India, November 2, 2015

Analyst / Investor Conference Call

Second Quarter FY 2015-16

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

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 morning, everyone. As usual, we will begin with an overview of the results and then address any questions that you may have.

For the consolidated operations; Sales for the quarter were a little short of Rs 30 billion, lower by 11% over the same period last year. This was primarily a result of two factors i.e. winding up of our South African operations (starting from October 2014) leading to lower sales contribution from South Africa in the current year; and the European operations which were impacted by both currency and lower sales. The EBITDA for the quarter was at Rs 4.8 billion with higher margins at 16.2% as compared to 14.9% for the same period last year. The raw material cost for the quarter went up by about 4% sequentially, primarily on account of increase in natural rubber duty in the last quarter and also because of rupee depreciation which led to a slight increase in prices of other raw materials as well.

In terms of revenue segmentation: Replacement market contributed three-fourth to our sales and the balance being the OEM. On a product category wise basis, pretty similar to our earlier trend, truck tyres contributed 48% to the revenue, with passenger car tyres contributing 34%.

Sales for the first half were slightly higher than Rs 58 billion, lower by 11% over the same period last year. The EBITDA margin again was significantly better at 17% compared to the 14% for the last year. With the improved profitability and investment, the debt level has continued to come down. Gross Debt sequentially came down to Rs 6.8 billion, as compared to Rs 8.1 billion and on a Net Debt basis we continue to be actually negative with higher cash reserves than the gross debt. Looking forward in near future, the raw material outlook is expected to remain flat and hence, at similar levels.

Moving onto India Operations; Sales for the quarter were flat at Rs 22.3 billion, where 4% growth through volumes was equally offset by the price reductions that were offered as per the industry dynamics. We bounced back from the last quarter disappointment and recovered the lost ground in terms of volumes. Other than the farm tyre segment, we have witnessed volume gains in all product categories. The capacity utilisation continues to improve, though it is still just a little above mid 70s. However, for the Truck/Bus Radial capacity, we continue to operate flat-out and that is why, it is imperative for us to increase that capacity. In this product category the Chinese imports continue to remain a concern, not just for the tyre industry but also for the ancillary sectors including rubber industry. Majority of the natural rubber is being imported as the utilisation of truck cross-ply capacity continues to be impacted by the Chinese imports.

The EBITDA for the quarter was higher at Rs 4 billion, at 17.9% margin as compared to 14.6% for the same period last year. A similar significant improvement was witnessed in the net profit margins. Net Debt for the India Operations sequentially came down to Rs 1.2 billion as compared to Rs 2.9 billion.

Replacement and OEM segments contributed 63% and 27% respectively, to the sales and the balance came through exports. On a product category basis, two-thirds of the revenue still comes from the truck and bus tyre category.

In terms of outlook; there is some volume growth in the segment which is small and lower than historical past, but is still positive. Currently, it is mostly being offset by the price reductions and a full-blown recovery is still to be seen. Margins are expected to continue remaining flat or see a decline, given the raw material scenario and the price reductions being passed.

Moving on to Europe Operations; Sales for the quarter were at Rs 7.7 billion with a 21% de-growth over same period last year. 9% of this was contributed by the volume decline, 2% due to price & mix and the balance 9% due to adverse exchange rate impact. The currency impact would stop from 2016 because the Euro devalued starting around that time this year and hence, we would again start having no currency impact or even some positive currency impact going forward. We clearly had a disappointing quarter in Europe due to the combination of both internal and external factors. Weak winters in the last 2 years meant that the inventory with the dealer were at higher levels. Accordingly, the pre-sales of winter tyres which happen in August and September were weak. Secondly as we prepare for the future larger business in Europe which includes OE business, and improve label values which is a regulatory up-gradation in technology, meant that we had to go through a large number of product industrialisation which impacted the available production capacity. Lastly, we had some maintenance related breakdowns in the current quarter. And all these three factors led to a drop in sales which, combined with the existing fixed cost infrastructure, caused a sharp decline in profitability. The EBITDA margin for the quarter came down to 11.2% compared to 17.1% for the same period last year. In terms of an outlook, we are taking steps to recover some of the lost ground in Europe as we look towards an improved performance in current quarter.

However, some of the aforementioned long-term structural changes would continue which means that margins would be lower than historical levels and hence it is imperative that we quickly start our Hungary production and ramp that up so that we have multiple plants. Multiple plants allow some of our peers to take up such technology challenges in an easier manner as they could then allocate capacities between various plants. And hence, a cost competitive plant in Europe becomes a greater need.

