# Y 2012 Earnings Call - Balkrishna Industries Dt-1 Jun'12

## Operator

Ladies and gentlemen, good day, and welcome to the Q4 FY12 and Full Year Earnings Conference Call for Balkrishna Industries Limited, hosted by JM Financial Institutional Securities. As a reminder for the duration of this call, all participants lines will be in the listen-only mode, there will be an opportunity for you to ask questions at the end of today's presentation. I would now like to hand the conference over to Mr. Jai Singh Suja. Thank you and over to you sir.

## Analyst

Thank you very much Hema. A very good afternoon to all our participants. on behalf of JM Financial it is great pleasure that I welcome you all for the fourth quarter FY12 and full year earnings call for Balkrishna Industries.
The call will being with a brief management discussion on the performance for the quarter and year ended 31st March, 2012. This will be followed by an interactive question-and-answer session.

I would like to now hand over the floor to Mr. Poddar for the opening remarks. Over to you, sir.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you, Jay Singh. Dear friends good afternoon. I welcome all of you to the post results conference call on our full year results for FY12. Along with me I have Mr. B K Bansal, Director - Finance and Mr. Sameer Shah of SGA, our Investor Relations Adviser.

At the outside, I am pleased to inform you that the company has achieved its annual volume guidance. The volume for the full year is 1,33,040 metric tonnes compared to 111,545 metric tonne in the corresponding previous year. Registering a growth of approximately 20%. The growth has been quite even across all geographies including Europe and America.

For our standalone tyre business our sales were Rs. 2,795 crores for the full year ended 31st March, 2012 a year-on-year growth of nearly 48% over the previous year, 20% of this was on account of volume growth and balance on account of price and product mix. The EBITDA margin for the current year is Rs. 506 crores around 18% of sales, the net profit is Rs. 269 crores around 9.5% of sales. The Board of Director has recommended a dividend of 75%, that is Rs. 1.5 per share on a face value of Rs. 2 per share.

Operation environment and markets. Now, I would like to take you through the various developments in the industry. FY'12 was a challenging year for the industry as a whole. The rising cost of import along with increase in interest rate and foreign exchange volatility impacted the entire sector. The steep rise in natural rubber prices was mitigated to a certain extend by taking a price high of 7% to 8% during the year.

However, the company could successfully the company could successfully mitigate the above factors and maintain it's operating margins despite inflationary pressures. On the demand side at the industry level the replacement market continues to have momentum in USA. However, we are seeing some slowdown in Europe. The OEM demand is witnessing some sluggishness in the last few months.

On a raw material front, there has been a decline in the natural rubber prices in the past few months. Hence, we have tied up natural rubber requirement only for two to three months production by way of fiscal stoke as well as throw a forward contract with our suppliers. We believe that there would be a further margin marginal decline in natural rubber prices. On CapEx, we are now focusing on increasing our existing capacity utilization level to reach 156,000 metric tonne per annum from the existing three plant by FY'13 to further debottlenecking.

Our greenfield expansion in Bhuj also has been progressing as per schedule. The civil and infrastructure work is in full swing. The installation of the equipment is under progress. We expect to commence the tyre production from this facility from September 2012. The total estimate project cost of Rs. 1,800 crore for the Bhuj facility will be finance through a mix of ECB loan of US$275 million which is approximate equivalent to Rs. 1,300 crores and internal accrual. As you are aware that we had already drown down the ECB of US$175 million till Q1 FY12, the balance ECB amount of 100 million as being tied up. Till the period ended March '12, we have incurred a total CapEx of Rs 623 crores and we expect to spend about Rs. 750 crores for in FY'13 and balance in FY'14.

Post commissioning of tyre manufacturing facility at Bhuj plant, the total achievable production capacity of the company will reach to 276,000 metric tonne per annum. The ramp up of the capacity will take place in the phased manner with the company reaching the full capacity utilization in FY 2015. As on date, we have an order book of 64,000 metric tonne which is approximately 1,400 crore which is equivalent to over five months of our sales. We have achieved total sales of 1,33,040 metric tonne in FY 2012 and we announced for the full year sales guidance for FY'13

160,000 to 165,000 metric tonne. Now, I open the floor for question.

# Questions And Answers Operator

Thank you very much. We will now begin the question-and-answer session. [Operator Instructions]. We have the first question the from line of Neeraj Vinayak from Avendus Securities. Please go ahead.

## Neeraj Vinayak

Good afternoon, sir.

## Arvind Poddar, Vice Chairman and Managing Director

Good afternoon.

## Neeraj Vinayak

Thanks for the opportunity. Can you share what is your rubber cost for Q4 and for full year?

## B.K. Bansal, Director-Finance

For the full year, it was $4,000 per metric tonnes.

## Neeraj Vinayak

Okay.

## B.K. Bansal, Director-Finance

And for the last quarter it was around $3,500 per metric tonnes.

## Neeraj Vinayak

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

This is an average cost.

## Neeraj Vinayak B.K. Bansal, Director-Finance

See basically this time because of this revised Schedule VI there is a lot of regrouping of the numbers and more particularly the foreign exchange related gain or loss is used to be merged along with the respective transaction head like one related to sales use to club with sales and one related to purchases was being clubbed with purchases. Now, everything has been reflected under the other expenditure. So, that is why this number looks on the higher side.

## Neeraj Vinayak

Okay, okay. And sir can you tell me what are the terms on the new $100 million ECB loan that you have tied up?

## B.K. Bansal, Director-Finance

Yeah we have tied up at no LIBOR plus 320 basis points.

## Neeraj Vinayak

And what was for the previous one?

## B.K. Bansal, Director-Finance

Previous one was LIBOR plus 265 basis points.

## Neeraj Vinayak

Okay. That's it from my side. Thank you very much.

## B.K. Bansal, Director-Finance

Thank you.

## Operator

Thank you. The next question is from the line of Rinki Gujera from Enam Holdings. Please go ahead.

## Rinki Gujera

Sir I have a couple of questions, firstly we have mentioned our guidance at 160,000 to 165,000 for the next year.

