India, June 12, 2013

Analyst / Investor Conference Call

Acquisition of Cooper Tire & Rubber Company

Moderator Ladies and gentleman, good day and welcome to the Apollo Tyres conference call. Joining us on the call today are Mr. Sunam Sarkar – Chief Financial Officer and Mr. Gaurav Kumar, Group Head Corporate Strategy and Finance. I would like to hand over the conference to Mr. Sunam Sarkar.

Sunam Sarkar Good evening from India to all of you and thank you for joining us on this call today. As some of you would already know, in a meeting held today, the board of directors of Apollo has given us the go ahead to acquire US based Cooper Tire and Rubber Company in an all cash transaction valued at approximately $2.5 billion. Cooper Tire is currently the 11th largest tyre maker globally with revenues of about $4.2 billion. With a combined turnover of $6.6 billion, Apollo Tyres will now be the 7th largest tyre company in the world and will have a strong presence in high growth markets across 4 continents. This acquisition also makes Apollo, a significant player in the largest tyre market in the world which is North America. Cooper fits in strategically with Apollo with its strong distribution network in North America and China, which is a perfect match for Apollo's existing presence in India, Europe and Africa. We already have 2 global brands, Apollo and Vredestein and Cooper will now add a third powerful brand to the portfolio. This transaction is expected to achieve synergies of approximately $80 – 120 million per annum which will be primarily derived from operating scale, sourcing benefits, technology, product optimization and manufacturing improvements. The transaction is expected to be immediately accretive to Apollo's earnings. The addition of Cooper's well known brands into our fold will broaden our offerings to customers. The combined entity will serve the passenger car, light and heavy truck, farm and off highway vehicle segments and most importantly leverage economies of scale. The combined entity will be uniquely positioned to address large established markets such as the United States and the European Union as well as the fast growing markets of India, China, Africa and Latin America, where there is significant potential for further growth.

We will now have 14 manufacturing units located across 4 continents. As far as integration is concerned, we expect it to be a smooth process. Our businesses are complimentary in nature as was outlined earlier. This along with similar corporate cultures will contribute to a reasonably smooth integration. The current management team at Cooper will continue to manage the operations as before and operate out of its facilities located around the world. As we work together on a full integration of the companies. I would like to make it very clear that we have no plans to close any existing facilities. We would rather grow them to meet the expanded needs of the joint entity. Thank you and we are now happy to take questions.

Pramod Kumar
IDFC

Could you share some more light on the operations of Cooper, how is their $4.2 billion top line spread between North America and China and how has been the growth over there. Also what is your cost of debt which you are envisaging for the $2 billion what you aim to raise and the timeline you have in mind to repay that particular debt?

Sunam Sarkar

In terms of revenue split about 70% of Cooper's revenue come from North America and the balance 30% from International operations, of which, a very large chunk comes from China operations, i.e. China and the neighboring markets of South East Asia, Australia etc. and a very small proportion comes from Europe, about 7% Your 2nd question about the cost of debt, that's something that would be raised in due course. We expect it to be in line with the US markets norms

Pramod Kumar

What would be the product mix in terms of how much would be commercial vehicle how much would be passenger vehicle broadly for Cooper?

Sunam Sarkar

Cooper is broadly a passenger car player and their truck revenues are relatively small. About 90% of their revenue comes from passenger car tyres and OEM replacement split is it available Gaurav?

Gaurav Kumar OE is negligible and only a few percentage points. It's a company which has focused predominantly on car tyres and replacement markets. In recent years they have started getting into OEMs also. They have a single OEM customer in US and a few OEM customers in China. They have successfully set up a truck radial facility in China and are now selling that across the globe including in US market.

Pramod Kumar You said most of the sales are replacements. Because margin profile is quite fluctuating one, if you look at Cooper Tire financials. And if you can throw some light on the pension liability that you expect in Cooper?

