India, February 10, 2016

Analyst / Investor Conference Call

Third Quarter FY 2015-16

Aditya Makharia: Good morning everyone and welcome to the Post Results Conference Call of Apollo Tyres. From the management team, we have with us Mr. Gaurav Kumar - Chief Financial Officer; Ms. Ritu Kumar - Head, Corporate Strategy, and Mr. Davendra Mittal - Head, Finance.

I would now request Gaurav to begin with opening remarks post which we will open the floor for Q&A.

Gaurav Kumar: Good morning everyone and thank you for joining. We will begin with an overview of the results and then address any questions that you may have.

For the consolidated operations - Sales for the quarter were Rs. 29.3 billion, a degrowth of 4% over the same period last year. The entire decline was due to the restructuring that we undertook in South Africa and the adverse currency impact from Europe. We believe that this should be the last quarter with such impacts.

If you take these two specific instances out, the topline was almost flat on a year-on-year basis. The EBITDA for the quarter was Rs. 5.1 billion at 17.3% margin as compared to 16.2% margin during the same period last year. The improved margin was aided largely by the raw materials and certain other efficiencies. On a sequential basis, the raw material price basket declined by around 5%. This was a result of lower prices of natural rubber, synthetic rubber, fabrics and carbon black.

For the Nine Months period – Sales were at Rs. 87.4 billion, a degrowth of 9% over the same period last year. There has been some decline in both our key operations i.e. India and Europe. While there has been a volume growth, the topline decline is essentially due to price reductions, which is happening across the industry given the decline in raw material prices. Especially in the current year, a large part of the raw material decline has been passed on to the customers. Added to this were the impact of South Africa restructuring which in itself accounted for more than a third of the decline in the topline and the currency impact of Euro depreciation against the Rupee.

The EBITDA for the Nine Months period was Rs. 14.9 billion at 17.1% margin as compared to 14.7% margin for the same period last year. Gross debt increased from Rs. 6.8 billion in the previous quarter to Rs. 11.5 billion as we have started borrowing for our Hungary Greenfield and for a part of India expansions.

We also completed the Reifen transaction - Both its stores and the online business became a part of the Apollo Group from January 1, 2016. Regarding the outlook going forward, raw material scenario is expected to remain flat and with that, the pricing would also continue to remain soft adding pressure to the topline while we see a volume growth in both our geographies.

Moving on to India operations - Sales for the quarter were Rs. 21.3 billion, a growth of 1% over the same period last year. A 7% growth from volumes was offset by 6% decline on the pricing front. There have been price reductions taken by various peers and we had to follow on some of those. We also lost some truck radial sales due to Chennai floods where we were running flat out. We have gained market share in the segment including truck bias. The EBITDA for the quarter was Rs. 3.8 billion at 17.9% margin as compared to 15.4% margin during the same period last year.

For the Nine Months period - Sales were at Rs. 64.8 billion, a degrowth of 2% over the same period last year, again a result of price reductions to the extent of 5% during the period. The EBITDA for the period was Rs 11.9 Bn at an 18.3% margin, significantly better than the previous year by almost 4%. Gross debt has moved up slightly in the India operations sequentially as we started funding for some of the growth projects. The outlook on the volume terms continues to show signs of encouragement with mining sector also opening up. But the pricing environment, particularly on the truck side remains tough due to the impact of Chinese imports.

Chennai expansion is progressing well and we would start seeing increased volumes towards the end of the year, hereby, completely removing the capacity constraint that we have on this key segment. We are a clear market leader on this and expect to strengthen our position further with this expansion.

Moving on to Europe operations - Sales for the quarter were Rs. 8.2 billion, a 6% degrowth over the same period last year, which was primarily due to currency impact. In Euro terms the operations did show a small growth. This was in light of a fairly tough quarter for European operations given the very mild winter, which resulted and showed up in the operating margin. The EBITDA margin for the quarter was down from just below 20% last year to 15.3% during this year.

