APAR

Tomorrow's solutions today

SEC/0209/2022 September 2, 2022

National Stock Exchange of India Ltd. "Exchange Plaza", C-1, Block G, Bandra- Kurla Complex, Bandra (E), **Mumbai – 400 051.** **Scrip Symbol : APARINDS** **Kind Attn.: The Manager, Listing Dept.**	BSE Ltd. Corporate Relationship Department, 27th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, **Mumbai - 400 001.** **Scrip Code : 532259** **Kind Attn. : Corporate Relationship Dept.**

Sub. : Submission of Transcript of Analyst Institutional Investor Meet on August 25, 2022

Ref.: Reg. 30 read with Para A (15) of Part A of Schedule III & all other applicable Regulations, if any, of the SEBI (LODR) Regulations, 2015 ("Listing Regulations"), as amended from time to time

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Dear Sir,

Kindly refer to our letter no. SEC/2508/2022 dated August 25, 2022 w.r.t. submission of link of Audio Recording of Analyst Institutional Investor Meet.

Pursuant to the provisions of Regulation 30(6) of the Listing Regulations, we are submitting herewith the transcript of the Analyst Institutional Investor Meet organized by Phillip Capital on August 25, 2022.

The aforesaid transcript is also made available at the website of the Company at www.apar.com.

Kindly take note of this.

Thanking you,
Yours faithfully,

For APAR Industries Limited

SANJAYA RAJU KUNDER

Digitally signed by SANJAYA RAJU KUNDER
Date: 2022.09.02 15:43:07 +05'30'

(Sanjaya Kunder)
Company Secretary

Encl. : As above

APAR Industries Ltd.
Investor/Analyst Group Meeting
Organized by Phillip Capital

August 25, 2022

MANAGEMENT: RAMESH IYER - CFO
SANJAY LAD - GENERAL MANAGER

Phillip Capital: I hope everybody have a fair idea about Apar if you want we can have a 5 mins of brief.

Management: We have our Corporate Presentation which we can run you through some of the slides.

Moderator: Ok 5-10 mins.

Let's introduce each one of us.

Participant: I'm Dhiral Shah from Phillip Capital, I'm Levin from Value Quest we have PMS as well as family office and we look probably from an investment point of view from career point of view, we have family investment office, I represent Udit capital we are basically sell side broker we look at all this institutional clients, Rohan from Atva investment we have family office, Raj Sha I'm from pioneer wealth pear PMS, Akshay Kothari from Envision capital we have pear PMS, Alisha Mahaviya from Envision capital, Vrushali Jadav from MIV Investment PMS, Jiraj Shah managing my own funds, Pratiksha from Aequitas Investments, Priyankar from Famycare family office, Pawan Bharaddia from Equitree capital we are also from PMS, even I'm from Equitree capital, I'm managing a family office based out of Dubai, Anmol Sekhari family office. Thank you.

Management: From the management here, I am Ramesh and I am joined by Sanjay Lad. I'm sure you must have seen this corporate presentation which we have posted on the website. It is the same presentation, I will take you with some of the slides to give you an introduction of the business divisions in which we are in.

So largely we are into 3 divisions Conductor, Oils and Cable division.

Conductor Division: We are one of the largest global manufacturers of conductors and in India we are the largest manufacturers. Over the years, there have been a lot of change in the way the conductors division has shifted, so if we look at the last few years it has been domestic or more technically ACSR conductors but in last 3-4 years the shift has happened to a more premium category conductors what you call as HTLS high efficiency conductors, OPGW type conductors, CTC and lot of turnkey solutions and lot of copper based conductors. They account for about 50% of revenue if you look at FY22 wherein the margins are much more higher than margins in terms of conventional conductors. If you look at our trend of EDITDA per MT you will see the highest number. Our revenue in FY 22 stood at Rs. 4200 Cr. and the CAGR over 5 years grew by about 13.3%. Our plants are located at Orissa, and also at Silvassa. It is also one of the oldest business that we have. The key thing about this business is that the shift towards the premium products continues to grow, as we see a lot electrification infrastructure requirement increasing. Our premium category of product lines help to transmit high volume of electricity within a small corridor which the conventional conductors or old conductors need more Right of Way which is becoming more and more small in urban cities. Again due to railway electrification that you are seeing lot of conductors are supplied to Indian Railways these copper conductors also plays a big proportion in our premium category of products that falls under the bracket. The turnkey solutions which you see is more about EPC work that you see in conductor business, where we design the entire transmission line not only just suppling the conductors but conceptualizing the design, working with customers for laying down the entire line end to end basis.