Sunam Sarkar The margins that fluctuated for Cooper have been in line with the tyre industry. The industry went through a) a significant turmoil at the time of global financial crisis where margins dipped significantly for various tyre players and Cooper went through the same. Subsequently for a couple of years as raw material prices were shooting up, margins were under pressure for various tyre players and Cooper also went through the same. Within that, each geography has its own demand supply dynamics in which pricing decisions or the ability to increase prices gets impacted and if you see the last year, the performance for Cooper came in very strong where the raw material prices were stable. So the margins also have followed, typically what would have happened to any big tyre player

Pramod Kumar What is the pension pool or any deficit that you see there?

Gaurav Kumar There is a deficit there, which is getting funded. That's been studied and built in to our business plan as to how that shortfall is getting funded. There is no change that is going to happen which impacts the transaction or the business going forward.

Pramod Kumar And Cheng Shang, which is a China brand, I believe Cooper had acquired 51% stake in 2005. So do we own 100% of it now of that operation there or its still 51% owned by us?

Gaurav Kumar Cooper owned 51% of that China entity but is 65% owned now. The 50% was another JV that it had set up with another Chinese partner which was fully bought out. So there are 2 entities in China, one of which is fully owned 100% and the other one 65% owned.

Pramod Kumar What is the debt repayment plan or the timeline that you have for the $2 billion that you are going to raise at Cooper?

Gaurav Kumar That would be raised through bonds which will have a long term repayment schedules 7 – 8 years and as a bullet repayment.

Doug Karson
BAML Any decision on what is going to happen on existing Cooper bonds?

Gaurav Kumar There is no change of control in those bonds. Those bonds would just continue as debt on the balance sheet.

Doug Karson When you issue these new bonds, from this transaction, will you be issuing them as original Cooper issuing entity or it's just going to be a brand new holding company that issues the bonds?

Gaurav Kumar The bonds would be issued under the new holding company which would have under it the Cooper entity. So the combined entity including our European business would be raising these bonds.

Doug Karson With the new holding company that's been established, would it be guaranteed existing Cooper entity?

Gaurav Kumar Yes.

Amrish Mishra
JM Financials If you can explain how we arrived at this $2.5 billion valuation? If you can share some background to it. And if you can get some sense on how the balance sheet of the combined entity will look like post this deal is there a chance of this valuation again going through the change because more likely it is going to be delisted or let's say buy back from the investors who are currently holding?

Sunam Sarkar The valuation is not based on any single point of reference. We looked at basic fundamentals of the business. We assessed the value to Apollo shareholders and we looked at potential value creation benefits from the combination. The price translates into a 4.4 times EV to EBITDA trailing 12 months multiple which is a fair price for both Apollo and Cooper existing shareholders. In terms of the offer price which is $35 per share, that's also the price which the board of Cooper has recommended to its shareholders as being an attractive offer. That's not likely to change just because of a delisting or something because as we buy the shares from existing shareholders that process itself, is covered by the $35 price.

Amrish Mishra Is there any remote chance if this offer price could be revised may be upwards, if the investors do not give in, just wanted to get a sense, if it is at all possible?

Gaurav Kumar No, we are not looking at any situations like that.

Amrish Mishra Initially you commented that, this deal would be EPS accretive to the combined entity right from the beginning. So can you just throw some light as to, based on what calculations we are looking at this?

Gaurav Kumar If we take the current performance of Cooper and essentially in year 1, the anticipated loading of new debt resulted in the higher interest burden because there is no addition of equity happening at Apollo. So the statement that the EPS accretive is essentially built out that for an Apollo share holder the increase in net profit for the combined company would be higher even after taking into account the increased interest burden.

Amrish Mishra What would be the debt equity post this fundraising for the combined entity?

Gaurav Kumar The net debt EBITDA number, if we take the existing debt and the new debt we expect it to be 3.8 times for the consolidated company.

Ankit Jain

IIFL Capital Just going further on the net debt equity, what is the road map you are having on the back of calculations, it is looking like net debt equity is likely to go up from 0.5 to nearly 1.3 – 1.4. What is the road map now for net debt equity over next 2 – 3 years?

