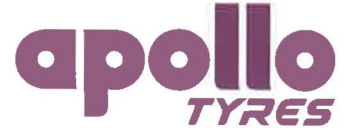


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ATL/SEC/21

May 24, 2018

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
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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 Friday, May 11, 2018 at 10:30 AM IST.

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.apolloyres.com.

This is for your information and records.

Thanking You

Yours Sincerely
For APOLLO TYRES LTD

A handwritten signature in black ink that reads "Seema Thapar".

(SEEMA THAPAR)
Company Secretary



India, May 11, 2018

Q4 FY18 Earnings Call

Nishit Jalan: Good morning everyone. On behalf of Kotak Securities I would like to welcome you all to Q4 FY2018 earnings call of Apollo Tyres.

From the management today we have Gaurav Kumar, Chief Financial Officer along with other senior management of the company. I would like to handover the floor to Gaurav for his opening remarks after which we will move on to the Q&A session. Over to you Gaurav!

Gaurav Kumar: Thanks. Good morning, everyone, and thanks for coming on to the call. We will follow our usual practice of opening comments and then be happy to take your questions.

We had a very strong quarter across operations with good growth shown by both, not just India and Europe Operations, but even our smaller sales and marketing geographies. The consolidated net sales for the quarter were just short of Rs 40 billion, a growth of nearly 22% on a Y-on-Y basis. The Indian Operations registered a growth of 20% and the European Operations in rupee terms were even higher than that.

EBITDA for the quarter was at Rs 5.2 billion, a margin of 12.8%, an improvement over the same period last year and even sequentially. This was a significant achievement given that typically, the December quarter tends to be the strongest quarter for the European Operations. But yet, with the strong growth in sales, the operating leverage kicked in and the margins improved. This was against, the fact that the raw materials went up slightly on a sequential basis. Gross debt at the end of the quarter was at Rs 46.5 billion, an increase of about Rs 3 billion vis-à-vis last quarter. It was primarily on account of working capital borrowings increase.

Similarly, the net debt figure also increased by about Rs 3 billion, ending the quarter at Rs 27.2 billion, yet the leveraging continues to be fairly

comfortable, we are at 1.5x on net debt-to-EBITDA and at 0.3x on net debt-to-equity.

With our continued focus on key segments, the Indian Operations continues to make good strides. Indian Operations had a very good macro environment, including a strong revival in the CV segment with a focus on infrastructure. At the micro level, with a full range of winning products and focus on the brand, we had market share gains across segments. The distribution network was significantly expanded and in the latest J.D. Power survey, we were ranked highest in the smaller car segment and a close second in the midsize car segment. We continue to make market share gains not just in the replacement segment, but across the different OEMs.

For the Indian Operations, the sales for the quarter were at Rs 27.9 billion, a growth of 20% over the same period last year and even a strong growth on a sequential basis. Most of this growth was driven on a basis of volume gains, the largest gain coming on the TBR segment, followed by a continued healthy growth of the car segment. The EBITDA for the quarter was at INR 4 billion, a margin in excess of 14% compared to 11.5% over the same period last year. And the gross debt for the Indian Operations was slightly higher than Rs 25 billion compared to a figure of Rs 24 billion at the end of the previous quarters.

Our revenue segmentation more or less continues at similar levels. The OE segment is about 30%-plus with exports at 10% and the replacement at about 60%.

On raw material front, we are seeing signs of inching up and we expect a slight increase in Q1 from the current levels. Based on which, the company is already looking at possibilities of price increase to maintain profitability.

Moving on to European Operations. The sales for the quarter were at Rs 12 billion, a growth in excess of 20% over the same period last year. If we look at our Sales and Manufacturing Operations, the margins there were in excess of 10%, but when we combine the marketing operations, the German

distribution business where the EBITDA levels are between 1% and 2%, the overall EBITDA for the quarter for European operations was at 7.2%.

The most important part of these operations, the Hungary Greenfield plant, continues to be on track. We have completed one full year of commercial production. The capacity today is at about 6500 car tyres per day. And by the end of this year, we expect to reach our planned capacity of producing about 13000 tyres per day. We faced teething challenges, levels of scraps were higher, getting manpower trained up to speed took some time, but we see good progress and we expect that in this year itself, the Hungary Operations' cost competitiveness would start getting better than the Netherlands' Operation and feeding into the profits of the European Operations.

