Transcript

Conference Call of CEAT Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Mary, moderator for this conference. Welcome to the conference call of CEAT Limited. We have with us today, Mr. Anant Goenka, Deputy Managing Director CEAT Limited and Mr. Sunil Sapre, CFO CEAT Limited. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Rohan of Anand Rathi. Please go ahead sir.

Rohan: Thank you moderator. On behalf of Anand Rathi Securities, we welcome the management of CEAT Limited and thank them for sparing time out for this conference call. A warm welcome to everyone on this call as well. May I now invite Mr. Anant Goenka to give his opening remarks? Over to you sir.

Anant Goenka: Good afternoon everyone and thank you very much for being here and especially sparing your time on a holiday today. We announced our quarter 2 results for FY12 today and let me share with you some key performance today. The company's net sales stood at 1105 crores for the quarter as against 831 crore in the second quarter of FY11 registering a growth of 32%. We recorded an operating PBT of 8 crores as against operating profit of 23 crores for the corresponding quarter previous year. Our operating PBT to net sales was at 0.7% compared to 2.7% in the corresponding quarter of the previous year.(02:00) On the raw material side, raw material cost seem to have plateaued after a continuous rise for the past 8 quarters and it is in fact showing a little bit of a downward trend. So from quarter 1 to quarter 2 raw material costs had gone down by about 2%, however, it has been about 21% higher than the corresponding quarter of the previous year.

A little bit about the revenue breakup with respect to the market. Our replacement market sales has grown by about 14% at about 730 crores, OE segment has grown by about 57% to about 191 crores, and exports has grown by about 90% and is at about 271 crores. The key reasons for the suboptimal performance in quarter 1, as I had shared in the last conference call, a lot of those things have been addressed and is therefore resulting in an improved bottom line. I will share with you some of the key reasons for our improved performance. One is that we had taken lot of price increases in quarter 1 and all of that was realized in quarter 2 whereas raw material prices kind of had remained kind of flat. There was also some improvement in our production and operating efficiencies in our new plant all radial facility in Halol in quarter 2. Exports has done a pretty good job with respect to good growth of 90%. We crossed 100 crore per month turnover twice in quarter 2 and the rupee depreciation has only helped that to a certain amount.

A little bit about Halol plant. Halol plant has overall grown from about 36 tons per day capacity to about 50 tons per day average for Q2. By the end of September we were somewhere around 60 tons per day production, so in terms of numbers we have grown from 400 to about 500 truck bus radials per day and from about 1800 passenger car radials to about 2600 passenger car radials per day in quarter 2.

With respect to our Sri Lankan operations, which is our joint venture in Sri Lanka, that continues to do well. It clocked a net sale of 107 crores in Q2, a year-on-year growth of 18% and PBT stood at about 8.5 crore rupees, which is a PBT to net sales ratio of about 7.9% compared to 11.6% in Q2 of last year.

With respect to the outlook going forward, our quarter 3 performance we can expect a little bit of subdued performance because we had a strike in our Nasik plant for about 23 days in the month of October so that has had some amount of impact on the company. Our raw material prices while they have plateaued, we can expect a marginal increase in Q3 and with respect to quarter 4 performance we can expect a good quarter 4 because raw material prices now seem to be coming down over the past couple of weeks, so all the buying that we had been doing now will come in some time by early January, so that effect will come in, in quarter 4. With respect to the strike, production has now resumed in our plant in Nasik and it is ramping up pretty well. A few more initiatives that will help us in the future is our Halol ramp up, so as that continues to ramp up, it will cover its cost and then show some profits once it crosses about 90 to 100 tons per day. We are moving towards more and more higher value segments with respect to passenger car radials and two-wheelers, which are more profitable. We will continue to focus on exports and finally the raw material prices cooling down will also have some impact on quarter 4. So we are ready for a good quarter 4 performance and that's all I have to share. And I am happy to take any questions from you. Thank you.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

First question comes from Mr. Rupin Shah from BP Equities.

Rupin Shah: Hello sir.

Anant Goenka: Hello.

