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ATL/SEC/21

May 23, 2016

The Secretary, BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	The Secretary, National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

Sub: Transcript of Analyst/ Investor Conference call

Dear Sirs,

Pursuant to Regulation 30(6) and 46(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that a Conference Call for the analysts and investors to discuss the financial and operational performance of the Company was held on Thursday, May 12, 2016 at 10:00 AM.

Please find attached herewith the transcript of the aforesaid call. The same has also been placed on the website of the Company i.e www.apollotyres.com.

This is for your information and records.

Thanking You

Yours Sincerely
For APOLLO TYRES LTD

Seema Thapar

(SEEMA THAPAR)
Company Secretary

India, May 12, 2016

Analyst / Investor Conference Call

Fourth Quarter FY 2015-16

Sonal Gupta: Good morning everyone. On behalf of UBS Securities I welcome you all to the post result conference call of Apollo Tyres. We have with us the senior management team from Apollo Tyres headed by Mr. Gaurav Kumar, Chief Financial Officer. I will now request Gaurav to begin with the opening comments post which we will have the Q&A session.

Gaurav Kumar: Good morning everyone and thanks for joining on the call. We will begin with opening remarks and then we would be happy to take your questions.

On a consolidated basis, sales for the quarter were Rs. 29.7 billion, a degrowth of 5% over the same period last year, this was essentially caused by both volume losses particularly in Europe and price declines that have been undertaken across geographies by the industry. EBITDA for the quarter was Rs. 4.8 billion at 16.1% as compared to 16.5% for the same period last year.

Raw materials cost continued to fall and was down by 5% sequentially in the current quarter. In terms of revenue segmentation, around three quarters of the revenue was generated from the replacement market and one fourth from the OE market. There was no significant change in product category wise segmentation, with truck contributing 48%, car at 34% and the balance being made up by light truck, farm and other categories.

For the full year, sales were Rs. 117.1 billion, a degrowth of 8% over the same period last year. While Euro devaluation fairly contributed to this growth, a large chunk of it is due to exclusion of South African operations. As you would remember that we sold off more than half the business and had shut down the rest. These factors accounted for a decline of Rs. 6 billion out of the yearly decline of Rs. 10 billion with the balance being a mix of volume and price.

The EBITDA for the year was Rs. 19.7 billion at 16.8% compared to a 15.2% margin for the same period last year. Gross debt at the end of the quarter was Rs. 14.6 billion compared to Rs. 11.5 billion in the previous quarter. This has gone up as we have started borrowing for expansion.

In terms of an outlook on the raw material front, we have seen the prices go up and we expect the first quarter raw material basket to be up by 3% to 4%. This would see a further increase in Q2, which would lead to certain amount of pricing pressure and it is possibly going to see the stoppage of any further price reductions.

Moving to Indian operations, sales for the quarter were Rs. 21.3 billion, a degrowth of 5% over the same period last year. This was essentially the impact of price and mix though in volume terms we had positive growth. The EBITDA for the quarter was Rs. 3.8 billion at 17.6% compared to 16.8% margin for the same period last year. We continue to see margin improvement on the back of raw material prices. For full year, sales were Rs. 86.2 billion, a degrowth of 3% over the last year. Again while the volumes were up on the full year basis the price reductions led to overall topline being lower.

EBITDA for full year was Rs. 15.6 billion at 18.1% compared to a 14.8% margin for the same period last year. We ended the quarter with a net debt of Rs. 2.8 billion, marginally up as compared to Rs.2.5 billion at the end of previous quarter. In terms of revenue segmentation, the truck segment continues to contribute around 65% to our revenue, car tyres at 17%, and the balance being equally split between light truck and farm.

Throughout this year, and more so in the last couple of quarters, the pricing pressure continued including the pressure on the truck and bus segment from the Chinese imports. However we are happy to note that the government has heard the application of the tyre industry and the investigation into potential dumping was initiated in the first week of May-16. We would look forward to an action on this soon. Another development through the year was the launch of two-wheeler tyres in March that has seen a good response. It would give up some much-needed boost in terms of having the full range of tyres for the Indian market. We have also had certain good break-ins in the OE segment at the premium end.