The decline is a result of the mild winters which led to lower winter tyre sales. Secondly, the cost that we are incurring as we prepare for the OEM business (on which we were making progress) including working on a large number of new SKU introductions and thirdly, a decline in one particular product category; Space Master - the spare tyre which is sold to OEMs and till this year the only customer we had was Volkswagen and sales to them were declining sharply added to further pressure on the margins. New customers are being added and we will recover the ground that we lost from next year onwards.

For the Nine Months period - Sales were at Rs. 23.2 billion, a degrowth of 14% over the same period last year of which 10% is just due to the currency effect and the balance being price reductions. Again, on the volume front the Europe operations have maintained growth. Overall, during the quarter, we have grown our PCT sales volume in line with the industry. Steps have been taken which will lead to the profits being recovered from next year onwards.

Our Hungary Greenfield plant is progressing as per schedule for starting commercial production in early 2017.

That is all from our side. We would be happy to take your questions.

Jay Kale:

Elara Capital What kind of price correction has been taken in India and how are the Chinese imports for truck radials trending?

Gaurav Kumar: We have taken price reduction of around 2% in the previous quarter only in TBB category. Added to this, are the discount schemes which run on and off. We have further taken a 4%-5% price reduction in TBB and 2% in other CV categories in January because there were further price corrections in the industry. On the Chinese imports, in the last quarter we saw the volumes at slightly lower levels than the previous quarter i.e. a little more than 100,000 truck and bus tyres per month. So, they have more or less maintained the market share. We continue our efforts to try and address this issue with the government but as of now, it continues to affect the truck bias segment.

Amyn Pirani:

Deutsche Bank So, even after the price cuts that the industry has taken, I am assuming that the gap with the Chinese is still quite large. So is this price cut move by you and the industry more to mitigate the Chinese volume growth or do you think that even within the domestic players competitive intensity is increasing significantly?

Gaurav Kumar: It is a combination of both but it is difficult to say what goes on within each player’s own thinking. There is the pressure of Chinese imports and they have increased sharply in the previous quarter. We have seen some sort of stabilization but it continues to be a large share impacting other players either within the truck radial segment or the truck bias segment. Our leadership position allows us to run flat out on truck radial and we have in fact in the last couple of quarters gained volumes and market share on the truck bias side. But given that the raw material prices continue to decline, I would say with a backdrop of Chinese imports, the latest rounds have been due to raw material decline where you have seen pretty much all of us now reporting stable margins.

Amyn Pirani: Are most of these price cuts are on the bias side or you have taken price cuts on radial as well?

Gaurav Kumar: We have taken price cuts on radial also but in smaller quantum.

Amyn Pirani: What is the European volume growth number for third quarter and nine months?

Gaurav Kumar: Europe volume growth is just a small positive for the quarter and for the nine-month period it is flat. As I mentioned, we have grown on the passenger car sales in line with the industry growth of about 10% during the quarter but lost volumes on the one product category which is Space Master which was earlier sold only to Volkswagen. We have now added new OEM customers. So on an overall volume front the numbers were lower than in the key category of passenger car tyres.

Amyn Pirani: And winter tyres for the industry as a whole would have been flat during 9 months period, right?

Gaurav Kumar: Winter tyres were down in this period for the tyre industry.

Ashutosh Tiwari:
Equirus Securities What is your current TBR capacity and the ramp up plan as of now? Also, what level you are operating at?

Gaurav Kumar: Our current capacity is 6,000 TBR tyres per day. Barring the Chennai flood situation we were running flat out. Apart from the time that we lose for SKU changes, we cannot produce anything more. This capacity is being expanded to 12,000 tyres per day. The increased capacity would start coming in the last quarter of 2016 and will then keep going up to reach the planned capacity of 12,000 tyres per day by mid-2018.

Ashutosh Tiwari: Would it mean that over the next two or three quarters you will have some capacity constraint on TBR side?