Oil and Lubricants: We are 3rd largest transformer oil on a global stage. Our revenue was 3500 cr. in FY22 and the 5 year CAGR about 16%. We have a wide variety of oil products. Transformer oil is used in the transformer and finally gets into the transmission of electricity. We have white oil that is used in industries, corporates and pharma industries. Industrial and process oil also part of the oil division. Our Auto lubricants business that started around 2008 and it has been going constantly year-on-year and we have a small petroleum jelly business and a new product which is Natural Esther transformer oil that is developed and is on trial basis with utility companies more from a ESG perspective. So these are the ranges of oil business we have. If you see from a transformer oil perspective, it depends on the infrastructure levels, therefore, more transmission requirement will result in more of transformer oil product volumes. Here, we have factories in New Bombay as well as In Silvassa and one in Sharjah.

Then we have our Cable business. We are the largest domestic player in renewables in India. Our revenue was close to 2000 Cr. in FY22 and CAGR growing about 18% in 5 years. We entered this business somewhere in 2008 and here also we cater to wide variety of cables which is power cable, house wiring cable which the the wire that you see in the house, We have a range of elastomeric cables within this category basically cables that gets into solar, wind, our speciality cables that gets into the mining industry, defense etc. From a house wire perspective, this is a unique and differentiated category that we have, so in terms of product, it is more melt resistant and have a 50 year life, once you put in your house it stays for long duration. That is the differentiated product. We already had this product, but in one of the states, now we are ramping up in many other states, we have a new brand ambassadors for this product. So that was just a brief introduction about the business that we are in. Now, I can answer some of the questions that you may have.

Participant: The conductor here will clients are PGCIL or others?

Management: PGCIL earlier was forming a high share, now there are lots of other transmission companies that we deal with.

Participant: Will you take a subcontract, as you said you are on EPC that you take a complete turn key contract for laying the lines?

Management: So that is also one part of our business which is EPC as well as the supply conductors. Wherever it is reconductoring of the lines, we take EPC. That is something that if you look at EPC and other premium products that we are talking about it accounts to about half of our total sale there. These collectively we call as the premium products.

Participant: In the oil business, can you help us with little bifurcation of how much percentage or what application?

Management: So about one third goes into transformer oil. Another One third will be for White oil

Participant: That is for FMCG part

Management: Yes, likely pharma, cosmetics, like that.

Management: Our lubricant business would be about somewhere around 20% comprising of industrial oil & auto oils

Participant: That is the combo of industrial and automotive?

Management: Yes, industrial and automotive.

Participant: On the oil business, what has changed in the last couple of years, the margins have really moved up from like 6% to almost about 13-14% kind of growth?

Management: Here, what you see is that our whole oil business as well as conductor business, we don’t look at EBITDA as the percentage, as it depends on the commodity price. The commodity price, keeps on going up or coming down, however our margins will not, as a percentage to sales. We measure more in terms of per unit rather than the percentage per sales. The right way what we feel is to measure for oil and conductors in per unit basis. It can be measured on percentage but then you have to be cognizant about how your denominator is moving, as the oil price can go up and then the percentage looks less. The oil prices are down similarly in the conductor business when aluminum prices are down, the percentage will look big and therefore because what we do is that we pass on the increase in the raw material cost to the customers, therefore we talk about per unit, which is more relevant.

Participant: In your speech, you said your EBITDA margin is less fixed in terms of absolute terms?

Management: Absolute is the better way to measure that.

Participant: How has that been trending in the last couple of years?

Management: If you look at the last two years, the oil business has been very high. Last two years, I think there has been historical high, in volume as well as profitability, but then if you look at the current oil prices being so high, there may be resistance from the customers to accept the price, therefore there will be pressure on the margins.

Participant: How is the mix change driving this?

Management: So essentially the main product was always transformer oil two decades ago and that too in India. Over the years, we have diversified into many different kinds of oils. Close to 45% of our transformer oil goes for export and overall our oil export has been close to 45%.

Participant: Would you say one category is more profitable meaningfully and how should we look at the mix going forward and what to?

