
India, August 06, 2014

Analyst / Investor Conference Call

First Quarter FY 2014-15

Aniket Mhatre: Good afternoon everyone and welcome to the post results conference call of Apollo Tyres Ltd. From the management team we have with us Mr Gaurav Kumar, Group Head, Corporate Strategy and Finance, Ms Ritu Kumar, Head, Financial Planning and Control and Ms Swati Taori, Group Manager, Accounts. I would now request Gaurav to begin with his initial comments on the results and then we can start the question and answer session.

Gaurav Kumar: Good afternoon everyone and thank you for joining the call. A few quick opening remarks:

On a consolidated basis, the sales for the quarter were at Rs 32.4 billion, a marginal growth of 1% over the same period last year, not much change from a volume or a price perspective. The EBITDA margin for the quarter was at Rs 4.3 billion at 13.3%, improved by almost a percent over the same period last year led by improvement in margin in the India operations. The raw material cost for the quarter on a consolidated basis declined by about 4%. In terms of our revenue mix, about 77% was through replacement and the balance through OEM.

The share of the truck tyres in the overall pie went up marginally to 48% with a drop in car tyres to 32%. The net debt figure continued to come down as compared to March -14 quarter net debt of Rs 9.6 billion. The net debt as of June-14 was at Rs 6.3 billion with a net debt-to-equity ratio as low as 0.13.

Moving on to specific operations and starting with our Indian operations:

The sales for the quarter were at Rs 22.9 billion, up by 6% over the same period last year. This was primarily due to increase in volumes. The EBITDA

margin for the quarter was at Rs 2.9 billion at 12.6% compared to 11.7% last year. The net profit margin has gone even higher at 6.1% given that interest costs have been coming down for us. The net debt figure for the Indian operations was at Rs 9.8 billion compared to Rs 13 billion as of previous quarter ending March-14. The revenue segmentation for the Indian operations was similar i.e. 77% from replacement and 23% from OEM market. Truck tyre segment contributed 65% to the revenues, car tyres -16% with the balance made up by light truck, farm and other categories.

Moving on to our South Africa operations, which have come down by more than half, given the transaction with Sumitomo. The sales for the quarter were at Rs 1.5 billion compared to a similar level of sales in the previous quarter ending March-14 when the operations were on a like-to-like basis. On the net profit basis, the operations were marginally profitable at Rs 13 million compared to a higher profit of Rs 90 million in the previous quarter.

For the European operations:

The European economy is showing signs of revival. The EU region had a growth of 2% in the current quarter and even the market for car tyres has shown a growth rate of 6% in this quarter. However with the overall demand scenario in line with industry action, we had to reduce prices by about 5% since raw material prices declined. The sales for the European operations for this quarter were at Rs 8.5 billion which is an 18% growth over the same period last year. However, 13% out of this is due to currency effect, so the combination of volume, mix and price is 5%. The EBITDA margin for the quarter was at Rs 1.3 billion at 15.9%, compared to 16.2% for the same period last year. We continue to take actions to promote our brand in Europe and are actively testing the truck tyres in preparation for the capacity that would come up with Greenfield.

In terms of capacity, our utilisation in India has gone up. It is up in the high 70s and particularly for the Chennai plant, the capacity utilisation is above 80%. In

Europe, we continue to operate at 90% plus capacity utilisation, so almost at peak capacity.

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

Ruchi Vora

UBS: My first question is, can you please reiterate the margins in India and in Europe this quarter versus last quarter and also sequentially?

Gaurav Kumar: For Indian operations, the EBITDA margins were at 12.6% compared to 11.7% for the same quarter last year and the EBITDA margins in the March -14 quarter were at 12.1%.

For European operations, the EBITDA margins were at 15.9% compared to 16.2% for the same quarter last year and sequentially the EBITDA margins for the March-14 quarter were at 17.3%.

Ruchi Vora: Just wanted to understand the margin bit, what is our expectation for the European business on margins and the rubber price movement in terms of competitive intensity. Also on the pricing front, what are our expectations for the full year? I understand you do not give a guidance, but if you can just give us some qualitative trend?

