

APAR INDUSTRIES LTD

Result Update (PARENT BASIS): Q3 FY19

CMP: 690.00

APRIL 17th, 2019

Overweight

**ISIN:
INE372A01015**

Index Details

Stock Data

Sector	Other Elect.Equip./ Prod.
BSE Code	532259
Face Value	10.00
52wk. High / Low (Rs.)	820.90/535.00
Volume (2wk. Avg.)	298
Market Cap (Rs. in mn.)	26406.30

Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs. In mn)	FY18A	FY19E	FY20E
Net Sales	56359.10	73748.21	84810.44
EBITDA	4058.80	4809.77	5666.46
Net Profit	1440.50	1513.91	1789.57
EPS	37.64	39.56	46.76
P/E	18.33	17.44	14.76

Shareholding Pattern (%)

	As on Dec 2018	As on Sep 2018
Promoter	58.55	58.19
Public	41.45	41.81
Others	--	--

1 Year Comparative Graph



APAR INDUSTRIES LTD

S&P BSE SENSEX

SYNOPSIS

- Apar Industries Ltd (Apar) is the 3rd largest manufacturer of Conductors, 4th largest manufacturer of transformer oil in the world and largest manufacturer of domestic cable in renewable sector.
- Revenue for the 3rd quarter stood at Rs. 20022.60 million from Rs. 14079.40 million in the corresponding period of the previous year, up by 42.21%.
- During the quarter, EBIDTA is increased by 23.77% to Rs. 1232.60 million from Rs. 995.90 million in the corresponding period of the previous year.
- During Q3 FY19, Profit before tax stood at Rs. 683.70 million as compared to Rs. 628.40 million in Q3 FY18, up by 8.80%.
- During Q3 FY19, net profit stood at Rs. 441.00 million from Rs. 410.80 million in the corresponding quarter of previous year, grew by 7.35%.
- EPS of the company stood at Rs. 11.52 as compared to Rs. 10.73 per share over previous year period.
- Revenue of the company rose by 32.28% and stood at Rs. 52123.80 mn in 9M FY19 as against Rs. 39405.40 mn in 9M FY18.
- During 9M FY19, Net profit of the company registered at Rs. 982.10 mn against Rs. 1084.90 mn in 9M FY18.
- Net sales and Operating Profit of the company are expected to grow at a CAGR of 14% and 9% over 2017 to 2020E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. In mn.	(Rs.)	Ratio	Ratio	(%)
Apar Industries Ltd	690.00	26406.30	34.95	19.74	2.59	95.00
Bharat Bijlee Ltd	1109.30	6269.30	142.90	7.76	0.91	25.00
Havells India Ltd	757.50	473795.70	12.96	58.45	12.67	400.00
KEI Industries Ltd	422.00	33306.50	21.73	19.42	5.51	50.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

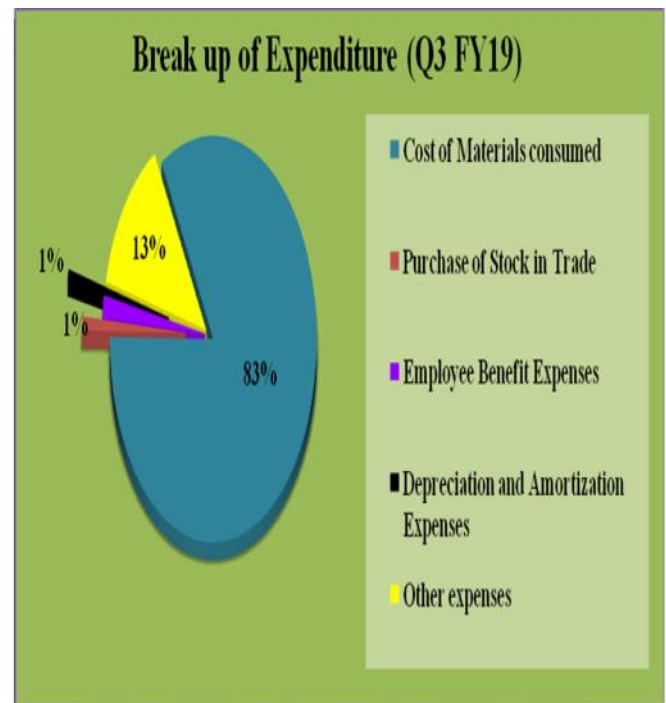
Results updates- Q3 FY19,

(Rs. In millions)	Dec-18	Dec-17	% Change
Revenue	20022.60	14079.40	42.21%
Net Profit	441.00	410.80	7.35%
EPS	11.52	10.73	7.35%
EBIDTA	1232.60	995.90	23.77%