Management: So I think the mix side is that I guess now it is established unlike the conductors where you have seen the premium products increasing recently. For oils, I don't see that suddenly it would have changed, it has changed over a period of two decades.

Participant: All three have similar growth similar and has similar in terms of profitability or it is what?

Management: No, we can't measure exactly because it depends on the oil price at that point of time. As far as margins that you can expect because there is so much volatility in oil price.

Participant: No I just meant oil versus transformer versus other oils meaningful difference in that?

Management: Yes, I think if you look at percentage the auto oil would be high, but in absolute basis the transformer oils will be higher.

Participant: Who are the global competitors in the conductor business?

Management: South wire & cables

Participant: With the Forex volatility, how do you deal with that?

Management: On Forex we take hedges. We have exports as well as imports so to that extent we have natural hedge. And then any surplus or deficit as we take hedge.

Participant: Sir, in the oil business, there was a margin pressure, so how the condition is now, is it changing or it is in the same level?

Management: So the margin pressure will be there when the prices are high and when the customer push for lower prices because if the overall oil price being high, the cost for the customers also really high. If we look at our first quarter and also the earning call transcript we indicated that first quarter was a very high profitability, the reason being that we had a high selling price and also as you buy materials your weighted average cost in the system also kind of increases slowly, so therefore you have a very high number in the first quarter, however, the cost will actually go up and if you see the crude oil is already around $105-110, so you will see pressure on margins on this.

Participant: How can volume growth are we seeing in our oil business, product you are talking from one quarter or two quarter or 2-5 year what kind of volume could be seen?

Management: If you look at a longish period of time, it could be about 5 to 6%. It depends on how the infrastructure spends are, as I said the one third of the business is from transformer oil. In this as you see lot of electrification and transmission lines being set up, you will have more of these products sold.

Participant: Is that goes slightly conservative because we have lot of transmission lines yet to be put up and once that happens, the growth should be higher, or do we seen at the requirement of the oil in the new lines and replacement demand to a certain extent, but the new lines the growth could not be that great.

Management: So we are approved in almost most of the customers, we are in this business for the last 5 decades. Historically, we have actually cut down on customers that we wanted to deal with so that we don't have to sell products and chase for money. We would like to pick and choose our customers, we want to see that our customer mix is good and our sales quality would be good. If you look at couple of years ago, we have almost shelved about 30% of our customers, the volumes that you see now here is after this. Having a good customer is what actually we are looking at.

Participant: How easy or difficult it is to you breaking our new customer of transformer or white oils?

Management: It is not difficult for us because we have been here in this industry for as I said 5 decades. People know us, our products are accepted. We have about 400 grades of oil. Acceptability is not an issue for us.

Participant: So there would be equal amount of competition also, right, so from a customer, to trade Apar or somebody else, what goes into that decision making, like this relationship?

Management: One is relationship, one is quality. We also want that our product to be quality product. There are organized and unorganized players. Here we actually select our customers to ensure that we get good quality customers

Participant: Do you have any sense of whatever like macro opportunity for each of those literal segments, transformer or the white oil in terms of what quantity is consumed on yearly basis to the market you are into?

Management: at least in India we would be about 40% share of the transformer oil. For white oil the market would be about 5 lakh KL in India, we would be about 15-20% share.

Participant: There are two types of transformers, oil type and dry type, so do you see any structural change in the industry where people are only oil type dry type because dry type transformers are not reached, any change in that?

Management: Dry type actually we do not supply in the oil it is only transformer oil where the oil is there.

Management: This dry type was used in actually more in bikes.

Participant: Sir, how much revenue contribution you are expecting from the defense opportunity?

Management: We can't give the numbers.

Participant: Then how much, do you have any targeting your money with?

Management: Both with defense kind of business, it depends on the specifications and requirements. From a cable business, we have been talking a good amount of revenue in the last couple of years and in elastomeric cables, there is no order book that you said, but we work with them and depending on the solution that we give and depending on the requirements of them.

Participant: It is may be cable?

Management: Yes, defense is in cable.

Participant: Cable itself like we have a big share to renewables, but that predominantly on the with side, so are we present on the solar side what kind of cable would be provided and what is the application for that?

Management: In solar also we have 40% market shares wind would be 70%.

Participant: So solar 40%, whatever the cables are required 40% of that is our market share so last year we have seen that have been solar installation that is happening and now make sure that there would be and even bigger so what kind of growth on contribution from that you are seeing in the cable segments?