Gaurav Kumar: For the next two quarters we will have some capacity constraint. There is a small debottlenecking program that is going on which will add about 5% as a part of the overall expansion. So we will have some increased capacity coming on stream for us. But yes, this year we are not prepared for the next two quarters, but as of now from where the industry growth is trending to be, we are well positioned to maintain our market share on the truck radial side.

Ashutosh Tiwari: What kind of decline are we seeing on the truck bias side?

Gaurav Kumar: On the industry side, typically the radialization levels are increasing by about 5% points every year at a broad level. Also, on an overall basis the truck demand is increasing at about 3%-4%. So, close to a double-digit decline in the truck bias volumes for the industry.

Ashutosh Tiwari: So, are we better than the industry?

Gaurav Kumar: Some of the people would remember that we had lost some ground in the June quarter where the India numbers were below expectations. But that has been regained over the last two quarters. We have performed better than the industry in this product segment.

Ashutosh Tiwari: You had mentioned about 7% volume growth earlier. Has a large part of that been driven by TBR only or you did you see growth in passenger car also?

Gaurav Kumar: In the current quarter, we have gained almost 15% on the passenger car volumes.

Ashutosh Tiwari: Is it not going very fast because you had a very low overall volume growth last year?

Gaurav Kumar: Some of the steps we had taken have resulted in growth. Unfortunately, that does not reflect in the topline because of the other factors in the industry but otherwise, volume growth is fairly healthy for us.

Ashutosh Tiwari: The price cut that you mentioned about during the last quarter and January as well, are those are mainly in truck segment or have you taken price cut in passenger car segment also?

Gaurav Kumar: I cannot say if the price cut is in every segment but it is not restricted to one product segment.

Ashutosh Tiwari: If I look at segmental results, 'Others' basically was reporting losses till last quarter. Suddenly this quarter we see some marginal profit over there. What is the reason behind that and should we sustain the same level or improve on?

Gaurav Kumar: The 'Other' segment, as of now, would always be either a breakeven or a slight profit. Bulk of them, are our small operations in ASEAN, Middle East, Africa, etc. They receive tyres from our manufacturing entities as a markup. And if they reach a certain level of volumes they are able to cover up for their fixed expenses. I would say that the attempt would be to maintain it at this level. At this point you should not budget for further increase in profitability there.

Ashutosh Tiwari: According to the European Association data on replacement tyre industry, growth for December quarter was 12% YoY in terms of volumes. And we are saying that we had flat European volumes. That data though is not specific to winter tyres. Have we reported almost like similar kind of growth rate as the industry?

Gaurav Kumar: Your point is absolutely correct. Just to reiterate that point, the industry for the quarter did grow at that double-digit number and on passenger car side, even we have had similar kind of growth. But the mix was adverse because the winter tyre segment was negative, which is where the industry relies on for large profitability. When I mentioned, a very small growth, it was for our overall operations, which is impacted by Space Master and the Farm category which is a part of an overall European business. On the passenger car side, our growth was also in line with the industry but the mix was not as favorable as one would have planned for.

Basudev Banerjee:

Antique Finance You mentioned that sequentially, Chinese tyre overall volume for the industry has been slightly down on an absolute basis. As one can see in other sectors also, with the commodity prices crashing, even in the metal sector, few production capacities are now stalling production in China. Some news was also appearing that even the tyre manufacturers' feasibility is approaching to bare minimum levels. Do you see any chances of production of tyres in China now declining from these levels which should help demand for domestic manufacturers'?

Gaurav Kumar: One can conjecture on that but China is facing a difficult situation and will continue to, even as they take steps to try and subsidize further.

US has initiated anti-dumping duties against Chinese truck tyres also. You would remember that some time back they had imposed anti-dumping duties on passenger car tyres. So, a very large market may again get excluded for the China which would start impacting local players. We have seen some bankruptcies there. How long can they last out while facing this financial constraint is a question mark because how these people garner funding remains a black box for us. Increasingly there is a realization that some of the pricing that Chinese tyres play at, could be resulting in lower quality tyres which is also a safety issue. So difficult to say whether that would result in volumes coming to lower levels or more reasonable levels but the industry there does face a difficult time ahead.

