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2nd Quarter of Financial Year 2011-12

Aniket Mhatre: Welcome to the post results conference call of Apollo Tyres. From the management team, we have with us Mr Gaurav Kumar Group Head, Corporate Strategy and Finance, Mr Rakesh Dewan, Head Accounts, and Ms Ritu Jain, Head Financial Planning and Control. I would now request Mr Gaurav Kumar to start with his initial comments on the results, and we can then take on the questions and answers.

Gaurav Kumar: Good afternoon. Thanks for joining in. Let me start with a quick overview and some key highlights and then we can move to the Q&A. Overall for the quarter, the net sales recorded was Rs 28.7 billion, up 47% Y-O-Y and this was as a result of 31% growth through volumes and the balance 16% through price and mix. The EBITDA margin was at Rs 2.4 billion at ~8.5% and the net profit margin at Rs 0.8 billion at 2.7%. For the half year the net sales was nearly Rs 57 billion, up 51%, 32% through volume and the balance 19% through price and mix. The EBITDA margin was almost same for the first half year at 8.5% amounting to Rs 4.8 billion and the net profit margin again a similar number at 2.7%. Our consolidated net debt figure further went up to Rs 32 billion.

Moving on to specific operations; In Indian operations the net sales for the quarter was Rs 18.4 billion up 57% Y-o-Y; 37% of the growth came through volumes and 20% through price and mix. The EBIT margin fell from the previous quarter to 4.4%. The operations during the quarter faced intense pressure from the raw material side, which was further compounded by the currency depreciation in the 2nd half of the quarter, which negated all the raw material declines that had happened globally. The situation was further impacted because of a soft demand scenario especially in the truck tyre segment, where we saw an absolute flat demand. This, together with the fact that this quarter has a seasonality impact of low demand during the monsoons, resulted in volumes declining compared to the last quarter impacting margins. For our South Africa operations, the net sale for the quarter was Rs 3 billion, up 15%; 12% of the growth came from volumes and the balance through price and mix. The operating or the EBIT margin at 1.1%, showed improvement from the previous quarter though the company was still in the red for the current quarter. With the improvements that are taking place we expect further improvements to continue and to reach a situation of a break even for the full year. For Europe operations, the net sale for the quarter was Rs 7.5 billion, up 43%; 21% of the growth came through volumes and 10% through price and mix, and balance was the result of an exchange rate translation. The EBIT margin was at 10%. Significant benefits came from the fact that winter tyre sales starts much earlier now. Because of the last 2 years of severe winter, the inventory situation of winter tyres with dealers have been low, hence winter tyre sales started much earlier than the usual pattern. In fact in Europe we face a reverse scenario of inadequate capacity. We had an opportunity to sell much more if we had the capacity. Lastly on the near-term outlook; raw materials have softened and we expect Q3 raw materials to be flat for Indian operations compared to Q2, which is again predominately on account of the currency effect. For Europe where this would not play a role, we expect a few percentage points decline in the raw material and a more significant benefit on the raw material front would really flow in the 4th quarter. On the demand side particularly for Indian operations we are seeing a pick up in October, and hence both from a Q-o-Q sequential basis and even on a Y-o-Y basis we expect the demand scenario in the December quarter to be much better. Our Chennai facility continues to ramp up, we have reached a capacity of 250 metric tons per day including 3000 truck radials a day, which means reaching a capacity of about 100,000 truck radials a month and are now the largest producer of truck radials in the country for the last two consecutive months. That's all from my side. We would be happy to take questions now.

Chirag Shah, Emkay Global: Want some clarification on the data that you shared. You indicated 10% currency gain on Y-o-Y basis for your European operations? How would that be sequentially for you? Would it be more or less same or would it be a big change there also?

Gaurav Kumar: Sequentially there is no gain on account of exchange rate.

Chirag Shah: And also can you throw some light on the product mix change compared to last year for Europe and India operations. How has the product mix changed and how has it affected your margins?