In terms of capacity utilisation, across operations, we continue to be very tight, particularly in India with the strong growth that we saw across various product segments; the manufacturing operations were challenged and that continues to be the case as we look into the current year. We see a fairly good demand environment and manufacturing would continue to be operating at full. We are putting in place debottlenecking initiatives across product segments, particularly car tyres. The ramping up of Chennai TBR facility would be completed to allow us to capture the market growth even in this year. The work on our AP Greenfield has started. Machinery orders, et cetera would get placed soon so that in the next year, which is fiscal year 2020, in the second half, you should start seeing some outputs from our Greenfield in Andhra Pradesh.

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

Ashutosh Tiwari

(Equirus Securities): Congrats on good set of numbers. So firstly, what kind of volume growth was it for India and Europe?

Gaurav Kumar: In India, we have seen a volume growth of nearly 17%. And in Europe, in car tyres, which is the main product segment, we've seen a volume growth of 13%.

Ashutosh Tiwari: And secondly can you share the Vredestein numbers in euro terms, the sales and EBITDA percentage?

Gaurav Kumar: First of all just a small correction it is not just Vredestein Operations given that there is Hungary etc., so the Apollo Europe sales and manufacturing operations for the quarter was at 134 million euro which is a 13% growth over the same period last year; and, as I mentioned the EBITDA for that operations was at slightly above 10%.

Ashutosh Tiwari: Okay and Reifen?

Gaurav Kumar: Reifen for the full year ended with an EBITDA of 1.5%.

Ashutosh Tiwari: No the Q4 revenue?

Gaurav Kumar: Q4 had a negative EBITDA because the distribution business faced a significant decline.

Ashutosh Tiwari: The sales number.

Gaurav Kumar: No sales number cannot be negative at worst it can be zero. The EBITDA number was negative.

Atul Tiwari: No I am asking what the sales number was.

Gaurav Kumar: For Reifen?

Ashutosh Tiwari: Yes.

Gaurav Kumar: 24 million Euros.

Ashutosh Tiwari: What percentage of revenue would be contributed by truck operations right now in India, what percentage of this is from TBR only?

Gaurav Kumar: For India, total truck operations contribute 63%, and within that TBR would be slightly higher so about 35-odd% would be TBR and about 27%-28% would be TBB.

Ashutosh Tiwari: Okay. And did you see any growth in TBB as well in Q4?

Gaurav Kumar: Yes, we saw some growth in TBB in Q4; we grew by single digits in TBB over the same period last year.

Ashutosh Tiwari; Okay and what is the production level right now in TBR plant?

Gaurav Kumar: We are currently at about 10000 tyres per day.

Ashutosh Tiwari: Okay. And the utilisation levels in Q4?

Gaurav Kumar: Utilisation levels would be in excess of 90%.

Ashutosh Tiwari: Remaining 2000 capacity of TBR would come up over next six months?

Gaurav Kumar: That is correct. In the second quarter of this fiscal year we should reach the planned capacity of 12000 tyres per day at Chennai on truck radials.

Ashutosh Tiwari: At the current growth that you had delivering will it happen that may be over next one year or so you will reach the optimum level of production at TBR plant, what is thought process over there?

Gaurav Kumar: See in Chennai there is no way that production can be expanded beyond the 12000 if you look at the average run rate for FY2018 that would be somewhere in the 8000 so there is enough scope of growth in terms of the capacity utilisation in Chennai this year. There can be a quarter or two where there is tightness but in the Greenfield plant there is no way to start commercial production before 18 months. As I had mentioned the AP Greenfield would start production only in the second half of FY2020. We are on the drawing board right now, given the strong revival in demand and the significant volume growth outlook now in AP we are considering both car tyres and truck tyres. Earlier the plan was to consider only car tyres, but we are now looking at a capacity for truck tyres also in AP.

Ashutosh Tiwari: Thanks a lot and all the best.

