

January 29, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	8,219		10,160	
Sales (Rs. m)	2,23,167	2,60,737	2,26,163	2,64,115
% Chng.	(1.3)	(1.3)		
EBITDA (Rs. m)	18,029	21,508	19,357	22,526
% Chng.	(6.9)	(4.5)		
EPS (Rs.)	241.1	293.5	264.8	311.2
% Chng.	(9.0)	(5.7)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,61,530	1,87,040	2,23,167	2,60,737
EBITDA (Rs. m)	15,223	14,942	18,029	21,508
Margin (%)	9.4	8.0	8.1	8.2
PAT (Rs. m)	8,251	7,728	9,685	11,788
EPS (Rs.)	205.4	192.4	241.1	293.5
Gr. (%)	29.4	(6.3)	25.3	21.7
DPS (Rs.)	40.0	57.7	72.3	88.0
Yield (%)	0.6	0.8	1.0	1.2
RoE (%)	27.0	18.6	20.4	21.4
RoCE (%)	40.4	29.5	31.7	33.3
EV/Sales (x)	1.8	1.5	1.3	1.1
EV/EBITDA (x)	18.8	19.1	15.8	13.2
PE (x)	34.9	37.3	29.8	24.5
P/BV (x)	7.4	6.5	5.7	4.9

Key Data

APAR.BO | APR IN

52-W High / Low	Rs.11,797 / Rs.5,464
Sensex / Nifty	75,901 / 22,957
Market Cap	Rs.288bn / \$ 3,333m
Shares Outstanding	40m
3M Avg. Daily Value	Rs.1007m

Shareholding Pattern (%)

Promoter's	57.77
Foreign	10.22
Domestic Institution	21.24
Public & Others	10.77
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(28.6)	(12.5)	31.3
Relative	(25.9)	(6.2)	22.3

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Muted quarter; exports revival & product mix in focus

Quick Pointers:

- Domestic conductor business remains robust, while intense Chinese competition keeps the high margin export segment low.
- Conductors order book stood at Rs76.0bn with premium products contributing ~37.4%, while Cables order book stood at Rs15.5bn.

We revise our FY25/26/27E EPS estimates by -8.9%/-9.0%/-5.7% factoring in lower realizations in conductor segment due to higher domestic conventional mix. Apar Industries (APR) reported 17.7% YoY revenue growth while EBITDA margin declined 255bps YoY to 7.6%. Domestic demand remained strong; however, a lower contribution from premium products impacted margins. The export mix continues to face pressure due to intensified competition from Chinese players in Non-US markets such as Australia, Africa, and LatAm. The re-conductoring opportunity in the sequentially improving US market is expected to provide green shoots in the conductor segment, while ACSR to AL-59 shift in the domestic market to support the expansion of the cables business. Furthermore, focus on increasing approvals in the US market for key Cable products likely to support US exports growth in the medium term.

We believe, US exports, Chinese competition in other markets and pace of re-tendering in Indian market to be key monitorable in medium term. However, we are long-term positive on the stock owing to of 1) robust T&D capex driving demand across segments, 2) focus on premium conductors in domestic market, 3) healthy traction in elastomeric cables used in renewables, defence and railways, and 4) market leadership in the growing T-oils business. The stock is trading at a P/E of 37.3x/29.8x/24.42x on FY25/26/27E earnings. We maintain 'Accumulate' rating with a revised TP of Rs8,219 (Rs10,353 earlier) valuing the Conductors/Cables/ Specialty Oil segments at PE of 34x/35x/14x Sep'26 (39x/43x/17x FY26E earlier) factoring in cautious exports limiting profitability growth.

Strong domestic sales drive topline growth: Consolidated revenue rose 17.7% YoY to Rs47.2bn (PLe: Rs8.0bn) driven by strong growth in domestic business. Domestic revenue grew 31.9% YoY to Rs31.4bn. Revenue mix stood at Conductors ~49%/ Speciality Oil ~25%/ Cables ~25%. Domestic/export mix stood at 66.5/33.5% (vs 59.3/40.7% in Q3FY24). EBITDA declined 12.1% YoY to Rs3.6bn (PLe: Rs3.8bn). EBITDA margin declined by 255bps YoY to 7.7% (PLe: 7.9%) led by gross margin contraction (down 302bps YoY to 20.2%), partly offset by relatively lower other expenses. PAT de-grew 19.5% YoY to Rs1.8bn (PLe: Rs2.0bn) as higher other income (+62.8% YoY to Rs342mn) was partly offset by higher effective tax rate.