Gaurav Kumar: For the Indian operations, if you look at the 2nd quarter the big change is that the OE component has gone up significantly. From about 25%, it has gone up to about 34%. That is a result of two factors -- a) Passenger car being a larger proportion where the OE component is more and secondly in the truck radial space presently the OE component is much larger. So that's making our OE mix in the overall revenue segmentation from a channel perspective much higher than previous years. In terms of category wise change, truck has gone up. Given the fact that we had a plant lockout for about 4 months last year in the 1st half, the proportion of truck revenue has moved up from 60% to 63%, and there is a corresponding decline in the passenger car segment. That's the only major change.

Chirag Shah: And on the European side, has the share of winter tyre gone up in this particular quarter compared to last year?

Gaurav Kumar: I don't have that information readily but winter tyres have gone up by few percentage points. In terms of replacement to OE or passenger car to other categories, there is hardly any change. Replacement continues to be about 85% of European operations and passenger car about 75%.

Chirag Shah: Have there been any one-offs -- plant shutdowns and so on?

Gaurav Kumar; There have been no one-offs except that plants have not operated at full capacity, particularly in South Africa and to some extent in India.

Chirag Shah: On debt and working capital, there seems to be a huge jump. Help us understand how it happened. Working capital seems to be up both in domestic as well as on consolidated level?

Gaurav Kumar: The working capital increase in India is a smaller one this quarter. The big increase internationally is because seasonally the inventory and receivables go up because of winter tyre sales and then drops to its lowest position in December. That is the usual seasonal cycle. Even in India and South Africa, the softness in demand has resulted in some increases in working capital. Debt increased on account of working capital in the two geographies and on account of the capex of Chennai.

Vaishali Jagoo: Can you give me an absolute number in tonnage terms for the current quarter for standalone as well as consolidated?

Gaurav Kumar: We would not be able to share standalone sales we don't do that, but on a consolidated basis the sales were about 120,000 metric tons for the quarter.

Vaishali Jagoo, Aegon Religare: Average rubber prices?

Gaurav Kumar: The average rubber price for the quarter was Rs 235 per kg.

Vaishali Jagoo: How do you see this going forward -- is it softening or will it continue to be at an elevated level for the next few quarters?

Gaurav Kumar: It will continue to be at an elevated level. Even today it is around Rs 200/ kg, which is fairly high, but on a sequential basis it could definitely be lower in Q3. India, as I mentioned, has less of a beneficial impact because of the fact that the Indian rubber gets priced at landed duty paid from overseas and the currency depreciation of 10% has not resulted in the benefits passing on. Europe operations would see raw material price reduction even in Q3, while India and South Africa operations would get the benefit more in Q4.

Vaishali Jagoo: Have we taken any price hike recently?

Gaurav Kumar: We have taken 2.5% price hike in the truck radial space in the end of August and we have taken a 10% price hike in exports in September in all categories. Similarly in OEM we have taken 1.5% price increase in this quarter in India operation.

Vaishali Jagoo: So this will reflect in the next couple of quarters but it is not fully offsetting the increased raw material cost?

Gaurav Kumar: It is not fully offsetting, but now the ability to take more price increases is not there because raw materials has started coming down from last month of the quarter, around September, and in that kind of a scenario it is very difficult to pass on price increases, especially when the demand is low.

Vaishali Jagoo: How is the demand in the replacement market. How has been the growth in the replacement and how you are seeing that picking up?

Gaurav Kumar: For the 1st half, the demand for truck tyres is an absolute flat one so there is hardly any growth. Industry data which does not give any insight into the inventory impact, shows 1% growth, but the feel that we get from our sales and marketing people is that it is a flat scenario. We are seeing some pick up in this quarter but I don't have a number on it.

Vaishali Jajoo: Is it showing a pickup in the current quarter?

Gaurav Kumar: That is correct.

Vaishali Jajoo: And your utilisation levels – is your Chennai plant bringing down your utilisation levels? Will it be coming down further?