We have recently won an award with Toyota and this would provide a boost to the PCR segment going into the next year. In terms of demand outlook, we head into the New Year with a positive outlook as the demand is looking good. We are looking at good volume growth in the coming quarter and the volumes are up even for the truck bias segment in the OEM space. Farm segment particularly is showing very bullish signs. With the expansions at Chennai and some of the other plants we would see the debt levels slowly increasing in our India operations.

Moving onto European operations, which have disappointed vis-à-vis the previous results and our own internal benchmark. Sales for the quarter were Rs.7.4 billion, a degrowth of 17% over same period last year, all of it essentially coming through volumes. We have had teething troubles with the SAP introduction which went live at the beginning of January. This resulted into lower sales which led to margin decline given the share of fixed cost in Europe. EBITDA for the quarter was Rs. 0.8 billion at 11.1% compared to 14.7% margin for the same period last year.

For the full year, sales were Rs. 30.6 billion, a degrowth of 15% over the same period last year with both volume and currency contributing 10% and 5% respectively towards degrowth. EBITDA for the year was Rs. 3.9 billion at 12.8% compared to 17.0% margin for the same period last year. Due to the issues discussed above, we had a 4% margin decline this year. The situation relating to SAP teething troubles is being resolved and we are looking forward to have this behind us by the end of this quarter. In the current quarter we are beginning the see the operations as per plan and have seen continuous improvement in the situation from January onwards. The work with OEMs continues as we prepare for Hungary operations and for the larger European operations, which would then provide a further boost ahead of the commercial operations at Hungary plant. In the last couple of months we have had some very good test results in Europe. Some of our products coming out of R&D have been declared winning products and are generating good response.

The European market as a whole continues to grow, in both OEM and replacement markets. As we see some of the internal issues getting resolved, we would look to regain some of the lost account in the current financial year. The Hungary plant continues to be on track for the start of commercial operations in early 2017 and with that, our borrowings in the European operations would also go up through the year.

We also had Reifencom operations with us for the first quarter, which performed in line with their last year figures even though the sales prices were lower. The Reifencom operations had revenue of Euro 23 million, which are reported together with the European operation results. On a year on year comparison the revenues were flat as the lost sales were made up by the revenues from Reifencom which were reported in the European operations.

We had a continuous improvement in the capacity utilization across plants. In India for the full year we ended up in the high 70s and in Europe at about 90%.

That is all from our side, we would be happy to take your questions.

Jay Kale:

Elara Capital My question is regarding Europe EBIT margins. Could you throw some light on the reason for its volatility in last few quarters and going ahead what kind of revenue or volume growth one could expect in Europe?

Gaurav Kumar: We do not give out margin guidance; however we expect substantial growth in the European operations this year. Given that the numbers last year were lower than what would have been the usual case, we would look to a double digit revenue growth in the current financial year and also get back to more normalized margins. I would not give out a specific number, but we would look at significant margin improvement for this current financial year in our European operation.

Jay Kale: Could you throw some light on the pricing discipline in the European and Indian markets? Any pricing action taken in the domestic market in this quarter?

Gaurav Kumar: In the Indian market some of the peers took price reduction in the middle of the quarter or early in the quarter. Given how raw material has been behaving, we did not follow suite in most of the products. Raw material costs are going up and are expected to go further up in the next quarter. As of now we are not looking at any price reduction. In last couple of months, there has been no pricing action, given that raw materials have moved up slightly.

Jay Kale: What would be the volume growth outlook for the domestic segment and what has been the radial growth in this quarter?

Gaurav Kumar: In this quarter our radial growth has been more or less flat because we were operating at 100% capacity for both the previous quarters and hence we really could not sell anything more. Going forward, as our expanded capacity starts coming on stream from the last quarter of this calendar year, we would look to grow our truck radial sales. Overall in terms of volumes we would look at double-digit growth this year in the domestic market.

Basudeb Banerjee:
Antique Finance On a standalone basis, if I compare your September quarter balance sheet, your loans and advances have increased significantly. On a consolidated basis, your debtor and inventory days have deteriorated sharply and also your payables have increased sharply. Could you throw some light on these working capital changes?

