**APOLLO TYRES LTD**
7 Institutional Area
Sector 32
Gurgaon 122001, India

T: +91 124 2383002
F: +91 124 2383021
apollotyres.com

GST No.: 06AAACA6990Q1Z2

ATL/SEC/21

August 08, 2019

| | |
|---|---|
| The Secretary,<br>BSE Ltd.<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai – 400001. | The Secretary,<br>National Stock Exchange of India Ltd,<br>Exchange Plaza,<br>Bandra-Kurla Complex,<br>Bandra (E),<br>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 August 01, 2019.

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, Aug 01, 2019

Q1 FY20 Earnings Call

---

**Hitesh Goel**: Good morning all. We welcome you to the 1Q FY2020 Apollo Tyres earnings call on behalf of Kotak Securities. We have with us Mr. Gaurav Kumar, Chief Financial Officer of Apollo Tyres along with other senior management team of Apollo Tyres. I will now hand over the call to Gaurav to give opening comments about the results and the strategy going forward and post that we will take the Q&A. Over to you Gaurav.

**Gaurav Kumar:** Thank you Hitesh. Good morning everyone and thank you for joining the call first thing in the morning. Let us begin with the opening comments. On a consolidated basis, the net sales for the quarter stood at Rs 42.7 billion, a small growth on a YoY basis, and a 2% plus growth on a sequential basis. Both our operations registered a growth and this was in an environment, which was extremely tough in both our markets. There has been a significant negative growth in the OE side in the Indian market, and in overall sense, even the European market for passenger cars has slowed down. The EBITDA for the quarter stood at Rs 4.7 billion, a margin of 11% against a 12.5% in the same period, but an improvement on a sequential basis. The raw material cost for the current quarter was at Rs 128 per kg. Our debt levels increased as we continued on our capex programme. It went up by about Rs 10 billion. The net debt to EBITDA on a consolidated basis was slightly below 2.5.

Moving on to the Indian Operations, we started the year with imminent slowdown. Over the last six months of the previous year the OEs were already showing signs of slowdown, but it was largely attributed to the coming elections and there was hope of a quick recovery. The recovery did not materialise in this quarter. The OE situation continues to be tough and the slowdown is now in its 10th month. At a very broad level, the truck volumes are down from 45,000 to about 27,000 and the cars are down from about 350,000 to about 270,000. Various factors led to this. However in spite of all this, we have done extremely well in the replacement segment. Our replacement sales went up by 12% and more than made up for the slowdown in OEM. We posted, in this quarter, our highest ever replacement sales across product categories in various months of the quarter for TBR, PCR, two wheeler, etc. We had volume growth to the extent of nearly 25% in TBR replacement, 10% plus in PCR and close to 30% in the two wheeler segment. The dealer confidence in this segment continues to be good.

Going forward there is still not an immediate sign of an OE recovery, but replacement continues to be bullish. There is a minor increase in raw material cost projected for Q2. We expect revenue to be largely flattish in light of this current OE environment, but still holding on to the good replacement demand. We have planned for a price increase in line with what the industry has taken from the beginning August, and with all of this we would look to improve the profitability vis-à-vis the first quarter.

Moving on to Europe Operations, the market slowed down by nearly 4%, and more importantly for us, our key market of Germany was down by as much as 9%. The agricultural market in Europe was also down. In spite of this we managed to grow 5% in volumes in the passenger car tyre segment, which was a significant achievement on outperforming the peers. We did not try and push tyres in ranges, which were not relevant for the season and while it had some impact on the profitability the overall performance in light of the market situation is very good. We are also looking at good traction in the current quarter and the profits would continue to improve. Even on the truck tyres sales in Europe, our volumes doubled, although the base is very small, but yet there is very good feedback from the customers and we are continuing to see increased traction on the truck side. Simultaneously with this good feedback, we have announced a price increase in TBR in Europe and we do not think it would impact our volume. The sales of Reifen, the German distribution company were flat year-on-year, but we continue to improve the profitability margin by a slight amount. Clearly in terms of capacity utilisation one would have hoped for better when we started the year, but again in light of the current scenario we think we have done extremely well. The outlook continues to be, as I mentioned, flattish on the topline front in India, with improving margin and in Europe both topline and profitability continuing to improve. Thank you. We would be happy to take your questions.

