



ATL/SEC/21

August 18, 2016

The Secretary, BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	The Secretary, National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051
---	--

**Sub: Transcript of Analyst/ Investor Conference call**

Dear Sirs,

Pursuant to Regulation 30(6) and 46(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that a Conference Call for the analysts and investors to discuss the financial and operational performance of the Company was held on Wednesday, August 10, 2016 at 10:00 AM.

Please find attached herewith the transcript of the aforesaid call. The same has also been placed on the website of the Company i.e [www.apolloyres.com](http://www.apolloyres.com).

This is for your information and records.

Thanking You

Yours Sincerely  
For APOLLO TYRES LTD

A handwritten signature in blue ink that reads "Seema Thapar".

(SEEMA THAPAR)  
Company Secretary

---

India, August 10, 2016

Analyst / Investor Conference Call

First Quarter FY 2016-17

---

**Sonal Gupta:** Good morning everyone. On behalf of UBS Securities, I welcome you all to the Apollo Tyres Q1 FY17 Results Conference Call. We are delighted to have with us today the senior management team of Apollo Tyres headed by Mr. Gaurav Kumar – Chief Financial Officer. I would now pass on the floor to Gaurav for his opening comments post which we will have the Q&A session.

**Gaurav Kumar:** Good morning everyone. We will provide a little bit of opening comments and background and then we would be happy to take your questions.

On a consolidated basis, sales for the quarter stood at Rs. 32.8 billion registering a growth of 16% over the same period last year. This includes strong volume growth in both of our operations in India and Europe and also the impact of the Reifencom acquisition which came on board from the beginning of calendar year 2016. The EBITDA (with other income) for the quarter was at Rs. 5.7 billion was a 17.2% margin. While in the quantum terms we were higher than previous year, the margins declined due to price reductions which were passed through the various parts of last year.

The results in this quarter have been declared under Ind-AS, the new regulatory norms and a true apple-to-apple comparison is also provided in the published numbers for previous quarters. In case there are any specific queries relating to the same we would be happy to provide further clarifications.

Raw material prices for the quarter saw slight upward movement from previous quarter. This was primarily led by increase in both Natural Rubber and Synthetic Rubber prices and was moderated to some extent by the other raw materials. As mentioned earlier we had expected that the raw

material prices had reached its trough in the previous quarter and we expect it to go up further in the current quarter.

In terms of revenue segmentation, broadly three-fourth of our revenue continues to come from replacement market and the balance from OEM. Truck and car tyre category contribute about 80% of our revenue balance coming in from light truck, farm and other categories. The gross debt stood at Rs. 21.8 billion up from Rs. 14.6 billion as at the end of previous quarter. The increase essentially is on account of borrowings for the Hungary greenfield and the Chennai expansion.

The net debt jumped from Rs. 7.4 billion as at the end of previous quarter to Rs. 13.0 billion this quarter.

Moving on to India operations, the sales for the quarter stood at Rs. 22.5 billion a growth of 6% over the same period last year. There was a volume growth of 13% and a negating impact of 7% from the price reductions of the previous year. The strong volume growth was particularly led by the farm and car tyre segment. Adding on to this, the opening up of the mining sector led growth in the truck segment also.

Our entry into the two-wheeler tyre segment continues to work well and has provided us opportunities for new distribution network in the rural areas. The EBITDA (with other income) for the Indian operations for this quarter was at Rs. 4.2 billion was a margin of 18.8% a slight decline from the same period last year. The gross debt for the India operations went up from about Rs. 6.9 billion to Rs. 9.7 billion due to the loans taken for the Chennai expansion. The area of concern for the Indian operations remains Chinese imports in the truck segment which again saw a very sharp increase and on this front we are still waiting for action from the government. The truck radial imports from China forms a large chunk of the market currently.

The Chennai expansion is progressing well and we expect enhanced capacity to start coming on stream from the last quarter of 2016. Looking forward, the demand scenario is typically weaker in the monsoon season and with

good monsoon, there is typically postponement of truck tyre purchases which would impact the current quarter. Also there could be some deferment of vehicle purchases due to the lack of clarity regarding the impact of GST which could again impact the current quarter.