Gaurav Kumar: It should not come down further. We had taken some production cuts in our other plants during the quarter. As per the current indication we should be increasing capacity utilisation also in Chennai. I would like to clarify that Chennai plant is not bringing down the utilisation level and is producing what it can produce. There is no full equipment in place to be producing at 450 metric tons per day today. It can produce only 250 or maybe at best 300 tons because equipment is getting commissioned on a regular basis

Ameen Pirani, Deutche Bank: Is there any regional disparity between the replacement demand for truck tyres in India? Are we seeing any such trends right now?

Gaurav Kumar: I would have to check specifically on that if there are regional differences within India because the data I get is more at an overall country level.

Naga Deepika, Capital Markets: I just wanted to clarify firstly on the price increases. What was the price increase in the Europe and South Africa operations?

Gaurav Kumar: In Europe and South Africa we have not taken any price increase in the quarter. We took price increases in June in both the operations. Post that no price increases have been taken in the current quarter.

Naga Deepika: There was some Rs 120 million of other income in the quarter. What does this pertain to?

Gaurav Kumar: It is essentially exchange fluctuations and some unclaimed balances.

Naga Deepika: Can you throw some light on the Tyre Cord Fabric and Carbon Black prices for the quarter and how are the pricing trends going on that front.

Gaurav Kumar: On Tyre Cord Fabric the average price for the quarter was Rs 250/ kg and for Carbon Black Rs 70/ kg. The trend on those also is down because crude prices came down a little. But again, we would see most of the benefit in Q4.

Naga Deepika: Do we import Tyre Cord Fabric and Carbon Black?

Gaurav Kumar: We import a very large proportion of our Tyre Cord Fabric; Carbon Black is a much lesser proportion.

Naga Deepika: What was the inventory level of Rubber on Tyre Cord Fabric currently?

Gaurav Kumar: We would not be able to share specific inventory level?

Naga Deepika: Okay on a consolidated basis what would be the inventory level?

Gaurav Kumar: On, an average we maintain 3 weeks of inventory.

Naga Deepika: You said the mix had been changing towards OEM in our India operations. Do you think this will continue going forward because OEMs will always have lower margins and what is your strategy after ramping the Chennai plant, in terms of flow of tyres into the OEM and replacement markets?

Gaurav Kumar: The OEM mix has been increased as a result of strategy on both truck radial and car tyre which typically would generate replacement demand down the line. In cars, the benefits are seen in the Indian scenario after nearly 4 years. It is a well-proven research that a very large proportion of customers tend to fit the same brand of tyres that are OEM fitted. Hence, it is a conscious strategy to have a high OE proportion in car tyers and it is not something which is different from the industry. Even for the industry the proportion of OEMs in the car tyre space is as high as 50%. The same is the case in truck radials today since the new technology tyres are being pushed more by the OEMs than in the replacement segment. Since we have become now the largest producers and market shareholder in the truck radial space, the proportion of OEM is higher given the industry dynamics.

Naga Deepika: But, will there be any compromise in the margin front going forward?

Gaurav Kumar: In the short-term it is impacting margins. There is no compromise because it is not as if replacement sales have been foregone today. That would be a case if we did not have enough capacity.

Shivani Kadam, India Nivesh: I just want to know what percentage of raw material is being imported?

Gaurav Kumar: Nearly half of it is imported but that is for India operations. South Africa would be a higher proportion given that it has fewer domestic suppliers.

Shivani Kadam: I have notice that the loans have increased in the balance sheet around 40%. Could you put some light on how much of your debt is from foreign lenders?

Gaurav Kumar: All of it is domestic borrowings. The debt has increased essentially in India. The South African debt levels have come down in a small way. The same is the case with Europe because of the strong result. So the entire borrowing increase is in India which is all in Rupees.