Basudev Banerjee: What would be your landed cost of various commodities this quarter?

Gaurav Kumar: Natural rubber was Rs. 130 per kg, synthetic rubber at Rs. 105 per kg, fabric at Rs. 250 per kg and carbon black at Rs. 62 per kg.

Basudev Banerjee: On a hypothetical basis, if the raw material basket starts inflating at a faster rate and the Chinese competition remains the same in the market and no anti dumping duty gets implemented, how do you see the pricing power of the industry?

Gaurav Kumar: Typically the raw material increasing scenario would also come with demand going up substantially, which in itself will provide a better scenario for taking price increase than a scenario where the demand is only growing at lower levels. We have demonstrated in the past also that we have been able to take price increases though with some lag. So, if the Chinese imports continue at this level there will be pressure but one will have to see how the industry dynamics play out. I would tend to think we should be able to take some price increase.

Basudev Banerjee: What is the update on your two wheeler tyre plant as mentioned a couple of quarters back? When will it come and what exact segments would you be tapping?

Gaurav Kumar: We are preparing for the launch of our entry into the two-wheeler segment towards the end of this quarter. So, from the next fiscal year, we would be selling the two-wheeler tyres also. As mentioned earlier this is initially through an offtake route so there would not be any investment into manufacturing capacity of two-wheelers.

Basudev Banerjee: Will you be targeting the mass market or only the premium segment?

Gaurav Kumar: We will be targeting the mass market.

Basudev Banerjee: Any target PBT for FY 17 which one can then factor in?

Gaurav Kumar: This may be a little too early as we are finalizing our plans. Through the course of the quarter, as I meet you all, I should be able to give you better insights into that.

Basudev Banerjee: In the last quarter, you had mentioned that there are some labeling related issues and bottlenecks in production in Europe. Are those things sorted out now?

Gaurav Kumar: Yes, the constraints that we faced in our European operations including some maintenance breakdowns have been taken care of. Europe operations continue to prepare for a very large number of SKU introductions as they are working on a new product range, which will get us significantly ahead from a technological perspective on the labeling values. So, while working for the long term, some capacity does get impacted in the short term as it is taken out for testing. But the constraints that were there in the last quarter are all behind us.

Basudev Banerjee: So broadly one can assume the European margins to not test 10%-11% levels which it saw in the last quarter?

Gaurav Kumar: That is correct.

Deep Shah:

SBI CAP Securities You mentioned that you have gained market share in the TBR space in the last quarter. Can you quantify the number for us and throw some color on competition basically on the domestic side? Also, what is your debt level currently?

Gaurav Kumar: Since we receive numbers from the Industry Association with a lag, I would not be able to state clearly as to what our market share is. From our expectations, given how the overall truck market has shaped including specifically truck bias, we have gained volumes on both and hence we believe we have gained share. We expect our truck radial market share to be in the 27% range and our truck bias share to be in the 25% range. But this is our estimate. On a consolidated basis, our net debt was Rs. 64 million. Our European operations, where the profit was at lower level than last year, continues to be very efficient on cash flows. They were significantly positive in spite of our borrowing for the Hungary operations. Our gross debt, as I mentioned earlier in my remarks is at Rs. 11.5 billion.

Pramod Amthe:
CIMB India You seem to have strengthened the Board with two marquee individuals coming on Board. What is the significance of the same?

Gaurav Kumar: The two new members to join the Board are Mr. Vinod Rai, who earlier had a long association with the company and a very eminent person. He was also nominated on the Board back in the seventies and the eighties. So he knows the company very well and he brings a wealth of experience with him. Mr. Gori had earlier joined the company as an Advisor and was part of our Management Board. Given his vast experience with Pirelli (a large part of it is in Europe) and given the kind of growth plans that we had in Europe, we have further strengthened our relationship with him to get the benefit of his experience as we grow in Europe. So, both of them through different routes bring a very key valuable input for the company.