## Corporate Participant

Yeah.
So I just wanted to understand what are you fracturing in for Europe in this growth?

## Arvind Poddar, Vice Chairman and Managing Director

I mean basically if you look at our average sales for Europe is around 46%, 47%.

## Rinki Gujera

That is correct.

## Arvind Poddar, Vice Chairman and Managing Director

There maybe some drop from Europe and we are looking some gain from America.

## Rinki Gujera

Okay. So are we -- will there be a decline like this year we did around 61,000 from Europe.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Rinki Gujera

So can we see a decline there?

## Arvind Poddar, Vice Chairman and Managing Director

No I mean instead of 46% there will be say 2% or 3% which is we have just begin our first quarter, so it is very hard to say and lot of news are coming. So we are still trying. So our aim is that we should be somewhere around 43%, 44% from this particular territory and which we are confident of gaining from America.

## Rinki Gujera

Okay.

## B.K. Bansal, Director-Finance
## B.K. Bansal, Director-Finance

Just to add. There won't be any decline from the present number of 61,000 metric tonnes. There would be increased as Mr. Poddar said that overall percentage may come down little bit.

## Rinki Gujera

Yeah, yeah definitely.

## Corporate Participant

Yes. Because the tonnages increasing from 133 to 160. So in any case that will help.

## Rinki Gujera

Okay, sure. And sir we just now said that we've tied for rubber for the next two three months sir at what price are we tied?

## Arvind Poddar, Vice Chairman and Managing Director

Every day it keep on changing it is around $3,300, $3,400 but it keep on changing every day.

## Rinki Gujera

Okay, sure. And sir on our debottlenecking of the existing plans when are we expecting the entire 12,000 to come in, it will be at the end of the year or at the mid of the year?

## Arvind Poddar, Vice Chairman and Managing Director

Third quarter 2013.

## Rinki Gujera

Okay, 3Q.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Rinki Gujera

Thank you sir. Thank you for taking my question.

## Operator

Thank you. The next question is from line of Ronak Sarda from MSFL. Please go ahead.
Hi, sir. Thanks for the opportunity. Sir, you give up the prices for natural rubber for Q4 and FY12 can you share the same numbers for synthetic rubber and carbon black?

## Arvind Poddar, Vice Chairman and Managing Director

At the moment we don't hold right now with us.

## Ronak Sarda

Okay. And sir what was the natural rubber price in rupee per KG.

## Arvind Poddar, Vice Chairman and Managing Director

Basically we are importing in dollar so, as the ForEx is fluctuating very high.

## Ronak Sarda

Yeah that's right.

## Arvind Poddar, Vice Chairman and Managing Director

So, it is very hard to give us the right number.

## Ronak Sarda

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

Right now the dollar is I mean at 56.01. And so it is fluctuating very high.

## Ronak Sarda

Okay sir.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ronak Sarda

And sir second question was what would be the I mean if we just go by the old Schedule VI classification I mean would have been, would our margins still have come down sequentially or it would have maintained I mean...

## B.K. Bansal, Director-Finance

No, no.

## Ronak Sarda

I mean how to look at it because if the number has changed in quarter four looks a bit I mean Q3 has been totally classified as well. So, was just wondering how to look at it going forward or if you can just share what would be the adjusted margin if we maintain the old way of our accounting?

## B.K. Bansal, Director-Finance

See, if you have well the old way of accounting then our EBITDA margin would have look at around 18% instead of 17% which we are showing.

## Ronak Sarda

Okay.

## B.K. Bansal, Director-Finance

Yeah.

## Ronak Sarda

And sir, I mean, also the realizations have come down sequentially the reason is in same with the revision of Schedule VI or there has been some negative?

## Arvind Poddar, Vice Chairman and Managing Director

Yes, because earlier the gain on the sales related transaction was being clubbed along with sales now it has been shifted to other expenditure.

## Ronak Sarda

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

So, that is why there is a slight decline in the realization compared to previous quarter.

## Ronak Sarda

Okay, sir. And sir last question was I mean, due to rupee depreciation obviously products are a bit more expensive in the foreign market. So what would be the differential now between our products and let's say the largest player, has it come down significantly because of this rupee depreciation?

## B.K. Bansal, Director-Finance

No, I mean we are always selling ForEx foreign currencies so there is no changes.

## Ronak Sarda

Okay.

## B.K. Bansal, Director-Finance

Because of the currency.

## Ronak Sarda

Okay. Fine sir. Thanks.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. The next question is from the line of Abhijeet Dey from BNP Paribas Mutual Fund. Please go ahead.

## Abhijeet Dey

Good afternoon sir.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah. Good afternoon.

## Abhijeet Dey

Yeah, just wanted to understand the current rupee depreciation while it have a positive impact on your revenues. How it will impact your raw material cost going ahead?

## Arvind Poddar, Vice Chairman and Managing Director

Basically, yeah. See raw material if rupee continuous to depreciate, definitely our raw material cost will increase because most of our raw materials are imported. But at the same time we are keeping our export position open to the extend of our import exposure. So we will be getting benefit on the realization side. So bet-net there won't be any So net there won't be any impact on the bottom-line. Okay. So currently there are how much, at what rate are you hedged for both euro and dollar.

## Arvind Poddar, Vice Chairman and Managing Director

See we are not hedging anything in terms of dollar because as I said we have imports equivalent to our dollar exports.

## Abhijeet Dey

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

We are hedging only our euro exposure which is hedged at an average rate of around Rs. 70.

## Abhijeet Dey

This is what in next 12 months.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, next 12 months.

## Abhijeet Dey

Okay. Thank you very much.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. [Operator Instructions]. We have the next question from the line of Ayush Mittal from Mittal & Company. Please go ahead.

## Ayush Mittal

Good afternoon sir.

## Arvind Poddar, Vice Chairman and Managing Director

Good afternoon.
Sir, I want to understand like in this quarter what we witnessed was that all of the other tyre companies witnessed very high margin expansion, but the same was not there for BKT, any particular reason?

## Arvind Poddar, Vice Chairman and Managing Director

Basically if you look at four quarters there is a steady growth and we keep the raw material with us and our sales are by in large the fix. So, there won't be a major fluctuation like the other tyre companies.