Amyr Pirani

(Deutsche Bank): Gaurav, thanks for the opportunity. So just one question: in truck replacement overall including TBR, TBB what kind of growth are you witnessing for yourself and what kind of growth do you think that industry is also seeing?

Gaurav Kumar: We have seen a mid-single digit growth sequentially, but if you look at year-on-year basis the replacement volume growth has been in mid-teens; I would tend to think that our growth rate may have been slightly higher than the industry but since there is no published figure out there, it would be safe to assume that Q4 Y-o-Y growth for the industry would still be in the double digit for replacement.

Amyr Pirani: And this is something you would have seen after a very long time right?

Gaurav Kumar: Yes, that is correct. Replacement growth of this proportion has been seen after a significant time.

Amyr Pirani: So would you say that this is just like a base effect or there is strong activity level, which is leading to this?

Gaurav Kumar: Our view is that this is a result of strong economic activity sustaining while the base effect comes into play on the OEM side, it was not so much a factor on the replacement side, which is sort of very strongly dependent on the economic activity and it does not go through the wild swings that happen on the OE side; and, if at all there may be some base effect etc., that may come in the Q1 of this year where last year due to GST there may have been a little bit of a slow down. Q4 is really a result of economic activity picking up as we said the kind of focus and spend that is happening on infrastructure sector so the volume will also continue to be strong even in for the current year.

Amyr Pirani: Just on the pricing versus raw material you know we have seen some other companies facing pressure in gross margins you obviously managed that much better so I was trying to understand if the raw material pressures are going to

get much worse in which case gross margins could be under pressure or do you think that we are fairly balanced for the next few quarters?

Gaurav Kumar: This situation I mean is a dynamic one. I would say even a month back the outlook on dollar rupee and also on oil was a slightly better one. Clearly in the last one month the rupee depreciation has been very strong, which impacts us adversely. Similarly, the outlook on oil, if anything, is going towards higher side, were original outlook on the year had been a slight increase in raw material prices, which was more easily manageable, we are possibly now looking at a larger increase on raw material but again given the demand outlook there could be temporary pressures on margin. But I would say overall the environment continues to be one where the industry should be able to manage.

Amyr Pirani: Just lastly in Europe you obviously have seen strong volume growth, in general how is the pricing inflation in the market right now because Europe has generally seen good discipline but then things went out for some time last year so how you are seeing the market pricing discipline right now?

Gaurav Kumar: The pricing continues to be stable. There was not much change in pricing on the car tyre side. The encouraging sign was that the majors took an increase on the agricultural segment, which we followed up with; with a fresh round of push up on the raw material side, there could be some action on the pricing side, which is yet to be seen. There we are more a price follower but overall the demand continues to grow in both OE and replacement, so there is no cause for worry. One encouraging factor for us where we are just entering the segment is the EU authorities have just recommended antidumping duty on Chinese truck tyres, so clearly this was something that US used to be very active with and now EU also started looking at it and that could be a fairly big boost to volumes if it goes through.

Pramod Amte

(CIMB): Hi Gaurav. Could you please quantify what was the average loss for the Hungary plant? How should we see it going forward?

Gaurav Kumar: The loss in terms of a legal entity, Pramod was slightly in excess of five million at the EBITDA level. You need to keep in mind that at the end of the day the Hungary Operation is fairly a manufacturing entity with bit of R&D etc., there was no direct sales to the customer, for this one year; yes, there was a need to look at it separately because it was in a start up phase, going forward we would rarely be looking at Hungary Operation's EBITDA etc., Now that it is a normal running entity it would not be the right way because Hungary essentially will sell all its products on a markup basis to the sales and marketing team which for historical reasons sits out of the Dutch Operations.

Pramod Amte: Is there any particular reason why we have structured it like that?

Gaurav Kumar: So it is purely out of historical reasons. If we were to say that we were setting it up afresh and if we were setting up two manufacturing plants in Netherlands and Hungary, you would typically have a separate head office entity, which would have the corporate functions but essentially our growth in Europe has been through the 2009 entry into the erstwhile Vredestein branded entity which had all the operations. There is fair bit of complications if you start now moving out functions from one entity hence it will remain in a manner where the Hungary Operations or the legal entity would sell everything to the common entity, which is the sales and marketing team sitting under the Apollo Vredestein entity. And hence going forward it would make sense to really look at our Apollo Europe Operations and that is why we give Reifen separately because that is a very different business.