Pramod Amthe: For the last two to three years, your other expenses have increased from anywhere in the region of around 14% to now 18%. What has structurally changed in your company? Are these a sticky costs or you feel they are flexible to bring down as you progress forward?

Gaurav Kumar: Some of these other expenses are related to R&D. There have been increases in freight prices and sales promotion expenses also. I do not think of it to be a continuously increasing trend. Some of these are inevitable and they show up more because the topline has not been growing. While the volume growth was there, the overall price scenario has made these to appear as a large growth otherwise they would have remained in line with the standard percentage. But this is not a trend which will keep on increasing.

Ambrish Mishra:

JM Financial Regarding the price cut that we undertook in January compared to 2% last quarter. Just wanted to get a sense, if it is entirely the raw material cost that we are passing on or there is more than that in an effort to gain market share?

Gaurav Kumar: It is mostly the entire raw material benefit, which is why the margins are at stable levels. We do not attempt to gain market share by just pricing action. We are more or less just matching up the industry and there is fairly aggressive pricing scenario in the industry from the last few months.

Ambrish Mishra: Is it across OEM and replacement?

Gaurav Kumar: This is across replacement. With most of the OEMs, there is a pricing formula so, those price reductions have been happening in line with the raw material decline.

Ambrish Mishra: Given the way rubber prices have come off, do you sense that the rubber industry could be under trouble if not in immediate future but over a period of time? There could be some sort of shortage or disruption in the rubber growing industry. Do you anticipate any such situation down the line?

Gaurav Kumar: Rubber prices have really come off and are down to the level of Rs. 90-Rs. 91 per kg and international prices are even lower. In longer term, it may not be a good scenario because it does impact plantations and hence somewhere out in the future, the prices would go up. For short term, there have been some measures by the Indian Government to provide protection to the rubber growers. They have restricted the ports from where the imported rubber can come in even though there is not sufficient supply from the domestic rubber growers. But yes in long term there would be some impact on the supply if prices remain at the current levels.

Ambrish Mishra: In a three year timeframe, do you see two-wheeler contributing a fairly reasonable pie in the standalone revenues or it will still be a very small part of it?

Gaurav Kumar: Difficult to give an estimate when we have not yet started. Some of our plans are significant. It would be a small component but not very small. But some of these plans would be further fine-tuned after the first one or two quarters. The key is to first make a beginning and see how we are received in the market. There is a specific team which has been formed and is separately working on the tread design, product development, etc. So due seriousness, importance and attention is being given to this product segment. But we will have to refine and evolve our plans after seeing how we are received in the market.

Ambrish Mishra: Can you share your efforts on the distribution and marketing on the two-wheeler side?

Gaurav Kumar: It is a little too early at this stage. As I said, we are planning the launch towards the end of this quarter. Some of the dealer community is on board with our plans and they are happy and excited that we are adding this one key missing product segment to our portfolio. A lot of development work has been done keeping some of our key partners' inputs in mind. This may be a little too early to reveal the specific details.

Sunil Kothari:

Unique Investments You mentioned that you were able to maintain margin with price reductions in Quarter 3, and recently also we have reduced prices in January. Can we assume that you will be able to maintain margin in Quarter 4 also?

Gaurav Kumar: We do not give out margin guidance and we would not able to comment where the margins of fourth quarter would be.

Sunil Kothari: Any update on anti-dumping duties from Chinese imports?

Gaurav Kumar: Right now there is no anti-dumping duty on tyre imports from China. It is a matter that we continue to pursue with the government, given the kind of volumes and the prices at which they come. Unfortunately, the response has been slow so we are dealing with the matter in the best way we can, at our end. But as of now there is no timeline to there being an anti-dumping duty on imports from China.