## Ayush Mittal

But, earlier you used to have around 22%, 24% margins in the natural rubber prices that fall.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ayush Mittal

Won't that happen going forward?

## Arvind Poddar, Vice Chairman and Managing Director

It is very hard to say right now because it's not only the natural rubber, there are many other, many more other raw material where the prices are still very high.

## Ayush Mittal

Okay. Similarly sir, like you import your natural rubber in dollar terms...

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ayush Mittal

And the exports you are doing to euro would be the in euro terms.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ayush Mittal Arvind Poddar, Vice Chairman and Managing Director

No.

## Ayush Mittal

Import is...

## Arvind Poddar, Vice Chairman and Managing Director

No, because if you look at our export, about 50% to 53% is in dollar. Only the portion which we are selling in Europe is in euro.

## Ayush Mittal

So, you don't see any significant effect on that front?

## Arvind Poddar, Vice Chairman and Managing Director

No.

## Ayush Mittal

And the competitive position is very much intact as earlier.

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Ayush Mittal

As compared to the competitors.

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Ayush Mittal

Okay. And similarly as we have under going a massive expansion, and we are in process of doubling our capacities and there is a huge slowdown in the economy worldwide.
Yeah.

## Ayush Mittal

Do we expect to be comfortably able to utilize that capacity?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah. Because as I mentioned that our expansion which we are doing which is 120,000 is the capacity ramp up will be gradual and will take about two years, 2.5 year. So that is going to be till 2015. So as the capacity is going to move slowly, and we are confident that we will be able to ramp up that. So I don't think that there is going to be any major impact on our major on our capacity utilization.

## Ayush Mittal

Any worthy progress on the competition from your competitor Alliance tyre company?

## Arvind Poddar, Vice Chairman and Managing Director

What, can you just repeat your question?

## Ayush Mittal

I think there is a significant competition coming from Alliance tyre company one of the major competitor?

## Arvind Poddar, Vice Chairman and Managing Director

No, they are not the major competitor first. They have a plant in Israel, they have a small plant in India. They announced that they are going to put up a plant, I don't know when that plant is coming. So, for us we don't count them as our major competitor.

## Ayush Mittal

Okay. Thanks a lot.

## Arvind Poddar, Vice Chairman and Managing Director

Thanks.

## Operator

Thank you. The next question is from the line of Riken Gopani from Infina Finance. Please go ahead.
Hello?

## Arvind Poddar, Vice Chairman and Managing Director

Hello.

## Riken Gopani

Sir, firstly wanted to understand is the entire net debt we have taken tied up in terms of hedging, has it got hedged as well?

## B.K. Bansal, Director-Finance

No, we are not hedging it because the repayment is after four years. So there is no immediate repayment.

## Riken Gopani

Okay.

## B.K. Bansal, Director-Finance

Yeah.

## Riken Gopani

Okay. So even the first draw down that we have done and spent that is open or that is?

## B.K. Bansal, Director-Finance

It is open because the repayment would start in financial year '15-16.

## Riken Gopani

Okay. So...

## B.K. Bansal, Director-Finance

So we have enough time to think over it.

## Riken Gopani

Till then...

## B.K. Bansal, Director-Finance

Secondly as it is we are enjoying natural hedge, so there is no compulsion for us to hedge it necessarily.

## Riken Gopani

But as you mentioned that since imports and exports naturally hedge itself then would you still have room left to...?

## B.K. Bansal, Director-Finance

Yeah, definitely lot of room will be left because our exports are continuously rising.

## Riken Gopani

Okay.

## B.K. Bansal, Director-Finance

And it all depends at what component of import would be at that point in time.

## Riken Gopani

Okay. Secondly just wanted to understand is it today cheaper to buy raw material from India itself of how is this scenario currently?

## Arvind Poddar, Vice Chairman and Managing Director

No.

## Riken Gopani

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

Still the imports are cheaper. Because we are exporting so there is no duty or anti-duty.

## Riken Gopani

Okay, okay. Can you say what would be the differential between imported?

## Arvind Poddar, Vice Chairman and Managing Director

I mean it is very hard to say because it keeps in moving everyday.
On an average if you...

## Arvind Poddar, Vice Chairman and Managing Director

On average I would say is on a natural rubber without duty should be somewhere around Rs. 12 to Rs. 15 per kg.

## Riken Gopani

Okay. And secondly sir on a sequential basis if we look at your raw material cost on natural rubber it more or less remains stable I mean at $3,500 a metric tonne because I think natural prices did correct, so any reason why its has remained static for us?

## Arvind Poddar, Vice Chairman and Managing Director

No we are talking about our average.

## Riken Gopani

Correct.

## Arvind Poddar, Vice Chairman and Managing Director

So, when we are talking about average is that we purchase at a higher price, we purchase at a lower price. So, we are talking about our average. And when the prices were moving very high we were holding the rubber inventory between five to six months.

## Riken Gopani

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

As now we are feeling that the natural rubber prices are going to come down. So we have drastically reduced our holding to two to three months.

## Riken Gopani

Okay, okay. But would it be fair to assume that your or could you share what would be the price at which we can source now in the market?

## Arvind Poddar, Vice Chairman and Managing Director

Today currently is at about $3,200, $3,300.
$3,200 $3,300.

## Arvind Poddar, Vice Chairman and Managing Director

Again depending on what great from which market you are buying.

## Riken Gopani

Okay, okay. And I missed out on this point if you could share why on the revised numbers that you have mentioned you have a 100 basis points sequential decline in margins, what's the reason for that?

## B.K. Bansal, Director-Finance

That is at EBITDA level because of the reclassification of the numbers as per revised Schedule VI.

## Riken Gopani

On the revised numbers as well from 17.9 it is come down to 17.1 right on a sequential basis?

## B.K. Bansal, Director-Finance

No, on sequential basis yes from 17.85 it has come to 17.05, yeah.

## Riken Gopani

Yeah. So that's what I am saying, so any specific reason why it would have come down?

## B.K. Bansal, Director-Finance

No specific reason.