Rupin Shah: Good afternoon everyone. Sir, what was the average purchase price for rubber, NTC, and carbon black for this quarter?

Anant Goenka: Sorry?

Rupin Shah: What's your average rubber price, NTC and carbon black prices sir for this quarter?

Anant Goenka: For quarter 2 rubber would be somewhere between about 210 to 215 somewhere around that range average prices is it?

Rupin Shah: Yes.

Anant Goenka: Average prices have also been quite steady somewhere between 210-215 kind of range.

Rupin Shah: And sir, have you taken any price hike during the quarter?

Anant Goenka: Not during quarter 2, quarter 1 we took a number of price hikes.

Rupin Shah: Sir, can you please repeat?

Anant Goenka: Yes, as I was sharing, natural rubber prices during this period has been pretty consistent at somewhere between 210 to 215 rupees per kg. With respect to fabric, as I said, it has been somewhere between 250 and 270 rupees per kg kind of a range during this period. And what was the third item that you were looking at?

Rupin Shah: Sir, carbon black.

Anant Goenka: Carbon black has been somewhere between about say 63, 64 up to 73, 74 a kg, in that range.

Rupin Shah: Okay. And sir about price hike during the quarter?

Anant Goenka: Price hike, there has been no price hike in quarter 2, we took various price hikes in quarter 1, which has given us the benefit that came into effect in quarter 2, but no price hikes in quarter 2 itself.

Rupin Shah: Okay sir, and from current level are you planning for some price hike in the quarter 3?

Anant Goenka: No, there is no price hike planned in quarter 3 especially with raw material prices coming down, price hikes looks unlikely.

Rupin Shah: Okay. And we don't have any plan for price reduction from the current level, right?

Anant Goenka: Not yet.

Rupin Shah: Okay. And sir, do you have any tie up with the vendors for purchasing the rubber in the local market and in what percentage, in what proportion you import rubber from the international market?

Anant Goenka: Yes, of course, we continuously buy rubber from the domestic market. So we don't have any kind of a long term tie up, but there are of course a select number of dealers, about maybe ranging between 15 to 25 dealers we buy rubber from the domestic market. And in terms of ratio between domestic and international, there is again no fixed ratio because it keeps changing depending on how international prices move with domestic prices. So at least to the extent we export, we can buy international prices duty free, which is about 20% of our rubber can be bought duty free. However, it depends, if Indian prices are lower, we will only buy domestic rubber at a certain time.

Rupin Shah: Okay. And sir what is the outlook for rubber prices, means, how you estimate the rubber prices going forward?

Anant Goenka: See, rubber prices has been coming down quite a bit in the recent past. So, as I said, rubber prices were at somewhere between 210 to 215 in quarter 2, if you look at rubber prices over the past 1 week, they have been continuously coming down and domestic rubber price today is somewhere around 200 rupees per kg. If you look at international rubber prices, those have come down even more sharply and is somewhere around 175 rupees per kg. So there is continuous pressure for domestic rubber prices now to come down and now with supply going up in the November, December, January months, where tapping is the highest, I feel rubber will further come down in the domestic market.

Rupin Shah: Okay. And sir how is the demand scenario in the replacement market?

Anant Goenka: Demand scenario is a little bit sluggish right now, so especially in quarter 2 it will be quite sluggish, there has been a little bit of improvement from September onwards, but I expect demand to continue to be a challenge going forward in the replacement market, especially with respect to truck, bus bias tyres where radialization is taking place to a certain extent and overall economy slowdown, various issues with respect to the mining sector where movement of materials has been restricted because of lower levels of mining, etc., will cause some slowdown in the market or we are seeing some slowdown over the past 4 months or so.

Rupin Shah: Okay. And sir what will be breakup of revenue in terms of OE, replacement, and export during the quarter, can you please repeat?

Anant Goenka: Yeah. It is about 20% export, about 15 to 18% OE, and remaining replacement.

Rupin Shah: Okay. And sir, what is the current status of the Halol plant sir and the Nasik plant also, capacity?