Moving on to Europe operations, in spite of the political uncertainty the vehicle registrations continued to grow. Our European operations with the sales of Rs. 10.6 billion were 44% higher than the same period last year. With the EBITDA (with other income) at Rs. 1.3 billion, margins were at 12.5%. However, you need to recognize that they are not a like-to-like comparison with June quarter last year given that that Reifencor operations came in. So on a similar basis which is our Dutch manufacturing operations given that Hungary still has not started, sales for the quarter were at Rs. 8.1 billion, a 10% growth over same period last year though the growth in Euro terms was 2%, coming on the back of a strong volume growth of 8% in the car tyre segment. We continued to resolve our earlier SAP teething issues and that recovery is evident in the results.

In terms of margins for Dutch operations selling throughout Europe we had a margin improvement from 13.4% to 14.5% in the current quarter. The Hungary plant continues to progress well and we expect to start commercial production in the first quarter of calendar year 2017. At Reifencor the sales for the quarter were at Rs. 3.1 billion contributing towards both the top-line and the bottom-line. However as mentioned earlier the distribution business is a much lower margin business and hence if you see our entire European margins it would be lower than what were reported earlier by our manufacturing and sales operations.

In terms of capacity utilization, we had significant improvements particularly in India where the utilization levels have jumped up to mid-80s and for our European operations we continue to operate in the 90s.

That is all from us, we would be happy to take your questions.

**Jay Kale:**

**Elara Capital**

Regarding margins in the standalone business. You mentioned that you have seen an increase in raw material prices but despite that your margins have held up quite strongly. So just wanted to get a sense, is that more due to the product mix or may be the OEM and replacement mix, where the tilt is more towards the replacement segment?

**Gaurav Kumar:**

The reason for margins being where they are is (a) there is a certain amount of operating leverage which comes in with the utilizations going up, which is the benefit that Indian operations did not had throughout last year. (b) It is a combination of mix. Car tyre is typically more profitable and has shown a high growth. So it is a combination of various factors, operating leverage and mix contributing to it.

**Jay Kale:**

My second question is regarding some news today that there is some import duty on the rubber chemicals. So just wanted to get some sense, would that increase your cost or how much of that is there in to your raw materials?

**Gaurav Kumar:**

Rubber chemicals is a small portion but in general as I mentioned, we see the raw material prices going up further in this quarter and while the June quarter has had a small increase we would have a significant increase in the September quarter which would add to pressure on operations in terms of margins.

**Jay Kale:**

What is your sense on the radialization level, truck replacement and cross-ply versus radial growth numbers in this quarter and your outlook for the full year?

**Gaurav Kumar:**

Radialization continues to progress so our earlier expectation that it would jump up by another 5% odd points to start reaching in the high 40s remains. Contrary to last year we have also seen a decent growth in our truck bias. That is particularly contributed by the mining sector. There is no significant change in our product mix except that there is a jump in the farm segment as that is where we had the strongest growth.

- 
- Jay Kale:** Could you quantify these growth numbers?
- Gaurav Kumar:** I would not be in a position to give specific volume growth on product categories. But in terms of segmentation the farm and other category used to contribute about 9% to our revenue mix in India, which is now at 12%.
- Ashutosh Tiwari:**  
**Equirus Securities** Last quarter you had mentioned that the sales at Reifencor was at around €23 million which is around Rs. 1.7 Billion and this quarter we are seeing this increased to Rs. 3.1 billion. Is there some seasonality over there in the sales?
- Gaurav Kumar:** Yes, that is the seasonality impact which we have seen even for our Dutch operations as well, there is a strong seasonality. So there is nothing abnormal in terms of last quarter being very low. It is in line with what it used to do earlier.
- Ashutosh Tiwari:** Normally in a year how much sales Reifencor did last year?
- Gaurav Kumar:** Previous year it was at about €150 million.
- Ashutosh Tiwari:** And how much you have done in the current quarter?
- Gaurav Kumar:** Current quarter we have done €42 million odd.
- Ashutosh Tiwari:** And do we make around say 4% - 5% kind of margin in Reifencor because if you say that 14.5% margin is made in the Dutch operations then the margin should be very low in this business, right?
- Gaurav Kumar:** That is correct. It is typically a 2% to 4% EBITDA margin business.
- Ashutosh Tiwari:** And secondly, are there any price cuts you have taken recently in the truck segment, we are hearing that there is some price cut in TBR segment in July?
- Gaurav Kumar:** Yes, we have taken a small price cut in TBR in July. Previous quarter also we took a small price cut in cars and then in truck bias. So pricing as of now continues to be weak, let us say while we are beginning to see the raw