Lastly, to touch up on some of our other operations; during this quarter we achieved the complete closure of the South Africa restructuring with the sale of remaining fixed assets resulting in a gain of Rs 480 million also, shown as an exceptional item. We believe that we did well in getting out of that geography in time in the face of an extremely challenging situation of both recovering our investment and gains. Investment in Hungary continues to be on track to start the production at the beginning of 2017. Further, we continue to move forward on our expansion plans in India for the TBR capacity where radialisation continues to increase.

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

Basudeb Banerjee Antique Finance: If I compare your numbers from a competition perspective whose volumes have been on a declining mode and gross margins have been on an improving mode, both on a sequential basis, your case is quite contrary to them. Can you throw some light on how you were able to gain volume whereas others were falling and still have a drop in gross margins sequentially?

Gaurav Kumar: We have recovered some of the lost ground; you would remember that we had lost volumes in the last quarter. I would not be able to comment on margins of others as to how they maintain that. From our perspective, we've taken some price reductions across various categories. Also as we mentioned before, the raw material prices have gone up. Both these factors combined together resulted into margins coming down marginally (about 1%) at an operating profit level.

Basudeb Banerjee: What were your landed commodity prices in this quarter?

Gaurav Kumar: Natural Rubber was Rs 135 per kg, Synthetic Rubber was Rs 110 per kg, Fabric was Rs 265 per kg, Steel Cord was Rs 112 per kg and Carbon Black was Rs 65 per kg.

Basudeb Banerjee: If one sees your European numbers, there is sharp increase in staff cost on an absolute level. Any reason for that?

Gaurav Kumar: Staff cost in Europe has increased by about Euro 2 million which is a result of preparing for a larger operation. So the sales force, including some people for the truck tyre business is being hired. It will look a little more distorted in Rs terms also because of currency effect.

Basudeb Banerjee: You mentioned that EBITDA margin in Europe was down from 17.1% to 11.2% and you are expecting some recovery in the coming quarters, both on grounds of currency and operational aspects. So what kind of numbers one should look at in the near term future as such?

Gaurav Kumar: We have always refrained from giving margin guidance so, I would not be able to talk about it in particular.

Basudeb Banerjee: Has there been any changes in intensity of the Chinese competition in the last 2-3 months?

Gaurav Kumar: The Chinese imports are a bigger concern on the Truck tyre side. Their numbers continue to increase. If we look at the first half of this year versus the last year, the numbers are up 90%. In every quarter there is an increase, as they take up a very sizable chunk of the TBR replacement market. The industry continues to make efforts with the government. The progress continues to be on that and that's why we mentioned that it's not only impacting us to a certain extent, but actually has a larger impact on the ancillary industry. We will continue to work on that aspect but right now we have to coexist with the competition that comes in at fairly low prices.

Chirag Shah Edelweiss: If the margins were to improve, what do you think would drive them? Is it volume and mix or are there some other commodity benefits left? How should one look at margins both at India business as well as your European business?

Gaurav Kumar: We would think that the margins would be more governed by the volumes and price mix impact. The industry continues to face pressure from a pricing point of view. The Indian industry for some time had been holding onto the prices but in recent times there have been price reductions. Europe passed on reductions much earlier and has been steady over the last couple of quarters. It is highly unlikely that raw material prices would further decline.

Chirag Shah: What would be the share of Chinese tyres right now according to your estimate? What kind of market share would they be having?

Gaurav Kumar: We still need to get the industry numbers. Our estimate is that for truck radial replacement market alone they would have a share of be around 30%. For the entire truck segment, that would be a lower number.

Ashutosh Tiwari Equirus: You mentioned that there was some technology up-gradation going on in the European plant. What was that and how did that impacted the volumes?

Gaurav Kumar: When we have both the Dutch plant and the Hungarian plant, a certain part of the business will be targeted towards OEMs. There is a long lead time in our industry and one has to start preparing for it well in advance. Also, Europe has introduced labeling and one could get extremely sensitive towards what are the label values of the tyre. In fact, tyres below a certain label value would not be allowed to be sold. So, every tyre manufacturer is making an attempt to improve those label values. Both of these factors meant that a larger number of new products which have to be industrialised are being worked on. Since we have a single European plant, this effort meant that a certain amount of capacity which was dedicated for new product industrialisation was not available for regular operation.