Management: We continue to press orders from all the customers, we don't have a goal as such, but we also get orders and then we kind of execute them, but now we know that the opportunity is big and we have product available there for solar and wind and we kind of push the customers and see how best we can capitalize

Participant: Or any ballpark number for solar, how much cables will be required, or similar for wind?

Management: is technical

Particepant: Because what is going to happen is that solar installation which is to be 10-12 GW will be 20-30 GW so are we ready for that kind of growth that we see that.

Management: What we do is that we have an R&D, and with experienced people and then we kind of evaluate further where is the opportunity. Here also, if you look at it, the kind of diversified products that we have, that all come from looking at the customer's requirement, look at Apar's tagline itself, we talk about Tomorrow's solution today and that is something which is ingrained with all the employees in terms of looking at the requirements of the customers, future plans and are you ready. So definitely when we talk with the customers and understand their plans etc., we look at all these requirements that keeps on coming and we actually provide that opportunity, I don't have that number of calculation that you said, but definitely we are future looking and wanting to be having the product today to be able to deliver it tomorrow .

Participant: So I think within cable there were 2000 Cr. Is our cables business roughly how much would it defense and renewables of total?

Management: I have a slide for the company on the renewable side it reached about 4%, it's another slide that we put in the corporate presentation. For renewables share, for Apar as a whole it is 4% and cable is about 20% of our business.

Participant: Sir who are the competitors in solar cable?

Management: we have Polycab, KEI.

Participant: But you have limited capacity, so that is why you are just extending yourself for supplying for solar cable this is what I understand?

Management: Capacity is something that you can always increase. Capacity is never a constraint, if you see that requirement is there in future then we are always going to get the capacity. Even today we already talked about in our earnings call CAPEX plans, two-thirds is for the cable business, so now capacity is never a constraint if you clearly see demand coming in that business as we already spoken in our earnings call earlier, this is the business that we expect to grow faster in future as well, so we always see capacity kind of building up. If you look at last 5 years, we spend good amount of CAPEX that we continue.

Participant: Sir, in conductors business, the new orders that we booked in this last quarter, majorly were from exports or which?

Management: It is the mix of everything.

Participant: So how much of exports are there and Indian Railway?

Management: It was typically about, I don't know about the new order number, but exports in conductors was about 45%

Participant: That would remain even in the new orders?

Management: There could be some changes but largely is around that.

Participant: Sir, utilization rates on capacity?

Management: Capacity utilization if you look at you don't have any capacity constraint as well because it is not capital intense. Even today in our oil plants we just have double shift running over, so it is not a constraint from oil perspective. From conductor perspective, we talked about 1,80,000 metric ton capacity, that also includes the conductor that we send to the cable division and currently we are about 1,10,000 MT's. That also doesn't seem to be constraint. But over a period of 2-3 years if you see the infrastructure spending going up and business going up you need to build up capacity.

Participant: Cables?

Management: Cables also I think we are actually putting up line to increase our manufacturing capacity for our elastomeric cables but at the current prices that we have, our capacity will be about 30-40% more than current business

Participant: So that much headroom we have

Management: around 70 to 80% is utilization.

Participant: In all the categories this is fungible between say the oil is the white oil

Management: up to a certain process, after that actually the final product is different.

Participant: So formulation would be different?

Management: Yes, that is the process.

Participant: When I look at people performance in last 5 to 7 years, in terms of margins they are higher, but if I look at the last 2-3 years performance, the margins have almost double digit, either outlook on the margins on the cable segment particularly, how much housing wire and cable contributing the overall revenue?

Management: This if you see the network, it typically happened post COVID and there was this COVID related issue that happened. Even last year, if you see overall the full year has been about 5% in FY22 and in the last quarter it was 7.6%, if you look at quarter 1, 2, 3, 4, if I am not wrong q1 it was around 6% if I see q4 it came back to 7% so it is getting stabilized now at 7% and if you look at Q1 FY23 it is about 7.5%. It is getting into that construction is about 7-7.5%, our ambition as we have talked about earlier in the earning call it is also getting about 8.5% to 9%. That is our ambition there to get it and we need to see how we are able to secure to lot of products with the margins that we have and now earlier if you see pre covid we were also in the double digit. Our aspiration is to get into that level, but if you see that somewhere about 8 to 9% this year would be our guidance.