Gaurav Kumar At a standalone level the amount of debt which would be on the India side, we will move to a net debt equity of 1.9, from our current level of 0.8 as of March-13 and we expect that in few years time, with the cash flows that are coming in from various parts of the business this would start coming down and similarly at the consolidated level while we don't have the exact number now, once we go through, the combination would again be brought down to more normalized levels in a few years time.

Ankit Jain This Cooper brand that we are purchasing, is it worldwide or in few markets? Are we planning to introduce Cooper brand in India also?

Gaurav Kumar The brand rights are global rights which are existing with the current entity Cooper. The management of both the sides would sit together and work out a strategy for introduction of various brands in markets where it makes sense. So we would look to introduce the Cooper brand in markets where it makes sense, where we are present and vice-versa. The reverse would also be examined as to where the Apollo and Vredestein brands could be introduced in markets where Cooper is strong.

Raghu Nandan Asian Market Securities What is the production capacity of Cooper and just wanted to confirm that, you said despite interest cost it will still be EPS accretive, right?

Gaurav Kumar That's correct and the capacity across the globe for Cooper Tire is about 53 million tyres

Amyn Pirani

Deutsche Bank What would be the process of culminating the deal because it's mostly institutional share holding at Cooper. So would you go out and make a general open offer and then wait for people to tender their shares or how would this process go about?

Gaurav Kumar I would not be the best person to answer the legal process but it would be a standard US process for listed company. The board has recommended the offer at this price. It would go for shareholder approval through a proxy and vote. And once that is approved the transaction is consummated through a merger of the holding company with Cooper.

Amyn Pirani **So,** you will be raising the debt of $2.5 billion in the holding company and, Cooper and holding company will be merged , right?

Gaurav Kumar The debt as I mentioned earlier would be raised at the holding company level. That debt expected to be raised there is about $2.1 billion which needs to be serviced by Cooper and our European operations and the balance part of funds needed to consummate the transaction of $450 million to be raised at our Mauritius subsidiary.

Ameen Pirani And that will be serviced by Apollo Tyres cash flows?

Gaurav Kumar That's correct. So $450 million of debt that is raised at Mauritius would be serviced by Apollo Tyres Ltd, the Indian operations.

Ameen Pirani The savings that you have mentioned of around $80 – 120 million, what will be the drivers of those synergies because as we understand right now your operations are mutually exclusive? Both of you are present in different geographies and target different segments. So what would be the drivers of those synergies if you can give some more color?

Gaurav Kumar We have carried out fairly detailed exercise which would be taken further with advisors like Bain. The synergy figures that we have mentioned, comprises of areas like raw material procurement, technology, R&D, consolidation of functions where there are overlaps. So while the markets are very different where the 2 companies operate, there would still be benefits coming out of areas like R&D, procurement, etc. which would be big drivers of synergies. Added to this would be the revenue synergy which would be derived from going after opportunities of introducing products or brands in each other markets which would allow us to take greater share of those markets.

Ashwin Shetty
Ambit Capital How is this figure of $2.5 billion arrived? I understand Cooper has outstanding share of 63 million and the offer price is $35 per share, so it comes to $2.2 billion. Can you throw some light on how this amount is arrived at?

Gaurav Kumar The $35 share price comes to $2.25 or $2.3 billion equity value. If you add the net debt of Cooper, announced as per its last quarter results and the minority interest together comprises the $2.5 billion enterprise value.

Ashwin Shetty We are expected to raise the debt at the holding company. So wanted to understand whether we will get any tax benefit of the same on the interest which you will be paying?

Gaurav Kumar The interest would be tax deductible as per our understanding.

Ashwin Shetty Any capex plan at Cooper, what is the utilization level currently?