Unfavorable product mix drag margins: Conductors revenue grew 23.4% YoY to Rs24.5bn due to higher volumes while realizations were flat. Domestic sales grew 54.7% YoY to Rs18.4bn while exports declined 23.3% YoY to Rs6.1bn owing to increased Chinese competition and slow demand. Specialty Oils revenue declined slightly by -0.6% YoY to Rs12.30bn, with volumes up 4.8% YoY led by healthy growth in automotive oils (+14% YoY) and global transformer oils (+6% YoY). Domestic/export mix stood at 56.2/43.8% (vs 55.7/44.3% in Q3FY24). Cables revenue grew 37.0% YoY to Rs12.7bn driven by strong domestic and export demand. Domestic sales grew 30.3% YoY to Rs8.4bn while exports grew 52.2% YoY to Rs4.3bn.

Exhibit 1: Strong domestic demand pushes the topline, product mix impacts profitability

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue	47,164	40,085	17.7%	48,030	-1.8%	46,445	1.5%	1,33,715	1,16,979	14.3%
Gross Profit	9,526	9,309	2.3%	10,086	-5.6%	9,039	5.4%	27,190	25,984	4.6%
Margin (%)	20.2	23.2	(302)	21.0	(80.1)	19.5	74	20.3	22.2	(188)
Employee Cost	894	729	22.6%	961	-6.9%	879	1.7%	2,594	2,109	23.0%
as % of sales	1.9	1.8	8	2.0	(10.4)	1.9	0	1.9	1.8	14
Other expenditure	5,072	4,529	12.0%	5,331	-4.9%	4,595	10.4%	13,704	12,890	6.3%
as % of sales	10.8	11.3	(55)	11.1	(34.7)	9.9	86	10.2	11.0	(77)
EBITDA	3,561	4,050	-12.1%	3,794	-6.2%	3,565	-0.1%	10,892	10,985	-0.8%
Margin (%)	7.6	10.1	(255)	7.9	(35.0)	7.7	(13)	8.1	9.4	(124)
Depreciation	334	288	15.7%	330	1.1%	321	4.1%	965	842	14.6%
EBIT	3,227	3,762	-14.2%	3,464	-6.8%	3,245	-0.5%	9,926	10,142	-2.1%
Margin (%)	6.8	9.4	(254)	7.2	(37.0)	7.0	(14)	7.4	8.7	(125)
Other Income	342	210	62.8%	210	62.8%	328	4.3%	823	561	46.6%
Interest	1,184	1,128	4.9%	1,057	12.0%	1,006	17.7%	3,093	2,855	8.3%
PBT (ex. Extra-ordinaries)	2,386	2,844	-16.1%	2,618	-8.9%	2,567	-7.1%	7,656	7,848	-2.4%
Margin (%)	5.1	7.1	(204)	5.5	(39.2)	5.5	(47)	5.7	6.7	(98)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	2,386	2,844	-16.1%	2,618	-8.9%	2,567	-7.1%	7,656	7,848	-2.4%
Total Tax	636	667	-4.8%	654	-	629	1.1%	1,943	1,953	-0.6%
Effective Tax Rate (%)	26.6	23.5	318	25.0	-	24.5	216	25.4	24.9	48
Reported PAT	1,750	2,177	-19.6%	1,963	-10.9%	1,939	-9.7%	5,714	5,895	-3.1%
Adj. PAT	1,751	2,176	-19.5%	1,964	-10.8%	1,939	-9.7%	5,715	5,889	-2.9%
Margin (%)	3.7	5.4	(172)	4.1	(37.6)	4.2	(46)	4.3	5.0	(76)
Adj. EPS	43.6	54.2	-19.5%	48.9	-10.8%	48.3	-9.7%	142.3	146.6	-3.0%

Source: Company, PL

Exhibit 2: Low margin products boost overall volumes; but keeps the realization lower