Gaurav Kumar: We have always maintained that we would not be able to give out guidance on margins. Right now given the raw material prices, the European industry reduced prices and we took actions in line with the industry to reduce our prices which on an average was about 5%, different across different SKUs. And how this will go up going forward is difficult to comment. It will depend upon the price movement of raw materials.

Ruchi Vora: Excluding raw materials, do you believe there is a potential for further margin correction?

Gaurav Kumar: We have not seen any indications which give us a hint, either ways; there is pricing action as of now only in light of the raw material movement.

-
- Ruchi Vora:** Understood, my next question is on the capital expenditure of Euro 500 million, can you just reiterate how are we going to spend it, how our capacity will span out and how would we capitalise going forward. Can you just touch upon that.
- Gaurav Kumar:** Our plan for spending Euro 500 million in the European Greenfield is over the period of next 5 years, so the capital expenditure plan is till end of December 2019. This will result in a capacity of 5.5 million car tyres and 675,000 truck tyres which would come through by the end of 2019, so available for sale in 2020. In terms of starting production, we expected to begin in early 2017 and then the capacity would ramp up through 2017, 2018 and 2019 to the final capacity. I do not have a capitalisation schedule, but that would also happen gradually. It would come in one shot.
- Ruchi Vora:** Can you at least give us some indication what is the percentage of capital expenditure which would be spent over the next two years?
- Gaurav Kumar:** I do not have the exact spends right now, but if I remember correctly, over the next two years which is 2015 and 2016 we would be spending close to Euro 200 million.
- Ruchi Vora:** That is combined right, 2015 and 2016 is collectively Euro 200 mn.
- Gaurav Kumar:** That is correct.
- Ruchi Vora:** Could you also touch upon the capital expenditure in India?
- Gaurav Kumar:** As we have announced recently, we are looking to further expand our truck radial capacity in Chennai. About Rs 15 billion will be spent over the next couple of years. Our capacity utilisation in Chennai has increased to over 80% and hence we are looking to expand that capacity. Also as a continuation of what we have been talking about, converting our smaller plant in Kochi, the Kalamassery plant into OHT segment. That is a capital expenditure of about Rs 5 billion to be spent over the next 4 years. These are the two capital

expenditure plans that have been announced right now for the Indian operations.

Basudeb Banerjee

Antique Stock

Broking: For the standalone operations, can you breakup the revenue growth in terms of volume and pricing?

Gaurav Kumar: Standalone operations had a growth of 6% year-on-year, 5% through volume and 1% through price and mix.

Basudeb Banerjee: And what were the basic commodity cost this quarter in terms of rubber, nylon etc.?

Gaurav Kumar: The estimated landed cost for Natural rubber was around Rs 160 per kg, Synthetic rubber at around Rs 140 per kg, Fabric at around Rs 295 per kg and Steel Cord at around Rs 120 per kg.

Basudeb Banerjee: What will be the basic maintenance capital expenditure for India plus Europe operations in each of these years? I hope you did not include that in these numbers.

Gaurav Kumar: The maintenance capital expenditure in India is historically around Rs 1 billion and Europe is also a similar number of Rs 1 billion.

Basudeb Banerjee: So the numbers which you mentioned, these are excluding the basic maintenance capital expenditure.

Gaurav Kumar: That is correct.

Basudeb Banerjee: And one more thing like as you said the East Europe facility will start operating from 17 which is fiscal 17 or CY17?

Gaurav Kumar: We expect to roll out the first tyre in early CY 2017.

-
- Basudeb Banerjee:** So broadly we are beginning on FY18. So what will be the peak TPD and initial TPD?
- Gaurav Kumar:** Initial TPD is practically a very small, may be single digit number because as we start commercial production, it is a small capacity. If we just apply average weight because at this stage it is difficult to estimate a product mix, the final capacity would be about 250 tonnes per day.
- Basudeb Banerjee:** As you said margins in Africa were bit lower, any one-offs or is it just a volatile aspect per se?
- Gaurav Kumar:** It is a small operation. We are still in the process of establishing our sales and distribution network. We still need to improve the capacity utilisation there to get it to a desired level.
- Basudeb Banerjee:** What is the present utilisation level?
- Gaurav Kumar:** Present utilisation level continues to be in high 60s%.
- Amyr Pirani**
- Deutsche Bank:** Just to go back to the European business, so in rupee terms your revenue growth I think is around 30% YoY. Out of that you mentioned that currency was around 13%.
- Gaurav Kumar:** No, the year on year growth for European operations is 18%, of which 13% is currency impact.
- Amyr Pirani:** Because if I look at your numbers, I think you had Rs 7.3 billion of revenue in Europe in Q1 last year which is Rs 9.5 billion this year. So 17% is the euro number or the rupee growth?
- Gaurav Kumar:** What also happens is that when the segmental results are announced, the revenues are reported at the holding company level. In Europe, there are other subsidiaries for example our ASEAN operations is under the European holding company level whereas what I have said is for Apollo Vredestein. In