Anant Goenka: Halol plant is eventually going to be 150 tons per day plant. Quarter 1 average was about 36 tons per day, quarter 2 average was at about 49 tons per day or 50 tons per day and we are currently somewhere between 60 and 70 tons per day at this point of time. So Halol we expect to reach full capacity sometime around quarter 1 of next year. And Nasik plant now has resumed since around the 23rd of October, but because of Diwali etc., the ramp up really started sometime around the 1st of November, so again full 200 ton plant we are at about 150 tons per day right now, but in a few days time we should clock close to 200 tons per day.

Rupin Shah: Okay. And sir how is the demand scenario in the Sri Lankan market, if you can throw some light or give some idea for the Sri Lankan market?

Anant Goenka: Sri Lankan market demand continues to be pretty strong because the economy has really improved. Over the past 2, 3 years we are seeing very strong growth in the economy as a whole, political stability, overall everything has been growing pretty well, so China has been investing out there, fair amount of tourism increase, so the economy is doing very well. As a result automobile as well as tyre sector seems to be doing pretty well out there. In our case we have a very large market share out there of nearly somewhere between 40 to 50% and being the only manufacturer of tyres out there, we are in a very strong position. So, with respect to pricing power, we enjoy pricing power, so if raw material prices go up, we can pass it on more easily, and consistency is pretty strong out there. So, margins there and business there continue to be strong right now.

Rupin Shah: Thank you very much sir. All the best.

Anant Goenka: Thank you.

Moderator: Thank you sir. Next question comes from Mr. Alok Deora from Sushil Finance.

Alok Deora: Hello. A very good afternoon sir.

Anant Goenka: Good afternoon Alok.

Alok Deora: Yeah. I just had few questions. One was on the Sri Lankan margin side, what were the margins roughly there?

Anant Goenka: Sri Lankan margin was at around 8% PBT.

Alok Deora: Okay and it has come down slightly in the recent quarters?

Anant Goenka: It has come down from last year, but if you compare overall with respect to the Indian tyre industry or with respect to CEAT, the kind of dip, which we have seen has been much lower. So, Indian, there the margin has come down from about something like 11.6 to 7.9%, whereas if you look at our margins in India, over the past 2, 3 quarters, that is the kind of drop that we saw was much more in India. So, last quarter in India itself was pretty low at about 2.7% PBT to net sales, which is now at 0.7% PBT to net sales, but we are comparing at a much lower band.

Alok Deora: Right.

Anant Goenka: Yeah. So Sri Lankan market continues to be strong and I would say that that is certainly one of the areas where margins are less volatile than India.

Alok Deora: Right. And in terms of OEMs, I mean, in October there was like a biggest drop in the OEM sales in India, so do you see that improving going forward or how would it impact the demand for tyres?

Anant Goenka: The OEM for us is a pretty small component in our overall sales, so the impact to CEAT should not be too much. We have seen a little bit of impact because of the Maruti strike actually that happened, so we do supply some passenger car radials to Maruti. So it has had a little bit of impact, but I would say no material impact in terms of overall profitability or anything like that. So, of course, the slowdown is very evident, we read it everyday in the papers. So, this effect can come into the replacement market over a period of time, so after maybe a couple of years or 3 years time, when people are looking at replacing tyres, at that time we can see some effect of this in the replacement market in the future.

Alok Deora: Okay, so you are saying that for 2013, the effect might be seen for the current slowdown in the OEMs.

Anant Goenka: That's right. We can possibly see some impact and for say companies or areas, which are more dependent on OEM, there can be of course a larger impact, it depends company to company.

Alok Deora: Right. And one question was on the raw material front or actually natural rubber, in Q1 I think we had taken a price hike of around 10% for the increase in the rubber prices. Is that correct?

Anant Goenka: That's right.

Alok Deora: And in Q2 we haven't taken any price hikes because, again because of the monsoon season and stuff like that, so going forward what is the outlook on the rubber prices front because I think in last couple of days it has come down significantly. So what is the outlook? Are we in a position to maintain our price levels here, the finished products price?