Gaurav Kumar: Increase in inventory is essentially a result of Europe and is again related to the SAP teething troubles. While it did not impact production as it impacted sales, the finished goods inventory has gone up in Europe. On the loans and advances, it is essentially on account of advance paid for the capex both at Chennai and Hungary.

Basudeb Banerjee: What has been the volume growth and pricing led growth for the year for standalone operations?

Gaurav Kumar: For standalone operations, volumes were up 3% for the full year and the price and mix action was a negative 6% resulting in net 3% decline in overall topline.

Basudeb Banerjee: And same thing for the quarter?

Gaurav Kumar: For the quarter, volumes were up 5% and the price and mix action is a decline of 10%.

Basudeb Banerjee: What is the landed cost of various commodities for the quarter?

Gaurav Kumar: The average price for natural rubber was around Rs. 115/kg, synthetic rubber Rs 100/ kg, fabric Rs. 240/kg, steels cord Rs. 110/kg and carbon black Rs 55/ kg.

Basudeb Banerjee: As other peers have been highlighting that the raw material basket have increased closer to 5% to 6% over last few months, what is your outlook on the gross margins in coming quarters? Because in this quarter, if you see the gross margins have looked pretty strong, but on the other side, your other expenses have also increased substantially. Therefore on a margin basis it remains neutral. How to look at it? Whether the rising discounts are accounted in other expenses or is it the sheer after effect of higher expense on branding? How to look at the gross margins down the line?

Gaurav Kumar: Margins would come under certain pressure. We have probably hit the peak in terms of margins in India in the last year and with raw materials going up including some of the pricing action taken by the industry in the last year, margins will start coming down. The significant change in other expenses that you mentioned was on account of spending on two wheeler launch and some of the TV advertisements that were there in the last quarter.

Basudeb Banerjee: Can one expect them to at least sustain in this kind of demand environment unless until anti-dumping duty comes in?

Gaurav Kumar: Some of them were one off, for example the two-wheeler launch specifically was a one-off.

Basudeb Banerjee: What was the quantum on that?

Gaurav Kumar: I would not be able to share exact quantum of a specific event.

Pramod Amte:

CIMB With regard to the SAP problem, can you dwell more into it, because Q3 seemed to be normalized and then Q4 has again gone off. How should somebody get a confidence in terms of this volatility in the European business?

Gaurav Kumar: As you yourself said that Q3 was back to more normalized level and we went live with some of the SAP modules in January, which is when it impacted. Essentially the troubles relates to the system reflecting inventory, which impacted sales. This has been faced by other companies also as and when they have gone live with large software implementations/changes. We already see a resolution of these problems as we have moved from January, so we are fairly confident of resolving these soon.

Pramod Amte: Would you give some clarity based on the initial response for two wheeler, what type of market share you are planning in the short term and medium terms and what revenue contribution can it bring in to your business in 2017, 2018, 2019?

Gaurav Kumar: Too early to say because we are just two months into this operation. We have internal targets, but at this point to say how much of revenue it would generate is a difficult one. Based on the response that we have seen, I would say very encouraging and we would continue to see growth in this and it continues to be a profitable business even in the first few months of operation.

Pramod Amte: With regard to the capex if I look at the balance sheet, both on standalone and consolidated basis, you seem to have spent less than what you planned, so what was the actual capex for FY 2016 and why was there a slippage (if it is) there?

Gaurav Kumar: There are no slippages, the capex has moved as per plan and the slippage is in terms of project teams being more efficient. Where at times the advances that we had budgeted that may be given out were lower than what was initially estimated, so there is no slippage in terms of timeline or the project cost estimate. In our industry, a large part of it in the initial period is just advances given till the machinery or the fixed asset gets delivered to the site and we are right now in that phase, so the capex for Indian operation for example was under Rs. 3 billion whereas bulk of it would be already committed for the Chennai operation. Similarly for the Hungary operation, while the capex outflow is about Euro 100 million plus, the commitment or the orders already placed are in excess of Euro 300 million .

Pramod Amte: So in that sense it will be a much lumpier in terms of cash flow outflow for FY 2017?