## Riken Gopani

And what's the outlook?

## B.K. Bansal, Director-Finance

Outlook is like this should be similar between 19% to 20%.

## Arvind Poddar, Vice Chairman and Managing Director

18% to 20%.

## B.K. Bansal, Director-Finance

Yeah, 18% to 20%.

## Riken Gopani

18% to 20%, okay. So, you would say it is more to do with the inventory that we had would have impacted margins this quarter?

## B.K. Bansal, Director-Finance

Correct.

## Riken Gopani

Okay. That's it right now. Thanks a lot.

## Operator

Thank you. The next question is from the line of J. Radhakrishnan from IIFL. Please go ahead.

## J. Radhakrishnan

Sir thank you for taking my call. Sir just sort of asking, continuing on the previous participant's question, it is I am able to see that 1% sequential growth is there in raw material per tonne is make calculation correct, which would have to led to this increased mostly?

## B.K. Bansal, Director-Finance

Sorry, sorry Radhakrishnan can you come again.

## J. Radhakrishnan

On a per tonne a raw material cost it is showing a 1% growth is that because of natural rubber or may because of some other raw material component?

## Arvind Poddar, Vice Chairman and Managing Director

It is a combination of all the raw materials. To natural rubber to produce a tyre is I would say is around 35%, 37%.

## J. Radhakrishnan

Okay. So, may be whether other raw material cost whether there is any increase happening on a sequential basis.

## Arvind Poddar, Vice Chairman and Managing Director J. Radhakrishnan

Okay

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## J. Radhakrishnan

And one more question sir, you told that euro has been hedged at 70 per euro. Is it possible for you to tell what was the booking rate in FY'12 and what is the FY'13...

## Arvind Poddar, Vice Chairman and Managing Director

Right now we don't hold that paper with us.

## J. Radhakrishnan

And whether you have started for FY'14 now, maybe one or two months you would have hedged. So, at what rate it is being hedged now?

## B.K. Bansal, Director-Finance
## J. Radhakrishnan

Currently it been hedged at around Rs. 72 to Rs. 73.

Okay sir. Yeah thanks, sir. That's all from me.

## Operator

Thank you. The next question is from the line of Sahil Shah from HSBC. Please go ahead.

## Sahil Shah

Yeah, hi good afternoon sir.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, good afternoon.
On the ForEx MTM contribution this year FY'12 as compared to FY'12. Can you give the two numbers please?

## B.K. Bansal, Director-Finance

Which number you want?

## Sahil Shah

What would be the loss on the ForEx transactions for FY12?

## B.K. Bansal, Director-Finance

It is 18 crore?

## Sahil Shah

18 crore. And in FY '11 this number would be?

## B.K. Bansal, Director-Finance

This number.

## Arvind Poddar, Vice Chairman and Managing Director

We don't have right now with us?

## Sahil Shah

Sorry.

## Arvind Poddar, Vice Chairman and Managing Director

No, that is not available.

## Sahil Shah

That is not available. But would this be the major contributor for other expenses going up?

## B.K. Bansal, Director-Finance

Yes, yes.
Because other expense have gone up almost two fold from 218 crores to 434 crores as per the new schedule. So this contributes only around 18 crores additional, even if there was absolutely no impact last year.

## B.K. Bansal, Director-Finance

Yeah, I can give you this number later on you can call me and I will send it.

## Sahil Shah

Alright, I will do that. Anything pertaining to the Bhuj capacity which has contributed to additional other expense in FY '12?

## B.K. Bansal, Director-Finance

No, no.

## Sahil Shah

None of that.

## B.K. Bansal, Director-Finance

That is being capitalized.

## Sahil Shah

That is being capitalized.

## B.K. Bansal, Director-Finance

Yeah.

## Sahil Shah

When will see see actually a depreciation of that taken kick in?

## B.K. Bansal, Director-Finance

That would come in the third quarter of this financial year.

## Sahil Shah Arvind Poddar, Vice Chairman and Managing Director

No because that will be over a period, because initially when we are going to start the cost will be higher because almost all the machines will not be fully utilized.

## Sahil Shah

Sure.

## Arvind Poddar, Vice Chairman and Managing Director

So, at maybe after FY14, '15 one can see at about benefit between 1% to 2.5%.

## Sahil Shah

Okay. Another question was what is the current OE proportion of our revenue?

## Arvind Poddar, Vice Chairman and Managing Director

15%.

## Sahil Shah

15%. Are we looking to move that either up or down?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah. I mean currently the world market, the condition of the world market does not -- we are not very clear whether that percentage will be maintained.

## Sahil Shah

Okay. Alright. And last thing was that, on your Bhuj capacity, we're looking at roughly 3,000 odd crores coming from our 8,000 crores of CapEx. This is the number that was provided earlier. So that kind of asset turn is slightly higher as compared to what we had earlier. Now, is this because of higher realizations happening right.

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Sahil Shah Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Sahil Shah

Alright, perfect. Thank you so much sir.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. [Operator Instructions]. We have the next question from the line of Deepak Gupta from Kotak Mutual Fund. Please go ahead.

## Deepak Gupta

Hi, good afternoon sir.

## Arvind Poddar, Vice Chairman and Managing Director

Hi, good afternoon.

## Deepak Gupta

Sir, wanted to know what is the total amount of foreign exchange loans sitting on the balance sheet?

## B.K. Bansal, Director-Finance

Currently it is $180 million.

## Deepak Gupta

Okay. So, the major part is that ECB only.

## B.K. Bansal, Director-Finance

Yeah. The entire thing is ECB.

## Deepak Gupta Arvind Poddar, Vice Chairman and Managing Director

No, no.

## Deepak Gupta

Okay. Thanks.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. The next question is from the line of Anurag Randev from PUG Securities. Please go ahead.

## Anurag Randev

Yeah, thanks for the opportunity sir.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Anurag Randev

My first question is, you are talking about 12,000 metric tonnes of ingredient capacity to debottlenecking. So what would be the amount of CapEx which will be incurred on this particular capacity? What is the amount?

## Arvind Poddar, Vice Chairman and Managing Director

That is around 30 crore.