Anant Goenka: Yeah. As I shared with you, I just shared the rubber price outlook in last call. So rubber prices I expect to continue to come down going forward. It has come down substantially in the past, say nearly 20 days' time. However, whether we will be able to give a price drop or not is difficult to say now, so there is no decision that we have come to on that. Looks unlikely for the near future, depends if it comes down much more or something, of course, that can be on the anvil, but no plan as of now.

Alok Deora: Okay. So the profitability is likely to improve from the fourth quarter onwards because third quarter, as you said, the strike is there and so we would not see any material impact of the same.

Anant Goenka: That's right. In part strike, in part also raw material, since it has come down only in the past 20 days, all the rubber that we will be buying, it has come down substantially in the international market, so imported rubber will only come in from end of December, early January, so that's when we can expect an impact on our profitability from then on.

Alok Deora: Alright, thank you so much and all the best.

Anant Goenka: Yeah, thank you.

Moderator: Thank you sir. Next question comes from Ms. Sejal Jhunjhunwala from Way 2 Wealth Securities.

Sejal Jhunjhunwala: Yeah thanks. Good afternoon sir.

Anant Goenka: Yeah, good afternoon Sejal.

Sejal Jhunjhunwala: Yeah. Sir, actually I had a question, some few questions, firstly I would like to understand what CEAT's strategy is in terms of bias capacity. Since we are largely more on bias side as of now, as on today, the market is moving towards radialization right now, so I would like to understand are we planning to convert this capacity into radial, which would require larger CAPEX or what are you planning for, for the next 2 years?

Anant Goenka: Yeah, as of now we are planning to continue to ramp up our Halol plant, so Halol is a 150 ton all radial plant, so that is going to be our major foray or major input into growing our share of the radial business. With respect to other capacities which are cross ply capacities, it is not possible to convert capacities from cross ply to radials, so you can't just change your machinery or change your process and produce radials; it is a major change, which requires a complete new CAPEX that will be that needed to move to radials. So, as a result we will continue to perhaps invest in Halol in the longer term. No decisions have been taken on this particularly, but that is going to be one way forward with respect to moving towards more and more radials. It depends on how fast the Indian economy also gets radialized, so let us see how Halol gets used and then we will take a call on further radialization plan.

Sejal Jhunjhunwala: So, you mean to say at some point of time this current capacity of 240 at our Bhandup plant and Nasik plant, would that become redundant at some point of time?

Anant Goenka: The Bhandup plant has some amount of truck/bus bias radials. Yes, of course we are seeing some amount of slowdown in the truck/bus bias segment, so over time yes, there can be some amount of excess capacity in this particular segment. However, these two plants produce a lot of other categories like light truck, farm tyres, specialty tyres like OTR, etc. So, redundancy of these categories looks very unlikely, so radialization in these segments are still far away. However in the truck/bus bias segment we can see some amount of over-supply in the market.

Sejal Jhunjhunwala: Okay, fine. Secondly sir, I had a question is that, as of now from what we understand is that the antidumping duty, the case on that is still pending and there is no rollback as of now. Sir, I would like to understand if suppose that rollback doesn't happen, do you see that the domestic industry like even for example yourself would go in for discounting at some point of time?

Anant Goenka: It is very difficult to say whether we would go in for discounting at all or not, because it is only going to harm us. Yes, it can affect demand, so if at all it affects our production overall it depends how many tyres come in, it is very difficult to say what and how we will react, but yes, it can be, whether it is we have to react through price decrease or production cut if a lot of tyres come in, it could be one way, but very difficult to say depending on how many tyres come in, how they come in, how they are received by the market, how the quality is, etc, etc.

Sejal Jhunjhunwala: Okay, have you any statistics sir, as in after that what has been the imports as on today like for the quarter or something?

Anant Goenka: Since it has only been two months lots of tyres have not yet come in. Also the rupee depreciation has resulted in some amount of costliness of imports, so it has not yet had a material impact, but it can have an impact going forward.

Sejal Jhunjhunwala: Okay sir. Another thing, the Halol ramp up has been quite impressive, I would like to know, like we have done 9% radial revenues in our first quarter, so what would be the percentage for this quarter?

Anant Goenka: Sorry, 9%?