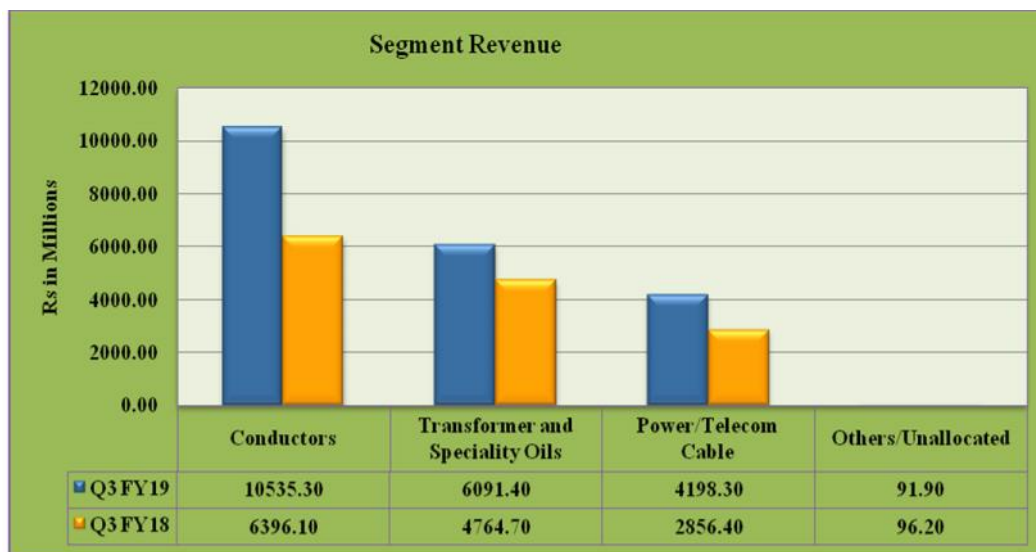
Revenue for the 3rd quarter stood at Rs. 20022.60 million from Rs. 14079.40 million in the corresponding period of the previous year, up by 42.21%. During the quarter, EBIDTA is increased by 23.77% to Rs. 1232.60 million from Rs. 995.90 million in the corresponding period of the previous year. During Q3 FY19, net profit stood at Rs. 441.00 million from Rs. 410.80 million in the corresponding quarter of previous year, grew by 7.35%. Earnings per share of the company stood at Rs. 11.52 as compared to Rs. 10.73 per share over previous year period.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of material consumed	16745.50	10624.40	58%
Purchase of Stock in Trade	226.00	181.90	24%
Employee Benefit Expenses	353.20	292.60	21%
Depreciation & Amortization	154.00	123.90	24%
Other Expenses	2576.40	1747.80	47%



Segment Revenue:



Highlights Q3 FY19:

Conductors - Revenue up 65% YoY with stronger order book (up 111% YoY)

- Order Book at all-time high of Rs 32260 mn.
- New orders of Rs 15860 mn, up 113% YoY. Intake from both domestic & export markets. Includes Rs 6160 mn order from Railways for copper conductors.
- Volumes reach 47,234 MT, up 13% YoY.

Oils - Revenue up 28% YoY, EBITDA impacted by base oil volatility, recovers from Q2FY19

- Overall volumes at 1,15,765 KL, up 9% YoY and up 11% QoQ.
- Strong 24% YoY growth in Automotive oil volumes driven by both OEMs and ENI retail. Industrial lubricant volumes up 21% YoY.
- T-Oils & White Oils' volumes grow 7% and 6% respectively.