Euro terms, the Apollo Vredestein operations grew from Euro 98 million to Euro 103 million.

Amyr Pirani: And you said that volume growth was how much for you?

Gaurav Kumar: Volume growth was 7% for Europe.

Amyr Pirani: And just on the price reduction. Is it just price being reduced or is it also because the share of Apollo branded tyres is increasing which would obviously impact the overall realisation at that business.

Gaurav Kumar: Right now, it is the case of prices being reduced. The Apollo volumes in the mix is still very small. This quarter, nothing dramatic has happened on that.

Amyr Pirani: On European capacity, just to reconfirm, you will have around 7 million capacity this year at Vredestein.

Gaurav Kumar: That is correct.

Amyr Pirani: And I think you can export something like 1 million from here.

Gaurav Kumar: That is correct. If the market is there, we have the capacity to export that.

Amyr Pirani: So what I just want to understand is what kind of volume growth can you achieve given in fiscal 15 and fiscal 16, if the market is there, given that your first tyre rollout will only be in fiscal 18 from new plant.

Gaurav Kumar: Right now I would not want to comment on what growth is possible. We have enough capacity in India to cater to the Indian market and the demands of the European market and the Greenfield planning has been done keeping in mind that right now we have enough capacity on the car tyres in the Indian operations.

Amyr Pirani: What would be your capacity utilisation at Vredestein right now?

Gaurav Kumar: Vredestein is running at about 90% plus capacity utilisation.

Jay Kale

CIMB Securities: My first question is related to the replacement market growth in India. How has that shaped up and in terms of the truck replacement as well as the car replacement?

Gaurav Kumar: Unfortunately, we are not getting industry data now. So we do not have estimates of how the industry has grown. We are only getting the industry data with substantial lag. At this stage, I do not have the data for industry.

Jay Kale: For Apollo, what would that be?

Gaurav Kumar: Our truck volumes have grown by 6% and a similar number on the car tyre side.

Jay Kale: On the truck OEM profitability, how has that shaped up because earlier I believe that on the radial side we would be operating at breakeven or sometimes even losses. So has that improved. How has the pricing with the OEMs moved after the reduction in raw material prices?

Gaurav Kumar: I would not be able to give numbers on sub segment profitability. Right now, the truck OEM is profitable including TBR OEMs.

Pramod: Couple of questions. One, you have been surprising the markets on the incremental capital expenditure for Europe and India. So are you changing your growth profile for the company or how do we look at it. And second, what is the status of Asia expansion other than India considering that you have substantially raised the capital expenditure for the years to come?

Gaurav Kumar: I am not sure where the surprise comes from because on the Europe Greenfield, we have been talking this number for sometime and it has remained the same over the five-year period. On the Indian expansion of Rs 20 billion is what we already announced in early July and one month down the line, that plan is still the same and that is because our capacity utilisation has gone up in Chennai. We feel the need to increase capacities in time and on the conversion of the Kalamassery plant to a different product segment given

the declining demand on the truck bias side is again what we have always talked to the market. Your third point regarding ASEAN capital expenditure, we had at one point of time talked of a Greenfield in ASEAN. As of now, there are no concrete plans on that. The capital expenditure plan right now before the company is the European Greenfield and the two Indian capital expenditure plans that I talked about.

Pramod: And any broad thoughts in terms of with this capital expenditure coming through, what will be the company's topline target by 2019 or something on a 5-year basis?

Gaurav Kumar: As of now, I would not be in a position to give out revenue numbers for future.

Ashutosh Tiwari

Equirus Securities: Currently what is the capacity in terms of tonnes per day at Chennai for PCR and TBR?