material cycle turning, the question remains as to when the industry would start following the raw material cycle.

**Ashutosh Tiwari:** Lastly, would we see the raw material prices going up for European business as well and also are we in a position to pass on that impact or there also some pressure can come on the margins?

**Gaurav Kumar:** Again we cannot isolate ourselves from industry dynamics. Yes, the raw materials would start going up even for the European operations. There we have to really look at what other major players do.

**Ashutosh Tiwari:** But as of now there is no pricing action?

**Gaurav Kumar:** As of now there is no pricing action.

**Ashutosh Tiwari:** Any update on antidumping duty? I mean what are we hearing over there, any timing to that?

**Gaurav Kumar:** No, we do not have any update on that in terms of timelines.

**Pramod Amte:**

**CIMB** With regard to Europe operations, what is the CAPEX spent till now and what is the debt drawdown till the first quarter end?

**Gaurav Kumar:** For European operations till about June we have spent €150 million for the Hungary project. The debt draw down is €110 million. We expect that by end of this fiscal year we would have spent close to €300 million for that project.

**Pramod Amte:** And for the Reifencom business can you just walk us through the seasonality, which are the good quarters and bad quarters and how does the profitability vary if you have to build that in to the quarterly model?

**Gaurav Kumar:** Typically the March quarter is the lowest. They have a good June but their peak quarter would be December which is where the winter tyre sales peak. In terms of the top-line the December quarter is typically the best.

- 
- Pramod Amte:** So it is similar to the existing manufacturing to that extent?
- Gaurav Kumar:** True.
- Pramod Amte:** Would you like to quantify, what has been the Indian two-wheeler business contribution in the quarter and how it will pan out for a year or two if you have finalized your business plan?
- Gaurav Kumar:** We do have an internal business plan but I do not have the liberty to share that. We continue to make good inroads. Our volumes today vis-à-vis the entire market size is not significant. Even in just the replacement market where we operate today our market share would be low single digits. But we do have plans and ambition to be a decent player in that overall segment.
- Amyr Pirani:**
- Deutsche Bank** On the raw material pressure that you mentioned, for a very long time industry passed on the reduction in raw material with the lag and the cuts in prices started mostly on account of the dumping from the Chinese side. Now that the raw material prices have started to go up are you seeing any signs of this price cut abating or do you think that this could still continue for some time?
- Gaurav Kumar:** It is difficult to predict but we think we are seeing signs of price cuts abating. We are not yet seeing any signs of price increases being taken. But the real rise in raw materials will be felt from this quarter onwards. So we do not see signs of any further price cuts coming through.
- Amyr Pirani:** On Chinese side does the price gap continues to be as large as it has been in the last one year and does it continues to hit your pie of bias market share or now in your opinion has it started to take away some of the radial market share as well?
- Gaurav Kumar:** The price gap continues to be where it was. So it is priced close to our bias tyres depending on the brand a little above or a little below. It continues to

impact bias whereas we have seen good bias volumes and we think we have gained market share but clearly that pressure at an industry level has been felt. And even on the radial side bulk of the growth has been taken up by them. Again we did not feel that pressure because we are pretty much operating at full capacity. But some of the other players would have felt that pressure.

**Amyr Pirani:**

Coming to Europe, you mentioned that there is a lot of uncertainty in Europe but still the demand has remained pretty okay. But in any case, even if we feel that the OEM demand may peak this year and could stabilize or fall next year. The replacement which is the largest chunk should continue to be strong in the coming one to two years because of the rise in OEM sales, right is that a correct way to look at it?