Cables - Revenue up 47% YoY

- Telecom Cables (OFC) revenue up 192% YoY, with orders from BBNL
- Power cables revenue up 29% YoY driven by Solar & EPC businesses.
- Elastomeric cables revenue up 22% YoY with traction from Windmill & Railways.
- EBITDA margin (post adj.) at 9.8%

COMPANY PROFILE

Apar Industries Ltd. headquartered in Mumbai, India with production facilities spread across Rabale(Maharashtra) , Silvassa and Athola (Dadra Nagar Haveli), Khatalwad and Umbergaon (Gujarat). Apar Industries Limited (Apar) is engaged in the business of manufacture of conductors, transformer/specialty oils and power/telecom cables. The Company's segments are Conductor, Transformer/Speciality Oils, Power/Telecom Cables, and Others. The Company's specialty Oil business has a range of products, which falls under approximately four categories, such as transformer oils, white oils and liquid paraffin's, industrial/automotive oils and process oils. The Company produces aluminum conductors. Its Uniflex Cables Division is a manufacturer of electrical and telecommunication cables. Apar's Automotive Division markets a range of automotive lubricants ranging from two wheeler oils and gear oils greases. In industrial lubricants, it offers a range catering various segments of the industry, including hydraulic oils, industrial gear oils, general machinery oils, heat transfer oils, quenching oils, pneumatic oils, gas engine oils, marine oils rust preventives and specialty products.

FINANCIAL HIGHLIGHT (PARENT BASIS)
(A* - Actual, E* -Estimations & Rs. In Millions)
Balance Sheet as of March 31, 2017 -2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
1) Non-Current Assets				
a) Property, plant and equipment	4580.50	5376.10	5537.38	5758.88
b) Capital Work in Progress	267.30	182.10	516.60	619.92
c) Goodwill	74.20	47.60	35.22	36.99
d) Other Intangible Assets	21.20	18.10	17.01	17.69
e) Intangible asset under development	10.20	8.60	8.69	8.86
f) Investments in Subsidiaries, Associates & Joint Ventures	2.70	2.80	2.86	2.94
g) Financial Assets				
i) Trade Receivables	19.00	8.60	3.01	3.37
ii) Other Financial Assets	67.10	60.80	97.89	115.51
h) Other Non-Current Assets	277.20	162.10	246.39	290.74
i) Other Tax Assets	113.40	101.10	92.00	98.44
Sub - Total Non- Current assets	5432.80	5967.90	6557.05	6953.34
2) Current Assets				
a) Inventories	9353.60	11413.80	13924.84	16152.81
b) Financial Assets				
i) Investments	1185.70	0.00	0.00	0.00
ii) Trade receivables	12340.90	16770.30	18111.92	19198.64
iii) Cash and Cash equivalents	834.90	2050.20	1312.13	1508.95
iv) Bank Balances Other Than Cash	131.70	303.30	239.61	270.76
v) Loans	147.00	150.40	111.30	120.20
vi) Derivatives	372.60	60.70	184.50	202.95
c) Other Current Assets	1624.60	2641.30	2562.06	2664.54
d) Other Tax Assets	880.30	565.40	701.10	792.24
Sub - Total current assets	26871.30	33955.40	37147.45	40911.08
Total Assets (1+2)	32304.10	39923.30	43704.50	47864.43
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	382.70	382.70	382.70	382.70
b) Other Equity	9097.80	9812.90	11326.91	13116.48
Total Equity	9480.50	10195.60	11709.61	13499.18
2) Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	347.70	1058.00	920.46	846.82
ii) Other Financial Liabilities	25.20	25.20	31.50	37.80
b) Provisions	43.30	46.40	51.04	55.12
c) Deferred Tax liabilities (Net)	443.40	329.60	388.93	443.38
Sub - Total Non Current liabilities	859.60	1459.20	1391.93	1383.12
3) Current Liabilities				
a) Financial Liabilities				
i) Borrowings	1864.70	1697.50	2138.85	1924.97
ii) Trade Payables	17040.50	24256.70	25910.79	28324.82
iii) Other financial liabilities	476.10	496.80	481.90	501.17
iv) Derivatives	248.00	152.20	127.85	134.24
b) Other Current Liabilities	1406.50	912.50	885.13	920.53
c) Provisions	9.20	10.30	18.95	22.55
d) Liabilities for Current Tax	919.00	742.50	1039.50	1153.85
Sub - Total current liabilities	21964.00	28268.50	30602.96	32982.12
Total Equity and Liabilities (1+2+3)	32304.10	39923.30	43704.50	47864.43