Pramod Amte: Coming to India how has been your market share movement in TBR replacement and how do you see competition shaping up there?

Gaurav Kumar: Pramod unfortunately we do not give out the market share because right now there is no published market data. Chinese TBR imports which on a full year basis have been down 40% vis-à-vis FY2017 and with the actions on GST and then subsequently antidumping duty. Even without counting the import from China given our capacity expansion our belief is we have taken up an extra share from the market but I would not have specific numbers to be able to say this is our market share.

Pramod Amte: Last with regard to two-wheeler tyre business how much was the sales for the full year and what is the outlook going forward?

Gaurav Kumar: Our average two-wheeler tyre sales would be slightly under two lakh tyres per month; we continue to make volume gains again we are looking at this segment to essentially supplement us to become a full range player but we are not going across that entire product segments to even attack volumes at the lower end. The intent is that this segment has to be self-sustaining and profitable on its own and hence we would go after the growth but profitable growth.

Pramod Amte: Any comment on profitability from this segment this year FY2018?

Gaurav Kumar: Overall it continues to be at a level, which is in line with our overall profitability.

Pramod Amte: Thanks a lot Sir.

Nishit Jalan

(Kotak Securities): Thank you. Gaurav, you mentioned Hungary plant's EBITDA loss of five million Euros, which was for the full year or for this quarter?

Gaurav Kumar: Full year.

Nishit Jalan: And you mentioned in the call that you expect the profitability of the Hungary plant to be more than that of Netherlands plant in FY2019 that is correct right?

Gaurav Kumar: What I mentioned was that the Hungary plant through the course of FY2019 will start having a cost structure which is better than Netherlands, in terms of the profit distribution that is a difficult one to say because Hungary plant will operate at a fixed markup under transfer pricing norms. And then rest of the profit, whether it is more or less, would then be made by the Dutch Operations because that is where they are taking all the risk on the market side.

Nishit Jalan: That is fine. And it is fair to assume that when you say that manufacturing margin is 10% plus in the Q4 and since we are giving separate numbers for Hungary and Netherlands, Netherlands plants will be at a significantly higher margin right because Hungary would still be EBITDA breakeven or at an EBITDA loss in this quarter?

Gaurav Kumar: Hungary, I immediately do not have the figures for this quarter but yes you are right that the Netherlands plant would be at a higher level.

Nishit Jalan: Okay. And my last question is, what was the capex for FY2018 and how are we looking at FY2019 and FY2020 in terms of capex?

Gaurav Kumar: The capex for FY2019 is getting finalised, a large component of that depends on how much is going to be spent on AP. In terms of finishing up Chennai that would be a few hundred Crores similarly finishing up the Hungary plant capex fully to have the TBR capex starting would again be less than a 100 million Euro. So all in all, between all the existing operations, maintenance capex you are looking at a capex in slightly in excess of 1000 Crores. What depends on top of that would be the AP capex that will get finalised shortly.

Nishit Jalan: And what was the total capex for FY2018?

Gaurav Kumar: That would be somewhere in the region of Rs 2700-2800 Crores.

Nishit Jalan: Thanks.

Joseph

(IIFL): This is Joseph. Just had a couple of questions: one was, there has been a significant improvement in the Euro versus the Rupee and that would have impacted your balance sheet. I am trying to figure out how much is the increase in fixed asset at the end of FY2018 versus FY2017 purely because of Euro depreciation?

Gaurav Kumar: Okay, Joseph you want the fixed asset increase in the Europe balance sheet?

Joseph: In the consolidated balance sheet what is the impact of Euro appreciation because, in the consolidated balance sheet there would be an increase in fixed asset purely because Euro has appreciated sum of 69 at the end of FY2017 to almost 80 at the end of FY2018, I just want to understand what that number would be? How much were consolidated fixed assets be impacted because of Euro appreciation versus Rupees?