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Conductors										
Volume (MT)	60,327	50,695	19.0%	55,000	9.7%	54,145	11.4%	1,63,091	1,50,334	8.5%
Revenue (Rs mn)	24,491	19,855	23.4%	23,910	2.4%	22,988	6.5%	66,837	57,029	17.2%
EBITDA Adj (Rs mn)	1,790	2,110	-15.2%	2,090	-14.4%	2,040	-12.3%	5,700	5,990	-4.8%
EBITDA margin (%)	7.3	10.6	(332)	8.7	(143)	8.9	(157)	8.5	10.5	(198)
EBITDA Adj. (Rs/MT)	29,593	41,530	-28.7%	38,000	-22.1%	37,702	-21.5%	38,095	38,885	-2.0%
Transformer & Specialty Oils										
Volume (KL)	1,42,873	1,36,329	4.8%	1,46,000	-2.1%	1,48,524	-3.8%	4,29,754	4,00,771	7.2%
Revenue (Rs mn)	12,318	12,396	-0.6%	13,408	-8.1%	13,393	-8.0%	38,363	36,266	5.8%
EBITDA Adj (Rs mn)	910	1,110	-18.0%	876	3.9%	810	12.3%	2,680	2,500	7.2%
EBITDA margin (%)	7.4	9.0	(157)	6.5	85	6.0	134	7.0	6.9	9
EBITDA Adj. (Rs/KL)	6,364	8,157	-22.0%	6,000	6.1%	5,473	16.3%	6,178	5,275	17.1%
Cables										
Revenue (Rs mn)	12,661	9,240	37.0%	12,382	2.3%	12,266	3.2%	35,344	27,731	27.5%
EBITDA Adj (Rs mn)	1,215	1,067	13.9%	1,226	-0.8%	1,190	2.1%	3,475	3,147	10.4%
EBITDA margin (%)	9.6	11.5	(195)	9.9	(30)	9.7	(10)	9.8	11.3	(152)

Source: Company, PL

Exhibit 3: SoTP valuation- valuing Conductors/Cables/Speciality Oil segment at 34x/35x/14x Sep'26 earnings.

	Segmental PAT (Rs mn)	Valuation basis	Target multiple (X)	Targeted Value (Rs mn)	Value/Share
Conductors Segment	4,252	P/E	34	1,44,570	3,599
Cables Segment	4,528	P/E	35	1,58,493	3,946
Speciality Oil Segment	1,936	P/E	14	27,099	675
Total Target (Rs. Mn)				3,30,162	8,219

Source: Company, PL

Conference Call Highlights

- **Conductors:** Export mix significantly declined to 25.0% in Q3FY25 vs 40.2% in Q3FY24 primarily affected by increased Chinese competition, lower demand and continued supply chain disruptions. Management expects to execute 20% of the orderbook in 1 year with blended margins of 30,000-35,000/MT.
- Realizations in the conductor segment were lower however volumes grew by 19.0% YoY due to majority of the demand being derived by lower margin AL-59 conventional conductor.
- 9MFY25 witnessed slower tendering activity in the domestic business, which is expected to pick up pace in Q4FY25 and FY26 onwards as renderings are expected for the tenders that were pushed due to movement in copper and aluminum rates along with depreciation of rupees.
- Domestic demand remains robust with domestic sales growth of 54.7% YoY in Q3FY25. But lower execution in the premium product segment and execution in regions where margins are lower compared to US have impacted margins.

- Order inflow for the conductor division was Rs30.8bn while its order book stood at Rs76.0bn.
- **Cables:** Export cables business outperformed domestic demand due to macroeconomic tailwinds. The export mix stood at 34.0% in Q3FY25 vs 30.6% in Q3FY24. Management expects sequential growth in export segment. Cables division order book stood at Rs15.5bn.
 - Domestic cable margins are lower than exports. Due to the higher share of domestic to the mix, the cables division reported lower margins in Q2FY25.
 - Verticals such as Solar & Wind energy, are high growth sectors where company has strong offerings, while orders from Indian railways is driving the domestic cables business.
- **Specialty Oils & Lubricants:** Transformer oil drove growth in this division. Global transformer oil volume was up by 6% YoY driven by healthy demand. Domestic and well as export contributed equally to the segment's revenue. Export mix remained healthy at 43.8% in Q3FY25 vs 44.3% in Q3FY24.
 - Automotive oil volume had strong growth of 14% YoY driven by better OEM business while Retail business remained relatively flat.
 - High volumes were offset by price of base oils being lower which led to flattish revenue.
- **Severe Chinese competition** across the globe has negatively impacted company's export volumes. It is expected to remain severe outside of India and USA. Company is facing high competition in Australia, Africa and Latin America. Chinese players are able to get Aluminum at cheaper rates due to government taxation and subsidy policies.
- **USA business expected to grow sequentially.** APAR is seeing improved ordering activity in the USA and expects it to improve sequentially over Q4FY25. While electrification is continuing to increase in US, the country still has 50% import dependency and the presence of Chinese competition is very limited in US, hence along with healthy enquiry levels the company expects the demand to improve in the segment.