**Jay Kale**

**(Elara Capital):** Sir, my first question was on your replacement growth as you mentioned that your outlook is flattish topline, so is this for Q2 or the full year? And in light of that, how do you expect the replacement demand going forward, as we have seen a significant slowdown in OEMs? How far do you think that would have an adverse impact on replacement sales especially in the truck tyre segment?

**Gaurav Kumar:** The flattish revenue outlook that I mentioned Jay was for Q2 vis-à-vis Q1. Right now given the whole uncertainty around OEMs, though they are projecting growth potential in H2; it is a little difficult for us to give an outlook, but if we were to talk of a number we would probably say low single digits for the full year, is what we would expect today, so some improvement in H2. The OE impact on replacement intuitively should be there, but through an empirical equation has always been a very difficult one to prove. Right now with various changes over last year, be it axle load, GST led improvements around time, there was a release of capacity, which in a way has added to some of the effects of OEM slowdown. The NBFC issue further adds to the equation. At what point those factors would start going away is difficult to say, but from the replacement side, the dealer confidence, the dealer deposits with us continues to grow and that is what makes us fairly confident on replacement demand.

**Jay Kale:** Right and my second question is, Sir, in light of this slowdown, how do you see the next two or three years because since we did plan an aggressive capacity expansion, is there any thought on kind of recalibrating those plans; or you think that this is a temporary phenomenon and your capex plans are more for two to three years. Additionally do we have that scope of cutting back on capex if need be in the next six to eight months?

**Gaurav Kumar:** We have scope to a certain extent. Once the machinery orders, etc., are placed, a lot of it cannot be deferred; but to your point, recognising the overall environment and the slowdown certain amount of capex was already deferred at the beginning of the year so our AP capex, which in phase one was 15000 PCR and 3000 TBR was broken up into two phases. Phase A would be 1500 TBR and 7500 PCR followed by an equal sized phase B, so a certain amount of capex deferment has already been done as we began the year. Beyond that for phase 1A now it is not possible to defer, so to that extent, yes a slowdown impacts us, but we have seen in the past also that there is no way that one can predict and time this completely. There have been enough instances in the past also when the demand revised suddenly and one is caught by surprise and the industry also does not have the ability to suddenly ramp up on capacity in one or two months, so we are going ahead with the phase 1A of AP, even though from a very current standpoint, at least on PCR side, we definitely did not need the capacity immediately.

**Sonal Gupta**

**(UBS Securities:** Sir just could you tell us what is the exact net debt number for the end of the quarter?

**Gaurav Kumar:** The net debt number on a consolidated basis was Rs 55 billion.

**Sonal Gupta:** Rs 55 billion, and sorry I missed out the replacement growth for TBR what would that be?

**Gaurav Kumar:** Close to 25%.

**Sonal Gupta:** Continuing with the capex question, so phase one is 7500 PCR and 1500 TBR, so what is phase 1A, I am not sure about that?

**Gaurav Kumar:** So when we had talked to you, we had said phase one is 3000 TBR and 15000 PCR. Within that the phase 1A is now half of that.

**Sonal Gupta:** Sir what would be the capex spending now in that scenario?

**Gaurav Kumar:** The capex when we talked to you last quarter actually had already factored this in. The India capex of about Rs 2700 Crores for this year factored this in. It would have been at least Rs 400 Crores to Rs 500 Crores higher if we were going ahead full swing as per earlier plan.

**Sonal Gupta:** Basically the saving is only Rs 400 Crores to Rs 500 Crores because of this breaking it into two phases, is it?

**Gaurav Kumar:** That is correct.

**Sonal Gupta:** So mainly the machinery direct cost is sort of getting deferred otherwise most of it is pretty much fixed?

**Gaurav Kumar:** Firstly there is no way of deferring the civil cost and also within machinery certain upstream machinery you cannot split, so what can be split has been done.

**Nishit Jalan**

**(Kotak Securities):** Sir my question pertains to the India business: just wanted to understand you have done about 12% growth in the replacement; how was the industry performance in this quarter and what is the quantum of price increase that you have taken from August 1, 2019?

**Gaurav Kumar:** Nishit right now we do not have the numbers for the industry. The other results have not been announced and we would see them in the next week or so. As per our estimate, we think we have gained market share in replacement, but that needs to be borne out based on competitor results. Our price increase ranges from 1% to 1.5% across SKU category.