## Anurag Randev

30 sir?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Anurag Randev Arvind Poddar, Vice Chairman and Managing Director

Almost all the raw material other than the oils et cetera is important we use mainly all the natural rubber also is imported.

## Anurag Randev

Sir, in that sense if we see the raw material to sales even on from FY11 to FY12 has not increased that much. Despite the fact that there is quite a depreciation in rupee. So, what was the major reason for that even if we take in to account that we are not paying any duty because of the...

## B.K. Bansal, Director-Finance

See basically why there is no change because while the raw material cost has increased on the other hand the sales price has also increased because of the rupee depreciation.

## Anurag Randev

Okay. And sir can you just tell us that what will be WIP right now, means the what will be the work in progress sir?

## B.K. Bansal, Director-Finance

Work in progress is around 450 crore.

## Anurag Randev

450 crore sir.

## B.K. Bansal, Director-Finance

Yeah, 450 crore.

## Anurag Randev

Okay. And sir one last question. Sir with respect to our total interest cost this year, I think it would be some of the interest cost for the four quarters that is quite less and if we take FY12 annual figures that is quite a significantly huge amount. Is it because around 16 crores of the foreign exchange loss which we earlier saw in the extraordinary income that has been included in the interest cost right now?

## B.K. Bansal, Director-Finance

## B.K. Bansal, Director-Finance

No, no there is a exchange loss of around 9.5 crore which has come into this financial year under the interest cost.
Okay.

So exchange loss arising on the like buyers credit and other currency related transaction has been reflected over year.

## Anurag Randev

Okay. because sir I was just asking because if we look at our quarter two, FY12 and then quarter three FY12, then I think there was around exchange loss of close to 16.5 crores. So I was just trying to assume that possibly if we just quantify it then our interest for the four quarter comes to close to 12 crores and if we add that 12 and around 17 it comes around exactly 29 crores which we are seeing in the FY12 annual figures. So that I was trying to calculate it.

## B.K. Bansal, Director-Finance

But now is it clear to you now.

## Anurag Randev

Yeah, sir and then what will be our actual average interest cost.

## B.K. Bansal, Director-Finance

It is 3% for us.

## Anurag Randev

Okay. Thanks a lot sir.

## B.K. Bansal, Director-Finance

Thank you.

## Operator

Thank you. The next question is from the line of Nishant Vass from ICICI Securities. Please go ahead.

## Nishant Vass

Hi sir thank you for the opportunity. Sir I just wanted to know in the global market for this year and comparable numbers last year what was our sales in terms of percentage in agri and industrial segments?

## B.K. Bansal, Director-Finance Nishant Vass

Okay.

## B.K. Bansal, Director-Finance

And in industrial, construction and mining it is around 32%, 33%.

## Nishant Vass

Sir, and continuing with this question which of these two segments would you see being the major driver for your volume growth next year?

## Arvind Poddar, Vice Chairman and Managing Director

Basically, the agri will be around 60 and the other will be 40 and after our complete expansion both will be 50-50.

## Nishant Vass

Okay. Okay, post the expansion, okay sir. And continuing with the expansion, sir basic expansion motive is also to get into the domestic market, right?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, also.

## Nishant Vass

So, sir have you done any understanding of the market as to what is the kind of OHT market or the segment that we cater to in domestic business?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah that is what our we are currently also selling in the market and there is a continuous study. So, we know that what kind of a market and what is the required to be done. So, we are...

## Nishant Vass

Sir, could you kind of give us a figure as to what kind of possibility of ton in sales could be there or what is the market size right now?

## Arvind Poddar, Vice Chairman and Managing Director Nishant Vass

10% to 12%?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Nishant Vass

Okay. And sir, what is right now since has our global market share moved a bit in last couple of years or we are at that 5% to 6%?

## Arvind Poddar, Vice Chairman and Managing Director

By and large the same.

## Nishant Vass

By and large the same. Sir, continuing with that question if I can take one more question. Sir, has the pricing between the top end players and our the 20% gap come down or increase significantly?

## Arvind Poddar, Vice Chairman and Managing Director

It is maintaining.

## Nishant Vass

It's still maintaining.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Nishant Vass

So, we are following the market leaders in terms of pricing?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.
Okay. Thanks a lot sir.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Nishant Vass

Okay. Thanks a lot sir.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. The next question is from the line of Chirag Shah from Emkay Global. Please go ahead.

## Chirag Shah

Yeah, thanks for the opportunity.

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Chirag Shah

Sir, first question is on your rubber hedging. You said that you have contracted rubber only two to three months.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Chirag Shah

And how is the outlook beyond that, means generally you would be entering into new hedges now, right?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.
In new contracts.

## Arvind Poddar, Vice Chairman and Managing Director

We are as the market is not very clear.

## Chirag Shah

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

And particularly there is some slowdown in Europe and also in China. So we are watching very closely that how the market is doing and at an appropriate time we will use it. Now it is the full season which is going to start in July, August till December. So we will be monitoring very closely and we'll take at the right time the right call.

## Chirag Shah

And generally you hedge how much percent, portion of your requirement suppose if you are contracted for three months, it will not be 100% requirement?

## Arvind Poddar, Vice Chairman and Managing Director

100% for three months.

## Chirag Shah

Sir, it's 100% for three months?

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Chirag Shah

Okay. Fair enough. And second question was just wanted to understand ramp on Bhuj means how it would flow in your P&L in terms of tonnage?

## Arvind Poddar, Vice Chairman and Managing Director

Tonnage I mean we have already shown that on page 12.

## Chirag Shah Arvind Poddar, Vice Chairman and Managing Director

How much it is going to be contributing in tonnage available production capacity build up.

## Chirag Shah

No. I have actually not gone through that. But I hope you've explained it in how much time it will take to ramp up to full capacity?

## Arvind Poddar, Vice Chairman and Managing Director

It will be totally to ramp up to 120,000 will be FY'15.

## Chirag Shah

FY15?

## Arvind Poddar, Vice Chairman and Managing Director

Yes. Because these are technical trials, these are not simple so we have to set each and every SKUs.