Sejal Jhunjhunwala: We have done like some 5% radial in our truck segment and 4% in our passenger car segment radial revenues, sir I would like to know this quarter as a percentage how much have we done?

Anant Goenka: Radial revenues as the percentage of overall revenues, is it?

Sejal Jhunjhunwala: Yes sir.

Anant Goenka: The radial, in terms of tonnage we would be doing about 65 to 70 tons of radials against a total production capacity of something like 550 to 600 tons, so approximately 11, 12% radials.

Sejal Jhunjhunwala: Okay fine. Sir, and can I have the tonnage figure for this quarter vis-à-vis last quarter?

Anant Goenka: Again approximate tonnage per day is as I said about 550 to 600 tons per day, so you can just convert that to a quarterly basis, but exact tonnage I will not, one minute, I might not have that number with me.

Sejal Jhunjhunwala: Okay and secondly have we done any CAPEX this quarter, I mean, or for the first half what sort of CAPEX have we done?

Anant Goenka: Sorry, just a second, I have say approximately 50,000 tons.

Sejal Jhunjhunwala: Okay, thank you and just the last question is have we done any CAPEX this first half for this year and what sort of CAPEX plan has we had?

Anant Goenka: Yeah, we have done some CAPEX in the first half of this year, that is the normal CAPEX that happens in our plants, so we invest some amounts so that is really not towards growth CAPEX, but routine CAPEX that has been happening as well as some amount of Halol CAPEX that we have done. So, Halol total CAPEX is about 90 crores in the first half of the year.

Sejal Jhunjhunwala: Okay, thank you sir.

Anant Goenka: The rest will be approximately 10, 15 crores.

Sejal Jhunjhunwala: Okay, thank you. That's all.

Moderator: Thank you madam. Dear participants please press * and 1 for your questions. Next is a followup question from Mr. Alok Deora from Sushil Finance.

Alok Deora: Hello?

Anant Goenka: Yes, Alok.

Alok Deora: Yeah, sorry. I just had a few followup questions. One was just wanted a view like if rubber prices continue to correct from the current levels, 3, 4 quarter down the line would we be in a position where we are able to achieve margins for the Indian operations which are similar to what we achieve in Sri Lanka?

Anant Goenka: It depends on really the market environment, so of course it depends on lot of assumptions, so if assuming our prices remain same and raw material prices come down it can happen, but it really depends on the competitive environment. I think a very high margin looks unlikely because the competitive situation is pretty strong right now and we are seeing some slowdown in the market. So, with respect to all of that I don't see abnormally high margins, but certainly better margins than the past.

Alok Deora: But by FY13 that looks possible by any chance where we are able to converge the margins for Indian and Sri Lankan operations?

Anant Goenka: Sorry, converge the margins?

Alok Deora: Or as in we are able to reach the Sri Lankan margins for the Indian operations?

Anant Goenka: No, it looks very unlikely at least at a PBT level because our interest depreciation cost has gone up substantially, so for the year the total interest depreciation is over 200 crores versus last year it was at a much lower level. So, at least at PBT level it looks unlikely.

Alok Deora: Okay and one question like in Sri Lanka we are able to pass whatever increases we have in the input cost we are generally able to pass on to the consumers, right?

Anant Goenka: It is easier than India, certainly.

Alok Deora: Yeah, so any particular reason that why the margins there are coming down, I mean, if we have a decent market share and if we are in a position to pass on then any other reason why the margins there are coming down?

Anant Goenka: No, no other reason beside the raw material price hike, so perhaps there is some lag between the time when we have taken the price hike and the time between, so there is some competition out there with respect to imports, etc. So, the impact in Sri Lanka is much less, but it cannot be a situation where we have a complete monopoly or a complete control with respect to the margin situation out there also.

Alok Deora: Alright, thank you. That would be all.

Anant Goenka: Thank you.

Moderator: Thank you sir. I request the participants to press * and 1 for your questions. Next question comes from Mr. Ashwin Shetty from Ambit Capitals.

Ashwin Shetty: Hello sir and thanks for taking my questions. Just wanted a confirmation, this rollback of antidumping duty on Chinese import, it is still not effective on the ground, right?