Gaurav Kumar: The approximate movement on account of just the exchange rate is about 400 Crores.

Joseph: And the second thing I wanted to know was what is India gross debt and net debt?

Gaurav Kumar: The India gross debt number is Rs 25.4 billion and the net debt is Rs 9.5 billion.

Joseph: And lastly did you give the Europe volume growth for the manufacturing operations?

Gaurav Kumar: About 13% for passenger car, we did not have much growth for the agri and the other category.

Joseph: Thank you.

Chirag Shah

(Edelweiss): Thanks for the opportunity. My first question Gaurav is on this AP plant. So what kind of capacity you are looking to put up in AP over a period of time?

Gaurav Kumar: We had already talked about looking at a car tyre capacity, which usually at any starting point is about 16000 car tyres a day; the truck capacity, given the recent strong demand, is getting finalised, usually based on machinery configuration it is in multiples of 1500 tyres per day. Chirag but the exact quantum based on the demand outlook our own capacity would get finalised shortly.

Chirag Shah: But with your India Operation's size going up will it be possible to scale up the AP plant bigger than 16000 tyres a day? Can it be extended to 20,000 to 25000 tyres a day?

Gaurav Kumar: That is being evaluated and is still on the drawing board. As I said typically it would be 1500 if that is not sufficient in the next step number would be 3000. So at a very broad level it will not be like a 1500 or 1700 or 1800 you would have step movements up. In passenger cars, there is typically a step movement up of 8000 tyres a day and in truck radial you should assume step movement up of 1500 tyres a day.

Chirag Shah: Sir this was helpful. And the second question was if I look at India Operations probably this is one of the best quarters we had where utilisation was upwards of 90%, replacement demand really roaring and cost pressures relatively benign, versus what is expected but despite all this profitability is still not what it used to be in the previous cycle so how should we look at the profitability aspect?

Gaurav Kumar: No Chirag, this was clearly in terms of the topline our best quarter ever and in fact the heartening fact for us is that we have had a sequential growth every quarter for the last fiscal year, that is Q1 to Q4 every sequential quarter was higher than the previous quarter and our last three quarters successively were highest ever for the Indian Operations. Secondly on the profitability, the profitability for the quarter was in excess of 14%. Yes this was not the best ever but then if you look at it in perspective of the raw materials that were almost 20% higher than the time of which you are talking about. The raw material cycle while for the year was reasonably benign, in the first quarter the raw materials had gone up with the previous year, even if I look at it on a full year basis the raw materials were higher were about 10% vis-à-vis the previous year, so that in itself is a straight about 7% knock on the margins if everything else remains the same and that is the kind of operating leverage or other factors that the company has worked on.

Chirag Shah: This was really helpful. In terms of mix how should we look at it with the capacities that you are putting is there a pre-commitment that you have for

your OEM customers or it is flexible, so the mix of 63% replacement can it inch up going ahead or how should we look at the same number?

Gaurav Kumar: There is no pre-commitment on either side. There are strong relationships and a long term relationship with each of our OEM customers, but even today for example over the last couple of quarters, we have had to manage that mix carefully; we have not met every OE order because there is also a certain commitment to the replacement segment, so we will look to maintain that mix, which is always impacted by market dynamics but it is not as if that the mix will change substantially in the coming year.

Chirag Shah: And one last question if I can squeeze in: on the truck of the OEM business. What kind of commentaries you are getting and what kind of number you are looking at for full year FY19 what kind of growth you are looking at from OEMs from an industry perspective?

Gaurav Kumar: The outlook being given is very strong, we do not have exact growth numbers but both the segments are talking about a double-digit growth.

Chirag Shah: And when you say double-digit growth can we assume it would be on the higher teens rather than lower teens?

Gaurav Kumar: As of now they are talking off at the lower end of the double-digit or lower teens.

Chirag Shah: Okay, this was really helpful.

Ashutosh Tiwari: Sir in the TBR category what would be your mix of OEM & replacement?

Gaurav Kumar: It would be about 40% OE, 60% replacement.

