

Apar Industries

BSE Code: 532259

CMP : ₹619

Face Value : ₹10

Target price: ₹930

HP* : Two years

About the company

Our Pearl Pick for the month of November is Apar Industries Limited. It is engaged in the business of manufacturing aluminium and alloy conductors, specialty oils & lubricants, electrical and telecom cables and polymers. The product-wise revenue break-up stood at: conductors (46%), oils & lubricants (32%) and cables (22%).

Why to invest

All time high order book of conductor segment

The company is the third largest manufacturer of conductors having a total capacity of 180000MT and enjoys 23% market share. It has posted robust growth of 82% in revenue. The order book of the same as of quarter ended September 2018 stood at Rs. 2696 crore, showing a jump of 92% yoy. This robust order book will provide healthy revenue growth in the coming quarters. Also, the total volumes stood at 40414 MT, up by 34% yoy. Also, the company has secured new orders worth Rs. 1059 crore from export and domestic markets. The management is targeting volume of 175000-180000 MT for FY19.

Oil business affected by inflationary pressure

The company is the fourth largest manufacturer of transformer oil in the world and enjoys 45% market share in specialty oils with total capacity of 542000KL. It has posted revenue growth of 25%, but the operating profit declined by 54% led by inflationary pressure on account of base oil prices, rupee depreciation, packing materials and additive costs. The company had not passed on the rising costs, but it has now passed on the costs and the result will be seen in the coming quarters. Also, the volumes have increased marginally by 9% to 104347KL. Going ahead, the management is expecting better H2FY19 and targeting 408000KL by FY19.

Augmented growth in cable business

The company has posted revenue growth of 81% yoy in its cable business. This was due to growth in elastomeric cables (106%), power cables (78%) and OFC (66%). The growth in elastomeric cables was driven by demand from solar, windmill, defence and railways. Going ahead, the company expects huge order inflows from the windmill and railway sectors. The management has guided revenue of Rs 1500 crore for FY19.

Financial performance

On the financial front, looking at the recently concluded quarter Q2FY19, the consolidated revenue came in at Rs. 1884.65 crore as against Rs. 1247.8 crore in the corresponding quarter last year, registering an increase of 51% yoy. This was mainly due to sharp jump in revenues from conductors, transformers and specialty oils and power & telecom

Continued On PG 2...

* HP : Holding Period

CONFIDENTIALITY NOTICE : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer**: The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither DSJ Pvt Ltd nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations. Disclosure : Kindly refer to the detailed disclosures as per SEBI (investment advisors) regulations, 2013 placed at www.DSJI.in

DSIJ Pvt. Ltd. : C - 305, Trade Center, North Main Road, Near Axis Bank, Opp. Lane no. 6, Koregaon Park, Pune - 411001 | For Customer Service : 020-49072626 OR service@dsij.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Registration No: INA000001142

DSIJ INVESTMENT ADVISORY UNIT (CRU)

cables by 82%, 24.5% and 80.6% yoy, respectively. The EBITDA for the quarter rose by 22.7% yoy to Rs. 108.15 crore as against Rs 88 crore in the corresponding quarter last year, with a corresponding margin contraction of 132 bps. The EBITDA margin for the quarter stood at 5.7%. This decline was due to inflationary pressures in input costs and the lag in passing on the price increases and rupee depreciation. The PAT for the quarter came in at Rs. 28.63 crore as against Rs. 26.19 crore in the corresponding quarter last year, an increase of 9.3% yoy.

Investing in the stock

The company has a share capital of Rs. 38.27 crore, with promoters' holdings at 58.19 per cent. Therefore, the available free float comes to 1.6 crore shares. The two-week average traded quantity comes to around 1324 shares. We urge our investors to enter the stock in a staggered manner and accumulate as per the table given below.

Price	Accumulation
560-580	40 per cent
530-560	20 per cent
500-530	20 per cent
<500	20 per cent

Valuation and outlook

The company is trading at a TTM P/E of 16.99x with TTM EPS of Rs. 35.85. Going ahead, the strong order book of the conductor segment coupled with healthy growth in cable business would drive the revenue growth. Its oil business would also improve upon passing on the rising input costs going ahead. Overall, the strong financials coupled with healthy dividend payout ratio of 25%, has positioned the company in a sweet spot. Considering all these aspects, we see an upside of 50 per cent with a target price of Rs 930 over the next two years.