Gaurav Kumar: Chennai, right now is at an overall of 500 tonnes per day capacity. Truck capacity out of this would be about 380 metric tonnes per day.

Ashutosh Tiwari: And in the expansion you have planned, how much it will work to?

Gaurav Kumar: I do not have that number readily. Ritu, are you aware of the expansion in tonnage terms?

Ritu Kumar: It would be about 190 metric tonnes per day.

Ashutosh Tiwari: So you are in a very comfortable position in terms of net debt-to-equity, you said 0.13 basically on a consol basis and your capital expenditure is well over next 3-5 years. Then why this need to raise capital?

Gaurav Kumar: We have taken an enabling resolution which allows us to raise capital over the next one year. The quantum, the timing or the instrument nothing has been decided. We are evaluating alternatives. So whether we would raise capital or not is something that has not been firmed up internally yet.

-
- Ashutosh Tiwari:** And in terms of the other income that you reported, is it all interest income, dividend income or this is something one-off also in this quarter.
- Gaurav Kumar:** There is no one-off. There is gain on forex fluctuation, certain dividend from short-term investments etc.
- Ashutosh Tiwari:** And in Europe essentially, your smaller capacity expansion that will come through by what timeframe or is it already operational?
- Gaurav Kumar:** It is already operational.
- Ashutosh Tiwari:** And you are saying that over that essentially you are operating at 90% plus?
- Gaurav Kumar:** That is correct.
- Nikhil Deshpande**
- Share Khan:** I just wanted to know, about the competitive intensity in India. How are you seeing the pricing for production in India in the replacement market?
- Gaurav Kumar:** We have not seen any significant change in competitive intensity. As I mentioned for our Indian operations, our revenue has had an improvement of 1% through a combination of mix and price. So it has remained at a fairly stable scenario.
- Nikhil Deshpande:** What is your truck bias capacity in India at the moment?
- Gaurav Kumar:** Truck bias capacity would be somewhere around 600 metric tonnes per day. I do not have an exact number.
- Nikhil Deshpande:** This including Kalamassery?
- Gaurav Kumar:** This is across Baroda, Perambra, and Kalamassery plants, as we are now in a phase of converting some of that capacity. I do not have the figure as of this quarter.
- Nikhil Deshpande:** What will be the conversion? How much is the conversion in plant in Kalamassery?

- Gaurav Kumar:** Once we go through the entire conversion at Kalamassery, about 110 metric tonnes of capacity would be converted into the specialty and industry tyre segment.
- Ambrish Mishra**
- JM Financial:** Your operating capital expenditure you mentioned €200 million would be through 2015 and 2016. But you think the capitalisation of the same would happen only once the plant starts operations?
- Gaurav Kumar:** The capitalisation would happen once the plant begins production. So it would happen only at in the beginning of 2017 when the plant begins production.
- Ambrish Mishra:** On India capacity, I am sure with the conversion happening for the specialty tyres. How do you see the revenues flowing into our P&L and over at peak what kind of revenue it can generate and what kind of margin do you expect from this new vertical?
- Gaurav Kumar:** I would not be able to comment on the revenue and the profitability of the new segment as details are still being worked out.
- Ambrish Mishra:** But when does it get operational in terms of commercial supplies?
- Gaurav Kumar:** We already have a small capacity at Kalamassery converted into this segment, of about 20 metric tonnes per day. The work that needs to be done is to continue the conversion into this segment further and hence over the next 4 years, the entire 110 tonnes would get converted. Right now itself, we are already operating in this segment.
- Ambrish Mishra:** And just the last question. The price cut in Vredestein, when was this undertaken?
- Gaurav Kumar:** It has been done through the quarter. There are multiple countries, multiple product segments and sub segments. So there is no one single day when a price cut was announced.