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	52324.20	56359.10	73748.21	84810.44
Other Income	158.00	109.20	139.81	153.79
Total Income	52482.20	56468.30	73888.01	84964.23
Expenditure	-48142.40	-52409.50	-69078.25	-79297.76
Operating Profit	4339.80	4058.80	4809.77	5666.46
Interest	-1136.60	-1349.30	-1854.99	-2188.89
Gross profit	3203.20	2709.50	2954.78	3477.57
Depreciation	-434.50	-495.90	-606.08	-703.05
Exceptional Items	25.80	0.00	0.00	0.00
Profit Before Tax	2794.50	2213.60	2348.70	2774.52
Tax	-971.30	-773.10	-834.78	-984.96
Net Profit	1823.20	1440.50	1513.91	1789.57
Equity capital	382.70	382.70	382.70	382.70
Reserves	9097.80	9813.00	11326.91	13116.48
Face value	10.00	10.00	10.00	10.00
EPS	47.64	37.64	39.56	46.76

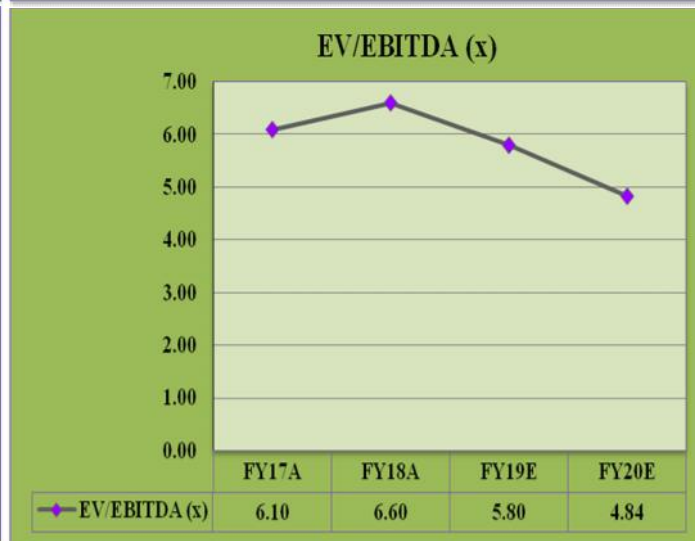
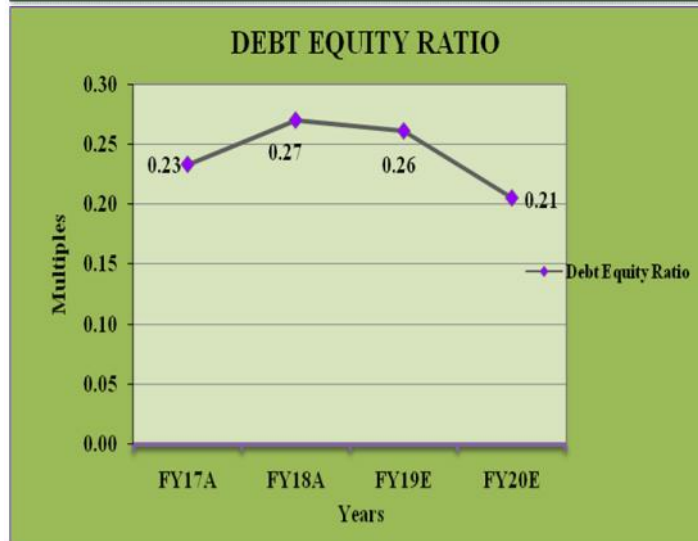
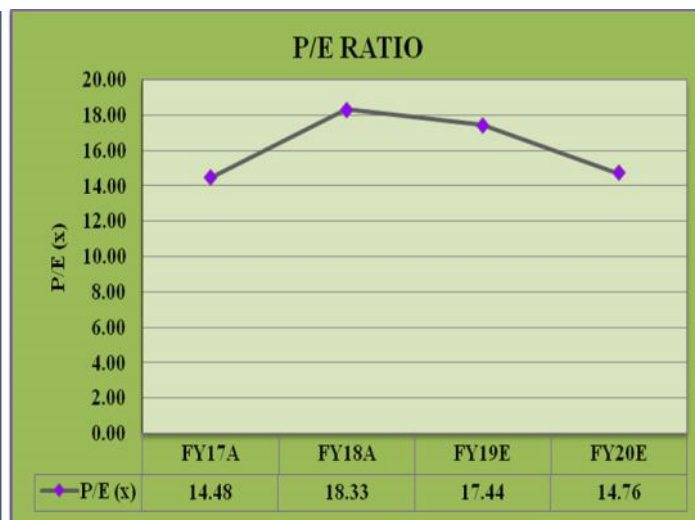
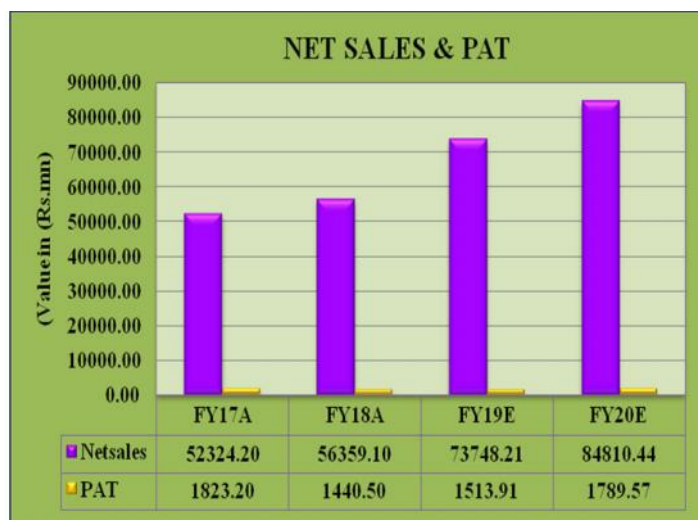
Quarterly Profit & Loss Statement for the period of 30th June, 2018 to 31st Mar, 2019E