Anant Goenka: No, it has been effective on the ground; the tyres can come in from China without antidumping duties.

Ashwin Shetty: So, it is open now?

Anant Goenka: Yes.

Ashwin Shetty: And what is the price differential between a Chinese made tyre and Indian made tyre right now?

Anant Goenka: Approximately it, see you have two types of tyres, one is your cross ply tyre and you have your trucks radial tyre. Generally truck radial is at about 20% higher price than cross ply tyres and Chinese cross ply tyres are coming around the same price as our cross ply tyres, so about a 15 to 20% price difference, but that's what is happening. So, you don't see too much of Chinese cross ply tyre coming in, but you see more truck/bus radial tyres coming in from China.

Ashwin Shetty: Okay, is it like one of the reason why the truck bias segment is currently going through a sluggish phase?

Anant Goenka: Not really because overall demand we are seeing a slowdown. With respect to China, this duty has been set aside just two months ago. We have been feeling the impact for the past five months or so, so I would not attribute it to China even though it was set aside two months ago by the time the tyres come in, they get into the market, they affect sales, it will take some time, so I would say that, I would not attribute it to China right now yet.

Ashwin Shetty: Okay and who would be the biggest importer from China, is it Michelin?

Anant Goenka: I would not have that exact person or who they are.

Ashwin Shetty: Okay, but the full impact probably would be seen in the next few months, I guess.

Anant Goenka: Possibly.

Ashwin Shetty: Okay, thanks.

Moderator: Thank you sir. Dear participants please press * and 1 for your questions. I request the participants to press * and 1 for your questions.

Rohan: Okay, moderator?

Moderator: Yes sir.

Rohan: Yeah, I have quite a few questions, sir. Sir, when I look at the balance sheet, the loans and current liabilities have increased as compared to end of FY11, so could you give us a breakup of the same and the reason for it?

Anant Goenka: See, the main reason for the loans are because of the Halol project, so we are continuing to invest in the Halol project, so as a result some amount of loans has gone up as well as working capital has gone up, so working capital requirement has gone up because of overall increase in raw material prices as well as increase in sales. So, that is why we have needed some more working capital. So, it is a mix of project requirement as well as working capital, which has caused our loans to go up.

Rohan: Okay and sir, what are the typical export incentives do we get, could you throw more light on this?

Anant Goenka: Export incentives, there are two schemes by the government which is the focused market and focused product scheme, so those are the two schemes that we take advantage of and as well as the DEEC scheme. So, these are the incentives that we get.

Rohan: Sorry sir, I missed the last one, as well as the DEPB scheme?

Anant Goenka: Yeah, DEEC, advanced license.

Rohan: Okay and lastly, sir could you give us any sense on the margin outlook if you can just give us some color on it?

Anant Goenka: Difficult to give you numbers with respect to going forward margin, but certainly I can tell you that things are looking better for quarter 4 with respect to, because of couple of things happening, so one is that our Halol plant is ramping up and number two, raw material prices are cooling down, perhaps one more point would be our product mix is improving, so as these 2 or 3 things happen, we can expect a good quarter 4. Quarter 3 can be a little muted because of our Nasik strike as well as raw material prices increasing a little bit from Q2 to Q3.

Rohan: Okay, but just one more thing the followup, what is the percentage of these incentives, as a percentage of sales or, if you can give us?

Anant Goenka: Just one second, just a sec. Yeah, about 1% from focused market and focused product scheme.

Moderator: Thank you sir. Next is a followup question from Mr. Rupin Shah from BP Equities.

Rupin Shah: Sir, what are the main export markets for CEAT currently and just wanted to understand, what are your export strategies going forward after getting the rights from Pirelli, means you have the access of the rights, which you have acquired from the Pirelli, sir?

Anant Goenka: Yeah, the export markets, we export to over about 80 countries all over the world. In terms of major countries I would say it is majorly between Middle East, Africa and South East Asia and now Latin America is growing pretty well. With respect to our Pirelli brand, the brand buy of CEAT from Pirelli that has helped now allowing us to sell tyres in the CEAT brand to Europe as well as Latin America, so we will now be able to take advantage of that and open up these two markets for us as well. We do export to Europe, but those are more things like specialty tyres, but once Halol plant expands we can explore selling radials as well out there.