Ashutosh Tiwari: Is labeling still not applicable in the replacement market?

Gaurav Kumar: Labeling is also applicable for the replacement market. So, it's a combination of OE business which is always much more stringent than the replacement. So the kind of technical challenge that a plant faces if it’s doing only replacement business is different if it has a mix of replacement & OE, where the challenges goes to a different level. And then there are the label values which are applicable across the segments. So, both of these resulted in the capacity constraint.

Ashutosh Tiwari: You mentioned that the European subsidiary employee cost has gone up by Euro 2 million in this quarter versus last quarter. But if we look at the numbers even if we adjust for the Euro 2 million, it's up by almost 15% on quarter-on-quarter basis. So is it something sustainable going ahead also or can we see some decline over there?

Gaurav Kumar: No drastic changes in manpower will be done in the next coming quarter. As we mentioned, you need to take into account that as the rupee devalued against the dollar and also against the Euro because the euro-dollar equation remained the same, the numbers would reflect in a larger change from previous quarter. In terms of euro, the change at our Dutch plant as we mentioned earlier is only Euro 2 million.

Sonal Gupta
UBS Securities: Could you tell us what were the Vredestein sales in euro terms for this quarter?

Gaurav Kumar: The European sales for this quarter were Euro 106 million.

Sonal Gupta: How much was it the last year?

Gaurav Kumar: It was Euro 120 million last year. So, a decline of 12% in euro terms.

Sonal Gupta: You are making a lot of investment in some of the other markets like in US. There were some news reports that you are trying to enter that market with an eye for the future. So how much of investment are you making in these markets which are in the market development stage? Is that increasing your SG&A significantly?

Gaurav Kumar: The US story which got reported, if one read it in detail, the headline and the story doesn't add up. The article mentioned that all we are going to do is add one or two people in US because we want to begin sales there as our Hungary plant comes up. So, there is no significant effort being put in for US market. We however, have two operations where we have put in sales and marketing teams of certain substance, i.e. one is in Thailand for the ASEAN region and the other is in UAE for the Middle-east markets. The Middle-Eastern operations had a fairly healthy growth in the current year. The ASEAN operations were down slightly, primarily because the Malaysian Ringgit and the Indonesian Rupiah devalued more than the Indian Rupee and hence we were not competitive for supplying from India and to that extent we had a cut down on that business. So, for outside the domestic markets, the one challenge for our industry is the issue of currencies. One would always have certain amount of fluctuations if any of the currencies move much more sharply than the Indian Rupee.

Sonal Gupta: So would these subsidiaries or these operations or the rest of the world operations also have a negative impact on your consol margins?

Gaurav Kumar: That's correct. Because there are certain scales at which they operate and hence, they would pull down the margins. The South Africa operations were a significant drag earlier because they were also sizable. They are now down to very small numbers and hence, would have a positive impact. On a consolidated level, they would now no longer pull it down to the extent that was happening earlier.

Sonal Gupta: Could you talk about what sort of price reductions have you taken and especially in the TBB segment and in the domestic market overall in pass-cars etc?

Gaurav Kumar: In TBB in the last couple of months we have taken a price reduction of close to 6% and in passenger cars about 1%.

Sonal Gupta: This is like, you are saying from end of March to now?

Gaurav Kumar: This is in the last quarter and October. If I look at it from March, we would have taken about an 8% odd price reduction in TBB and around 1% in passenger cars.

Sonal Gupta: What sort of operating utilisation do you have for TBB capacities now?

Gaurav Kumar: We are operating at about mid-70s.

Sonal Gupta: So are you seeing TBB volume decline or its volumes are flat?

Gaurav Kumar: For TBB we are seeing a volume decline and that's in line with the industry. What a company would target is that the decline is slower than the overall market which means that you are ahead of competition. But as a market, right now the overall truck tyre category is not growing by that much. Hence, as the radialisation increases, it will take away the share from TBB.

Sonal Gupta: Are Chinese imports also taking away the share from the TBB?

Gaurav Kumar: That's correct. I put that in the common basket of increasing radialisation.

Amyn Pirani
Deutsche Equities: How much is the truck radial market in India growing? The context is, if Chinese have grown by around 90% then by how much has the market grown? Also, does it mean that the domestic players (including you) are seeing growth or flat TBR because the Chinese is taking away all the growth?