-
- Ambrish Mishra:** But let us say since June end, we have not taken any price cut. In a way, this quarter we have not taken any price cut yet.
- Gaurav Kumar:** I am not aware of any price cut post June, but that information does not flow to us on a weekly or fortnightly basis.
- Alok Agarwal**
- Striver Capital:** The reason I am here on the call, you are a very old-handed Apollo Tyres right and the brand and the fee and the corporate governance, they all go hand in hand together. Unfortunately like the fear has been stocked in investor community, will Vredestein will be sold out to some entity or some promoter entity. This fear has been raised by couple of people and I am raising the issue on the call so we can communicate to the top board and the management. What did happen in one of the group companies where the board is almost common, a hospital has been sold pretty cheaply at 180 crores what market was expecting at Rs 800 crores to Rs 1000 crores. So what I am trying to say is that just a humble communication to the board I think the fears has been raised even a Vredestein which is a very good company, they acquired about 5-6 years back at a great price can be sold to some promoter entity or some other company at a low price. So just a communication because the corporate governance is the issue and PE may take a knock. Is a fear, I am not saying it is going to happen, a fear has been raised. So a communication will be helpful to the board and so written communication to an investor community can also be made too, of the same.
- Gaurav Kumar:** Alok I would not be able to comment regarding a business other than Apollo Tyres.
- Alok Agarwal:** I am not looking for your comment, but a communication to the board will be helpful.
- Gaurav Kumar:** Sure.

Arjun Tandon

Matsya Capital: Can you just help me out with the commodity cost for last year same quarter and the previous quarter for rubber, synthetic rubber, fabrics, and steel cord?

Gaurav Kumar: The prices for the same quarter last year, Natural rubber was at around Rs 180 per kg, Synthetic rubber at around Rs 160 per kg, Fabric at around Rs 290 per kg and Steel Cord at around Rs 110 per kg.

Arjun Tandon: And the last quarter?

Gaurav Kumar: Last quarter Natural rubber was at around Rs 160 per kg, Synthetic rubber at around Rs 140 per kg, Fabric at around Rs 295 per kg and Steel Cord at around Rs 120 per kg.

Daksha Sheth

Anvil Share & Stock

Broking: Can you throw some light on South Africa topline and margins, why have been margins down and what do you guide going forward and outlook or some idea on it?

Gaurav Kumar: We would not give guidance on margins or topline of South Africa operations or any operations.

Daksha Sheth: But why were the margins down this quarter for South African operations?

Gaurav Kumar: South Africa in its first quarter had certain other income and there is no substantial change. Size of the operations are at a level where small change in an absolute amount seems big in terms of percentage.

Jatin Chawla

Credit Suisse: The question is that the numbers that you gave out on the individual cost items, rubber going from around Rs 180 per kg to around Rs 160 per kg and most other cost items also declining marginally even on a quarter-on-quarter basis. Gross margin expansion does not seem to be commensurate with those reductions. Am I missing something here?

Gaurav Kumar: What I give out is an average price for the industry through the quarter. Since, there are different buying patterns, prices are different on a day-to-day basis. So where the net number ends up for a particular company is different, then there is a price and mix impact in two different geographies. So trying to correlate the raw material price individually to say that it must flow to the gross margin would not be the accurate exercise.

Jatin Chawla: I was just looking more from an India business perspective where the expectation was that if this is the kind of rubber price they claim that we have seen, then the gross margin expansion should have been slightly higher. But I understand your point that this is, I thought the numbers that you gave out were Apollo's costs during those quarter, not the industry numbers for that.

Gaurav Kumar: The numbers are the average industry prices on consumption basis.

Jasdeep Walia
Kotak Institutional

Equities: The capital expenditure number that you gave for Europe of around Euro 500 million seems a bit high when we consider that you have created this Chennai facility of 500 MT per day and you have spent close to around Rs 23 billion. I can understand that rupee has depreciated and it has been around 3-4 years since the Chennai capital expenditure was completed, but still the capital expenditure number is close to Rs 40 billion and the capacity is only 250 MT per day. Why is that discrepancy?

Gaurav Kumar: Firstly, In terms of a timescale, the difference is about 6 years. The Chennai project work started in end 2008. This would be started in end 2014, so 6 years apart. Secondly, when the Chennai project was started which was right at the midst of the global crisis. The prices that we were able to get from the equipment providers were far different than what you can get today and thirdly, is the fact that construction cost in Europe is significantly higher than in Asia or in India.