Gaurav Kumar It's too early to get into capex plan for Cooper going forward. That's something that would be decided in discussions with the right people in various geographies. Cooper does have the ability and scope to expand its plants around the world in cost competitive geographies; in terms of available space and business plans. But finally what expansions would be rolled out is too early to comment on that I would not have the exact figure of current utilizations for now as of for Cooper.

Ashwin Shetty Are we looking at buying 100% equity stake?

Gaurav Kumar Yes we are looking to buy 100% stake.

Aditya Makharya
JP Morgan What's the rationale for creating a holding company which will have both Vredestein and Cooper in one entity?

Gaurav Kumar The transaction structure was worked out in discussion with financial advisors and in line with existing structure at Apollo. So today, Apollo's existing structure down from India is a Mauritius entity on to a Dutch holding company and the Vredestein business. Europe was one area of overlap in terms of geography between the two entities and hence that was made part of the group which was borrowing through this bond route. So that entity with an overlapping Europe business services one part of the debt. The second debt which has been taken on Mauritius level is serviced by the Indian operations. So it came out of the result of discussion with financial advisors as to what made greater sense and also marrying it with an existing Apollo structure. We didn't wanted to end up creating a completely new different holding structure which would have resulted in operational issues in terms of carrying the business forward as a combined entity.

Aditya Makharya The $2.1 billion debt which you will raise on the holding company, will that be backed up by Vredestein as well?

Gaurav Kumar That's correct.

Aditya Makharya You had indicated probably 2 quarters ago, that you were looking at a QIP and then you came in the last quarter and said that you deferred those plans. So any thoughts on fund raising?

Gaurav Kumar As of now, the QIP approval is till November 2013, which we had taken last year. The expected closure of this transaction would be within the next 4 months based on various regulatory approvals. We don't anticipate raising equity within the current approval. What fundraising plans make sense for future is something that's not been firmed up. As of now, the funding is as described for closing this transaction which is the funds raised from the US bond market and debt taken at Mauritius.

Elizabeth Lane

Bank of America Are there any regulatory hurdles in China or other regions that still need to be worked through or has the steps already been taken?

Gaurav Kumar There would be regulatory approvals needed in some geography in terms of antitrust approvals. China is not one of them because Apollo does not have any presence in China. So there is no regulatory approval needed in China. However, there would be the usual US approvals and in a couple of geographies where both parties are present for example, Germany, we would need to take approvals but we don't anticipate them to be a hurdle because in no geography are we becoming significant majority market player.

Pramod Amte

CIMB On the structuring side of the deal, what will be the equity versus the debt proportion in the holding company, both at Mauritius and at European entity? .

Gaurav Kumar The Mauritius entity as I mentioned, would have $450 million of debt. And the $2.1 billion of debt would be raised in this combined entity of Vredestein plus Cooper with the holding company. This includes re-financing of the current Vredestein debt, which is a small proportion of about $70 million and there will be a roll over or continuation of existing Cooper debt.

Pramod Amte But these holding companies will also be having some equity composition coming from both Apollo and the other international entities?

Gaurav Kumar The equity investment that comes in the holding company is the $450 million borrowed at the Mauritius levels.

Pramod Amte What is the broad thought process in terms of delisting from the US exchange and in the long term, how you plan to manage such a large entity going forward without any market access to a global level?

Gaurav Kumar The market access to a pool of funds need not be only equity. Even for the current transaction, we would be accessing the market for bonds and that's something that would always be available if the financials of the company determine that.

Pramod Amte Is your deal consummation is subject to a 100% acquisition?

Gaurav Kumar The intention is to acquire 100%, which I think has to go as an offer to the shareholders But a majority of the shareholders need to approve the transaction.

Pramod Amte At the Cooper level itself what is the net debt to equity?

Gaurav Kumar Coopers' net debt to equity today is negligible because of strong performance over the years, particularly last year. There latest net debt equity is a negligible number. The net debt itself is less than 100 million odd.

Pramod Amte In case if it is acquired, it can be adjusted in future times.

Gaurav Kumar Yes.