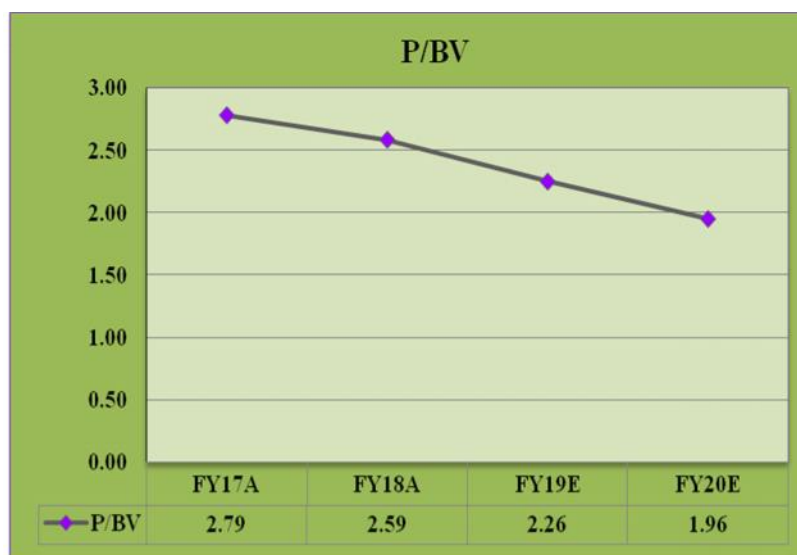
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	14046.30	18054.90	20022.60	21624.41
Other income	44.60	31.70	30.40	33.11
Total Income	14090.90	18086.60	20053.00	21657.51
Expenditure	-13001.40	-17016.00	-18820.40	-20240.45
Operating profit	1089.50	1070.60	1232.60	1417.07
Interest	-525.00	-508.60	-394.90	-426.49
Gross profit	564.50	562.00	837.70	990.58
Depreciation	-140.90	-146.40	-154.00	-164.78
Profit Before Tax	423.60	415.60	683.70	825.80
Tax	-150.40	-147.70	-242.70	-293.98
Net Profit	273.20	267.90	441.00	531.81
Equity capital	382.70	382.70	382.70	382.70
Face value	10.00	10.00	10.00	10.00
EPS	7.14	7.00	11.52	13.90

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	47.64	37.64	39.56	46.76
EBITDA Margin (%)	8.29%	7.20%	6.52%	6.68%
PBT Margin (%)	5.34%	3.93%	3.18%	3.27%
PAT Margin (%)	3.48%	2.56%	2.05%	2.11%
P/E Ratio (x)	14.48	18.33	17.44	14.76
ROE (%)	19.23%	14.13%	12.93%	13.26%
ROCE (%)	33.40%	27.51%	28.46%	30.50%
Debt Equity Ratio	0.23	0.27	0.26	0.21
EV/EBITDA (x)	6.10	6.60	5.80	4.84
Book Value (Rs.)	247.73	266.41	305.97	352.74
P/BV	2.79	2.59	2.26	1.96