Participant: Sir, what led for the margins to go down double digit, though single digit is it the product mix?

Management: So if you look at basically COVID and kind of disruption that was there in general and we were also not have an exception and what else coming in, the utilization level of the factory and have changed our overall margins.

Participant: So this 7 to 8%, the aspiration will also be simply with the utilization better operating leverage?

Management: Yes, once the product category, product mix, lot of things goes into Rs. 2000 crore business of cable that we have so many raw materials at this copper is there, aluminum is there, polymer prices are there, now we are looking at an exports market aggressively for cable business. The product mix is different. In the slide, I have just put down 5 categories but if we step down, there will be numerous product line, looking at the requirements, specifications and all are order based also. It is not a standard kind of a margin that you typically see in some of products, ours is all tailor made. The other question on house wires, we were in FY22 about 100 or 120 odd crores, part of cable. That is something we are consciously attempting to increase the share and lot of initiatives being taken in the company. There is a separate team who manages this kind of business. We recently hired a new CEO who will look at the institution of this particular category.

Management: We have a different distribution in it, of what you are doing right now.

Management: Yes, it will be a different distribution, the more of a retail thing. We have a new brand ambassador viz., Sonu Sood. So it is spreading, instead of only Kerala and Gujarat, we have lot of other states. Three is going to be a focus here.

Participant: so you will be competing directly with Polycab, Havells on the same segment house wire?

Management: Yes, with a possibly much better differentiated product.

Participant: Sir, what is the price differentiation between E beam and conventional?

Management: Price would be depending on your competitor, but the pricing is simply higher

Participant:	Just about 5-10%, 15%?
Management:	5%.
Participant:	What is your plan for next 3 years, 5 years in this particular period?
Management:	As I said we are already in Kerala and Gujarat, we would expand to many other Southern states, in Maharashtra and states over there, so closely we aspire to get into Rs. 500 crores by FY 26 that is our aspiration, so today we are at about Rs. 120 crores, so we see that kind of happening over the period and of course initially we will need investments in terms of our advertisement, brand building, channel deployment and those kind of fund investment could be needed.
Participant:	So kind of annual expenditure do you have on brand building?
Management:	We don't expect to be material if you look at entire Apar as a whole.
Participant:	For cable section? From the quantum, how much would it be?
Management:	We have modes of advertising which we are currently evaluating and once it is finalized, it will be made known.
Participant:	What is the vision for the cable division, any management was ready for the cable division for the next 4-5 years where do we see cable division in terms of revenue?
Management:	If you look at cable division, we are also becoming bullish because we see the market and market is being so huge and lot of external developments happening. We are into renewable energy, there is China plus one policy. If you look at some of our overseas countries that we export our products to, infrastructure building has been happening which is giving us the confidence of becoming bullish. As we already talked about it in the earnings call, we look to about 20-30% growth in the numbers when it comes to cable.
Participant:	What kind of ROE would you expect in the cable business?
Management:	ROE for company as a whole we want to get into the 20%. The ROE is a function of your profitability as well as your equity and today we are about 16% but our aspiration is to get into that particular number. In terms of cable business, we need to see lot of investments that was happening in initial period because the building capacity is here and therefore the ROE is pretty less compared to other divisions.
Participant:	On the stable basis, 3 years down the line, the cable business, what kind of ROl are you looking at in terms of capital appreciation?

Management: 5 years we don't have that kind of numbers because currently we are focusing on getting the product right and being able to address the opportunities that are coming because of the external environment.

Participant: Can I understand the 16% at the company level which is incremental capital allocation for a new kind of business that should at least bring you that kind of an ROE or substantially higher, so you would be taking a kind of a call, right?

Management: Yes.

Participant: So if I am trying to get that number what is having in your mind?

Management: So if you see we have aspiration to get into 20% ROE at the company level

Participant: Do you expect to get to there by next 3 years time?

Management: As I said that is actually a function of two things, you need profitability and also the amount of profit that we retain in the business. So we don't have a number when we will get into it, but if you see in the last 3 to 4 years, ROE has been increasing from 11% to 16%, but now I cannot tell you by when we will actually get into that number

Participant: Your exports in cables are mainly power or even OFC?

Management: No, OFC largely in India, there is power as well as solar.

Participant: Power and solar and we are seeing a great market in US.