Gaurav Kumar: True, but overall in terms of our internal planning for cash flows for FY 2016 and FY 2017, we are going to end up on what we had planned in terms of the cash needed for the capital.

Amyn Pirani:

Deutcshe Bank You sounded reasonably positive for volume growth in India for FY 2017, but even last year if I look at the industry especially on TBR, the volume growth had been strong, but for the domestic industry, the problem was the Chinese dumping. So in that context, are you seeing the dumping also starting to stabilize, which gives you the confidence of volume growth or are you looking at strong volume growth in the non-truck segments?

Gaurav Kumar: We are looking at both, based on the initial numbers that we have seen, April is strong volume growth on the non-truck segment. Even in the truck segment as I mentioned in my opening remarks, we have had volume growth on truck bias even with the OEMs, which shows certain positive signs with the mining sector picking up. so all these factors give us the positive outlook and we hope for a good volume growth this year on the Indian operations.

Amyn Pirani: Given that your truck radial capacity is maxed out and you will have more capacity only in Q4, will it be fair to expect that your volume growth will be more second half loaded or that would not be the right way to look at it?

Gaurav Kumar: The enhanced capacity on truck radial will start coming on stream in the last quarter of this year i.e. between October to December. So, yes, second half is when we will see a certain amount of lumping of growth because while on all the other segments we will see continuous growth, truck radial growth will be higher. As I mentioned, on an overall Indian operations basis we continued to see capacity utilization going up all through the four quarters of last year. We started from early 70's and ended in the late 70's.

Amyn Pirani: Going back to Europe, how did the dealer inventory on winter tyres ended in March? Was it like a high inventory because the winter was delayed and very volatile? Going into next year, do you expect any growth issues in your seasonally stronger quarters?

Gaurav Kumar: The dealer inventory was fairly okay. They started with decent inventories and given the winters, we saw decline in volumes across the industry. The dealers did pickup large volume and have ended up with inventory. Also given how some of the test results have come out for the Vredestein in recent times we are seeing strong demand for our products. As we have mentioned earlier, these test results are a very strong driver for sales.

Amyn Pirani: Lastly on the Europe, I know you do not give margin guidance, but given that FY 2017 should hopefully be better than FY 2016, but with you planning for Hungary capacity, I am assuming R&D will have to do some more work related to the customers and new SKUs and as we go into Hungary ramp up next year. Is there a risk that margins for 2017 and 2018 could be slightly lower than what we have seen historically or you do not foresee any such risk?

Gaurav Kumar: Margins for our European operations for the next two years would be lower than our historical levels of let us say FY 2015 or FY 2014. Apparently the structure now is for a larger European operation. Some of earlier issues of preparing for OEMs etc. continue. Some of the one off issues have been taken care of and there would be improvement, however for the next couple of year we would still be below our FY 2015 level.

Amyn Pirani: But hopefully from FY 2019 onwards, since you now have a lower cost location, hopefully the margin trajectory should be better after that?

Gaurav Kumar: Once the Hungary operations achieve a certain scale, on a combined basis our margins in the European operations should go above our historical averages .

Deep Shah:
SBI Capital Just wanted to understand, how has been our presence as far as the OEMs in the European business is concerned. I mean what inroads we have made over the last six months in the Europe business with the OEMs?

Gaurav Kumar: OE business takes a fair bit of time to start. We already supply one of our products to OEMs which is the space master. This was primarily with Volkswagen and we have also started with Chrysler towards end of last year as the Volkswagen volumes went down. We are also focusing on the regular car tyre, for which we have been talking about developing the OE business. We are in talks with Mercedes, Volkswagen, BMW, etc. Some of them are in first tier and we expect to start towards the end of this year. Usually the OE approval cycles are long drawn but once they are through then they are a very strong driver of brand recognition, technology, etc.

Deep Shah: What is the capex guidance for FY 2017 and FY 2018?

Gaurav Kumar: In India we should have Capex of around Rs. 17 billions and in Europe it would be around Euro 200 millions, in FY 2017.