- Jasdeep Walia:** And if I remember correctly, the last conversion that you did from bias to OHT was around 75 MT per day and it cost around Rs 2 billion. Now this time around you are converting around 100 metric tonnes of capacity to OHT and capital expenditure is substantially higher.
- Gaurav Kumar:** We had planned that conversion but that conversion never happened. What we have converted in Kalamassery is only 20 metric tonnes per day and we had indicated that we would be converting more capacity, but we have been going slow as we develop the market and only now would we go ahead with the entire conversion.
- Jasdeep Walia:** But at that time you had given an indication of capital expenditure of Rs 2 billion for 75 MT per day which would imply that 100 MT would cost around Rs 2.5-3 billion, but the number that you have given us right today is around Rs 5 billion. Is there some special kind of tyre making facility that you are trying to create or why is that difference between the capital expenditure?
- Gaurav Kumar:** One, because of the timing differences, again the price of equipment, the rupee depreciation would make that change. Also the mix has been altered to go in for higher end sizes, more advanced sizes which have also caused a change in capital expenditure.
- Jasdeep Walia:** And the intersegment sales in the consol results have increased significantly. I think they were around Rs 2.28 billion in fourth quarter and they have increased to around Rs 3.6 billion I think in this quarter. I am presuming these are basically exports from India to Europe, am I correct?
- Gaurav Kumar:** Yes. The largest chunk would be exports from India to Europe, but there are also exports from India to ASEAN operations. There are exports towards Latin America operations and Middle East operations.
- Jasdeep Walia:** But your intersegment sales have increased, but European turnover has not increased to that extent.

-
- Swati Taori:** The intersegment revenue for the quarter is just Rs 1.97 billion, I am not sure where you are getting that 3.6 number from.
- Jasdeep Walia:** Could you give us the revenue mix for the standalone business in this quarter?
- Gaurav Kumar:** Replacement overall contributed 77% to revenues of which 67% is domestic replacement and 10% is exports, and 23% came from OEM. Truck contributed 65%, car tyres at 16% and the balance was light truck, farm and other category.
- Jasdeep Walia:** Got it and how has your market share moved in the first quarter if you would have any idea on that?
- Gaurav Kumar:** Again we do not have industry data. So we would not be able to give estimates on market share right now.
- Jasdeep Walia:** I think Michelin's plant was commissioned around 6 months back if I am not wrong. Have you seen significantly higher amounts of ground activity on Michelin and how are they scaling up in terms of market share, etc. if you have any idea on that?
- Gaurav Kumar:** Again we do not have estimates of Michelin. Michelin continues to be a key player in the truck radial segment and our benchmark in terms of pricing is a little below Michelin tyres, but we do not have an estimate of their market share.
- Ajay Shethiya**
- Centrum Broking:** Given the fact that most of the guys are sort of adding up the capacity, just wanted to get your sense on Michelin commissioning, Bridgestone coming up, how do you see the overall demand supply situation over the next 2 or 3 years?
- Gaurav Kumar:** The capacity additions have been in line with the announced plans or in fact slower than the announced plan that were made over the last few years. We still need to see how demand would shape up, but at this stage we do not see any kind of an excess supply scenario in the industry. In the last few years, the

industry has tempered its capacities coming on stream in line with how demand has shaped up.

Ajay Shethiya: What would be our total capacity at this point in time inclusive of everything?

Gaurav Kumar: Total India capacity is about 1,400 metric tonnes per day.

Ajay Shethiya: You have seen rubber prices being benign over the last few quarters and most of the companies are yet holding on to the prices and not completely passing on to the consumers. However, do you see any pressure points where industry is asking for the benefits to be passed on to the consumers or the end-users?

Gaurav Kumar: Again difficult to forecast and I would not be able to comment on what industry action could be taken. If there is action by the industry as was done in Europe, we will have to be aligned with the industry.

Ajay Shethiya: But no such indications as of now from anyone?

Gaurav Kumar: Right now, there are no such indications.

Basudeb Banerjee

Antique Stock

Broking: As you said Europe capacity is close to 7 million, so what will be the corresponding in TPD terms broadly?

Gaurav Kumar: Roughly in TPD, it would be about 180 metric tonnes per day.

Basudeb Banerjee: 180 and as you saying that it is running close to 90%. So broadly you can say 15-20 is the spare capacity presently.

Gaurav Kumar: There is not much spare capacity because a tyre plant is not able to operate at 100% capacity. You would always have some amount lost in SKU changes, downtime maintenance. 95% is the peak that you can operate at.