Gaurav Kumar: As we speak of the growth, we would not have others volumes but our volumes in TBR are growing. For the current year our TBR volumes are up by nearly 20%, but a sharp decline on the TBB side. The Chinese imports are predominantly impacting the TBB sales and not the TBR sales.

Amyn Pirani: And going to Europe, you mentioned that the labeling requirements are becoming more and more stringent and I think that the Chinese imports pose a problem in Europe also. So, will the stricter labeling norms also protect local manufacturers like you in Europe from the Chinese imports?

Gaurav Kumar: That should happen. Currently the European customs are also grappling with the implementation of this whole label monitoring system. When a container load and then containers after container come, how do you monitor the label values on the tyres? The intent is that the regulation is becoming stricter and stricter. In future, it would lead to a certain amount of quality moving up and possibly impacting, low-cost, low quality player.

Amyn Pirani: In Europe, obviously we have not had a good winter last time and there were dealers stock which impacted volume growth for this quarter. Now that one month is done in the quarter, are you seeing any improvement incrementally or do you feel that this year may be a bad year overall for the whole winter tyre industry?

Gaurav Kumar: The early signs in October have been good. There has been a certain amount of snow in Germany which is typically the starting point. The next 2-3 weeks would be critical in terms of indication because this is the period where if the snow is reasonable in the countries like Austria, Switzerland, Germany, etc., then there is a heavy sale of winter tyres. So, the next 2-3 weeks would be fairly critical for us and the industry for the sales of winter tyres.

Sailee Gandhi Torera Capital: Do you have any investment budget for the European plant that you have planned?

Gaurav Kumar: For our Hungary investment, we have Euro 475 million which would be spent over the next 3 to 4 years.

Sailee Gandhi: And when do you plan to start operations in those plants?

Gaurav Kumar: Hungary plant will begin production in beginning of 2017 and just to clarify there is only one new plant being planned in Europe, and there are not multiple plants.

Nikhil Deshpande:

Sharekhan If I'm not mistaken, there is some inventory which has been liquidated in European operations during the quarter. Is that correct?

Gaurav Kumar: That's correct and as we mentioned that since, we were capacity constrained, we would have liquidated inventory. Otherwise we would loved to have more tyres available.

Nikhil Deshpande: And your Hungary capacity is still about six quarters away. When do you see this transition for the current plant taking place? In how many quarters do you see it being back to 6 million capacity?

Gaurav Kumar: Fundamentally, we may operate at slightly smaller capacity. As we are coming up with the Hungary plant, making incremental investments in the Dutch plant, may not be viable. To get back a certain amount of capacity and that too for a shorter length of time ends up in more inefficient investment.

Nikhil Deshpande: Do we mean that in the coming winter season, you may not see the kind of spurt you normally see in your sales?

Gaurav Kumar: I would not be able to comment on this quarters' sales number.

Nikhil Deshpande: After seeing about 8% price cut in the TBB segment, what would be the price differential between a landed Chinese radial import and a domestically produced TBB?

Gaurav Kumar: Till about a quarter back, the price differential was about 5% to 10%. We could have narrowed that slightly but still, the Chinese TBR imports are cheaper than the Indian cross-ply.

Nikhil Deshpande: If they are at the same price, do you see market shifting back from a Chinese radial to an Indian bias?

Gaurav Kumar: Difficult to answer. It will depend on a case-to-case basis as to what has been an individual's experience with the Chinese tyres. If someone had a better experience in terms of life, quality and improved fuel efficiency then one would stick with radial.

Jatin Credit Suisse: Just wanted to understand more on this maintenance related breakdown. How much did that impact volumes during the quarter?

Gaurav Kumar: We would not have the exact breakup between maintenance, product industrialisation, etc.

Jatin: But broadly the two combined?

Gaurav Kumar: Again we have lost about 12%. In Euro terms, 9% of the top line loss was due to volume. So at a very broad sense we have lost 9% vis-à-vis same period last year after leaving out the price impact.

Jatin: But would you attribute the entire 9% volume decline to production constraint because you also mentioned that pre-sales were lower because of the weak winters that we had for last two years?

Gaurav Kumar: And that is where it becomes very difficult to isolate each of these impacts because there is no hard data to see the impact of pre-winters. So, one can only take a guess as to how much out of that 9% was a result of the pre-winter sales being weak and the balance would be due to our internal issues.