## Chirag Shah

Okay. But can you just....

## B.K. Bansal, Director-Finance

I will give you the number. For FY'13 it will be about 25,000 of the new capacity which will be ramped up and used in production.

## Chirag Shah

Okay.

## B.K. Bansal, Director-Finance

Then in '14 it will be 75,000, it will reach cumulatively 75,000 and in by '15 it will reach about 120.

## Chirag Shah

Oh, I got the presentation. Okay. So you are saying that in FY'14 you are looking at the incremental production of something like 50,000?
Yes, yes absolutely correction.

## Chirag Shah

And is there a scope to increase it a or no this is in to what maximum you can do in FY14?

## B.K. Bansal, Director-Finance

This is actually the current estimate as we go along and do our manufacturing facilities on ground. As we go nearer to the end of FY'13 we'll be able to revise the FY'14 numbers its too earlier right now.

## Chirag Shah

Fair enough. It's just an initial estimate from your side.

## B.K. Bansal, Director-Finance

Yeah, yeah.

## Chirag Shah

Fair enough. And last thing on the margins, you are guiding for a 19% to 20% kind of a margin range....

## Arvind Poddar, Vice Chairman and Managing Director

18% to 20 %

## Chirag Shah

If I can understand from the Bhuj plant what are the areas from where we can actually see margins, because I presume a blended 18% to 20% margins basically means the margins at Bhuj would be much more superior than the existing plan?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, but that will be once we reach the full capacity utilization because the majority of the capacities will not be fully utilization. So, that will not give the benefit currently, maybe after once we reach the full capacity FY'15.

## Chirag Shah

So, would it be right that in the intermittent period say FY'13 and FY'14 your margins would on a blended basis would be lower than the current margins?
No, I mean, we are trying to maintain that and we are looking at between 18% to 20% company as a whole.

## Chirag Shah

Fair enough. And what are the areas broadly where you will see margin happening is it raw material happening. Is it raw material, is it yield, it is transportation how one should look at from where this incremental delta would come to you, say from existing plant versus if I have to do a Bhuj kind of comparison?

## Arvind Poddar, Vice Chairman and Managing Director

No, ultimately after 2015 the margin will improve and the production which is coming from Bhuj on account of internal logistic.

## Chirag Shah

Okay.

## Arvind Poddar, Vice Chairman and Managing Director

And the power cost.

## Chirag Shah

Fair enough. These are the two major?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Chirag Shah

Sir, product wise there is not much of a difference between your existing plant and Bhuj plant?

## Arvind Poddar, Vice Chairman and Managing Director

No, absolutely no.

## Chirag Shah

So, there is no major difference over there?

## Arvind Poddar, Vice Chairman and Managing Director Chirag Shah

No, difference over there?

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Chirag Shah

Right. This was helpful. Thank you.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. [Operator Instructions]. We have the next question from the line of Sabyasachi Paul from Jet Age Securities. Please go ahead.

## Sabyasachi Paul

Hello?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Sabyasachi Paul

For the quarter, I mean the interest cost, can you please give us breakup between what was the actual interest cost and...?

## B.K. Bansal, Director-Finance

See, the actually around for the quarter is 5.75 crore, 5.7 crore yeah.

## Sabyasachi Paul

So and if I deduct and get the...

## B.K. Bansal, Director-Finance

Yeah, then there is a gain of around 6 crore. So that's why there is interest expense is in negative.

## Sabyasachi Paul

Okay. In terms of export benefits DEPP and duty draw back and what would be the kind of percentage benefit that you would getting now?

## Arvind Poddar, Vice Chairman and Managing Director

Now, there is no DEPP.

## Sabyasachi Paul

Yeah, so duty drop...

## Arvind Poddar, Vice Chairman and Managing Director

So, basically what we are doing is our advance license.

## Sabyasachi Paul

Okay. And what percentage would be that right now?

## Arvind Poddar, Vice Chairman and Managing Director

That depend on the value addition because if the raw material goes down or lower So it's very difficult to maintain that but more or less I would say is similar what we used to get it from our DEPP.

## Sabyasachi Paul

Okay, so it would be about say 5% of sales?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, 5% to 6%.

## Sabyasachi Paul

Okay. And okay I think that's it. Yeah, thanks so much.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.
Thank you. The next question is from the line of Yuti Dalal from Corporate Database. Please go ahead.

## Yuti Dalal

Thank you, good afternoon. Had a couple of questions. Coming back to the interest cost that you talked about in Q4, we had a net negative impact. The 6 crore gain that we had, I'm assuming that's all related to the debt restatement and it's all just a notional gain right?

## B.K. Bansal, Director-Finance

Yes.

## Yuti Dalal

Okay. What was this number for the full year out of the 28 crores interest that we have?

## B.K. Bansal, Director-Finance

On full year there is a loss of 9.5 crore.

## Yuti Dalal

So that means interest was actually just about 18 crores.

## B.K. Bansal, Director-Finance

Yes.

## Yuti Dalal

Okay fine. And would you have the previous quarter and year number with you right now?

## B.K. Bansal, Director-Finance

Previous year the total interest was 20 crores, 20.66 crore in which there was a gain of around Rs. 85 lakh.

## Yuti Dalal

Okay. So it was pretty all interest.

## B.K. Bansal, Director-Finance

Yeah.
Okay. Also wanted to understand apart for the notional gain that we had over here. Was there any actual products loss or gain that you had during the year and where is that shown in other expenses or?

## B.K. Bansal, Director-Finance

No, we did not have any actual ForEx loss.

## Yuti Dalal

Okay. So even in the 18 crores that you mentioned earlier for FY12...

## B.K. Bansal, Director-Finance

Yeah. That is again basically I would say a notional loss because our sales and purchase transactions are booked at the rate given by the custom department.

## Yuti Dalal

Yeah.

## B.K. Bansal, Director-Finance

Which is a notional rate.

## Yuti Dalal

Okay.

## B.K. Bansal, Director-Finance

And then at the time receipt of the payment from the customer or at the time of payment to our supplier whatever is the exchange rate at which the transaction is booked and the difference is recognize as exchange gain or loss.