**Nishit Jalan:** And this is both in M&HCV and PCR segments?

**Gaurav Kumar:** Yes. In some cases, there is a discount withdrawn, in some cases it is an outright price increase.

**Nishit Jalan:** Sir, now that we are seeing demand pressure in Europe because of industry slowdown, what is that you are doing on the cost front to ensure that our profitability improves from where we are today, you have talked about some bit of that in the annual report, but there is no great detail, so just wanted to understand what are the steps you are taking to reduce cost in Europe so that we are profitable even if the volume growth takes some time?

**Gaurav Kumar:** So A) the scale itself is improving. B) the production cost mix continues to improve as Hungary ramps up. C) There is a tight control on cost the one, which are directly in your control are SG&A, the advertisement, sales promotion of course that is to be balanced out ensuring also that it does not lead to loss in sales, so overall the fundamental improvement in profitability is still coming on the back of sales growth and the manufacturing mix improvement and that continues to be so from where we are; while yes, it is not apparent in the current quarter, but we think and we see things definitely improving this year in terms of both our growth momentum and profitability.

**Nishit Jalan:** Sir just one final question. What is the overall volume growth? Was there a decline in this quarter on overall volume, because of a sharp decline in OE volumes?

**Gaurav Kumar:** Vis-à-vis the last quarter our volumes grew slightly under 3%. Vis-à-vis the same quarter last year our volumes were down 2%, which was made up and we still resulted in a topline growth as a result of price and mix improvement.

**Siddhartha Bera**

**(Nomura):** Sir my first question is on the domestic replacement volume growth for the remaining quarters, so we have seen quite a lot of stress in the fleet operator segments where turnaround times have gone up and fleet availability is also lower, so under this challenging environment do you think a single digit volume growth will be possible or there can be some further risk depending upon how the replacement demand pans out for the industry?

**Gaurav Kumar:** A certain amount of risk definitely exists. The overall environment is not a very bullish one no doubt, but as I said the indicators that we get from our dealer, the fact that they have placed deposits with us is one very strong indicator of their confidence and the fact as to how our volumes grew lead us to believe that on the replacement side things continue to look good and I talked earlier about the kind of volume growth. We have not had that kind of volume growth even in recent times. One will still have to see as to how the overall situation pans out.

**Siddhartha Bera:** Got it Sir and secondly on this margin side, so you have indicated that we have taken 1 to 1.5% price increase from August 1, 2019, however you are still indicating that there is some minor increase in RM cost we are expecting in second quarter, so this factors in the price increase or do you think the price increase largely covers up the RM costs and there can be a potential benefit from subsequent quarter?

**Gaurav Kumar:** The current price increase will cover up for the RM cost push, so we expect that should not be a factor going forward as of now.

**Ashutosh Tiwari**

**(Equirus):** Firstly on the European Operation what were the sales figure for our European Business and Reifen and margins as well?

**Gaurav Kumar:** The European Operations did revenue of €125 million against €120 million in the same period last year. The EBITDA levels were 6.7%. Reifen Operations did revenue of €40 million and an EBIDTA Margin of about 4%.

**Ashutosh Tiwari:** Sir, secondly if I look at European subsidiary annual reports there is almost like three times jump in the R&D expenses over the last five years, and that is one reason why your margins recently went down over the last five years. So, how do you see R&D expenses over there going ahead; will there be substantial increase from these levels also or maybe there is nominal growth going ahead?

**Gaurav Kumar:** The R&D expenses going ahead would be a nominal increase. This sharp increase was mandated as we moved into a wider market base as we took up OE projects. This sharp increase was necessary because dealing with OEMs one has to move up significantly on the technology platform. Today we are already supplying to Audi, and are in advance talks with other premium manufacturers. Also, within Europe, and soon across various other geographies the OE norms on rolling resistance have been tightened considerably. That would have anyway meant that the replacement market following the OE market would have required far more R&D work than in the past, so the sharp increase that you talk about in previous year is a result of market forces. A lot of those projects will continue and we do not need similar spends again, so there would be a normal increase in R&D going forward.

**Ashutosh Tiwari:** Sir lastly in the standalone employee cost and depreciation charge went up a lot on both YoY as well as QoQ, so there is a one off there, or it will sustain going ahead?

**Gaurav Kumar:** There is a certain amount of one off in this as one of the plants' long term settlement was completed, but other than that it is a normal increment.

**Ashutosh Tiwari:** Is the current level sustain or it will come down from 2Q?

**Gaurav Kumar:** No it will sustain because whatever has been passed on as a onetime cost will remain.

**Joseph**

**(IIFL):** A couple of questions. One is, if you can help us with the CAPEX guidance at the consolidated level for FY2020 and FY2021 broken into may be India and Europe?