**Gaurav Kumar:**

Yes, that is a fairly reasonable way of looking at given also that the replacement cycle for car tyres in Europe is much shorter than in markets like India. It is close to two years, the new vehicle registrations after sort of increasing over the last two, three years is back to where they were at a decade level after the big falls of 2008, 2009 and 2010. So that is an encouraging sign and even for the tyre replacement market as per the industry association they had a growth of 1% in the current quarter whereas our growth was much higher. So again after some of our internal issues we are beginning to regain the lost ground.

**Sunil Kothari:**

**Unique Investment**

On the price, what you said is last quarter we have taken some price cut on truck tyres and again in July also. Would you say something on passenger vehicles pricing trend in last quarter or may be now onwards?

**Gaurav Kumar:**

We had taken a 1% pricing reduction in April and nothing after that.

**Sunil Kothari:**

Do you have any other levers to manage your cost structure now? You are saying that the raw material price will be going up and it is clearly going up.

So one is your operating efficiency will be improving by higher utilization. Any other levers like product mix change or something?

**Gaurav Kumar:** The product mix change is not just a function of what we desire internally. It is also what the market accepts and while there will be efforts to improve product mix. There is work going on to improve manufacturing efficiencies which also contribute. So all those efforts of looking at costs, looking at improving efficiencies like power consumption, fuel consumption etc will continue to try and maintain profitability at good levels.

**Chirag Shah:**

**Edelweiss** Regarding two-wheelers would your entry or the pursuit of market share would be at the cost of profitability because in overall scheme of things two-wheeler may not be a big dent on your profitability. Would it be a right way to look at it?

**Gaurav Kumar:** No, we will not pursue two-wheeler volumes at the cost of profitability. We have in fact had a fairly significant launch expense coming in when we started in previous quarter and that was factored into the overall costs and we still maintained profitability. And yes, there are typically higher expenses in the initial stages of entry into any segment but we are not looking at subsidizing this segment as just a strategic segment and sacrificing profitability.

**Chirag Shah:** Second was on the distribution. You have touched base on increasing distribution in the rural side. Can you share what exactly you mean by that?

**Gaurav Kumar:** The penetration of two-wheeler tyres is particularly more significant in the rural markets. Earlier given the fact that we did not have two-wheeler tyres there were certain tyre distribution people who would have an inclination to go with some of our peers because we did not have this particular segment in our arsenal. And that sometimes was the limitation in some cases. Four months back when we got into this segment and the fact that we have been able to establish a certain product quality we see this as an added arsenal

---

with us to try and now add distribution network particularly in the rural segment.

**Chirag Shah:** On the existing products like cars and trucks what different distribution strategies you are now looking for next few years versus what you have done till now?

**Gaurav Kumar:** When you have this it allows you to talk to distribution network for the entire basket. There were certain distribution networks where you could possibly get excluded because you did not have key category, typically when you enter this new distribution network you talk for the entire product range. In terms of doing things differently that is pretty much the domain of sales and marketing people to keep coming up with schemes, with mechanisms which keep the trade excited.

**Chirag Shah:** Another question was on margin outlook and pricing, if I look at industry most of the players have a far better balance sheet today in general and all of them are capable of pursuing market share at a cost of profitability. Is it a risk that you foresee in the system because by next year most of the CAPEXs for the industry will also be behind and even then the balance sheet will be reasonably strong? Why I am asking this is increasingly we are seeing that every player wants to be a part of every segment. So you were not there in two-wheelers you want to pursue two wheelers and some other players were weak in cars, they want to pursue cars and trucks and so on and so forth. It will put pressure on the industry's profitability?

**Gaurav Kumar:** We cannot comment on what every player is thinking through but yes, the balance sheets of each player in the Indian industry has strengthened that is a fact. Do they have the ability to play the price game for some time given the balance sheet strength. Yes, it is possible. But the fact that everybody is entering various segments thus puts a certain amount of CAPEX and investment needs. I can only say we have shown a certain amount of discipline in the last couple of years and hopefully that would continue to be

the case largely. But that is a difficult one for us to predict given the various dynamics.