## Yuti Dalal

Okay.

## B.K. Bansal, Director-Finance
## B.K. Bansal, Director-Finance

So, in a sense there is no exchange loss or gain as such.

## Yuti Dalal
Yeah, yeah.

## Yuti Dalal

Okay. Was there any impact or how much of your total gain impact on the top line would be from favorable currency movement?

## B.K. Bansal, Director-Finance

See this year there is no gain as I said there is a net exchange loss of 18 crore.

## Yuti Dalal

Okay. My second question was other expenses actually, which again some other analyst brought it up earlier as well we have seen a double to 434 crores, and last quarter you had indicated that we wouldn't be seeing any kind of recurrence, other expenses going up we've seen it go up last quarter as well because of the one-time expenditure on repairs. So, is there any particular expense that has gone up this year if you could, if you have in a rough breakup?

## B.K. Bansal, Director-Finance

No, last year there was a gain the last year other expenditure has been reduced and that is why the difference between the last year and the current year looks very high. As I said I do not have that number readily available with me. So if we add back that gain amount in the last year other expenditure then it looks more or less comparable with the current year number.

## Yuti Dalal

Fair enough sir. But, if despite that even I say assume it's equal to that, that would be about say 36 crores, 35 crores, 50 crores we still have a massive increases in other expenses?

## B.K. Bansal, Director-Finance

Yeah, because other expenditure also include certain variable component like freight and forwarding which keeps increasing in proportion to increase in the sales.

## Yuti Dalal

Okay.

## B.K. Bansal, Director-Finance

So, that will definitely change it cannot remain constant year-on-year.

## Yuti Dalal

Okay. One more question on debt, could you give me a breakup of any component that is included in current liabilities?

## B.K. Bansal, Director-Finance

Current liability what is actually payable during the year..

## Yuti Dalal

Yes.

## B.K. Bansal, Director-Finance

Is being included in the current liabilities. So, that would be around $2 million. So, 10 crore.

## Yuti Dalal

Okay. And lastly in terms of the input cos,t we ended last quarter with exiting with about $3,400 of natural rubber prices and sequentially if you look at input cost to sales, there is been an increase this quarter. So from about 56% that it was at in the the December quarter is now about 59% of sales, your total input cost.

## B.K. Bansal, Director-Finance

Yeah, yeah.

## Yuti Dalal

What is the reason for this increase?

## B.K. Bansal, Director-Finance

As Mr. Poddar said earlier that besides natural rubber, there are other raw materials whose cost has gone up during the quarter.

## Yuti Dalal

So basically the lower natural rubber was not able to offset those increases?

## B.K. Bansal, Director-Finance

Yeah. Correct, correct.
Do we see that trend....

## Arvind Poddar, Vice Chairman and Managing Director

For the natural rubber, the portion is a very, very small, it's not that the total tyre is made of a natural rubber.

## Yuti Dalal

Right.

## Arvind Poddar, Vice Chairman and Managing Director

That's about 35%, 38%. So, there are many other raw material like carbon black chemical fabric, because of the oil which has gone up and all the raw materials prices have gone up.

## Yuti Dalal

Okay. Sir then do we see any improvement on this front in the next quarter or is this going to still be a challenge?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, its going to still be a challenge.

## Yuti Dalal

Okay, okay. That's all from my side. Thank you so much.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. The next question is from the line of Disha Shah from Anvil. Please go ahead.

## Disha Shah

Good afternoon sir.

## Arvind Poddar, Vice Chairman and Managing Director

Good afternoon.
Sir, what is the average realization for this quarter? Last quarter it was 214 per kg.

## B.K. Bansal, Director-Finance

Average realization for the last quarter is 216 per kg.

## Disha Shah

216?

## B.K. Bansal, Director-Finance

Yes.

## Disha Shah

And sir have you gained any market share over this quarter?

## B.K. Bansal, Director-Finance

This is nothing like gaining on quarter-on-quarter basis.

## Disha Shah

And on the whole year basis?

## B.K. Bansal, Director-Finance

Whole year basis yes we are continuously growing, you can see the number. There is a volume growth of around 20% which indicates that we are growing in all the geographies.

## Disha Shah

Okay. And sir with rubber prices going down and rupee depreciating, do you plan to roll back any prices from making it competitive amount?

## Arvind Poddar, Vice Chairman and Managing Director

Not at the moment.

## B.K. Bansal, Director-Finance
## B.K. Bansal, Director-Finance

No, no.
Sir and on the CapEx fund Rs.750 for FY'13 were Bhuj plant. Any other CapEx?

Yeah, there would some maintenance CapEx and other CapEx at existing plants. So that would be in the range of Rs. 50 crore Rs. 60 crore.

## Disha Shah

Okay. Sir, that's it from my side.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. The next question is from the line of Niket Shah from Edelweiss. Please go ahead.

## Niket Shah

Good afternoon, sir.

## Arvind Poddar, Vice Chairman and Managing Director

Good afternoon.

## Niket Shah

Sir, wanted a small breakup between how much was the Radial component as well as Cross Ply component for the full year for us?

## Arvind Poddar, Vice Chairman and Managing Director

At the moment we don't have right now readily available with us.

## Niket Shah

No issues.

## Arvind Poddar, Vice Chairman and Managing Director

But, you can always contact Mr. Bansal, he will give you.
Sure. Sir and also if you can give us a small number of consolidated gross block and CWIP?

## B.K. Bansal, Director-Finance

Yeah, that I can give you. See, the gross block is not available because now it is net block.

## Niket Shah

Right.

## B.K. Bansal, Director-Finance

It is reported net of depreciation, so CWIP is 450 crore.

## Niket Shah

Consolidated, okay. And how much standalone would it be?

## B.K. Bansal, Director-Finance

No, no it is standalone.

## Niket Shah

Okay. How much would that be for consolidated?

## B.K. Bansal, Director-Finance

That figure I do not have.

## Niket Shah

Okay.

## B.K. Bansal, Director-Finance

So, that is on a standalone basis 450 is CWIP and 828 crore is the other assets.