Management: We are seeing because there are multiple reasons, one is spends there itself is increasing, the infrastructure level activity is much increased. They want to relay their old lines, they want to have alternate supplier base from China, the focus is more on renewable things, because the external macros which is actually there in this geography.

Participant: So globally we are competitor on this?

Management: Prysmian group and Nexans

Participant: And is it Nexans?

Management: Yes

Participant: Any plans on expansion on the oil business?

Management: Oil as I said we have sufficient capacity as such. We think would be to kind of grow volumes over there and CAPEX point of view we do not expect any significant amount.

Participant: Any new products that you are looking at your oil side or otherwise?

Management: We have a natural based product which is under trials in a few utility companies

Participant: Segments like drilling fuels or rubber, oil, if we plan to enter those segments?

Management: No nothing is there on public domain so we can't share anything which is not there in public.

Participant: In terms of working capital, how does cable division like compared to the other two and since that is the demand how do we look at working capital days going ahead?

Management: Working capital for the company would be in the range of 40 to 45 days and on cable would be low followed by oil and conductors. We expect it to be that range itself.

Participant: In the JV, so what kind of saving should we expect now?

Management: This savings we will actually materialize over a period of time, this depends on the consumption, but would not be so material when it come at Apar level.

Participant: So do we have another capital allocation plans, what other CAPEX, how do we plan to do our capital allocation?

Management: This year, largely capex will go into the cable business which we are growing because we have a good capacity already in oil, conductors we have a good amount of capacities at this time, debottlenecking that keeps on happening in the Conductor division. As we already talked in the earnings call about two thirds of our CAPEX will be on the cable business.

Participant: Cable are we looking at export as an opportunity?

Management: Yes, the export is the key thing that is driving the business up.

Participant: What was the export size on cable?

Management: around 30%, it used to be around 12%

Participant: Going forward, this can move even higher, so the export growth would be higher than the domestic growth is what we are?

Management: Looking at the infrastructure spending that is there in the market.

Participant: Do we work on order booking in this business or is it that it is a short cycle product and you don't have any order booking?

Management: Yes, we don't kind of monitor from an order perspective because unlike other business it don't have long cycle it has sort cycle of 3-4 month.

Participant: Sir, in the oil segment, you said that the differentiation would be the quality, so how is the quality determined like, is it the base oil that separates us in terms of quality or the technical, because Indoil it is like commodity product, right, so what differentiates the quality, is it the quality of the base oil that you sold?

Management: It is the niche product. Finally, we need the transformer oil to be good quality, we don't want transformer oil which is not of the superior quality therefore you see if quality product is not used then the transformer can even blast and you will have outages.

Participant: What differentiates us in terms of the quality?

Management: Superior quality is what we look at especially if you compare with the unorganized players

Participant: Is it the base oil that we saw strong from a particular country?

Management: The finished product, if you look at the organized players, you may not see that differences, but if you look at the organized with unorganized players you will see the difference.

Participant: Where we do source our base oil?

Management: We source from Saudi, South Korea.

Participant: In conductor business EBITDA per metric ton has from almost 10,000 or 11,000 as per FY22 22,000, so writing of the raw material and how much is the total mix we are focusing more on value added conductor side?

Management: As we have been saying also in our earnings call, all our raw material for conductors are hedged, so raw material pricing typically doesn't make that big difference. What makes difference is your product that you make for the customer and also your premium product. Your conventional products will have x margin and the mix changes from HTLS, OPGW, copper based margin and very difficult to kind of put one number over there. It depends on the requirements of the customer, content of aluminum, copper etc.

Participant: So what is the sustainable EBITDA margin in the conductor?

Management: So it is always better to look at the 12 months perspective, because sometime you may get good orders executed during 3 months and your margins will be high or low, but you need to see in a 12 months period. If you look at our margins for FY 22, this could have been 17,000 odd per metric tons, therefore we increased our guidance in the earnings call from 12,500 to 17,000 because you also want to believe that once we kind of achieve that performance then only we are also hopeful of that EBIDTA level .

Participant: But sir, in terms of EBITDA margins, I would say not EBITDA per MT EBITDA margin

Management: If you look at your value from the aluminum price going up, to achieve X amount of margin on the lower base that percentage would be that higher and on a higher base, the percentage would be lower.

Participant: Also whenEBITDA per metric ton have risen by 12,500 to 17,000 margins in terms of percentage?