Inc/Exp Statement(Consolidated) (Rs in Crore)

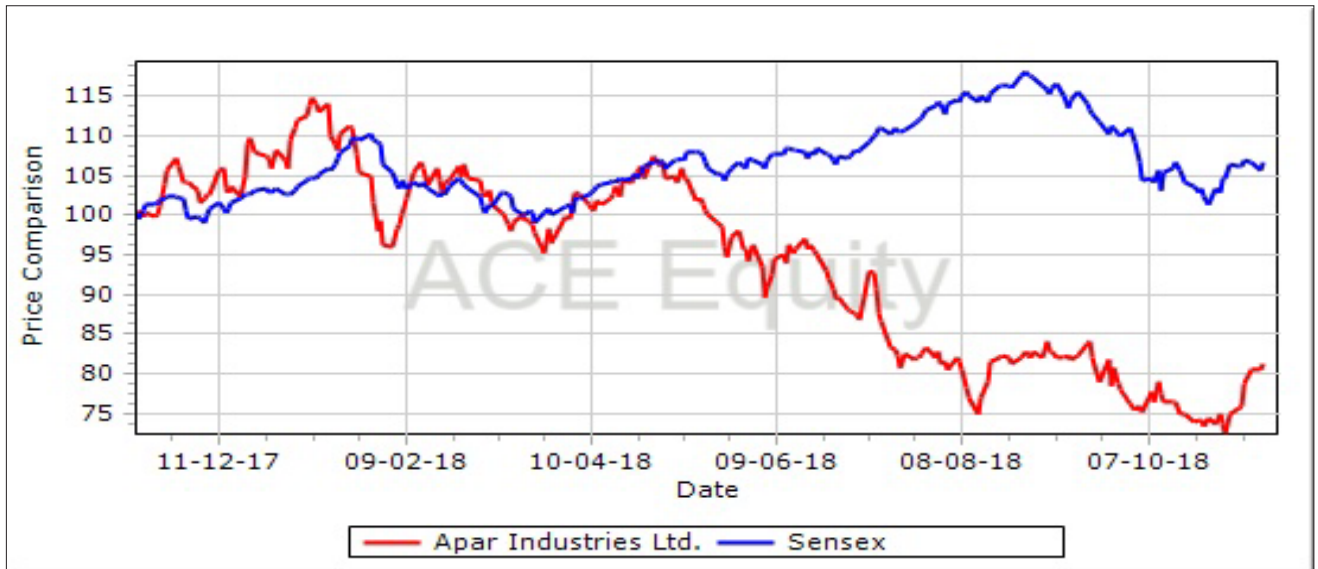
Description	201803	201703	201603	201503	201403
Net Sales	5818.53	4831.98	5078.49	5121.86	4631.63
Total Income	5829.90	4848.86	5091.02	5133.15	4705.70
Total Expenditure	5393.19	4399.97	4700.58	4858.15	4324.97
PBIDT	436.71	448.89	390.44	275.00	380.73
PAT	144.74	176.25	120.28	49.41	89.91
Dividend %	95.00	100.00	65.00	35.00	52.50
Adj. EPS(Rs)	37.82	46.14	31.61	12.86	23.30

Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201809	201806	Q on Q Var%	201709	Y on Y Var%
Net Sales	1873.74	1495.58	25.29	1237.16	51.45
Total Expenditure	1775.75	1386.49	28.08	1159.09	53.20
PBIDT (Excl OI)	108.90	109.09	-0.17	88.71	22.76
PAT	28.63	28.99	-1.24	26.19	9.32
PBIDTM% (Excl OI)	5.78	7.29	-20.71	7.11	-18.71
PBIDTM%	5.95	7.60	-21.71	7.34	-18.94
PATM%	1.52	1.94	-21.65	2.10	-27.62
Adj. EPS(Rs)	7.48	7.58	-1.32	6.84	9.36

Continued On PG 3...

SINCE 1986



**Track calls using our new investor app