Ashutosh Tiwari: Because we are running the plant on TBR at very high utilisation levels, will it be fair to assume that in TBR we are currently making more margins than TBB despite the fact that probably the OEM contribution will be lesser than TBB?

Gaurav Kumar: That is a fair assumption but the fact that in TBR we make better margins than TBB has been a constant phenomenon. So right from across many years given

the fact that it is a superior product and even though it is a costlier thing to make a TBR over TBB we make better margins and yes in spite of the OEM proportion being much higher it is still a better margin product than TBB. One thing, which is in favour of the industry and you need to keep in mind that right now the proportion of 40% OE and 60% replacement is not a stable scenario for the corporations. Typically this would move to a more stable 25%-75% so fundamentally long-term the profitability of this segment will keep improving as radialisation keeps increasing.

Ashutosh Tiwari: Yes, this is really the point I was trying to make so going ahead if your TBR proportion keeps on increasing with high growth in TBR, in that case your margin profile should get better if the raw material remains where it is right?

Gaurav Kumar: That is correct.

Ashutosh Tiwari: Thanks. And secondly we have seen a fair bit of an increase in employee cost in both India and European Operations on a quarter-on-quarter basis of around 8% to 9% so this is something because of the increased production level or there is some abnormality or they are up on seasonality basis?

Gaurav Kumar: There is no abnormality or seasonality. In both the operations, in Chennai and Hungary, as we were ramping up more manpower was hired, which was in line with the plan. At both the operations we have not reached the final stable state and hence the increase that you see is essentially on account of increased manpower.

Ashutosh Tiwari: Sir on a consolidated level what is the gross debt level?

Gaurav Kumar: The gross debt on a consolidated level is Rs 46.5 billion.

Ashutosh Tiwari: Thanks.

Isha Sheth

(Anvil): Sir I just wanted to check when was the last time, we took a price hike? There was news that all the players took 3% price hike just last week?

Gaurav Kumar: We have just recently announced a price hike in May.

Isha Sheth: And that is been in the tune of?

Gaurav Kumar: That is about 2%.

Isha Sheth: Sir that will suffice the increase in raw materials?

Gaurav Kumar: That is taken as of now on TBR. We had taken last quarter an increase on TBB; and so whether it is sufficient or not is a difficult one to answer because even the raw material is a moving thing, even if we have contracted prices for raw materials they would be in some cases done on a dollar basis and there is a constant movement on the rupee dollar so as of now I cannot have an exact fix on how much raw material cost would increase for the quarter. The attempt obviously is to try and cover up as much of it as possible.

Isha Sheth: Okay and in terms of margins in Q1-Q2 will there be a slight increase over quarter-on-quarter?

Gaurav Kumar: There would be an increase in raw material cost. We do not give out margin guidance so I cannot comment on where the margins for Q1 would be.

Isha Sheth: And Sir what is the outlook for current Indian business, I am not sure if I missed this question, at what rate do we plan to grow in terms of volumes?

Gaurav Kumar: The current outlook that we see from the Indian market is very strong. Our attempt would be to try and have growth rates similar to the kind that we ended up in this year.

Isha Sheth: And do you give rubber prices, carbon black prices for the quarter?

Gaurav Kumar: Sure we can do that. The rubber prices for the quarter were just upward of Rs 130, carbon black was Rs 70, and synthetic rubber was around Rs 130 a Kg.

Isha Sheth: Sir carbon black prices have shot up currently am I right on that?

Gaurav Kumar: That is correct. The maximum increase that we have seen on the raw material prices has been on carbon black.

Isha Sheth: And what would that be right now?

Gaurav Kumar: The current levels are in excess of Rs 70 a Kg.

Isha Sheth: Thank you Sir. That is it from me.

Jasdeep Walia

(Infina Finance): What kind of production run rate were you able to achieve in Hungary plant both on an average basis in Q4 FY2018 and on exit basis?

Gaurav Kumar: Not much difference there, Jasdeep. On a Q4 average basis, we would be slightly in excess of 5000 tyres per day, on an exit basis that number would have been closer to 6000.

Jasdeep Walia: What kind of run rate do you expect to get by end of the year?

Gaurav Kumar: End of this fiscal year?