Management: That percentage depends on the denominator. If you look at Q1 FY23 versus Q1 FY22, the aluminum price would have gone up by 20 odd %, so the gain or loss will pass on to the customers, it gets included in our costing and finally my customers take that similarly when the price goes down the customers are not going to allow me to retain that. We also hedge the material. So we don't get any gain or loss in aluminum, it finally gets to my customer so what happened at the EBITDA which is constant and my denominator which is sales will change depending on prices and therefore the percentage varies.

Participant: You have mentioned on the earnings call that EBITDA per MT is a better measure of measuring, so how do we get those numbers?

Management: We will be publishing that by Q2 and the reason behind that is because of what we discussed at length during this earnings call is that one of the reasons of EBITDA is also going up because of interest costs. Interest costs for us is like raw material / labour costs and if interest goes up EBIDTA also goes up and so is the case with interest costs.

Participant: What is the sustainable EBTDA that we see?

Management: We will talk about it when we publish it.

Participant: In the conductor business we have a order book of 3600-3700 Cr against the raw material this you will have the raw material hedged and that is why the company feels it will be 17500 per MT.

Management: That is depending on the order book execution that will happen over a period of time.

Participant: About 1 year?

Management: Yes, close to one year, 8 to 12 months depending on the kind of the product.

Participant: It probably depend on execution because we anyway hedge?

Management: Once we get an order today, the customer may need the product 3 months, 4 months, then accordingly manufacturing will start. The P&L will impact as and when we are going to execute them.

Participant: The margins of this order book is fairly protected, is what I am trying to understand?

Management: Yes, these are raw material, aluminum and copper which are hedged. What happens is that you get new orders during the month, which it is not necessary that you sequence your order book in that particular months, it depends on the requirement of the customer.

Participant: We focused on experts in like all three divisions, how are the payments terms from customers, are they like longer than the India customers or how does it?

Management: It should be longer. Transit type in some cases, the US the credit term become much lower, they have only 30 days, but what happens the transit time, when you look at transit time plus this, overall it will be slightly higher

Participant: Low?

Management: Slightly higher than domestic. For different product categories, the credit terms would be different. There are some EPC works, we will have a higher number of days higher than for direct product supply so there is no one magical answer to that.

Participant: And sir, in the oil how we should see the EBITDA per kiloliter?

Management: We talked about this in the earnings call, we are continuing with the same.

Management: Yes, with that in the first quarter also if you see the earnings call, we clearly we talked about this was the profitable India for the oil business high selling price and coupled with the weighted average cost in the system which has been gradually improving and therefore when you see our costs going up, you may see some pressure on the margins.

Participant: The sustainable number you are saying is about?

Management: 5000 to 6000.

Participant:	I think even it is exports is better margin than domestic
Management:	Not generally to say because it depends. But if when we look at exports business for conductors and cables the margins are different. In conductors our export margins is better than domestic
Participant:	And just housing business our cable wires that also been better margin?
Management:	Initial period you have upfront investment.
Management:	So once we reach the 400-500 crores, our blended margins would reflect that upward trajectory.
Participant:	Cables and conductors, do we see a greater opportunity from Europe?
Management:	Actually, both because US clearly we have seen the opportunity.In Europe there is focus on renewables and you need a specialized set of cables for wind and solar and you actually need some conductors to carry power from one source to another. So US we are already seeing and Europe in future.
Participant:	And this US demand is from the wind side or solar side?
Management:	Solar, power and wind.
Participant:	Because the US market the solar installation last year was very slow
Management:	US is a very big market.
Participant:	And you have competitors in US for cable business?
Management:	Prysmians and Nexans
Participant:	We hedged aluminum, copper, but what about oil price. Oil cannot be hedged. So how is management this volatility?
Management:	Oil cannot be hedged. We keep low inventory. If you look at oil this kind of peak and decrease, this is not the first time this is happening, in the past also it has happened. Therefore we look at margins over a longer period of time to get a sustainable margin. Therefore we cannot take 9000 per kl as sustainable. We cannot hedge oil and the only hedge is the foreign exchange part of it because of dollar but then we keep low inventories we ensure that we are able to quickly pass on that price changes to customers.
Participant:	Where do you buy this aluminum copper where do u sourcing of this?
Management:	Sure, domestic as well as imported.

Participant: Sir, because the domestic we don't have to hedge?