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 690.00**, the stock P/E ratio is at 17.44 x FY19E and 14.76 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY19E and FY20E is seen at Rs. 39.56 and Rs. 46.76 respectively.
- Net sales and Operating profit of the company are expected to grow at a CAGR of 14% and 9% over 2017 to 2020E respectively.
- On the basis of EV/EBITDA, the stock trades at 5.80 x for FY19E and 4.84 x for FY20E.
- Price to Book Value of the stock is expected to be at 2.26 x and 1.96 x for FY19E and FY20E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

FY18 is a landmark year for the company as it marks Diamond Jubilee. For 60 years, company has focused on delivering excellence and building a leadership position in its segments globally. From a small conductor manufacturing unit set up in 1958, the company has come a long way. Today, Apar industries are one among the top 3 global leaders in conductors, the 4th largest global transformer oil manufacturer, the largest domestic cable manufacturer in the renewables sector and a leading player in auto lubricants.

The year gone by saw all its businesses expand with revenues returning to growth after two consecutive years of decline. the Company delivered volume growth across all segments despite uncertainties and challenges emanating from the implementation of GST, and increase in raw material prices. Once these settle, given the continued push by the government towards the power sector, growth in auto sector, railways, defense and non-conventional energy, will see strong progress ahead.

The government incentives programs to stimulate the power sector gained ground in the year. This is evident from the increasing number of states joining the UDAY scheme, now at 32 states/UTs. This move has seen these states/UTs cutting their losses; witnessing a boost in demand and spurt in capacity-creation with the help of the Saubhagya Scheme; Growth in auto sector, railways, defense and nonconventional energy, and renewables going up to 20% of the installed power capacity of 345 GW, up from 17.5% in FY17.

Global scenario

T&D equipment up on the back of increased generation & replacement demand with renewable energy gaining traction. Global energy investments were at \$1.7 trillion in 2016, or 2.2% of global GDP. As per the International Energy Agency (IEA), for the first time ever, the electricity sector edged ahead of the oil and gas sector to become the largest recipient of energy investment. Electricity networks attracted 6% more investment YoY.

Low oil prices saw the share of investment in fossil fuel fall, with renewables emerging as the favoured choice. Global renewable energy capacity hit a new record in 2017, with 157 GW commissioned, increasing the global total by almost 10% vis-à-vis 2016. According to a United Nations Environment Programme report, new investments in solar were up 18% YoY at \$160.8 billion, while those in wind slipped 12% at \$107.2 billion in 2017.

Increasing demand for electricity, new power generation capacity additions and replacement of aging T&D assets are driving the global electric T&D equipment market. As per estimates, it is expected to reach about \$304 billion by 2022, growing at an approximate CAGR of 6.2% from 2017 to 2022.

India's path to power

As the world's third-largest power consumer as well as producer, India has put up 99.2 GW of additional capacity in the last five years. The Central Electricity Authority (CEA) estimates capacity addition under renewable energy at 131.9 GW during 2017-22. The period, therefore, is likely to witness a transformation in India's electricity sector, across the entire value chain of generation, transmission and distribution.

The Government initiative to provide high-speed broadband under the BharatNet project to 1.5 lakh panchayats through 10 lakh kilometres of additional optical fibre at a total capital investment of Rs. 4,50,000 millions is creating huge demand for optical fibre. Also, Electric Vehicles (EVs) project a large opportunity for its products, as only EVs will be sold after 2030 as per the Government, which would need an enormous number of charging stations. It is estimated that EVs would have a share of 30- 35% of the new vehicles market by 2030.

Conductors:

Transmission lines of 105,580 ckm are likely to be added during the 13th FYP (2017- 22) taking the cumulative number to 470,515 ckm.

Transformers:

During the 13th FYP, the total altering current transformation capacity addition is likely to be 292,000 MVA in which the largest share is from 765 kV substation, followed by 400 kV and 220/230 kV. Additional capacity of 14,000 MW of HVDC is also expected to be added during the period.

Wires and Cables:

The size of the cable manufacturing industry stands at approximately Rs. 4,00,000 million and the industry is likely to grow at a CAGR of over 10% for the next five years.

Auto Lubes:

Domestic passenger vehicle sales grew at 8% in FY18, driven by high demand for compact SUVs, lower finance costs, the economy's recovery from the effects of demonetization and improved consumer confidence. However, growth was transiently offset by the rise in raw material costs and oil prices. Two-wheeler sales grew at 15% in 2017-18, owing to the growing 'scooterisation' movement across the country.

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