distribution. So, there are several circles we have picked up and wherever those circles have run today, the private payers have actually turned it around to make it profitable.

Pawan Nahar: So, Kushal anyways we are a global company. So my question is last year, including the lubricants we did about 4 lakh kilo liters. So, my question would be like, what is the kind of volume growth and please assume that life normalizes I understand COVID can play rock. So, what would be the volume growth you think is possible in FY22, FY23?

Kushal Desai: So, if you see an overall volume growth, it will be somewhere in the range of 4% to 5%. But within that, if the transformer oil we see that there will be a growth domestically as well as overseas growth will continue to be in the 5%-6% range, which has been steadily growing at. This as far is white oil business, because there if the profitability is adequate, we increase the business if the profitability is not adequate, we shrink the business. As far as our industrial and automotive is concerned, we are seeing double digit growth, we will see a lot of CAPEX going in on the industrial machinery side and many of you would know better than me, given the number of companies that are being tracked, that CAPEX over the next two years from a private spending standpoint may probably be at its peak. So, the moment you put machinery in there lubricant goes in. We see good growth on the industrial side. And as far as automotive is concerned, we have been growing both our retail franchise as well as adding more and more OEMs and within the OEMs increasing share of business. So double digit growth on the lubricant side is very much on the cards. I see transformer oils over the next two years growing by 7% to 10% is given the low base effect that's been in place, and as far as white oil is concerned, it just depends on the competitive environment.

Pawan Nahar: Okay, so basically today in terms of EBITDA oil is our biggest segment and the outlook here remains positive, right?

Kushal Desai: So the largest segment for us is transformer oil in which we are bullish going forward. And the most premium segment that we want to grow is the auto and industrial side, which also means fairly bullish.

Pawan Nahar: Sure. Because I'm looking at it total and you've broken it up. So thank you. The second question I have is you said that the new CAPEX that we've done on the cables side.

Kushal Desai: I just wanted to come back to your question on the conductor side. So, on the conductor side also we have a similar strategy in place where we are focused on growing our OPGW business, growing our HTLS business, growing our copper transpose conductor business and growing the HTLS service this side which is the whole reconductoring thing. As far as the conventional conductors is concerned, we would only look at what profitability exists on that, if the profitability doesn't exist, we'll just allow the volume to drop. Ultimately, we want to get to Rs.12,000 per metric tonne as Ebitda. The copper conductor business actually will continue, as long as electrification is going on, post that some of the infrastructure can be used, of course, on the CTC side, which is a copper transpose conductor as that business grows.

Pawan Nahar: So, this year we did 128000 tons last year 158, probably and prior to that 180. And I understand that we are shedding some businesses, given that we have an aspiration of 20% ROE. So, in fact, I will come to that later. So what is the kind of volume growth we should assume in this business, 12,000 is the aspirational EBITDA per tonne right?

Kushal Desai: Yes, this year we may not expect any volume growth in this year, simply because we have been very careful in terms of what we quote on the conventional conductor side, if there isn't enough base margin, we just don't want to take the order because there are enough uncertainties that are there on account of freight and steel and these sort of things which impact it- So, we will take a more aggressive stand only once the pitches is a bit clear. In the meantime, we continue to go after all these other high value and more premium products. So, we don't want to be held with, I am hesitate to give a number in terms of how much per tonne, or how many tonnes of business we will do in this year, because we want to keep our strategy a little bit fluid on the conventional conductor side.

Pawan Nahar: So can I then just turn the question like this year, we've done an absolute EBITDA of 100 crores right, prior to that we've done 165, 170. Now, I understand this year may be tough to because of whatever has happened next year, you would be whatever combination we do, we'd be looking to have absolute terms a higher EBITDA would imagine?

Kushal Desai: Yes, absolutely. And we will get a higher EBITDA also.

Pawan Nahar: Any sense on that as FY23 let's assume like normalize?

Kushal Desai: The volume can be anywhere between 100,000 tonnes and 125,000 tonnes, but the target is to do that with Rs.12,500 per tonne EBITDA as one run through the year.

Pawan Nahar: Okay. So, in that case, the absolute EBITDA will be more like 125 crores or something like that?

Kushal Desai: Yes, between 125.

Pawan Nahar: Okay, and this year we've done an absolute EBITDA of 280 crore in the oil business some part of it maybe some gain but given that there are so many segments if I were to just simplify it as an outsider, absolute EBITDA growth in the entire oil business, what is the number we should assume and again please assume life normalizes we understand the COVID everything.

Kushal Desai: We are looking at, our plan has about Rs.5000 odd per KL as the EBITDA per KL. And we are looking at a total volume which is in excess of 400,000 KL, So, we would target EBITDA to be in the 200+ crore range for the business. And then assuming there is anyway going to be no tailwind. In fact, they could be a bit of a headwind as some of the base oil prices around the things normalize. So, considering all that, we are still targeting something in that range.

Pawan Nahar: Got it. So the third thing was on the cable business where you mentioned that, the CAPEX we are doing can add about 500 crores revenue, and I'm assuming you are taking a base of FY20 not FY21 right. So, more like 2100 crores kind of revenue mix not more?

Kushal Desai: The FY21 itself was 200 odd crores lower than what was done in FY20.

Pawan Nahar: Correct 1700 crores.