Ira Gorsky
First Eagle
Investment
Management Is Cooper committed to continue paying dividends and whatever is the decision regarding the financing?

Gaurav Kumar Some of those conditions would have been agreed in the merger agreement which is being worked out between the legal people and the two sides and I believe as per US process that would be a public document in due course. So I would not be able to comment very specifically with knowledge on that.

Ira Gorsky **What about the** pre conditions surrounding the financer, whether or not there are certain ratios or if you are unable to get financing for whatever reasons, whether or not you have to have a pay termination fee because of you being unable to get financing from Standard Chartered Bank?

Gaurav Kumar There are no conditions around the financing. It is a committed financing from the 4 banks involved in the deal.

Ira Gorsky Do you expect to file your credit agreements?

Gaurav Kumar If it's required as per US process they would be filed. I am not aware of US legal requirements so, would not be able to say whether they would be filed or not.

Ira Gorsky You stated that you don't have a presence in China so you are not required to file Ministry of Commerce of China, is that correct?

Gaurav Kumar That is correct.

Ira Gorsky So its just Germany and US process?

Gaurav Kumar There are a few other countries also for example, we may have some of African countries where the thresholds are very low and as a process we may be required to file. US is needed because it's the US transaction. Germany, within the European context, where there is overlap, is one of the biggest markets. But there would be a few smaller markets where the thresholds itself are very low.

Ira Gorsky And you said in Germany you don't expect your combined market share be significant?

Gaurav Kumar That's correct. For example, our European operations share in the Germany market would be low single digit. Similarly for Cooper itself as I mentioned earlier, the share of revenues are a small portion of their overall business. So we don't expect some of the antitrust approvals in any geography to be an issue.

Frank Jarman
Goldman Sachs Can you just break down the $2.1 billion of debt between secured and unsecured, based on your expectations?

Sunam Sarkar $1.875 billion is secured bonds and the rest is ABL drawn at closing.

Frank Jarman Regarding the upstream guarantee that will be provided from Cooper to the new holding company that's issuing the debt, will you have Cooper Tire provide operating subsidiary guarantee beneath its existing holdco or just a guarantee from the existing Cooper Tire holding company as we know today?

Gaurav Kumar Some of the exact things in terms of who would be the bond holder and where the guarantee is required will be worked out with the banks. We may have a structure where the bond actually sits at Cooper Tire and is guaranteed by the operations of Vredestein, which is our European operation.

Frank Jarman Could you clarify that? You said the bonds were set at Cooper Tire that is Dutch holding company vis-à-vis the actual?

Gaurav Kumar At this stage, the group which comprises the Dutch holding company, Apollo Vredestein; which is our European operations and Cooper Tire together would be the parties raising the bond. Exactly which entity would hold the bond and which entity is guaranteeing up the same is something that would be finalized with our transaction banks.

Frank Jarman You also indicated that Apollo's international operations would be complaint with Cooper Tire to support the $2.1 billion of debt. How much EBITDA are you generating at the Apollo international operations that will be combined with Cooper?

Gaurav Kumar The EBITDA for the last 4 quarters for our European operations was $100 million.

Frank Jarman The assets that you do plan to place a lien on, can you talk specifically about what assets will comprise the security that's being pledged to raise $1.875 billion of secured debt?

Gaurav Kumar The bond that would be raised would have the first charge on all the fixed assets of the operations and a second charge on the current assets. The ABL facility that would be raised would have the first charge on the current assets.