Sonal Gupta:
UBS Securities You mentioned in your opening comments that we did not really follow suite in terms of price cuts on most products. Last time we mentioned that in January, there was a 3% to 5% price cut. So was that not really affected or was that affected and no further price cuts were taken?

Gaurav Kumar: In January, we did take cut prices but then there was a subsequent price cut by some of the peers and that is the one that we did not follow through.

Sonal Gupta: You do not really have any lag in terms of your raw material cost because you are saying that in Q1 itself you will see the raw materials cost starting to move up?

Gaurav Kumar: On the natural rubber, it comes through quicker than the others. Given that we carry inventory of about three weeks only, for the domestic operations it comes within a month. On the crude related basket typically, it is at least a quarter and that is why the impact would be more in Q2.

Sonal Gupta: Do we see any sort of price increase coming through in India or what is your sense?

Gaurav Kumar: Right now, we have not seen any of the players taking a price increase which if the situation remains the margins would be under pressure. As we enter this year given how raw materials have moved, difficult for us to say how each player is thinking going forward particularly in Q2 where we would see another step up on the raw materials prices.

Mayur Milak:
Anand Rathi On margins again, you are saying that while in FY 2016 we were more suffering from the volume growth and margins were kind of picking up and now you are saying that in FY 2017 we have an outlook of great volume coming back with a double digit volume growth, but margin could definitely come under pressure. So how do we look at it? On a year-on-year basis, does FY 2017 look as better year over FY 2016?

Gaurav Kumar: Different people can have different perspectives. In FY 2016 we had low volume growth which was negated by price and mix. Margins which at least as the situation looks today, seems to have peaked. But we may have said that in FY 2015 also and yet the margins continued to go up. For FY 2017, we are as of now looking at signs of significantly higher volume growth, which would have benefits of operative leverage kicking in but at the same time we are also looking at higher raw materials prices.

Mayur Milak: You mentioned that on quarterly basis we have a 5% volume increase and a 10% decline in a pricing, am I right?

Gaurav Kumar: That is right.

Mayur Milak: So, basically if we see that rubber price had came off significantly during that quarter and was down to like 90, 95 rupees a kg which now seem to have gone back to 130 odd levels. So while there was a sharp cut in price, would not it really be fair assumption that there would be a similar increase in pricing as well since this is a common cost to all? So it benefits all to take a price raise?

Gaurav Kumar: Yes, but even in the past we have seen that different players have taken different pricing actions through the time. Their product mixes are different, so each player faces pressure of different quantum. As of now there has been no pricing action taken by any of the players even with the natural rubber going up to Rs 130/kg levels.

Mayur Milak: Right and you again mentioned that the average cost for the quarter for rubber was Rs 115/kg ?

Gaurav Kumar: From the basic price of rubber that you are talking about, I mentioned the average price that landed into the plant. It is after adding the duties, freight, etc.

Arpit Kapoor:
IDFC How much would be the exports as a percentage of sales in the standalone operation?

Gaurav Kumar: Above 10%.

Arpit Kapoor: And how has that faired over the last year?

Gaurav Kumar: In terms of its contributions it is more or less the same.

Arpit Kapoor: So we have not seen any decline per se in the export part of the standalone business?

Gaurav Kumar: No.

Arpit Kapoor: On the European business, if I look at the numbers we were doing at EBIT level, how do you see this going forward over the next two to three year timeframe?

Gaurav Kumar: As I mentioned numerous times I cannot talk of specific number or a specific margin figure. We had two quarters i.e. the September and the March quarter where due to specific events we lost on margins and sales. In the European context once the sales go down, it impacts the margin even more disproportionately. We have seen the signs of some of the market share and volumes that we had lost to come back. This is all towards preparing for a much larger European business. For example, if we take steps on development for OEs, it does take away a certain capacity, which could have been sold, but there is no running away from the fact that you would have to go through that development cycle when your new plants come up. So, our margins will continue to improve, as we go through FY 2017, and eventually when we have our Hungary plant at a certain scale of operations, we think we would deliver much better overall for the European operations than what we were doing in the past.

Arpit Kapoor: On the SAP issue, have you ironed out the issues or there might be some repercussions in the monthly number as well for the FY 2017?