Saurabh Das, Sundaram

Mutual Fund: My question pertains to the Indian truck replacement market. Last time when we were discussing Chinese imports after the anti-dumping duty got waived off, we were quite apprehensive about the impact. So if you can throw some light on the impact assessment during the quarter and how that has led to some kind of market share pressure for us. And also the market share on the truck and car categories currently in India.

Gaurav Kumar: Imports impact during the quarter has come down. We have repeatedly mentioned, the press release that came was still not sort of ratified by the finance ministry and hence the anti-dumping duty continues to be imposed on Chinese tyres. To give you a specific number, in the previous quarter the import of truck tyres was about 220,000 tyres. As per the data available with us the figure in the current quarter is 180,000 tyres. We are still checking it if a certain number of ports have got missed out while collating the data. But even if that is the case the number has not gone up at all in the current quarter. The share of imports has comedown in the domestic markets.

Saurabh Das: And 220,000 tyres is on a total truck market of?

Gaurav Kumar: The total truck market is about 3.7 million tyres for the quarter.

Saurabh Das: Could you give us a sense of the pricing discipline in the market among the 4 major players within India. Do you see that continuing or is anybody acting a little away from the norm?

Gaurav Kumar: There is no disruption on the pricing discipline. But we have also not acted in a manner which some of the global majors have been able to do, which is take price increases well ahead of the raw material cost push. So whatever price increases were taken, was taken by everybody, but they have not been of a quantum which was enough. One of the aspects that work in favor of any of these global majors is that, unlike us, for every 10% increase in raw material price, they price increase they need to take is only 4%.

Saurabh Das: Because labor cost is a much higher proportion there?

Gaurav Kumar: Whereas in India the requirement for us has gone up to as high as 7.5% and that brings its own set of challenges. So the efforts required by us are almost double of that required by a global major. While pricing discipline has been there, it has not been good enough for us to cover up the raw material cost-push quickly enough. Thankfully, what we are seeing is some bit of stagnation and decline taking place in raw material.

Saurabh Das: As of now you do not see a reason to decrease prices because of the falling rubber price?

Gaurav Kumar: No, absolutely not, and there has been no such announcement by anybody.

Saurabh Das: If you can tell us about the pending capex for this and the next year for India and consolidated.

Gaurav Kumar: For India, the remaining capex in Chennai should be to the tune of Rs 1.5 billion. There is no other major capex spending in any of the other geographies, just small maintenance capex. As of now given our leveraging position and the uncertainty in the global environments, there is no significant capex for which clearance has been given for the next year. We would like to have some better clarity on both the economic environment and also the specific tyre industry dynamics before we commit to any significant capex.

Saurabh Das: So, is it fair to assume somewhere in the ballpark range of Rs 1.5 to 2 billion for the consolidated entity next year?

Gaurav Kumar: That is the maintenance capex that we would need. So if we do not take up any new project, that is the bare minimum capex.

Jasdeep Walia, Kotak: What has been the movement in volumes on a percentage basis quarter-on-quarter?

Gaurav Kumar: It has declined by 10%.

Jasdeep Walia: South African currency has depreciated a lot in the current quarter. So would it mean significant better results for the South African business going forward from this quarter on?

Gaurav Kumar: It works in 2 different ways, so this is not an easy answer to give. When the currency depreciates the raw material bill goes up, because it is a significant net importer. On the other hand the imports, which is a very large proportion of the market, becomes costlier or uncompetitive offering the domestic suppliers to either capture a larger share or increase prices. So up to a certain point a weaker Rand is fine for the operation, but beyond a certain point obviously the impact of a higher raw material bill starts coming in. So it is not a simple equation to say that a weaker Rand would result into better EBITDA margins, but from various indications that are there, our volumes continue to go up in South Africa. There is a significant improvement sequentially in the performance and we are working towards coming back into the black and to try and reach a situation where we wipe out the losses of the 1st half.

Jasdeep Walia: Another question is we have been reading in newspapers about this Harshad Mehta case with respect to your company's shares. Could you take us through what exactly it is and what does it mean?