Jasdeep Walia: Yes.

Gaurav Kumar: For the full year we expect to produce about two million units in Hungary, which on a full year run rate basis would be about 6000.

Jasdeep Walia: Not the full year average run rate but the year end run rate?

Gaurav Kumar: Okay, year end run rate would be in excess of 12000.

Jasdeep Walia: Could you give me the volume growth number in the India business for the car tyre segment and also for the two-wheeler tyre on a Y-o-Y basis?

Gaurav Kumar: For the car tyres, our volume grew by 10% in this quarter and for two-wheeler the growth was 60% but again there is a base effect.

Jasdeep Walia: What kind of volume growth are you expecting in car tyre segment in FY2019 and how are you placed with respect to capacity to achieve that?

Gaurav Kumar: There has been as I mentioned the small debottlenecking etc., which will increase the capacity to give us again a double-digit growth, so we will probably go in line with the market on car tyres.

Jasdeep Walia: What is your capacity right now in car tyres and what kind of capacity would you add next year?

Gaurav Kumar: We are at broadly 34000 tyres per day. That is the capacity right now. We would add a few thousand tyres to that next year. I do not have the scheduled increase due to AP as I mentioned we are still on the drawing board with the broad outline that in the second half of FY2020 we will start seeing an output from there.

Jasdeep Walia: No I was asking that the capacity that you planned through debottlenecking?

Gaurav Kumar: That is about 2000-3000.

Jasdeep Walia: And when would your two-wheeler tyre capacity come on line in the AP plant?

Gaurav Kumar: There is no two-wheeler tyre capacity now being planned in AP. We plan to continue with the outsourcing model on the usual sizes. What we have setup is a pilot plant for two-wheeler radial, we will after that necessary testing start selling the two-wheeler radials from our own production, while on the other sizes we will continue with the outsourcing model on the two-wheeler side.

Jasdeep Walia: And when would you start selling two-wheeler radial tyre?

Gaurav Kumar: As of now again it is difficult for me to give a timeline on that.

Jasdeep Walia: But this is a very small part of the two-wheeler tyre market right it will be hardly 1%?

Gaurav Kumar: Right now the two-wheeler radial is just to one to two percent and hence even the capacity as I mentioned is a pilot plant, we will not put in a big capacity till we see the radialisation moving up.

Jasdeep Walia: What is your expectation on radialisation in two-wheeler tyres?

Gaurav Kumar: As of now for a number of years it will continue to be small so we do not expect that in the next three to five years it to reach double digit.

Jasdeep Walia: What kind of leeway do you have in terms of expanding sales volumes based on outsourced capacity for two-wheelers?

Gaurav Kumar: We can easily continue to maintain the kind of growth rate that we have talked about in the current year.

Jasdeep Walia: Thank you that is all from my side.

Vidrum Mehta

(ICICI Securities): Thank you Sir for the opportunity. My question is broadly on the raw material front. Just wanted to understand your outlook on natural rubber because most of the countries like Thailand, Indonesia and Malaysia had reduced their exports as per the term agreement which ended in March 2018 and hence there is a higher supply of natural rubber in the overall global market so what is your outlook on the NR front going forward? Do you expect it to remain in the broad range of 120-130 to remain?

Gaurav Kumar: These agreements etc., have been there in the past also, but still the overall demand supply sort of dictates the pricing. There may be short-term impacts but eventually very quickly the prices come to what is the norm based on the demand supply, there may be a slight increase in natural rubber prices through the year but overall that is not a cause of worry.

Vidrum Mehta: And Sir on the carbon black front like you would know one of your peer is doing backward integration in terms of setting up of carbon black plant. Government has imposed antidumping duty on carbon black import and as

such there is shortage of carbon black in India, so what is your outlook on carbon black prices are we looking for any backward integration on CB front?

Gaurav Kumar: As of now there is no backward integration on the table, given that we have a significant capex need to meet the market demand on the tyre side itself. The outlook is that carbon black availability will continue to be tight, and we will have to factor in the kind of prices that prevail today. We also hear of plans of expansion that the existing players have announced given that their own profitability has gone up. So is there a price, which mandates that we should be looking at immediately setting up our own capacity etc., no.