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,61,530	1,87,040	2,23,167	2,60,737
YoY gr. (%)	12.7	15.8	19.3	16.8
Cost of Goods Sold	1,25,400	1,47,746	1,72,935	2,01,005
Gross Profit	36,130	39,295	50,232	59,732
Margin (%)	22.4	21.0	22.5	22.9
Employee Cost	2,889	3,498	4,084	4,589
Other Expenses	18,019	20,855	28,119	33,635
EBITDA	15,223	14,942	18,029	21,508
YoY gr. (%)	24.1	(1.8)	20.7	19.3
Margin (%)	9.4	8.0	8.1	8.2
Depreciation and Amortization	1,157	1,309	1,488	1,686
EBIT	14,066	13,633	16,541	19,822
Margin (%)	8.7	7.3	7.4	7.6
Net Interest	3,866	4,330	4,641	5,235
Other Income	864	1,029	1,049	1,173
Profit Before Tax	11,065	10,332	12,948	15,760
Margin (%)	6.8	5.5	5.8	6.0
Total Tax	2,807	2,604	3,263	3,971
Effective tax rate (%)	25.4	25.2	25.2	25.2
Profit after tax	8,257	7,728	9,685	11,788
Minority interest	-	-	-	-
Share Profit from Associate	(6)	-	-	-
Adjusted PAT	8,251	7,728	9,685	11,788
YoY gr. (%)	29.4	(6.3)	25.3	21.7
Margin (%)	5.1	4.1	4.3	4.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,251	7,728	9,685	11,788
YoY gr. (%)	29.4	(6.3)	25.3	21.7
Margin (%)	5.1	4.1	4.3	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,251	7,728	9,685	11,788
Equity Shares O/s (m)	40	40	40	40
EPS (Rs)	205.4	192.4	241.1	293.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	18,310	21,310	24,310	27,310
Tangibles	18,281	21,281	24,281	27,281
Intangibles	28	28	28	28
Acc: Dep / Amortization	6,364	7,673	9,161	10,847
Tangibles	6,364	7,673	9,161	10,847
Intangibles	-	-	-	-
Net fixed assets	11,946	13,637	15,148	16,462
Tangibles	11,917	13,609	15,120	16,434
Intangibles	28	28	28	28
Capital Work In Progress	1,207	1,207	1,207	1,207
Goodwill	-	-	-	-
Non-Current Investments	97	74	74	74
Net Deferred tax assets	(9)	(9)	(9)	(9)
Other Non-Current Assets	1,155	1,309	1,562	1,564
Current Assets				
Investments	34	34	34	34
Inventories	28,645	31,771	37,908	44,290
Trade receivables	39,404	45,607	53,805	62,863
Cash & Bank Balance	6,460	7,193	7,549	8,885
Other Current Assets	6,441	7,482	8,480	9,387
Total Assets	96,158	1,09,343	1,26,994	1,46,069
Equity				
Equity Share Capital	402	402	402	402
Other Equity	38,363	43,772	50,552	58,804
Total Networth	38,764	44,174	50,954	59,205
Non-Current Liabilities				
Long Term borrowings	3,946	3,846	3,696	3,446
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	810	810	810	810
Trade payables	48,131	55,343	66,033	76,435
Other current liabilities	4,498	5,160	5,493	6,163
Total Equity & Liabilities	96,158	1,09,343	1,26,994	1,46,069

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	11,065	10,332	12,948	15,760
Add. Depreciation	1,157	1,309	1,488	1,686
Add. Interest	2,749	4,330	4,641	5,235
Less Financial Other Income	864	1,029	1,049	1,173
Add. Other	588	-	-	-
Op. profit before WC changes	15,558	15,971	19,078	22,681
Net Changes-WC	(15,917)	(2,886)	(4,762)	(5,351)
Direct tax	2,474	2,604	3,263	3,971
Net cash from Op. activities	(2,833)	10,481	11,052	13,358
Capital expenditures	(3,296)	(3,000)	(3,000)	(3,000)
Interest / Dividend Income	110	-	-	-
Others	505	-	-	-
Net Cash from Inv. activities	(2,681)	(3,000)	(3,000)	(3,000)
Issue of share cap. / premium	9,826	-	-	-
Debt changes	901	(100)	(150)	(250)
Dividend paid	(1,530)	(2,318)	(2,906)	(3,536)
Interest paid	(2,845)	(4,330)	(4,641)	(5,235)
Others	-	-	-	-
Net cash from Fin. activities	6,352	(6,749)	(7,697)	(9,021)
Net change in cash	837	733	356	1,336
Free Cash Flow	(6,140)	7,481	8,052	10,358