Gaurav Kumar: As we work towards resolving these, they will probably have some impact in the current quarter as well.

Akshay Ajmera:
Nizar Securities What is the difference between the prices that was in Q4 and now as the prices of rubber seems to be increased sharply?

Gaurav Kumar: I do not get the prices of the raw material basket or any one of these on a daily basis. So I would also be seeing only the basic price for example of rubber. There are a whole lot of different factors that make up the final cost. We would only get to know the cost at the end of the quarter.

Akshay Ajmera: What is the difference between the market price of rubber and landed cost in factories? What are the factors that add into it?

Gaurav Kumar: At a broad level it is freight and the various duties, but you have to take into account that rubber prices is over 90 days including varying prices on each of those 90 days.

Pranav Tendulkar:
Forefront Capital I just had one question. We keep harping on the point that in CV segment we are facing a pressure because of Chinese dumping. Can you just tell me what would be the landed price of Chinese tyres and can't we reinforce our brand in truck replacement market? Is it so easy for Chinese players to come and replace established brands in India?

Gaurav Kumar: Chinese tyres come in at price points which could be 30% to 40% cheaper. At this level of price difference there are always certain customers who are willing to take commercial risk or a safety risk because the price is significantly cheaper. For a truck guy, a tyre is second biggest cost element after fuel, unlike a car tyre situation. The fact that we are selling our full capacity on truck radials at price points which are 30% to 40% higher is an ample testimony to the brand. Whether it is 30% or 40% is a question which only market decides.

Pranav Tendulkar: In Europe we are obviously finding difficulties because of Volkswagen scandal, but overall, car market other than luxury cars is growing at a very tepid pace. So do you have a distinct cost advantage against the entrenched players in Europe, so that you will win the market share in the slow demand in OEMs?

Gaurav Kumar: In European context the OEM demand growth has been fairly strong this year. In Europe even we are an entrenched player. Only thing to note is that we have not entered the OE market a few years back as an Indian player. We are an established player with the Vredestein brand which is entrenched player in Europe as anybody else. It is just that that we are much smaller player than some of the big global players.

Pranav Tendulkar: So in that case what is the strategy to win market share, much above the trend growth for normal cars because luxury cars have been fairly strong over the last five years or so and not just this year. In that case what is the strategy to have above normal growth?

Gaurav Kumar: We have demonstrated our ability to win market share even though it may be small. But for us, it is a significant growth. Actually to pinpoint one factor may not be correct as it is the combination of products, which come out as winning products in test results and are a value proposition to the customer in terms of certain quality of products and price. With the acquisition of Reifencom, we would now target to have much deeper knowledge into consumer buying behavior. That could further help us getting closer to the customer and winning market share.

Pranav Tendulkar: Any distinct cost advantage that our plant has vis-à-vis other players in Europe because of the geographical locations or cost of say labour?

Gaurav Kumar: I would say for the last few years, we have been able to achieve this while having a cost disadvantage. All the other players particularly the larger ones, have been operating in Europe, Central or Eastern Europe which have a cost advantage. All these years, we were in fact operating with only a single plant in Netherlands, which is relatively higher cost geography, and more importantly a single plant allows far less flexibility in terms of manufacturing.

Pranav Tendulkar: You also have the premises that Chinese dumping does not affect things there as compared to India? Is that a correct understanding?

Gaurav Kumar: There is a fair bit of Chinese imports even in the European market. While U.S. has moved with dumping action against the Chinese, EU has not moved ahead Chinese play at price points which do not directly impact the segments where our brands are positioned. Chinese players are pretty much and very much a part of the overall markets scenario even in Europe.

Jay Kale:
Elara Capital You mentioned that Reifencom revenues are Euro 23 million this quarter. If you can just throw some light on the profitability, how would that have been in this quarter?

Gaurav Kumar: Essentially at breakeven.

Jatin:
Credit Suisse You mentioned that your volume growth in the year has been close to 3% and even despite that you have seen capacity utilization moving up significantly. Did I get the numbers wrong there, because I am struggling to tie up the two numbers?