**Chirag Shah:** You have indicated two price cuts in last two quarters. So when can we expect you to start protecting margins and start looking at raising prices. Because the way the commodity basket has moved up, there is definitely a pressure on margins if there is a status quo?

**Gaurav Kumar:** We did not take two price cuts in any single product category. There were price cuts at different points of time but a single price cut in various product categories. When can we start thinking of price increases, at this stage it is difficult to say.

**Sonal Gupta:**  
**UBS Securities** Could you quantify the price cut in TBR that you have taken and in TBB in last quarter?

**Gaurav Kumar:** The price cut in TBR was about 2%.

**Sonal Gupta:** This is from July?

**Gaurav Kumar:** This is from July. Similarly, in truck bias & PCR it ranges between 1% to 2%.

**Sonal Gupta:** Would you be able to share the average raw material cost for natural rubber etc. for this quarter?

**Gaurav Kumar:** The average cost for Natural Rubber was around Rs. 125 a kg, Synthetic Rubber Rs. 105 a kg, Carbon black Rs. 50 a kg, Fabric Rs. 235 a kg and steel cord Rs. 110 a kg.

**Sonal Gupta:** So we have seen about a 10% uptake quarter-on-quarter in natural rubber prices almost?

**Gaurav Kumar:** Natural rubber was the highest increase vis-à-vis all the raw materials.

- 
- Sonal Gupta:** Lastly, just wanted to understand, in your opening remarks you said that there could be some impact because of monsoons in the truck tyre demand. And then you said there could be some uncertainty because of the GST. So could you just elaborate on the GST side how you see the impact?
- Gaurav Kumar:** Yes, typically when we have a good monsoon the roads undergo a certain amount of damage etc and there is hesitancy in changing to new tyres because you could have a case of your tyres getting damaged and not lasting out. So people tend to postpone the purchases at monsoon time. And similarly right now given that the final set of rates and taxes etc for GST are getting finalized, there is a certain amount of thinking within trade that may be the prices for vehicles could come down post GST implementation in which cases people are right now in a wait and watch mode.
- Sonal Gupta:** Do you think that the fleet operators could get input credit on tyres they buy once the GST comes in?
- Rohit Arora:** The transportation sector is out of the service tax net as of now. So even in the current regime the transporters do not pay any service tax, the liability is on the companies to pay the service tax on a reverse charge basis. Going forward also though the final rules are still to come, it seems that transporters may not fall under the GST regime which means that the input credit on GST may not be available to them. So for the sector, the tax angle would remain the same. That is how it seems as of now.
- Jasdeep Walia:**  
**Infina Finance** How are you thinking about setting up two-wheeler tyre manufacturing capacity going forward? Are you comfortable outsourcing manufacturing as of now, why I am asking this question is because some time back there was a spare capacity crunch in the industry. So if you are outsourcing, your scale up plans might get affected going forward. So what are your thoughts on this?

- 
- Gaurav Kumar:** As of now we do not have plans to enter manufacturing, we are still within the first year and based on our tie up, we think we have enough at least to last us a couple of years even if we go on an aggressive scale up mode on the two-wheeler volumes. So this is a question we would start discussing and debating probably somewhere next year.
- Jasdeep Walia:** Is the capacity situation comfortable right now in the two-wheeler tyre industry?
- Gaurav Kumar:** We have not felt any kind of capacity crunch from our supplier. We have got a certain dedicated capacity for ourselves.
- Prayesh Jain:**
- IIFL** On the antidumping duty front, has the government identified that there is actually dumping or you know they have gone through that process. Do you have any inputs there?
- Gaurav Kumar:** No, apart from the fact that the investigation has been initiated, we do not have any further news as to at what stage of the investigation they are at or if they have arrived at any conclusion.
- Prayesh Jain:** So how much more time do you think it will take?
- Gaurav Kumar:** Again there is no time line commitment from them. We would love to have a situation where they were under a time bound pressure to reach a decision but nothing of that sort exist.
- Prayesh Jain:** On the two-wheeler front your main focus would be on replacement market not the OE business, the way you have it for your existing products?
- Gaurav Kumar:** We started with the replacement market but already some of the OEMs have reached out to us and we have begun a dialogue. But like for any product category the OEM approval goes through a certain process. So we are unlikely to have any OEM volumes in the current year.