**Gaurav Kumar:** So in India for FY2020 as I mentioned we expect the capex to be Rs 2700 Crores, and for next year in the region of Rs 1600 Crores to Rs 1700 Crores. On the European side, this year we expect the capex to be around €30 million. The next year is still a little bit on the drawing board it will depend on the cash flows and the profitability. It would range between the €20 million to €30 million mark, depending on how our cash flows are.

**Joseph:** India capex that you gave for next year Rs 1600 Crores to Rs 1700 Crores, does this include activation of phase two at AP?

**Gaurav Kumar:** This includes a certain amount of capex going out for phase two as I mentioned. Even the deferment is up to a certain period. Phase two will not kick in terms of if I take your word activation, but there will be outflow towards that.

**Joseph:** The last question that I had was have you been taken any price increases in Europe?

**Gaurav Kumar:** We have taken a price increase in TBR.

**Pravin Yeolekar**

**(CGS - CIMB):** My first question is with respect to truck replacement demand overlook, what is the overall replacement demand outlook for this current year?

**Gaurav Kumar:** Very difficult one to say as I mentioned right now, we do not have a fixed long term outlook or even a medium term outlook from the OEs. They continue to face uncertainty. Whether BS-VI transition will lead to a jump in demand as was being earlier talked about, the OEs are now uncertain, so let us say we continue to see that maybe there will be a slight improvement on the OE side, with replacement continuing to be good.

**Pravin Yeolekar:** Can we expect a similar double digit in 2Q?

**Gaurav Kumar:** For the market?

**Pravin Yeolekar:** No or for us.

**Gaurav Kumar:** Unlikely. We have to operate within a market context. As we see things today we continue to see very good demand for our TBR. We are pretty much selling everything that we can produce. At this stage to further sort of own it down into a very specific figure would be difficult.

**Pravin Yeolekar:** My second question was on interest expense, we have seen a sharp jump from 35% YoY for consolidated operations, so is there any one off there, we do lease accounting or we expect a similar sort of run rate going ahead?

**Gaurav Kumar:** There is an impact of lease accounting and also there is an impact of debt levels going up. We have had borrowings both for our capex in India and some part of the European balance sheet, as plants have come into operation and kicked in, so that is why there is an increase. There is no one off so to say in that.

.

**Ronak Sarda (Systematix):** Sir my question is just a clarification first that 25% growth in TBR, which you mentioned is it both OE and replacement put together or that, is mainly replacement bit?

**Gaurav Kumar:** That is the replacement bit.

**Ronak Sarda:** Sir if I remember correctly, in Q4 market had certainly slowed down in replacement as well, so have we seen some improvement in market or this is largely the market share gains because we have the new capacity coming up?

**Gaurav Kumar:** We have had some market share gain, but as I mentioned earlier it is difficult to say how much it is, till we hear of competitor's results, and there also you would not get exact numbers to be able to compute a market share till the official figures are published by the association. At this stage, we think we have had some market share gain, but overall truck replacement has continued to be strong. We have not even seen degrowth as a more clear indicator even on the truck bias side for us. Even there the volumes have grown by small numbers on the replacement market.

**Ronak Sarda:** That is encouraging and the second question is what will be the capacity utilisation be in TBR and PCR; and related to this, when does the phase one of AP plant capacity come in for us, is it like in the second half of next year?

**Gaurav Kumar:** The plant will start commercial production in the first quarter of 2020 or towards the end of this fiscal year; will really ramp up in the first half of FY2021. The capacity utilisation for TBR continues to be 90% plus.

**Ronak Sarda:** And PCR?

**Gaurav Kumar:** PCR is in early 80s.

**Ronak Sarda:** My next question is on the European agri market. You mentioned that the demand has slowed down considerably, and there is some data release as well from the European Association of a sharp degrowth versus the last quarter run rate -- what exactly is leading to that? Any specific reason in Europe or is it the overall sentiments, which has led to the de growth?

**Gaurav Kumar:** Overall sentiments have been down, the overall season has not been good and that has impacted every player in this product.

**Vasudev Banerjee**

**(Ambit Capital):** A couple of questions. One if I see 12% PCR replacement growth YoY and typically replacement market grows by almost 7 to 8% in general; so similar to the earlier question just wanted to know is it because of market share gains in PCR or it is more on wholesale and not getting reflected in retail?