Gaurav Kumar: The capacity utilization kept moving up through the quarters and the numbers that we have had for volume growth is correct. Capacity utilization moving up from early 70s to late 70s is also correct.

Jatin: That is because in the last quarter you had a 10% volume growth?

Gaurav Kumar: Yes.

Jatin: On the Chinese import side, where is the absolute number of imports stabilizing now. Broadly at about 1 to 1.2 million a year?

Gaurav Kumar: The import of Chinese truck tyres through last year was at 1.3 million.

Jatin: Broadly at that run rate you are seeing this stabilizing?

Gaurav Kumar: We have seen one quarter of stabilization. We would not sort of use that as of now to say for the full year.

Jatin: On the truck radials side, a couple of quarters back, you had spoken about some debottlenecking plans to increase capacity before your capacity expansion comes on stream. You have also suggested that you are kind of peaked out now till the new plant comes in. So are you are not expecting any benefit from debottlenecking?

Gaurav Kumar: We expect to see some small volume increases in the next quarter but again in terms of really moving up on volumes would happen from October. But yes, some of the debottlenecking would come through in the next quarter.

Sagar Sanghavi:
JP Morgan On Europe, we have seen volumes being quite soft this year. So can we assume strong volume growth now that your issues are behind you? Because most of them have been related to your company rather than the industry, right?

Gaurav Kumar: Correct, most of our volume decline issues have been our internal issues and we expect to see strong volume growth in this current year.

Mohan Lal:
Kotak Securities I want to understand more on the 17% decline in the Europe with the volumes. How much was it led by the industry demand declines and how much was due to problems which happened with SAP implementation?

Gaurav Kumar: That is a difficult one. I do not think the industry has had a decline. So it is entirely our internal issue.

Mohan Lal: Can you explain a bit more about SAP implementation leading to this kind of decline in volumes?

Gaurav Kumar: I would need to get an IT expert before you which will then get into a long drawn explanation. So we can take this offline.

Mohan Lal: But just to understand you could have sold more volumes, but because of some internal issues related to SAP implementation you could not sell those volumes. Is that a correct understanding?

Gaurav Kumar: That is correct. We could have sold more volumes.

Mohan Lal: On the status of this restriction on imports through advance licensing, it was to be effective only till March 31st. So has it automatically been withdrawn or it continues?

Gaurav Kumar: That has been withdrawn.

Mohan Lal: Both for this quarter and for full year on consolidated basis, tax rate has moved up. So what is the reason and what is the guidance for FY 2017 on that front?

Gaurav Kumar: Consolidated basis results come from various geographies. India more or less will be a full taxpayer and typically in Netherlands our tax rate is about 20%.

Kritika Subramaniam:

IIFL I had two questions, one being at the subsidiary level we have seen a sharp increase in other expenses YOY because of a low base. Could you help refresh as to why our other expenses were low in 4Q FY 2015? My second question is as MRF, Ceat and even you are expanding capacity aggressively, what is your estimate on industry utilization in FY 2016 as against FY 2015 and how do you see it going forward? Do you expect the demand growth to outpace capacity expansion? Do you expect any risk to pricing power if the utilization dips beyond a particular point?

Gaurav Kumar: We do not have estimates of capacity of other players. Our thinking is that people would have gone through a similar cycle like us. They would have had capacity utilizations which were not the most optimal through this year because volume growth was soft. Given that the outlook in volumes is strong, each one of the players would benefit from that and would have higher capacity utilization. Within each segment depending on the relative strength of players there is differential capacity utilization. For example while we are running flat out on our truck radial, there are players who also have capacity on the truck radials and hence it would vary from player-to-player and product segment-to-segment. On capacity expansions, various players would have looked at demand and they are expanding capacity, we do not see a scenario where there is overcapacity. It also depends on the pace of expansion of each player and overall demand growth so again it is a fairly difficult equation for us to comment as to where it will end up, but as of now we do not see a scenario of overcapacity in the Indian tyre industry.

Sonal Gupta: On behalf of UBS Securities, I would like to thank Apollo Tyres Management and Gaurav for taking out the time and answering all these questions. Thanks everyone for joining in and have a good day. Thank you.