Jatin: While you said you don't want to guide on margins but structurally your cost will move up because of this labeling related requirement. What kind of margin impact would that be on your business assuming everything else remains the same?

Gaurav Kumar: It would be difficult for us to quantify. But given the investments that we have made for the larger sales force and more importantly towards increased marketing and R&D spent, the margins would continue to be lower from the historical level atleast till the Hungary plant ramps up to a certain level. That quantum would be difficult for me to provide.

Jatin: What I understood was that there is a structural impact on margins because of the labeling requirement coming in and I was struggling that it should be true for every player so eventually would gradually be passed down. But now what I understand is, it's not a structural thing. It is once the new plant comes in, some of these costs will start to stabilise.

Gaurav Kumar: There is a certain amount of immediate investment in technology needed to get to the right label values as you compete. For us, as we operate with a single plant it becomes a greater challenge because the larger player would have the ability to distribute the product industrialisation within various plants in Europe and they may not rule out anything on the capacity front. Whereas given our scenario of a single plant in relatively higher cost geography, the impact would be more.

Jatin: But product industrialisation would also mean you are building slightly better quality product. Are you able to recover that extra investment from the customer or is that an extra cost that the tyre maker bears?

Gaurav Kumar: Structurally Europe as a market has always been more willing than any other geography to pay for the quality. Once you put in investment and get the right tyre, there is no reason to believe that margins could come down because, you have fundamentally moved to a higher cost of material or better technology.

Saket Kapoor
Kapoor & Co.: You mentioned that the sale of winter tyres is been muted in Europe. Was it the postponement of winter season or a factor of weaker demand? Are you going to catch up the lost sales in the coming months or is it the phenomenon of demand itself?

Gaurav Kumar: Because of previously weak winters, the dealers are sitting with inventory and they don't want to pile up more of it. So, the winter in October and in the early part of November would be critical in determining the kind of purchases they make going forward. The winter tyre sales are typically heavy around October-November-December and little bit of January. So the current winter will determine the performance of the current quarter.

Saket Kapoor: How do you see the second half being planned out for both domestic and the European segment, especially for the domestic industry, considering that the Chinese dumping gets steeper going forward? How are you seeing the second half generally for tyre companies as a whole or a tyre industry as a whole?

Gaurav Kumar: The market for various segments is still growing, whether it is truck tyre as a whole or passenger cars. Overall, we believe that we can still grow our volumes. Right now that doesn't get reflected on the top line because of the raw materials situation. Clearly, there is no way that one can take price increases in the current environment because of the raw material prices. Hence, one needs to remember that if we are reporting a flat top line then that's actually a reflection of volumes going up. The growth may be slightly lower than the historical past but they continue to go up. For the near future, our outlook is that we will continue to see some increase in volumes while prices probably would remain flat or under pressure and hence, the top line growth would be subdued.

Saket Kapoor: But we don't see any degrowth in margins. What about your outlook on the raw material going forward?

Gaurav Kumar: Raw material is currently flat and as we mentioned before we do not give out guidance on margins.

Saket Kapoor: One more event took place in the domestic industry where JK acquired the Laskar unit of Kesoram. The sense which we got from the industry is that it was an underutilised plant, so more tyres will be come up in the coming quarters. How do you see this deal paying for the tyre industry as a whole because more tyres would be in the system going forward as it was an underutilised capacity for a very long period of time?

Gaurav Kumar: JK has announced the acquisition and the deal is yet to be completed. It is a mix of radial and cross ply capacity so there is no capacity addition within the system. The plant was earlier operating under Birla Tyres and now JK would operate it. Improving the capacity utilisation per se may be difficult because they will continue to face similar challenges as the previous owners or the management. Hence, a simple change in ownership may not mean that there are more number of tyres available.

Saket Kapoor: We were informed by the management that it was utilised under 30% only. So, if they ramp up the capacity, more tyres would be made available.

Gaurav Kumar: Well that maybe correct. We do not have details of the capacity utilisation of that plant. If JK management is confident of improving the capacity utilisation then more number of tyres would be available in the industry.

Ambrish Mishra

JM Financial: I had two questions; one is on the labeling which you mentioned had caused about 12% hit on the revenue because of your limited ability to move the production. Are we back to normal or how long will it take to meet these labeling requirements and go back to normal production? What would be the difference between the tyres post the labeling and what we were producing until now?