**Gaurav Kumar:** The tyre dealer may read the market and may end up storing a little, but they have far quicker mechanisms to do inventory check and hence the dealers at large will not end up significantly over stocking. Again in absence of results from other competitors, difficult to say what has been the market growth and you will probably get that commentary in the next week or so, but we think we would have gained a little on the replacement market share even on the PCR side.

**Vasudev Banerjee:** Sure this 12% replacement growth is pretty impressive especially in this environment and second if you can share raw material cost/kg like every quarter?

**Gaurav Kumar:** The natural rubber was around Rs 137/kg, synthetic rubber 115, steel cord 145, and carbon black 90.

**Vasudev Banerjee:** In the earlier part of the call you mentioned raw mat basket was Rs 118/kg am I right?

**Gaurav Kumar:** Rs 128/kg.

**Vasudev Banerjee:** Was it standalone or consolidated?

**Gaurav Kumar:** Standalone.

**Abhishek Jain**

**(Dolat Capital):** I just wanted to know the revenue contribution from the TBR, TBB, Passenger car and LCVs in Q1?

**Gaurav Kumar:** The revenue contribution from overall truck was about 65%. In that, the mix is almost now 25% TBB and the balance is TBR. PCR has come down slightly in light of the current environment. It has come down to about 17% from earlier levels of 20%.

**Abhishek Jain:** What was the replacement versus OE sales during this quarter?

**Gaurav Kumar:** About 65% replacement and 25% OE. This also is a swing of 5% to 6% from our normal scenario. A normal scenario is more like 60:30.

**Abhishek Jain:** Sir my next question is on the penetration of the radialisation in India, especially in the replacement segment, which is quite slow versus the expectation; so just wanted to know what are the key hurdles and what are the key triggers you are looking ahead?

**Gaurav Kumar:** It has slowed down slightly from earlier expectations. It is also a result of some revival in the mining sector some time back where bias tyre performs better and that led to a growth in the bias. Also with antidumping on the Chinese tyres, some of the players shifted backed to bias, but fundamentally radialisation has not slowed down or seen a reversal. May be it was suddenly proceeding at a faster than expected pace when the Chinese imports were going up significantly and that sort of came down to a more normal level.

**Abhishek Jain:** What sort of the growth you are looking in this space for the next two to three years?

**Gaurav Kumar:** Two to three years probably the radialisation level from the high 40s may move up to somewhere between 55 to 60%.

**Abhishek Jain:** What can be the triggers?

**Gaurav Kumar:** I do not think there is some significant new trigger, which will come into play. The OEMs are largely radialised, so most of the new trucks being sold continue to be on the radials and they are much larger trucks with more number of tyres and when they come up for replacement they will mostly be fitted with radial tyres. We are not seeing any new trigger, which would sort of suddenly alter the pace of radialisation one way or the other.

**Sonal Gupta**

**(UBS Securities):** Sir just on the European Operations, we clearly see that margins have continued to be under pressure I guess the topline has not grown much this quarter as well, so on a sequential basis margins continue to be under pressure, but you sort of said that margins will improve from here, so I just want to understand how will that happen?

**Gaurav Kumar:** Sonal on a sequential basis the margins have improved, and the trigger for saying that margins will continue to improve going forward. We are continuing to see ramp up of Hungary. We are continuing to see sales traction coming through in spite of a difficult market, we had topline growth and even our immediate outlook for this quarter in terms of demand coming through is strong and that prompts us to say that margins will continue to improve going forward.

**Sonal Gupta:** So basically here on costs are more or less going to be fixed in nature and if we can see topline growth then we should see that translate into more margin improvement right?

**Gaurav Kumar:** That is correct.

**Sonal Gupta:** Where do you stand in terms of your production levels not the available capacity, but the actual utilisation?

**Gaurav Kumar:** In Europe?

**Sonal Gupta:** Yes.

**Gaurav Kumar:** Europe on passenger car we are still at about 70%, so we have enough capacity going forward, and truck is even below 50; so right now that is the other reason, which prompts us to say that as these volumes and topline improve there will be operating leverage kicking in.

**Sonal Gupta:** In terms of absolute volumes where would you be like on TBR and PCR?

**Gaurav Kumar:** PCR in Europe, we would have sold about 1.7 million tyres, TBR would be about 30k, so about 10000 tyres per month.

**Sonal Gupta:** Just moving to the India side, and coming back to one of the earlier questions that in this quarter if the raw material cost has come down quite substantially as a percentage of sales, so I guess given that the basket itself has not moved down materially it is coming more because of the mix improvement towards replacement, but still the overall profitability is not improved much, so I just wanted to understand as to how do we see this thing in India, the other expenses have also gone up very sharply so any thoughts there?