Chirag Shah:
Edelweiss Continuing on the price front, if I look at last one year and the benefit that we have got on the raw material side, how much of the price in the replacement market would have been passed on? What is the kind of retention that industry would have done broadly?

Gaurav Kumar: The price reductions on the truck bias side would have been more than on truck radial. Truck radial price reductions have pretty much been the first time around over the last few months, otherwise very little price reductions. On the truck bias side, the price reductions over the last one year could be close to double-digit.

Chirag Shah: But you would have still have retained a good part of the commodity benefits, right?

Gaurav Kumar: We have retained some part of the raw material benefit, which has resulted in the higher margins.

Chirag Shah: But why as an industry you need to drive down prices so much, unless you are fighting the Chinese guys? Why not retain more benefit? While there seems to be some discipline, but it seems it is now weaning off and discounting activities seems to be picking up in the system.

Gaurav Kumar: That is difficult to answer because it is a result of each player's actions. There is also a certain relationship existing over the entire industry. I do not think you would find any industry that can say that it will just continue to retain the entire benefit and not consider the customer needs. So, I will not agree that the discipline is going away. Over the course of last three years, the industry has clearly maintained a reasonable discipline but given the extent of raw material benefit, some of it has been passed on to the consumer. While in recent times, the slow volume growth scenario and price reductions have not helped in terms of topline growth but there is a wider context to it.

Chirag Shah: On the winter tyre sales, any specific reason apart from the mild winters that the winter tyre sales have been low in Europe?

Gaurav Kumar: It is primarily related to a very weak winter. There were some winter tyre sales in October when there were early signs. But then, during November and December, which is also the peak season for buying winter tyres, there was hardly any winter.

Amyn Pirani:
Deutsche Bank In Europe, basically 3Q is generally very strong on the working capital side which I guess has helped in net debt coming down to almost zero. Could we see an increase from current levels in the next quarter again?

Gaurav Kumar: That is correct. December is the bottom most point on our working capital which has helped the overall situation. Fundamentally, we continue to be in a very comfortable zone. Yes, the net debt will move up as the excess cash goes out of our current system and we continue to borrow both for our Indian and European expansions. But through the course of next year, we expect the balance sheet leveraging to be fairly comfortable.

Amyn Pirani: Are the benefits passed on to customers in Europe in line with the reduction in raw material prices or are they higher or lower?

Gaurav Kumar: It is in line with raw material reduction. Only point vis-à-vis India is that the European industry started passing it on earlier and hence remained at a certain margin level and did not see the margin uptick which typically the Indian industry has seen. Even the Indian industry has also stabilized at a certain level now.

Mukesh Saraf:

Spark Capital On the pricing environment, in the earlier quarters you have been mentioning that the Chinese imports have been impacting only the truck/bus bias segments of the domestic players and hence the price cuts have been taking place in that segment. Just now you alluded that we are kind of seeing the first signs of price cuts in the TBR segment. Is there a change there in terms of the scenario where you are seeing even the truck/bus radials customer is kind of moving towards the Chinese tyres?

Gaurav Kumar: In the last quarter we have not seen the share of Chinese imports increasing but they are at a significant level. The latest round of price reduction which is in truck radial is a result of raw materials moving further down and some of our other peers took pricing action. Had we not undertaken these corrections, our pricing would have been significantly out of sync as regards the industry.

Mukesh Saraf: Could you give some color on where the industry stands in terms of capacity utilization for the TBR segment and is that kind of low now and hence the desperation and the start of price cuts in the TBR segment?

Gaurav Kumar: We would not have data on the industry utilizations. Also we are sort of in a transition phase where one of the player's capacity has been acquired by another player. So we would not have that data as to where it is operating at in terms of capacity utilization.

Mukesh Saraf: On your two-wheeler segment foray, are you looking to test the waters now and trying to enter that segment because you said that it is going to be primarily contract manufactured and you are just looking to see how that is? Will you brand it differently and is there going to be a significant marketing campaign when you launch this?