Gaurav Kumar: I have come across it only yesterday, so it is still being read to make sure that we understand the implication. At this stage, I would not be in a position to clarify the details, because I need to understand from our legal cell the exact judgment and the detailed implications of it.

Jasdeep Walia: But could you take us through the case? What the case is all about?

Gaurav Kumar: From whatever little I know, in the 1990s there were certain shares of Harshad Mehta, which was put up for sale, and the company/the promoters had the right of first refusal. Based on the bids received they exercised that right and purchased the shares at the price which was fixed by the court, which has been challenged that the price in terms of bids received was not a fair price and hence there should be a corrective action taken.

Jasdeep Walia: What was the price at which promoters bought the shares, if you adjust for the split and bonus from that time?

Gaurav Kumar: It was Rs 90 at that time, which was in early 90s. I know since then we have split our Rs 10 share into Rs 1, so would work out to Rs 9 per share.

Rajat Chandak, ICICI Prudential: Could you just share the company's plans in terms of going into rubber plantations that you had mentioned earlier and what is the progress and current status?

Gaurav Kumar: It is still at a very early stage. Even to get the land ready to create a nursery takes about a year. So we are right now in the process of creating the nursery to be able to reach a stage where we can do plantations next year. This year Lao has received more than expected rainfall and you would have read about some of the situations in neighboring Thailand, which has resulted in significant delay. As of now progress is very little and in this case, there would be very little progress on a quarter-to-quarter basis till we reach the planting season of next year in May.

Rajat Chandak: And how much area, you are looking to plant?

Gaurav Kumar: Based on the kind of manpower that would be available, you may have lot of land, but typically what experienced people in the field have told us is that a good planting area for one year is about 2000 hectares, in terms of managing the manpower, bulldozers, contractors and so on.

Rajat Chandak: Thanks a lot.

Vishal Saraf, SBI Mutual Fund: How are the margins and realisation in exports, given the way Rupee has moved? Is there any benefit?

Gaurav Kumar: Exports would have benefited from that, but I would not be able to comment on the specific margins.

Vishal Saraf: And what is the share of exports in revenue terms?

Gaurav Kumar: For India operation, in this current quarter it was at 11%.

Vishal Saraf: Okay and do you see any change in the mix going ahead on account of these benefits?

Gaurav Kumar: If the Rupee remains weak, export improves a little, but by a couple of percentage points at best. Compared to last year it is up by 3%.

Vishal Saraf: Total export from India is up by 3%, but given domestic market is seeing a slow down and overall the industry has got some excess capacity, do you think this can be actually a place where you can divert those excess capacities or is even the export market sluggish?

Gaurav Kumar: Right now a lot of economies are sluggish. Even China is experiencing a slowdown. There are very few markets which are booming. Also it is not a decision which you can take quickly from a quarter-to-quarter or on a half yearly basis because each market requirement is different. To give you an example, the truck radial sizes which are popular in India are not the ones which are used overseas. You have got to prepare from a long term perspective, in terms of developing those specific sizes or changing the molds for it, and if you switch significant quantities on a quarter-to-quarter basis from one segment to the other, you would have under-utilisation on molds and other aspects.

Vishal Saraf: The average rubber price for this quarter was Rs 235/ kg. When we see the rubber prices on the exchange, it shows around Rs 210-215/ kg. What is the reason for this difference?

Gaurav Kumar: Rs 210-215/ kg is the basic price. There are duties on top of that and freight. So what we give is the consumption price of rubber. So the Rs 210 odd would anyway become close to 230.

Vishal Saraf: You expect this to remain constant in Q3 and Q4 and no significant benefits to come from this over next half year?

Gaurav Kumar: Rubber would decline a little, but overall, the raw material basket as a whole we expect to be flat for India operation. If we were during the whole thing overseas, we would have benefited more, because the Indian rubber prices have not come down as much as the international rubber price.

Vishal Saraf: Can you just repeat the price increases that the company has taken?