Kushal Desai: Yes. So, I am talking about this incremental sales that can come out of these assets.

Pawan Nahar: Sure. So, if not FY22, FY23 absolute number we can assume for sales, you've already guided 10% to 12% margin which is consistent. So just trying to understand again, the scope of the business here?

Kushal Desai: The cable business can go up to with all these, If the whole complex runs well, including these expansions which go in, you would have a revenue that can come in excess of 2500 crores 2500 to 3000 depending on the copper aluminium mix.

Pawan Nahar: Got it and essentially, so FY23 easily if we get somewhere close to that 18% 20% mark, we are talking about more like 250 crores actually close to 300 crores of net profit, because today our net worth is 1400 crores, as on March 21?

Kushal Desai: There's a lot of moving parts in this so I...

Pawan Nahar: Kushal, I understand that there are moving parts, and I understand that there are biggest.

Kushal Desai: No, I'd just like to, to limit this to this that the oil business, the EBITDA will likely fall our target is to do Rs.5000 per KL, we should be able to do more than 400,000 KL. So, we have about 200 crores of EBITDA coming from there. The aspiration on the conductor sizes to look between 100,000, 120,000 tonnes with a +12,000 EBITDA per tonne. And on the cable business is to try to move back to an EBITDA percentage, which is 10%+. And then, of course, we've got all these new verticals coming up and these expansions happening, the turnover of this can go beyond 2500 crores, with all the CAPEX and everything between 2500 and 3000.

Pawan Nahar: Great. And the biggest takeaway today for me is that, you've used the word once in a lifetime opportunity for exports to the USA and the second one was obviously which you have mentioned earlier, our aspirational ROE number.

Kushal Desai: Yes.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Just one number which I missed out, what acceptances numbers for the end of the year sir?

V. C. Diwadkar: Libor based is 1034 crores and attracting local rate of interest is 566 crore.

Saurabh Patwa: Okay. So, has increased Q-on-Q because at the March.

V. C. Diwadkar: Metal prices have increased; all the commodity prices have increased.

Saurabh Patwa: Now they are back to actually March 20 level?

V. C. Diwadkar: All the commodity prices have increased across.

Saurabh Patwa: Yes, okay sir. And sir second question, in this conductor business, so historically we bid in much larger volumes, any specific reason. So, 2022 this number of 125,000 tonnes or is it something there is, or you are excluding some different kinds of conductors from this?

Kushal Desai: No, actually what we have been systematically doing is changing the product mix, we made investments to de-bottleneck or to increase capacities in some of the more value-added products. So, while we may have a higher capacity, but in terms of looking at the practical pricing that is going on, in the conventional conductors we may, as mentioned earlier, voluntarily kind of go slow on those less profitable products and put our entire energies in trying to increase the more value added component of the business.

Saurabh Patwa: But this would be only for 2022 or is it something which, so basically copper conductor.

Kushal Desai: Saurabh in terms of strategy for that business, we don't want to go after volume anymore at all. If the conventional conductor business doesn't make sense, we will drop. It is as simple as that. I don't think that will happen, but I'm talking more from the domestic side the overseas side continues to remain. So, there are certain minimum benchmarks which you would like to make sure that the business hits. In the meantime, all these other verticals are all growing HTLS will grow this year, OPGW will grow because of the favorable tender situation. CTC will grow as we get more and more transformer companies approving our products and utilities. And the HTLS services side also is growing. So, these are far more value added and that's where we want to focus on. The conventional conductor business is like a little bit like a white oil business in oil, you can increase it up and down depending on what the net backs are.

Saurabh Patwa: So, to put it differently, so we will target 120,000 tonnes at EBITDA per tonne of 12500. And after that if there is any capacity left or if you may focus, that could be only incremental. So, basically compared to the past your volumes down, but you're EBITDA target from 10,000 average which we used to do historically we'll move up to 12,000. Is this a fair understanding?

Kushal Desai: Yes, but one thing that you probably may need to factor in, is that the value of the goods per tonne will be higher. Each of these products per tonne is far higher than sales value that it will carry relative to a conventional conductor value.

Saurabh Patwa: Fair enough sir, but the EBITDA would be, EBITDA range you have already given so your profitability would factor of.

Moderator: Thank you. As there are no further questions, I now hand the conference over the management for closing comments.

Kushal Desai: Thank you everyone for your time. And, as I mentioned in my concluding comments on my opening remarks that, times are a bit uncertain and difficult, but just as the second wave is coming to a close, we see there are wonderful opportunities that are available, as I mentioned specifically on the cable side with respect to the whole ESG play plus the U.S. market for cables. In the oil side, growing strength and presence out of our overseas manufacturing facility covering the GCC and these geographies, plus the increase we see on the lubricants side. And in our conductor business primarily around HTLS, OPGW and the more premium products. One thing seems quite clear that electrical infrastructure is likely to increase worldwide given the way the whole world is moving right from mobility, which is going to be EV driven or even hybrid driven, which requires the power to penetration of deeper networks for both transmission and distribution.

So, we still remain cautiously optimistic, as we move through the next few months and into the next few years. So thank you once again for your time and wish that you remain healthy and safe. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of APAR Industries, that concludes this conference. We thank you all for joining us and you may now disconnect your line.