- Prayesh Jain:** So from next year onwards you might see some OEMs volumes there as well?
- Gaurav Kumar:** Yes.
- Aditya:**
- JP Morgan** What is our CAPEX guidance for this year and how much have we already spent?
- Gaurav Kumar:** Okay, let me start with Europe. The broad CAPEX there is €200 million. We have spent about a quarter of that. In India the CAPEX is about Rs. 16 billion to Rs. 17 billion. And we would have spent a much smaller quantum here given that it will start bulking up towards second half.
- Aditya:** So does this then start tapering off from next year because you are saying Hungary will be commissioned end of the year and India is going to see the radials starting to flow through in December?
- Gaurav Kumar:** Yes, this would be the peak year of CAPEX and then we would start seeing tapering in both Hungary and Chennai.
- Aditya:** What would be the volume growth this quarter in India?
- Gaurav Kumar:** The volume growth in India was 13%.
- Aditya:** Is it fair to say that bulk of the growth would be coming from the two-wheeler segment? Because that is coming from a lower base?
- Gaurav Kumar:** No, in the sense two-wheeler was coming off from a zero base but the biggest growth was in farm followed by PCR.
- Aditya:** So in general it is a broad based sort of pick up you are seeing across segment that is what I am just trying to understand?
- Gaurav Kumar:** Yes, we have had growth even in the truck segment for that matter.

**Sameer Deshpande:**

**Fairdeal Investment** There was an interview of our managing director about two - three days back and he mentioned that basically the raw material prices etc are going up and that continues. But the company is likely to have double-digit volume growth in the current year and so the margins for the entire year are likely to be around 18% which currently I think in this quarter were 16.3%. So do we still have the same type of guidance for the year?

**Gaurav Kumar:** No, we do not give out margin guidance and while the news clipping carried the line of maintaining margins, that question was asked in the context of Indian operations and he mentioned that yes we are looking at double digit volume growth which is what we have done for this quarter and we will continue to strive for that. He had also mentioned that while it would be a challenge we would try and maintain margins.

**Sameer Deshpande:** Because currently we have taken some price cuts and going forward if this anti dumping duty etc is levied then that will definitely aid us also in improving the margins. But if that does not work then the rise in raw material prices will continue to hurt the margins?

**Gaurav Kumar:** Yes, so clearly if no change happens in this quarter the margins would be under pressure. We have raw materials which are going up. We cannot behave in isolation from the industry. As I mentioned earlier in the call we currently do not see people taking pricing action. For us there is the operating leverage flowing through and also there are efforts on efficiency improvements. And during the year we would also look at opportunities to increase prices. So all of that would come into play during the year.

**Sameer Deshpande:** As you mentioned the operating leverage and capacity utilization going up, that is definitely working in favor compared to the rise in raw material prices because that will help us recovering our overheads also. So I think that will be the hedge?

---

**Gaurav Kumar:** To a certain extent yes, it of course then depends on what is the quantum flow through to the margins from each of it. A very big factor being how much do the raw materials go up by.

**Sameer Deshpande:** But the major part has already happened in Q1, because the oil prices really went up by almost 50% to 60% and they are maintaining at around \$43 to \$44 which I think is the main factor affecting our raw materials and the forecast also does not seem to be higher than \$50 even for the 2016-17 going forward?

**Gaurav Kumar:** Yes, there is no major outlook either on rubber or crude which indicates that prices would shoot up, so it is a fairly favorable situation. Just to remind you that while crude went up in this quarter the impact on our raw materials which are third and fourth level derivatives typically comes with a lag. And that is the impact which will flow through in the current quarter. It did not flow through in the first quarter. But overall, the raw material scenario from the outlook being given on rubber and crude continues to be favorable for the industry.

**Puneet Gulati:**

**HSBC** You mentioned that while the European replacement market has grown by 1% you have grown much faster. So what is it that you are doing differently that is resulting in this market share growth?