Gaurav Kumar: In the truck radial space, we took 2.5% in the end of August. In OEM we took 1.5% and in exports 10% in September.

Vishal Saraf: And this would be all dollar denominated exports?

Gaurav Kumar: Should be mostly dollar denominated, but I do not have the currency split.

Anurag Randev, PUG Securities: If we just look at other expenses, then from Q1 FY11 onwards other expenses declined steadily. Right now for this particular quarter, it is around 13% odd. So if you just look from the perspective of overall margins, our margins could have declined considerably more, but the lower other expenses have in some way compensated for increase in input cost. So can you throw some light on the reason for steady decline in other expenditures?

Gaurav Kumar: The decline in other expenses is essentially linked to volume. There has been reduction in volumes as we mentioned sequentially by 10%, so there is reduction in other expenses both at the plant level and in sales and marketing.

Anurag Randeve: Can you throw some light on what has been the experience on the BEML venture, since most of the requirements for OTR tyres are being met by imports. Is there any plan going forward to expand capacity in OTR going out to BEML?

Gaurav Kumar: The experience has not been good with BEML. Firstly, the capacity is a small part of the our overall capacity. Secondly without going into details the pricing that BEML would desire does not meet our requirements in terms of where the raw materials are. We are looking at selling outside and are exploring some of those opportunities, but we are as of now not looking at expanding that capacity of large OTR in any manner.

Anurag Randeve: So currently what is the status. The offtake which was earlier being planned with BEML -- is it still there or has there been some reduction in offtake from BEML also?

Gaurav Kumar: There is offtake by BEML, but it is not to the extent of the entire capacity of 10 tonnes per day. I do not know exactly to what extent, but yes there is under-utilisation of the capacity.

Anurag Randev: On the radial side what kind of growth rate you are looking at from the industry perspective? At what growth rate is the TBR segment growing and what would be the present radialisation level and how do you foresee this going forward?

Gaurav Kumar: The current radialisation level is close to 20%. Our own truck radial sales have grown significantly -- 300% growth but then it is coming off a very small base. Any meaningful comparison of volume growth on truck radials will only start kicking in next year, with this year as a base. As of now, in Q2 of 2012 which is September quarter compared to the last quarter, truck radial sales have tripled.

Aditya Makharia, JP Morgan: I just wanted to get a sense on the replacement market. You said it was flat in the first half. Is that also attributable to the fact that people are moving over to radial tyres or is it the impact of the slowdown?

Gaurav Kumar: It is more the impact of slow down because the growth number that I mentioned was for overall truck segment. So cross ply segment would have actually decreased in the 1st half with growth in the truck radial.

Saurabh Agarwal, Equirus Can you give me the finished goods inventory levels?

Gaurav Kumar: I would not have it readily, the split of inventory levels.

Saurabh Agarwal: In the end of last quarter it was somewhere between Rs 6-7 billion. Would it have come down or stayed at similar levels?

Gaurav Kumar: Our inventory levels have gone up, so I would expect that the finished goods inventory levels would be either similar or slightly up.

Saurabh Agarwal: We also took some production cuts in the last quarter because we were left with a high inventory both at raw materials and finished goods. So what is the status on that at the moment?

Gaurav Kumar: We have not taken any production cuts in October, but we are monitoring the situation and if the demand scenario warrants that, then we will do that again.

Saurabh Agarwal: When I look at the rubber prices quoted at the Ministry of Commerce website, prices have been coming down consistently over the last 6 months or so, but I don't see any such impact in our raw materials. For us the rubber cost has been consistently maintained at Rs 230-235 for the last 2 quarters?

Gaurav Kumar: In the 1st quarter rubber price was Rs 245 and that has come down to Rs 235 this quarter. So there is a reduction in rubber price, though not in the raw material basket.

Saurabh Agarwal: What kind of margins would we be making in TBR versus cross ply tyres?

Gaurav Kumar: I would not be able to share the specific sub-segment margins.