Rupin Shah: Okay, thank you sir.

Anant Goenka: Thank you.

Moderator: Thank you sir. Next question comes from Ms. Naga Deepika from Capital Market.

Naga Deepika: Hello sir. I just wanted to know or clarify two points. You said the revenues from OEM has increased 57% to 191 crores, is that right?

Anant Goenka: That's right.

Naga Deepika: Sir, can you please tell us what drive this 57% increase in OEM market, was it more of passenger car tyres or two-wheeler and three-wheelers, I wanted to know the product mix?

Anant Goenka: I would say out of 51% is the value growth, so nearly about 20% would be coming in through price increases, etc. The remaining would be coming in from tonnage growth and that would be a mix of various categories, so we have grown in particularly farm and two, three-wheelers we have grown out there and some amount of PCR as well.

Naga Deepika: Okay. PCR we had reported a growth, right?

Anant Goenka: Sorry?

Naga Deepika: I am asking whether we have reported any growth in tonnage terms on PCR front.

Anant Goenka: Yes, we would have with respect to exact PCR growth in OE I don't have the exact number with me here, but we have increased that supplies to OEM segment in PCR.

Naga Deepika: Okay and our exports have substantially improved; can you just tell us what was the FOREX booked on the depreciation of rupee front on these 271 crores?

Anant Goenka: There has been no real gain or loss, some amount of increased realization in export has come in, so if you look that we were exporting at Rs.45 earlier now we are exporting at Rs.50 to the dollar as a result certainly our export realization overall has gone up by about 8 to 9%. So, that is how I would kind of look at it, so if you look at our export number, you can kind of sum it. It would be somewhere around 3 to 5 crores, in fact because of rupee depreciation.

Naga Deepika: Okay and how do we book the export orders, sir, I mean, do we have an export order book with us, outstanding?

Anant Goenka: Actually about 1-1/2 to 2 month is our order book in exports; generally we try and maintain that.

Naga Deepika: Okay and what kind of tyres we export?

Anant Goenka: All types, so again some specialty to PCR to truck/bus radial, truck/bus bias, light truck. Light truck would be the largest share, but again we export mostly all categories.

Naga Deepika: Okay and can you please throw some light on the replacement market growth in Q3, you have already spoken about this, but I wanted to know much more clarity on the radial tyres and the cross ply tyres?

Anant Goenka: Okay, the replacement market overall has been quite flat in volume terms, so with respect to overall growth in replacement we have grown by about 15%, but most of that is because of inflation. So, it has been flat because as I said the market has been pretty sluggish. Monsoon season generally we don't see a great demand in rains. There are various concerns with respect to the world economy, Indian economy slowdown, etc. There is also some slowdown with respect to mining activities that are happening in South India thereby affecting lots of material movement across the country which has also had some impact. So, all of that has affected the tyre industry. Also with radialization, as more and more radialization happens the mileage of tyres increases and therefore numbers goes down over time, the absolute numbers.

Naga Deepika: Okay. Sir, I just missed out on the tonnage front. Can you please repeat what was the tonnage for Q2 and in the corresponding previous year?

Anant Goenka: Tonnage will be flat tonnage, flat growth. Yeah, in the replacement market, overall tonnage I am talking about with respect to replacement.

Naga Deepika: Of overall CEAT, right?

Anant Goenka: That's right.

Naga Deepika: Okay, thanks a lot sir. That's all from my side.

Moderator: Thank you madam. Dear participants please press * and 1 for your questions. There are no further questions. Now I hand over the floor to Mr. Rohan of Anand Rathi for closing comments.

Rohan: Thanks a lot to the management for taking time out for this conference call. Thank you sir and all the best for future.

Anant Goenka: Yeah, thank you, Rohan. Thank you very much.

Moderator: Ladies and gentlemen, this concludes your conference call. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note: 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.