-
- Basudeb Banerjee:** So by that line and as you had said that Chennai TBR is 380, so the remainder PCR will be 120. So at what level we are operating presently through the Chennai PCR now? So basically wanted to know how much is the spare which can be supplied to Vredestein from Chennai now?
- Gaurav Kumar:** I do not have the numbers as to where Chennai PCR capacity is operating. I know that the Chennai plant is operating at 80% plus and we have capacity in place to service Europe for the next 2 years.
- Basudeb Banerjee:** And this incremental 190 TPD in Chennai, what will be the breakup in terms of PCR and TBR?
- Gaurav Kumar:** Chennai capex is entirely TBR. There is no PCR expansion right now.
- Basudeb Banerjee:** The incremental 190 entirely TBR?
- Gaurav Kumar:** That is correct.
- Basudeb Banerjee:** And it will be broadly operational from FY16 end?
- Gaurav Kumar:** As of now, we do not have a date. The project details in terms of equipment etc. are being done. We do not have an exact timeline as to when that capacity comes on stream.
- Amyr Pirani**
- Deutsche bank:** Just to go back to Europe, the 7% volume growth that you had in this quarter, just wanted to understand is it that the market for you was growing at that rate or were you limited by capacity to grow faster?
- Gaurav Kumar:** As I mentioned, the market in Europe has grown by about 6%. We were not limited by capacity in Europe.
- Amyr Pirani:** But I think the segment that you are in which, I think 40%-50% of your tyres are in the high performance segment, is that segment growing faster than the market or is it line with the overall market?

-
- Gaurav Kumar:** That segment also has grown in line with the market.
- Amyr Pirani:** And in this quarter, have you already seen any dispatches for winter tyres or that will come only next quarter?
- Gaurav Kumar:** We would have to specifically check with the operations, but the winter tyre sales do begin from August onwards.
- Amyr Pirani:** And lastly, the supply that you do from Chennai to Vredestein, would it matter whether you have capacity available in PCR or TBR or is it agonistic of that? Just following up from where Basudeb left at actually?
- Gaurav Kumar:** Capacity for TBR and PCR are not interchangeable at all and what we supply today to Europe is only car tyres. We are still in the stage of testing our truck tyres into Europe. So that is a completely separate segment. We can not switch capacities between the two product segments.
- Amyr Pirani:** Fair enough and is it possible for you to give the volume numbers for Europe for this quarter? How many tyres you sold, would you have that?
- Gaurav Kumar:** No, I do not have that readily right now.
- Prayesh Jain**
- IIFL:** Wanted to know the breakup of OEM sales that we do in India between trucks and passengers.
- Gaurav Kumar:** I do not have that readily.
- Prayesh Jain:** Could you give me your outlook for the replacement demand especially for the TBR over the next 1 year or 2 years in the domestic market?
- Gaurav Kumar:** Unfortunately right now, I am not in a position to give out demand outlook. We will have to go back and check with our people. Our capacity utilisation, compared to previous year or previous quarter, have seen an increase in Chennai from about mid-70s. Currently, the Chennai utilisation has gone up above 80%. So we have seen a pickup on that count.

-
- Prayesh Jain:** And lastly what would be the outlook for the rubber prices globally because in couple of places we were reading that the surplus situation is pretty high globally. So what is the outlook in terms of rubber prices from your end?
- Gaurav Kumar:** We are also reading the same articles. So right now all experts seem to be predicting that rubber prices would continue to remain fairly stable.
- Jay Kale**
- CIMB Securities:** I have just one question. Regarding your specialty tyres, do you intend to take this specialty tyres forward as in after your bias tyre capacity has been converted to specialty tyres. Are you looking at the segment seriously in terms of further capacity expansion?
- Gaurav Kumar:** We will look to grow in this segment, but that would depend on how we fare with the initial conversion of capacity for future decisions.
- Jay Kale:** And what would be the number of SKUs for you currently in the specialty tyres?
- Gaurav Kumar:** We would have to check on that with the operational people.
- Aniket Mhatre:** On behalf of Standard Chartered Securities, I would like to thank the team of Apollo Tyres Ltd. Thank you for joining us.
- Gaurav Kumar:** Thanks everyone