Vidrum Mehta: Sir how is the agreement of carbon black is being done with the supplier?

Gaurav Kumar: I do not have access to specific agreements but in general volume levels are agreed with various suppliers through the year and there are quarterly commitments, the pricing is what changes on a quarter-to-quarter basis.

Vidrum Mehta: We source our carbon black from local manufacturers or do we import?

Gaurav Kumar: We do both.

Vidrum Mehta: That is it from my side. Thank you Sir.

Chinmay Sapre

(Blackrock): Thanks for the opportunity. Just to take it forward, if I look at other expenses in your consolidated numbers and I subtract the standalone other expenses from that it will be quite flat, so I want to understand where does the Hungary start up cost show up, is this the right way of looking at the other expenses?

Gaurav Kumar: That should be the right way of looking at it. To be able to immediately answer where does it reflect I will also have to get enough details but broadly what you are saying is right.

Chinmay Sapre: Okay and similarly the employee cost have seen a significant jump, is it entirely attributable to Hungary?

Gaurav Kumar: That would be entirely attributable to Hungary. The typical increases in our Deutsche Operations etc. are low single digit.

Chinmay Sapre: But will the base of Q4 go forward into FY2019? Has most of the employee addition been done or should we expect a further increase?

Gaurav Kumar: You should expect a further increase because if we are to go up in production levels from about 6000 as I mentioned exit level to a 12000 while there will be some manpower in the pipeline getting trained there would still be addition of manpower in Hungary.

Chinmay Sapre: Thanks.

Shyam Sundar Sriram

(Sundaram Mutual Fund): Thanks for the opportunity. When you share a 17% of volume growth in the India business was it for the quarter or was it for the full year?

Gaurav Kumar: 17% was for the quarter.

Shyam Sundar Sriram: Can you please share full year volume growth and some color on the segment wise growth on a full year basis?

Gaurav Kumar: For the full year the volume growth would be more in the region of 13% to 14% so bulk of the entire full year growth would be coming through volumes and what was your second question?

Shyam Sundar Sriram: Segment wise colour between truck and passenger vehicle on a full year basis.

Gaurav Kumar: I will have to come back to you Shyam I do not have the numbers readily.

Shyam Sundar Sriram: I will take it from your team later. Gaurav generally between OE and replacement you were stating that the replacement growth for the full year was like 15% for the India business so this would largely coming from the truck business or how do we look at that per se?

Gaurav Kumar: Yes, the larger growth this year has been from the truck business, fairly there is a very strong revival there. As I mentioned the passenger car growth on a full year basis probably would be in single digit so the largest growth has been led by the truck segment.

Shyam Sundar Sriram: Okay so passenger replacement growth would be in single digits?

Gaurav Kumar: On a full year basis.

Shyam Sundar Sriram: Thanks. On Europe have we added, or got any new order wins or any update on the OE supplies that we had earlier talked about?

Gaurav Kumar: No, as of now we continue to be with those two three OEMs that we had talked about. There are audits, etc., underway including for the same OEMs even for the Hungary plant that will be something, which will continue to progress. Now our focus is also to get the Hungary plant approved by OEMs.

Shyam Sundar Sriram: Michelin shares the Europe market outlook both in the OE and replacement, so there they are talking about both OE and replacement market sort of being weak more so from February 2018 so how are we seeing the same?

Gaurav Kumar: In Q4, which is the first quarter of this calendar year replacement volumes have been okay, we have grown at mid single digit and our volume growth on the car tyres has been as I mentioned 13%. OE we do not have that kind of a visibility given that our exposure or interaction with the OEs is much smaller, overall projection out for 2019 calendar year also for Europe is still positive across both OE and replacement.

Shyam Sundar Sriram: Thank you. And one last bookkeeping question, for the full year what would be your Euro revenues in the Europe operation?

Gaurav Kumar: 470 million Euros.

Shyam Sundar Sriram: Okay and the same for Reifen would be?

Gaurav Kumar: 150 million euro.

Shyam Sundar Sriram: Thanks a lot Gaurav.