## Niket Shah

828. Okay. Sir and just one more question, we have seen some degrowth in terms of like absolute value, absolute volume from rest of the world. What is that on account of, which are the geographies would have actually seen some degrowth this year?

## B.K. Bansal, Director-Finance

There is growth of 20%.

## Niket Shah

No, that is on a blended basis but if I have to look at rest of the world which in 2010-11 was 21,729 metric tonnes which this year has come to 19,586. So, I was just wondering what was that on account of.

## Arvind Poddar, Vice Chairman and Managing Director

No, no which page you are referring to?

## Niket Shah

Sir, this is breakup between geography wise, breakup of volumes.

## B.K. Bansal, Director-Finance

See right now I do not have those details with me. So you can check it up with me later on.

## Niket Shah

Surely no issues. Sir, and how much does how many number of SKU do we have as of now?

## B.K. Bansal, Director-Finance

Around 2,000.

## Niket Shah

Okay. And we would have added close to around 100 this year?

## B.K. Bansal, Director-Finance

Yeah.

## Niket Shah

Okay. And sir, which new geographies do you plan to enter this year?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah because basically there was always shortage of the material as I mentioned that there is a backlog back order situation of five months.
Right.

## Arvind Poddar, Vice Chairman and Managing Director

We always wanted to move faster in CIS India this kind of a country. But the availability of the material is a big question. So once our capacity will ramp up probably we will move faster in CIS, Russia and so on.

## Niket Shah

Okay. And so just last question. Out of this total off highway tyre market globally, how much would be break up between agriculture of OTR, rough cut idea?

## Arvind Poddar, Vice Chairman and Managing Director

Basically the total world market is somewhere around is $12 billion to $13 billion of which two third is OTR and one third is agriculture.

## Niket Shah

Okay, one third is agriculture.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Niket Shah

And how much can we also break up rough cut between replacement and OEM?

## Arvind Poddar, Vice Chairman and Managing Director

Those datas are not available.

## Niket Shah

Okay. And sir, can you also okay that's all from my side. In case there are any more question I'll come back. Thanks so much.

## Arvind Poddar, Vice Chairman and Managing Director

Yes.

## Operator Rahul Bhangadia

Thank you for taking my question sir. Just one small question beside the big CapEx that we are going through what is the kind of routine, repair or maintenance CapEx that we need to do every year?

## B.K. Bansal, Director-Finance

25 crore to 30 crore rupees.

## Rahul Bhangadia

And this is for your existing facility?

## B.K. Bansal, Director-Finance

This is for the existing facility.

## Rahul Bhangadia

As -- so 25 crore to 30 crore roughly that is. Okay, thank you so much.

## Operator

Thank you. The next question is again from the line of Deepak Gupta form Kotak Mutual Funds. Please go ahead.

## Deepak Gupta

Sir wanted to know what is the margin profile of ODR tyres and agricultural tyres?

## Arvind Poddar, Vice Chairman and Managing Director

I mean basically it is very difficult to give because it is all blended.

## Deepak Gupta

Okay. But is there

## B.K. Bansal, Director-Finance

It is pretty similar. There is no significant difference.
Okay. Thanks.

## Operator

Thank you. We have the next question from the line of Basudeb Banerjee from Quant Capital. Please go ahead.

## Basudeb Banerjee

Thanks for taking my question. Few question, one in the balance sheet your payables have come down significantly year-on-year any reason sir?

## B.K. Bansal, Director-Finance

Payables.

## Basudeb Banerjee

Current liabilities?

## B.K. Bansal, Director-Finance

No, it is not come down, payables has on the contrary gone up from 115 crores to 200 crores.

## Basudeb Banerjee

Maybe.. Pardon.

## Arvind Poddar, Vice Chairman and Managing Director

It's on slide six.

## Basudeb Banerjee

Okay, that we'll take offline. One more thing as you said that from September this Bhuj production will start. So, initially we'll start off with contract workers or permanent salary employees?

## Arvind Poddar, Vice Chairman and Managing Director

Combination

## Basudeb Banerjee

So, can one assume that the staff cost will shoot up with lower level of production initially?
Marginally, yes.

## Basudeb Banerjee

Okay. And sir with crude falling by almost 15% in past couple of weeks. So, what's your view on the crude derivatives you are using...

## Arvind Poddar, Vice Chairman and Managing Director

I mean basically our government is not able to answer this. I am not the right person to answer this.

## Basudeb Banerjee

Okay. Thank you that's all.

## Arvind Poddar, Vice Chairman and Managing Director

Okay.

## Operator

Participants due time constraint we'll take your time constraint we'll take the last question from the line of Ashutosh Tiware from Equirus. Please go ahead.

## Ashutosh Tiwari

Yeah. Thanks for taking my question. Sir my question is on the outlook I mean the volume guidance on next year you are saying that the volume from Europe is more or less cost end in FY'13 from what it was in FY'12. So, that means almost 40% volume growth will come from other regions?

## Arvind Poddar, Vice Chairman and Managing Director

No, no what I mean to is that in terms of percentage.

## Ashutosh Tiwari

Okay so 46%, 47% will be maintained.

## Arvind Poddar, Vice Chairman and Managing Director

Yeah, yeah.

## Ashutosh Tiwari Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ashutosh Tiwari

Okay. And sir, second thing of the debottlenecking volume of say 12,000 capacities were going to come up, that will come up mainly in the second half or that will be casual?

## Arvind Poddar, Vice Chairman and Managing Director

Second half.

## Ashutosh Tiwari

So, in the first half the volumes will be more or less constant?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ashutosh Tiwari

So, major volume growth will come only in the second half?

## Arvind Poddar, Vice Chairman and Managing Director

Yeah.

## Ashutosh Tiwari

Okay, okay. Okay sir, that's all from my side.

## Arvind Poddar, Vice Chairman and Managing Director

Thank you.

## Operator

Thank you. I would now like to the hand the floor back to Mr. Jaisingh Suchak for closing comments. Over to you sir.

## Jaisinh Suchak Arvind Poddar, Vice Chairman and Managing Director

Yeah. Thank you and thank you.

## Operator

On behalf of JM Financial Institution Securities, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.