Frank Jarman	Your comment about planning to issue at a comparable rate to where US debt is trading, and I think you did say below 10%, but you indicated that you plan to lever Cooper Tire 3.8 times on net debt/ EBITDA basis and the way I look at it, it is actually higher than Cooper Tire enterprise value prior to the strength action being announced. So how do you think the buyers of the new bonds will reconcile this and asset coverage of the new entity?
Gaurav Kumar	3.8 times net debt-to-EBITDA that I mentioned, is for the consolidated entity. So it includes all of the current Apollo operations and Cooper, its not the Cooper operations alone. We have talked with advisors and banks who are better experts than me for the US market and they believe they would be able to raise the funding required for this transaction from the market.
Frank Jarman	What the leverage on the net debt-to-EBITDA at the issuing entity for Cooper Tire?
Gaurav Kumar	That should be about 3.5 times.
Chirag Shah **Axis Capital**	If I consider the new debt that you are borrowing, which would be guaranteed by the assets of Cooper Tire, their net debt really goes up significantly and the current rate at which Cooper has borrowed money or the last note that Cooper has borrowed are 8% and 7.6%. So given the sharp change in the risk profile post the debt, you are still contemplating and hopeful that you could raise at lower rate.
Gaurav Kumar	When Cooper raised the current bond, etc., It raised it in different market conditions and as you said, the debt profile of the company was very different. We have committed funding from lenders giving us indicative rates of the markets which would be different than the current rates but factoring that into the overall transaction and our expected business plan, we still feel that we have the ability to service this debt.
Chirag Shah	If I look at Cooper Tire performance, there is a sharp improvement over last 3 years in terms of their margin profile and their export trajectory as well as US growth. How one should look at this trajectory going ahead and how one should look at the performance. Is it more driven by the raw material changes or more by the rising component of China business?

Gaurav Kumar It's a combination of various factors over the last 3 years and you have been in dialogue with us for a long time. Over the period of last 3 years, raw material was not stable or declining through all the 3 years. That's a phenomenamore of last one year from which various tyre companies have benefited to various extents. Coming out of the global financial crisis, Cooper took various steps to mitigate some of the risks in the business. It's a combination of new product introductions, changing the product mix in US, growing China business, growing into some of the other geographies and making their plants across the globe more cost competitive. So the improvement in performance including a growth in topline is a significant growth even in geographies like North America; is a combination of various factors.

Chirag Shah If I look at the presentation, they also share breakup of operating profits between North America and international markets. It appears that there is a sharp jump in profitability in North America in 2012. And largely otherwise, these profits have been constant. So just wanted to understand this premium that you have offered was driven by what qualitative factors based on historical performances?

Gaurav Kumar Premium that we have paid, which we believe is a fair value, worked out as a combination of various factors. We believe the entire business of Cooper Tire offers us entry in two large markets which we were absent in; which is North America and China, the two largest markets apart from Europe. It offers us China which is a growing market with good margins. The other one, US, which is like our Europe business, a more stable market but again offers relatively stable margins than compared to some of the growing markets. So it offers us a combination of large market access, a brand which is well established, cost competitive plants including a recent acquisition in Serbia; which provides us with a facility in Eastern Europe which we have been looking for. So it provides us a strategic rationale at various fronts, which justifies the premium that we have paid.

Chirag Shah Are the Cooper Tire assets in China used for export to American markets?

Gaurav Kumar They export to various geographies. They do export to their own operations in North America and Europe but also, they do export sizeable quantities to markets in Australia, Southeast Asia.

Chirag Shah How much of the revenue mix in China, how much would be the domestic markets over there?

Gaurav Kumar I would not have that figure readily Chirag. We will get those details in due course.

Chirag Shah Profitability wise, would Chinese operations be more profitable than the American operations or are they largely similar?

Gaurav Kumar It's not a fixed equation. There have been years in which China business has been more profitable and there have been years in which North America business has been more profitable. So the market dynamics in each of these would dictate and it's not a fixed equation between the two.

Chirag Shah Does Cooper Tire have any rubber plantations?

Gaurav Kumar No.

Chirag Shah Any plans to look at that as an option? Is there any thought process that was there which also drove you to look at Cooper Tire?

Gaurav Kumar No, rubber plantation was not something which drove us to consider a transaction regarding Cooper Tire. We did look at rubber plantation business on our own and as i mentioned, that experiment was not something that turned out be very successful. So we are not looking at rubber plantation at least as of now. **Chirag Shah** What would be the maintenance capex at Cooper Tires and are they looking to expand the capacity?