**Gaurav Kumar:** There was a certain amount of frontloading of advertisement and promotion expenditure also centered around the world cup. Raw materials fell by 1%, so given the price increase some of the other expense is stabilising we expect the margins to start moving up.

**Hitesh Goel**

**(Kotak Securities):** Gaurav can you just talk about your target for FY2020 on the European tyre sales, you had indicated in the last concall that you are looking at 7.5 million tyres sales in Europe, 4 million from Netherlands and 3.5 million from

Hungary, in FY2019 this number was 6.7 million; given the slowdown, are you cutting these targets now?

**Gaurav Kumar:** Right at the end of first quarter, as of now, internally we have not cut the targets down. First quarter would lead us to say may be lower by 0.1 million, etc., but as of now we are not cutting our targets down though recognising that it has become slightly more challenging, but we are holding on to those targets.

**Hitesh Goel:** Once you reach your capacity of 4.5 million in Hungary how will the profitability pan out? It was only 2.1 million I guess in FY2019, so can you just give us some sense on the Hungary plant and how can we see the mix moving to Hungary?

**Gaurav Kumar:** The production last year was 2.1 million. It is not possible for me as of now to give you a profit guidance as to what will it be when we reach 4.5 million.

**Siddhartha Bera**

**(Nomura):** Sir on the Europe side, we have seen quite a healthy volume growth despite weak market, so just wanted to understand is it more driven by market share gains on the replacement side or have we started seeing some OE demand, which we were earlier talking about?

**Gaurav Kumar:** The OE volumes for us Siddhartha is still very small, so it is largely still replacement led. Our overall OE volume target for the full year would still be in the region of 0.15 million, so that would not move the needle in the near term.

**Siddhartha Bera:** Even after the ramp up with some of the OEs, which we were talking about, will this be the number that we will target for FY2020?

**Gaurav Kumar:** They would always begin small, that is the OE trend. They would give you one to two models, take your overall experience as a supplier on the quality side, on the supply chain side, and then they start bringing you in for more models;

so yes, the volume in the current year will continue to be small vis-à-vis overall context.

**Siddhartha Bera:** Got it and lastly on the tax rate side, we have continued to see a lower 22% tax rate for the standalone business, so will this be a representative number for the remaining quarters or we will revert to the 28% mark?

**Gaurav Kumar:** This year will continue to be low. I would not have an exact percentage. That is more the domain of tax specialist, but given that we are in a significant investment phase we will continue to drive that benefit and tax rate should be lower.

**Siddhartha Bera:** Lower than Q1 or similar to these numbers or any number in your range if you can?

**Gaurav Kumar:** It should be in the similar range.

**Siddhartha Bera:** Thanks a lot.

**Priti R**

**(UTI MF):** What will be the mix of forex debt in the current Rs 55 billion debt?

**Gaurav Kumar:** Priti our total debt in India, though is a mix of foreign currency and rupee debt, it is fully hedged; so there is no forex exposure that we carry on the Indian balance sheet. The net debt number in India is Rs 30 billion.

**Priti R S:** Right, but that would help us in getting our blended cost of debt lower right?

**Gaurav Kumar:** No, if we are borrowing for Indian Operations, our policy always has been that since the debt would be serviced by rupee cash flows, we hedge it on day one completely, we do not take forex exposure or a call and keep that open position saying that we can borrow at a much lower rate in Dollar or Euro and similarly all our European debt is in Euro. Again it is not in any other currency it is essentially matching it to the cash flows that would service that debt.

**Priti R S:** Got it. Where do you see the debt peaking in the next two years?

**Gaurav Kumar:** That could have a large play with the profitability, so given that I cannot give out profit guidance it is difficult. We think that our debt should be peaking somewhere in FY2021 and then as the capex starts coming down it will start coming down, but what that number would be is difficult for me to say.

**Priti R S:** On the European Operations, as far as I collected, you were ramping up the Hungary Operations and ramping down the Dutch Operations, so what would be the mix now in terms of tyres per day between the two?

**Gaurav Kumar:** There is no ramping down of the Dutch Operation so to say. Current year mix, as mentioned earlier in the call in a question, was about 4 million at the Dutch plant and 3.5 million at the Hungary plant. Hungary plant still has the capability to go up further to 4.5 million.