Gaurav Kumar: We will bring a composite thing and there has been work going on now for over a year. I had, almost two quarters back, mentioned about our entry. For over nearly a year, various aspects of marketing, product development, both from an R&D and design perspective have been worked on. Given that we are a new entrant, we did not want to enter it with a significant investment into a manufacturing capacity till we saw how we are received and that is the reason for going the offtake route. Yes, we will test the waters but the intention is to become a significant player because capital investment is just one side of it, but we have invested significant time and effort in making a proper entry into this segment. The quantum of further investment into this will depend on our monitoring of the situation over the next few quarters.

Mukesh Saraf: So it will be under the Apollo brand itself?

Gaurav Kumar: That is correct.

Vidrum Mehta:
ICICI Securities Wanted to know your views on the recent news that the top rubber producing countries mainly Thailand, Indonesia and Malaysia are going to cut their exports for the next six months from March in order to rescue the prices of the natural rubber. So what would be the impact of it on the natural rubber and is the price likely to go up over the next quarter or so?

Gaurav Kumar: There have been attempts in the past to try and boost up the rubber prices but the overall global scenario has not helped them and the prices have continued to soften. Even though we have been proved wrong in the past on our thinking, our expectation is that this should be the rock bottom on rubber prices. In an immediate sense, one does not see a scenario where raw materials are going up. But if it tends to go up in a small quantum that is something which the industry can easily manage. I can only say that as of now we do not see a scenario in near future where raw material or specifically natural rubber would go up sharply. In, medium term the prices should recover from these levels and we will have to deal with that.

Vidrum Mehta: What will be our mix in terms of sourcing rubber i.e. imported and domestic?

Gaurav Kumar: Currently more than half of our natural rubber is imported. It has reduced a little since a couple of quarters back with some of the measures that have been taken by the government, unfortunately, to restrict which ports the rubber can come in from. Given the domestic supply situation, more than half of our natural rubber in India is imported.

Vidrum Mehta: Could you please provide the capacity utilization levels for your broad segments?

Gaurav Kumar: As I mentioned earlier, we are flat out on truck radial. On truck bias we were slightly below 80% utilization during the quarter. On passenger car side, we were at around 80% utilization. Our overall capacity utilizations in India was around 80%. It will continue to go up through the quarters as we gain volumes.

Disha Sheth:

Anvil What would be the budgeted capex for FY 16? How much has been spent so far and what would it be going forward in FY 17 and FY 18?

Gaurav Kumar: In the current year, we will spend around Rs. 2 billion in India and €100 million on the Hungary Greenfield by March end. We will spend another €200 million next year. This though is a slight departure from the numbers that I had told earlier but, effectively by March 2017, we would have spent close to €300 million on the Hungary plant. Additionally, we would spend close to Rs. 12 billion next year on the Chennai expansion.

Other than the above, the maintenance capex in the Netherlands plant remains between €10 million to €15 million per annum and for India, it ranges between Rs 7 billion to Rs. 10 billion for all the plants.

Disha Sheth: What debt level do you expect?

Gaurav Kumar: Debt levels are a result of where the profitability lies. So, projecting the debt for March 2017 would be difficult. However, we expect our balance sheet to continue to remain fairly healthy given the overall scenario.

Disha Sheth: What is our current capacity for PCR? Is it too being expanded?

Gaurav Kumar: The current capacity for passenger cars in India is 34,000 tyres a day. It is not being expanded.

Disha Sheth: For two-wheelers, how much do you plan to start the capacity with?

Gaurav Kumar: We do not have any capacity for two-wheelers. We are making our entry into this through an offtake route initially.

Disha Sheth: How much would you outsource initially?

Gaurav Kumar: The party we are tying up with has sufficient capacity. It is not an exclusive arrangement so there is no capacity which is set up only for us.

Aditya Makharia: I would like to thank the Apollo team for addressing the participants today and also to the participants for taking time out to attend the call.