Gaurav Kumar The capex last year in 2012 was about $200 million. Capex going forward is something that will be discussed and agreed between the parties and would also be a subject based on market growth and our own anticipated growth. Too early for me to comment on capex plans going forward.

Basudeb Banerjee
Quant Capital The average EBITDA last year being somewhere around $525 million and as you said the synergies benefit somewhere around $80 – $120 million. So how long one can expect that to trickle down to the EBITDA other things remaining the same?

Gaurav Kumar We would not be able to give out margin guidance. But the synergy number that we have mentioned, is expected to be realized in about 3 years' time, further to which the number should be a steady number. We would also incur one time cost as we put in place the synergy programs and we would incur that upfront over the 2 years. But we would not be able to give out margin guidance for Cooper business going forward as of now.

Basudeb Banerjee As you said 70% of Cooper revenue comes from North America, so within the North American operations how much is import and how much is domestic sourcing?

Gaurav Kumar There is some amount of imports from China and Mexico. I won't have the exact percentage.

Basudeb Banerjee But primarily majority is domestic?

Gaurav Kumar Majority is manufacturing out of US which is sold in the US, North American markets.

Basudeb Banerjee As per the last conference call, you said you had plans of Thailand capex and some capex in Europe. So, post this acquisition what are your thoughts on those plans?

Gaurav Kumar Those capex would be put on hold. Given that this transaction gives us capacity in Eastern Europe in terms of Serbia facility, it is also something that gives us capacity in China which we will use to serve the ASEAN markets where Cooper has presence and also the Australian market. We would not be looking at any green field in the near future.

Basudeb Banerjee	Can you comment on the working capital scenario of Cooper per se whether it is on negative or the positive side?
Gaurav Kumar	There is a positive side working capital. I would not be able to comment in detail on its cycles as my insight into the business is limited at this point of time. It's a working capital which when we studied or looked at the company is pretty normal for a tyre company.
Jatin **Credit Suisse**	My first question is on the brand positioning between Vredestein, Apollo and Cooper. How do you see that in various markets, clearly Vredestein was positioned as a much more premium brand than Apollo, where does Cooper fit in?
Gaurav Kumar	That would again be decided in consultation between the two managements. The positioning in each market would also depend on the existing brand positioning that the brand enjoys. So, difficult for me to give a universal brand positioning. Vredestein would continue to remain as our premium brand in general and then we would decide on appropriate brand positioning for the various brands and the specific product segments as we address different markets.
Jatin	Do you have details on Cooper's market share in the US in terms of replacement passenger cars?
Gaurav Kumar	The market share broadly is 14% in the PCLT category in the replacement market.
Jatin	In terms of equity dilution, is that now completely ruled out or do you think that at some stage given where the debt equity is, you would need to go through that route again?
Gaurav Kumar	As I mentioned earlier, at this stage our approval for equity raised through QIP was till November 2013 which is few months down the line. As of now

for this transaction, we have got the committed funding in place. We don't anticipate raising equity for consummation of this transaction. Going forward, what funding needs are there and what should be done about it, is something that would be assessed and action taken. There is nothing that is firmed up on that as of now.

Jatin

In the Vredestein deal over the last 3 – 4 years, what kind of synergies have you seen with that acquisition?

Gaurav Kumar

I would have to come back to you with a number. It is reflected in the fact that when we acquired Vredestein in 2009 it was at a run rate of revenue of €300 million and about 11% EBITDA margin. In the last 4 years if you look at the top-line growth, we have reached at about €425 - 430 million but that's the growth over a 4 year period. And if you look at last 4 years EBITDA margin rather than a one single year, they have been in the region of 16%.

Pankaj Tiberwal
Kotak Mutual Fund

I was going through the transcript of Cooper's just a month back where it suggested that the operating environment remains quite challenging with volumes dipping across geographies. Price mix being at worse and Chinese import barriers now being lifted and with the yen being weaker, you are seeing price promotions and invoice pricing being given at a discount. So with raw material, most of the benefits flowing in the first quarter itself, don't you think you guys on a trailing basis seems to have paid more because the operating challenge or the operating environment on the ground remains challenging?