Gaurav Kumar: On your first question, the label journey would continue over the next one-year. As we mentioned, it would also mean certain investments if we were to enhance capacity in the Dutch unit and we would hesitate in doing so. On the second part of the question, it starts getting more technical and I may not be best person to explain. Essentially, braking, grip on the road, etc. requirements are getting more and more stringent in Europe which means change in design of tyre, changes in certain materials being used as per the earlier acceptable levels. These levels are now being upgraded and hence it means changes in both material and design of tyres.

Ambrish Mishra: And is that a reason why the cost pressures would continue until the new facility comes in?

Gaurav Kumar: That would be one of the reasons because the cost of efforts being put in R&D would increase and also a certain amount of capacity where we would continue to work will remain under utilized.

Ambrish Mishra: What's our progress and what are our plans on two-wheelers tyres? If you can share a broad idea as to where do we see ourselves maybe in the next 2 to 3 years in the two-wheelers space?

Gaurav Kumar: We clearly have the plans to enter the segment. We should have clarity with our overall plans being finalised in a quarter or so. As a significant player in the industry, we would target to become a player of substance and would not just want to be an entrant with small volume. The roadmap of 2 to 3 years is still work-in-progress.

Ambrish Mishra: Can you just split Hungary investment into what have invested so far and in next two years what would be the capital expenditure to that project?

Gaurav Kumar: We have spent close to Euro 50 million and a large part of it is machinery orders that have been placed where initially, you just pay a certain amount of advance. By March '16, we should have spent close to Euro 100 million and by March '17 that number would start getting in the range of Euro 250 million.

Pramod Amte CIMB: With regards to the labeling process, will the capital expenditure for the new plant or the existing maintenance capital expenditure will go up?

Gaurav Kumar: The maintenance capital expenditure, would remain but the tyres which have to be produced in future would apply for both plants. One doesn't have the luxury unless, you want to drop the brand positioning in the overall market. You can't have a situation where from one plant the tyres coming out are inferior and better from the other European plant. So both the plants would have the capability to match these standards or exceed the standards which would also allow our manufacturing optimisations to be carried out because, if you have the two plants at different technological levels, we would continue to face a challenge vis-à-vis our competitor that your product range at each of these plant would then get limited.

Pramod Amte: Will the labeling process increase your capital expenditure for the existing plant for FY16 and FY17?

Gaurav Kumar: No. They have already been taken into account in the numbers we mentioned.

Pramod Amte: With regards to the Indian operations, you mentioned that two-third as a part of sales is truck and bus segment. Within that, what's the mix between radial and the bias in terms of sales value?

Gaurav Kumar: Almost 50-50.

Pramod Amte: When do you expect to reach a threshold level or already we are at that level where the high double-digit growth of radial should completely overshoot the decline in bias and hence you as a company will be better off than the industry to drive the sales value growth?

Gaurav Kumar: Our overall truck volumes are higher this year than the last year. Higher volumes are a combination of negative sales volume in TBB and significantly higher volumes in TBR. So we have already crossed that threshold with decent industry growth because the OE volumes have increased significantly. The increase in radial is more than enough to negate the negative impact of cross ply and also given that the margins in truck radials are now at a decent levels and turning out to be better than cross ply. Fundamentally, it's moving towards a better product mix.

Pramod Amte: Just to get a clarification, the price cut which you talked about, is it more for bias as compared to the radial tyre segment?

Gaurav Kumar: That's correct. Bulk of the price cuts have been taken in the cross ply segment.

Monica Joshi
Bajaj Allianz: Could you provide the staff cost in Euro terms in Q1 this year?

Gaurav Kumar: Euro 30 million.

Monica Joshi: And you have added Euro 2 million to that so that's about 6%-7% rise Q-o-Q. Could you tell us where the hiring is happening?

Gaurav Kumar: In sales and marketing.

Monica Joshi: Do you think that this is a sustainable increase or a steady run rate?

Gaurav Kumar: I do not have visibility of individual department hiring plans. We will continue to invest in these two segments.

Monica Joshi: Is this is sustainable run rate going ahead or there is a one-off component here?

Gaurav Kumar: There is no one-off component in that.

Amyn Pirani: On behalf of by Deutsche Equities, I would like to thank the management team of Apollo Tyres Ltd. Thank you to all the participants for being there on the call.

Gaurav Kumar: Thank you.