**Gaurav Kumar:** That is a difficult one for me to answer. If it was that simple I am sure somebody else could have copied it, it's a combination of various things. We have got some products which have been based on the test results carried out, declared the winners. That is one very big factor which plays in to the European buying behavior given their focus on quality. There is combination of sales policy, promotions, pricing and combination of all these that has resulted in us gaining back what we have lost out in the last year due to our various internal issues.

**Puneet Gulati:** Has there been an increase in advertisement spent also?

- 
- Gaurav Kumar:** Slightly.
- Puneet Gulati:** And in terms of pricing how you are pricing it versus the peers?
- Gaurav Kumar:** We continue to be where we were in price positioning so there is no change in that. We are typically about a 15% plus lower than Michelin pricing. That is for the Vredestein brand. The Apollo brand sales at around 10% to 15% further discount.
- Puneet Gulati:** And is there a change in mix also within your growth?
- Gaurav Kumar:** Not much given the low base the Apollo volumes grow higher than the Vredestein volumes but no significant change in mix.
- Akshay Ajmera:**  
**Nizar Securities** My question was regarding the breakup of raw material cost, could you just repeat the cost for natural rubber?
- Gaurav Kumar:** Natural rubber was at Rs. 125 a kg.
- Akshay Ajmera:** And what would be the current average price?
- Gaurav Kumar:** That I do not get because that is like your stock market which can change on a daily basis.
- Akshay Ajmera:** So just an average price?
- Gaurav Kumar:** I have no clue. I have the authority to get these only on a quarterly basis.
- Akshay Ajmera:** Apart from the price cut that you have mentioned have we offered any increase in the dealer commission or credit discount something like that?
- Gaurav Kumar:** Again that would be very specific schemes across product segments and sometimes even within that sub-segment and hence difficult one to answer.
- Akshay Ajmera:** But any kind of trade discounts or dealer commission on a broader level that we have offered?

- Gaurav Kumar:** More or less at similar levels as previously, there are no increased discounts offered.
- Akshay Ajmera:** During our last con call we mentioned that we were carrying three weeks' inventory of natural rubber and still our margins are not impacted much. And while our competitors were sitting on a nine-week inventory of natural rubbers and their margins were much more impacted. Can you just explain this that how we were able to deal with?
- Gaurav Kumar:** We do not have any information of this sort off a nine-week inventory with competitors, this is at least news to me. We carry about three weeks of natural rubber inventory which may go up and down by 10% - 15% and that remains as a fairly broad channel.
- Akshay Saxena:**
- Credit Suisse** What has been the growth in Chinese imports in the truck tyres during this quarter?
- Gaurav Kumar:** The growth is about 40% plus vis-à-vis the June quarter last year.
- Akshay Saxena:** And how does this compare with the overall growth in the truck replacement industry what was the overall growth in truck replacement industry during the quarter?
- Gaurav Kumar:** That data has not yet come in from the association but this would be at best in high single digits.
- Akshay Saxena:** And you are saying that you have broadly grown in line with high single digits?
- Gaurav Kumar:** That is correct.
- Akshay Saxena:** So does this imply that the other Indian players have significantly underperformed because if Chinese have grown at 40% and you have grown in high single digits?

- 
- Gaurav Kumar:** Would imply that but we do not have data about growth of each player.
- Akshay Saxena:** And now the Chinese imports are roughly how much, 35% of the total truck radial tyres?
- Gaurav Kumar:** They would be in excess of 35% of the TBR replacement market.
- Vidrum Mehta:**
- ICICI Securities** Just wanted to know the overall capacity in terms of PCR, TBB, TBR and its utilization levels?
- Gaurav Kumar:** We do not share utilization levels for specific product categories and in terms of capacities we have a capacity of 6,000 plus tyres per day for TBR, truck bias capacity of about 10,000 tyres per day and passenger car capacity of 32,000 tyres per day.
- Vidrum Mehta:** This 6,000 TBR is expected to go up to 12,000 over the next 12 months, right?
- Gaurav Kumar:** Yes, it will go up to 12,000 somewhere by second half of 2018 so more than 12 months
- Vidrum Mehta:** The overall capacity for the company in terms of metric ton is around 606,000 metric tons per annum. So that would be broadly divided into domestic and the European operation in terms of like 500,000 and 100,000?
- Gaurav Kumar:** The total India capacity is about 1450 metric tons per day and you can take 350 days in a year. The Europe capacity currently is 200 metric tons a day and you take about 340 days in a year.
- Vidrum Mehta:** With respect to the raw material cost, what is your view on overall natural rubber prices assuming the overall demand is muted in terms of consumption. So where do you see the natural rubber prices over the next 6 to 8 months?