Gaurav Kumar

There are challenges currently of market growth across various markets. We are facing that in India and Europe as Cooper is facing in its own markets. Yet if you also see in their transcript or in their result, they have reported an extremely good EBITDA. So sometime, some of these factors of low market growth is still coming in with extremely good EBITDA because the raw material scenario is still benign. So to that extent if you factor in the risk of low market growth it's combined with a very high EBITDA. The price mix adverse is something that we ourselves are seeing in various markets.

So, that's no surprise. Because there is pressure on volumes, there are discounts that peers tend to run. And you have to react to that in the market, there is no choice. As long as the overall business is managed in the manner where it's still generating healthy margins and cash flows, we believe we still got enough capacity to be able to service the kind of funding we envisage for the transaction.

Pankaj Tiberwal My only fear was the raw material, which could be a temporary benefit and the operating environment could be a more sustainable one which is being shown. So in terms of the $2.5 billion which we are paying is slightly more when we look at forward multiples where the performance could not be sustainable on the margins both on international and North American front.

Gaurav Kumar It is difficult to predict whether for Cooper or for Apollo, margins in the past have fluctuated. So I would not at anyway claim that this is a stable margin business. Equally on the growth side when volumes start improving, it sometimes is accompanied by raw material price increases and sometimes the pace of raw material price increases is not able to be matched by selling price increases which results in dip in margins. So to predict out the markets and margins accurately would always be a difficult task. We believe we have done a thorough study of it, factored in some of the risk and felt comfortable in paying the price that we have paid.

Pankaj Tiberwal Across the globe you are seeing global companies looking more at emerging markets but at Apollo we have been more comfortable looking at developed markets and growth being a challenge there, more from a structural angle as for Cooper, 70% of the revenues come from North America. Just wanted to understand managements thought process of moving more into a developed market rather than having the option to build capacities in South East Asia which was a stated objective till few months back and also looking at some of the expansion where you have been established in Europe. So just from a thought process how comfortable you guys are from structural perspective. Are you guys expecting a very strong pick up in the US going forward in next few years and you think your payback will be much faster? What are you guys anticipating?

Gaurav Kumar If you look at some of the larger players, in general, capacities have been set up more in the emerging markets but if you look at all recent big announcements in the last couple of years, people are setting up capacities not just in emerging areas like China, etc., but even in US. Very recently Yokohama announced setting up a plant in US. Hankook has stated its intention to set up its first tyre plant in US with a large investment. Continental, Michelin are investing into US to expand their capacities. So all the large players while focusing on some of the emerging markets are not ignoring large mature markets like US and are building up capacities there. This transaction in one shot gives us a scaled up presence in North American market, with an established brand and good manufacturing capabilities. Simultaneously it gives us a fairly scaled up business in China, something which we have been looking for a number of years and not felt comfortable with the kind of opportunities we have come across. Lastly, it also gives us an east European facility which is something which was our stated intention. There is always a question in terms of acquisition versus an organic expansion. Organic expansion comes with its own challenges. As you start building up a green field plant of a reasonable scale for example, our Chennai plant which is now a 500 tonnes per day plant, in terms of an investment it took us $500 million. And then you have to factor that the break even is achieved 3 – 4 years down the line. So there is challenge both in acquisition and organic expansion and it's always to be evaluated at all points of time.

Moderator Participants due to time constraints that was the last question. I would now like to hand the floor back to Mr. Gaurav Kumar for closing comments.

Gaurav Kumar We would like to thank everybody for coming in at a short notice. We realize that in one hour we may not have answered all your questions and we would be happy to engage with you in various forums, in fact we would seek to visit various locations where investors are and attempt to provide greater clarity on any further questions that you may have. Thank you once again.