Saurabh Agarwal: I guess it would be less profitable because it is a new product category?

Gaurav Kumar: Yes, on a generic basis TBR today is less profitable also because the plant is in a ramp-up stage. The efficiencies would take time to reach a stable scenario.

Sahil Shah, HSBC: The difference in tax rate has come up substantially. Is there any particular reason for that other than possibly South Africa?

Gaurav Kumar: On the tax side, there is some expenditure on R&D this quarter. We will get additional exemption on the R&D spend. There was some capex also and some revenue exposure on account of research and development, that has resulted in lowering of the tax rate for the India operations.

Sahil Shah: So what would be the expected tax rate normalised for the end of the year?

Gaurav Kumar: It would be 28-29% for the year.

Sahil Shah Okay, the capital employed in Europe has also increased substantially around Rs 3 billion or so. What is the reason for this?

Gaurav Kumar: This is essentially around the seasonal increase in working capital because the increase in winter tyre inventory and receivables. It starts coming down sharply in the December quarter. So you would see a decline in that in the next quarter as the working capital levels come down.

Sahil Shah: Can you give me the capacities in the 2nd quarter for India, South Africa, and Europe in tones/ day?

Gaurav Kumar: Europe is about 170 tonnes/ day. In South Africa the capacity remains at 170 tonnes/ day and the Indian capacity total is at 1150 tonnes/ day.

Sahil Shah: Okay, any capacity outsourced?

Gaurav Kumar: No.

Nikhil Deshpande Pinc Research: Good evening sir, you said the volume in the second quarter was at 120,000 tonnes. Could you give corresponding figure for last year?

Gaurav Kumar: Last year, it was 90,000 tonnes

Nikhil Deshpande: Are you seeing any pressure on rubber supply due to floods in Thailand?

Gaurav Kumar: The areas of Thailand which have been flooded are not the rubber-growing regions. So there is no disruption of supplies on that count.

Ameen Pirani, Deutche Bank: Would you be present in the small commercial vehicles, like Maximo and Ace range of vehicles?

Gaurav Kumar: We are present there.

Ameen Pirani: And the radialisation levels there would also be similar or would there be any difference there?

Gaurav Kumar: We would have to check specifically on that.

Disha Shah, Anvil stock broking: Sir can I have the mix of OE to replacement for last year and this year for Q2?

Gaurav Kumar: The replacement component was 69% last year which has come down to 55% and the OE has gone up from 25% to 34%.

Disha Shah: Can I have the volume growth and the realisation growth year-on-year?

Gaurav Kumar: The volume growth in the quarter compared to the same period last year is 37% and the price and mix is 27%.

Deepak Jain, Shere Khan: What was the growth in cross ply segment and the radial segment for this quarter and what will be the outlook? We understand that most of the growth will happen in the radial segment – then do we face some pricing challenges in the cross ply segment?

Gaurav Kumar: We do not have the industry data specifically for radial and cross ply. As I mentioned the overall growth of the truck segment is just 1%. We know that radialisation has moved from 15% to 20% so the cross ply segment would have actually declined. One of the greatest challenges for all of us would be cross ply truck tyres capacity becoming redundant and they have to be either converted into cross ply capacity for other product category or face a bigger conversion issue into radial which would mean a larger capex. That is the part that all of us would have to address in the coming year.

Deepak Jain: So it would mean that a lot of cash flow generation in the next few years would probably be for expanding radial capacity because simply the market has changed?

Gaurav Kumar: On the truck radial side, our capacity is good enough for the next 3 years in terms of where the market is headed and our market share, and we don't think we would be needing to undertake further truck radial expansion for the next 2 to 3 years.

Aniket Mhatre: Thank you. On behalf of Standard Charted Securities I would like to thank the entire management team of Apollo Tyres, especially Gaurav, Rakesh and Ritu for taking their time out for the call. Thank you all. I would also like to thank all the participants for being there on the call, thanks a lot and have a nice day.

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