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	205.4	192.4	241.1	293.5
CEPS	234.2	225.0	278.2	335.4
BVPS	965.0	1,099.7	1,268.5	1,473.9
FCF	(152.8)	186.3	200.5	257.9
DPS	40.0	57.7	72.3	88.0
Return Ratio(%)				
RoCE	40.4	29.5	31.7	33.3
ROIC	37.1	26.2	27.8	29.3
RoE	27.0	18.6	20.4	21.4
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	45	43	42	43
Valuation(x)				
PER	34.9	37.3	29.8	24.5
P/B	7.4	6.5	5.7	4.9
P/CEPS	30.7	31.9	25.8	21.4
EV/EBITDA	18.8	19.1	15.8	13.2
EV/Sales	1.8	1.5	1.3	1.1
Dividend Yield (%)	0.6	0.8	1.0	1.2

Source: Company Data, PL Research

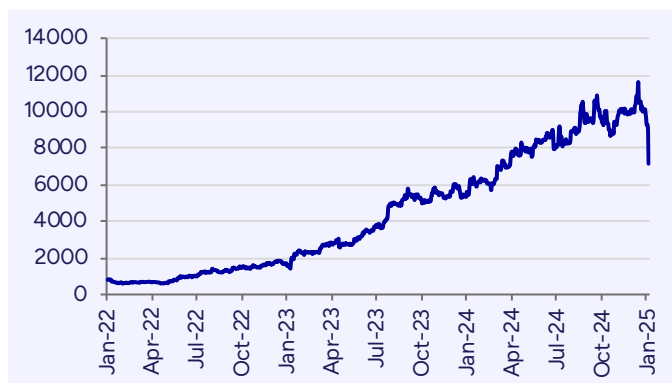
Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	44,551	40,105	46,445	47,164
YoY gr. (%)	9.0	6.5	18.4	17.7
Raw Material Expenses	34,405	31,480	37,406	37,638
Gross Profit	10,146	8,625	9,039	9,526
Margin (%)	22.8	21.5	19.5	20.2
EBITDA	4,267	3,766	3,565	3,561
YoY gr. (%)	0.7	8.8	2.7	(12.1)
Margin (%)	9.6	9.4	7.7	7.6
Depreciation / Depletion	315	311	321	334
EBIT	3,952	3,454	3,245	3,227
Margin (%)	8.9	8.6	7.0	6.8
Net Interest	1,011	904	1,006	1,184
Other Income	275	153	328	342
Profit before Tax	3,216	2,704	2,567	2,386
Margin (%)	7.2	6.7	5.5	5.1
Total Tax	854	679	629	636
Effective tax rate (%)	26.6	25.1	24.5	26.6
Profit after Tax	2,362	2,025	1,938	1,750
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	1
Adjusted PAT	2,362	2,025	1,939	1,751
YoY gr. (%)	(2.7)	2.6	11.5	(19.5)
Margin (%)	5.3	5.1	4.2	3.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,362	2,025	1,939	1,751
YoY gr. (%)	(2.7)	2.6	11.5	(19.5)
Margin (%)	5.3	5.1	4.2	3.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,362	2,025	1,939	1,751
Avg. Shares O/s (m)	40	40	40	40
EPS (Rs)	58.8	50.4	48.3	43.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	10,160	10,785
2	31-Oct-24	Accumulate	10,353	9,430
3	07-Oct-24	BUY	10,399	9,514
4	29-Aug-24	BUY	10,399	9,010
5	31-Jul-24	Accumulate	10,399	9,110
6	08-Jul-24	Accumulate	8,872	8,862
7	15-May-24	Accumulate	8,877	8,340
8	12-Apr-24	Accumulate	6,564	7,153
9	31-Jan-24	Accumulate	6,890	6,069

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	10,160	10,785
3	BEML	Accumulate	4,332	3,733
4	Bharat Electronics	BUY	341	282
5	BHEL	Accumulate	260	221
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	Accumulate	4,139	3,164
8	Elgi Equipments	Accumulate	607	548
9	Engineers India	BUY	247	182
10	GE Vernova T&D India	Accumulate	1,962	1,991
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Hold	997	1,049
17	Kirloskar Pneumatic Company	BUY	1,564	1,283
18	Larsen & Toubro	BUY	4,088	3,596
19	Praj Industries	BUY	804	800
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Reduce	4,275	3,982
22	Triveni Turbine	BUY	800	739
23	Voltamp Transformers	BUY	12,531	9,682

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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