---

**Gaurav Kumar:** The current expectation is that the natural rubber prices would remain in this range. They are unlikely to go up.

**Jay Kale:**

**Elara Capital** Regarding the distribution network. You said that you are expanding in rural areas. So just wanted to know what format would it be? Would it be like your peers where they have exclusive dealer networks and that has worked very well for them or would it be largely increase in your multi-brand retail because if it is exclusive dealer network your CAPEX outlook would also be higher?

**Gaurav Kumar:** So the expansion is a mix of exclusive and multi brand. We do not have any CAPEX outlay in terms of distribution network expansion because we do not invest in CAPEX from that front.

**Jay Kale:** On the natural rubber prices would it be fair to assume that since the tapping was lower in the monsoon seasons hence there were some up move in the natural rubber prices and now with tapping resuming few months later you could see some softness in rubber prices, is that the trend that you are expecting? So maybe you could have margin pressures for the next two quarters but then rubber prices would kind of cool off?

**Gaurav Kumar:** Difficult to give sort of a month-by-month but yes, once the monsoon season passes the tapping would go up which would be a favorable factor. Also on an international front the earlier move by rubber producing nations to cut the natural rubber production will expire in August. As of now no fresh move has been announced on that front, so both points to a favorable scenario. Whether it will result in a flattish price or moving downward, difficult to get to those exact things at this moment.

**Jay Kale:** My last question was regarding the entry in your other comprehensive income about the translation reserve, just need some clarity on that amount?

- 
- Rohit Arora:** This is as per the Ind-AS, there are certain benefit plans like gratuity where we have to book the amount in the gratuity benefit plans through the OCI that is as per the requirement of the Ind-AS.
- Jay Kale:** The large amount of Rs. 176 million that will be also be this gratuity amount?
- Gaurav Kumar:** That is on account of the exchange difference on translating foreign operations as FCTR, which is that large amount appearing under OCI. The negative amount essentially means that the Euro vis-à-vis the rupee devalued vis-à-vis March. And hence you have that notional amount on the foreign currency translation reserve.
- Ashutosh Tiwari:**  
**Equirius Securities** In last three, four months two domestic players and one global player has launched 2nd tier TBR at a fairly big discount to the current TBR prices. Currently because you are operating at full capacity there is no impact. But how do you see this kind of competition in TBR segment when you will have enhanced capacity coming in by fourth quarter?
- Gaurav Kumar:** As per our market feedback some of these 2<sup>nd</sup> tier products have not been successful on account of quality and hence they have not had huge success in the market. TBR being a product where the product quality given the kind of abuse it goes through is a very significant factor. And hence trying to compromise on quality parameters and launch some of these low cost products have met with limited success till now. But we continue to monitor the market and any developments taking place for us to take actions accordingly.
- Ashutosh Tiwari:** What is the cash level at stand-alone and consolidated basis?
- Gaurav Kumar:** Cash at stand-alone level was close to Rs. 3.9 billion and on a consolidated level it was at Rs. 8.7 billion.

---

**Ashutosh Tiwari:** And this includes Rs. 3.6 billion for the loans and advances which I believe you have reported in the March quarter?

**Gaurav Kumar:** That is correct. Sometimes you cannot exactly match the timing of borrowing and spends needed by the projects. So which is why you will see significantly larger cash balances sitting on the balance sheet.

**Sonal Gupta:** On behalf of UBS Securities, I would like to thank Gaurav and the management team from Apollo Tyres for taking their time out and discussing the results with all of us. Thanks a lot everyone for joining this call. Thank you.