Management: Yes, the prices are always dependent on metal exchange.

Participant: But what could the proration of sourcing?

Management: The ratio of 45% odd depending on the domestic and exports

Participant: 50% shock absorbing capacity which are cables increased capacity per shock absorbing, it is because of Ebeam?

Management: Yes it is only because of Ebeam.

Participant: So sir, I was just reading an interview or some any article where in Polycab promoter told that Ebeam is a very good product but the market in India is not developed right now and we mentioned that they are not going into this because of this so is the market actually ready though we have developed the product for tomorrow? What is the market actually ready?

Management: Market is already ready, we have our product in Kerala. A lot of education is actually required, that also we do.

Participant: I think Finolex is also coming up with Ebeam facility. Going forward do you see any competitive intensity rising because they are also moving?

Management: If they come up, definitely there will be competition but today we are already in Ebeam last several years and now we are the only player today for this. Tomorrow if any competitor comes up there will be competition. Till now we have not seen any established player in this.

Participant: How are you B2B business, how do you see domestic demand for cables?

Management: So, power cables, domestic is more of a commodity and competitive business. We also look at areas where we can maximize our margins of the available capacity, so this is the area which is the most competitive in nature and margins are affected.

Participant: Sales for dealers also?

Management: Yes.

Participant: What will be the difference between the power cables and the renewable cables, the product like?

Management: It is completely different, solar, wind and power products. The wind cable products goes into the wind mill and you have different types of cables that is inside the wind mill and that takes the energy from wind mill to the ground.

Participant: Margins would be very different?

Management: Yes different and better.

Participant: Sir, what are the reasons behind the improvement in the gestation period in the defense segment? You have mentioned that in the concall that in the defense opportunity, the gestation period for the order side had improved.

Management: we talked about conductor business, gestation would have improved.

Participant: So, what are the reasons behind it?

Management: Product mix basically and applications of the products.

Participant: Is fiber availability a challenge in optic fiber?

Management: Fiber cable for us is a very small scale is more challenge.

Participant: With this 5G CAPEX and 5G now CAPEX do we see any opportunity over that? Because I remember 3, 4 years back telecom used to be big segment for us.

Management: It will be so, this kind of products will have opportunities for us. The coming years will actually see the intensity of data going up and what actually carries the data is all these fiber and the cables. Optic fiber and also look at in some cases you actually having some business have power and optic fiber also it is called a hybrid cables. Each application would be different. But yes with 5G coming up we will see more opportunities for the industry as a whole.

Participant: Sir, what is the market share in the value added copper conductor which you have HPC or higher conductor or zinc conductor what is the market share and opportunity size.

Management: Largely we are there and only Sterlite power is there as established players on the premium HTLS

Participant: Has Sterlite have a bigger capacity?

Participant: Our capacity is fungible to manufacture this CTC and high efficiency.

Management: CTC is different. CTC gets into our transformer.

Participant: Sir, what is the reason for the fall in the volumes and conductor dependent they are focusing on the treatment side so is it a conventional business they are losing up and that is why the overall volume ?

Management: What has happened is that the product mix has changed and the metric ton to kilometer conversion. So the machines runs on kilometers and then you have output as metric tons and now your overall product mix has changed, the product was different and now with all this premium products coming in and the less volume is needed and high capacity, high transmission efficiency therefore you don't need that same volume to transmit that capacity. Carrying capacity is much higher there is absolute volume in much less actually seeing our reduction in volume but improving the profitability with half of it getting into a premium products, you don't need the same amount of volume that you used to sell earlier.

Participant: In oil segment only the white oil had a substitute is available. You mentioned that as the base oil prices increases, people start taking using the substitute for the white oil.

Management: The earnings call you are saying? What was mentioned is comparison with vegetable oil. It is when we use vegetable oil and white oil together so, currently I think in earnings call what was mentioned is that the white oil price vs the vegetable oil. When people will use vegetable oil is the substitute to use.

Participant: So, only for the white oil?

Management: Yes.

Participant: The quality doesn't matters in this from white oil to the vegetable oil?

Management: That is up to them actually where the application is used. They use a cheaper oil overall to save a cost on it.

Participant: If there was a same price which would they?

Management: Then the basic oil should be used

Participant: So, sir that is a secret?

Management: But yes people use that comparison

Participants: Thank you for your time.

Management: Thank you.