

Apollo Tyres Limited
Q3 FY26 Earnings Conference Call
February 5, 2026

Ronak Mehta: Good afternoon, everyone. On behalf of ICICI Securities, we would like to welcome you all to Apollo Tyres Q3 FY'26 earnings conference call. Today, we have with us from the management team, Mr Neeraj Kanwar, Managing Director and Vice Chairman, Mr Gaurav Kumar, Chief Financial Officer and the Investor Relations Team. We will start the call with brief opening remarks from the management team about the quarter gone by and then we'll proceed with the Q&A session. Thank you and over to you, sir.

Neeraj Kanwar: Thank you. Good afternoon, and thank you for joining us today. I welcome you all to the Apollo Tyres Q3 FY'26 post results conference call. We closed Q3 with consolidated topline growth of nearly 12% and an EBITDA margin of 15.3%. I am pleased to share that in Q3 we have recorded our highest ever quarterly revenue, both on standalone and consolidated basis.

On the domestic front, we saw robust double-digit growth in all channels. All our three product categories saw very, very strong growth. In contrast, in Europe, the demand environment continued to be muted across key categories. We registered a flattish topline, Y-o-Y, in line with the subdued market scenario. As we track evolving market dynamics, our focus remains on delivering profitable growth supported by new product introductions, premiumisation of the portfolio and disciplined cost initiatives.

We expect to sustain and accelerate our topline growth in India and in Europe. Let me now talk about key pillars of our vision FY'26. Starting with R&D, we continue to secure additional model approvals from marquee passenger vehicle manufacturers across India and Europe, reaffirming our strong product competencies and accelerating our premiumisation journey.

We have also consistently achieved podium positions in independent European tests, underscoring product excellence, strengthening partnership with premium OEMs, and expanding our OE footprint. On the Digitalisation front, we continue to invest in Artificial Intelligence to improve customer service, drive efficiencies in our plants and at the same time help in cost optimisation.

Moving to the Branding side, we continue to demonstrate strong brand equity, anchored in superior product quality and customer satisfaction. Our sponsorship of the official Indian Cricket Team jersey has garnered us extensive media attention and coverage, driving unparalleled brand reach and visibility and adding distribution.

This landmark association is a source of pride for all the Apolloites, has boosted dealer morale and is already translating into positive business outcomes. Finally, Sustainability has always been a key pillar for us. I'm happy to share that we have won multiple accolades during the quarter, including first prize by our Chennai plant in the 6th National Water Awards in the 'Best Industry' category, recognition from ASSOCHAM with the prestigious Water Management award at the India Water Leadership Conclave and many others.

These achievements reflect our unwavering commitment to environment, health, safety and our sustainable growth. As part of Apollo Tyres healthcare initiatives, we have recently inaugurated our 35th Healthcare Centre in Rajasthan, enhancing healthcare access for the trucking community. We have also partnered with the UN Development Programme to advance biodiversity conservation.

With this, I conclude my opening remarks, but as we closely track market dynamics and our cost structures, our focus remains firmly on sustainable and profitable growth. We are proactively preparing for emerging challenges and opportunities. And I'm confident that our strong fundamentals and strategic direction will support long-term value creation across our markets. Thank you for listening to me. I'm handing over to Gaurav. Thank you.

Gaurav Kumar:

Thank you, Neeraj, and good afternoon, ladies and gentlemen. Continuing from where Neeraj left, let me share further details of our operations for the last quarter. The consolidated revenue for the quarter stood at INR 77.4 billion, a very strong growth of almost 12% over the same quarter last year. The consolidated EBITDA for the quarter stood at INR 11.9 billion, an improved margin of 15.3% compared to 14.9% in the last quarter and 13.7% in the same quarter last year.

Coming to the balance sheet, our consolidated net debt level stood at a level of INR 13 billion as at the end of this quarter, substantially lower than the INR 26 billion at the end of previous quarter. The sharp decrease in net debt was driven by reduction in short-term borrowings as a result of strong operational cash flows. The net debt to EBITDA for the consolidated operations dropped to 0.4x at the end of December 2025 compared to 0.8x at the end of September 2025.

We witnessed robust demand momentum in Q3, leading to the highest ever revenues on both standalone and consolidated basis. We registered double-digit YoY growth in our standalone and consolidated revenue, the highest growth over the last 12 quarters. The momentum was driven by a more positive demand environment in India, coupled with the added boost from the reduced GST rates for the industry.

As Neeraj mentioned, brand visibility through our strategic sponsorship has also led to the strong performance, especially in the consumer tyres

category. In India, the revenue for the quarter was INR 51.4 billion, a growth of 13%+ over the same quarter last year. The EBITDA for the quarter stood at INR 7.5 billion, a margin of 14.5% compared to 15.3% in the last quarter, but significantly higher than the 11.1% in the same quarter last year.

The profitability was impacted, as we have discussed over various calls and meetings, by the timing of the spend on the BCCI sponsorship, which started in this quarter relative to our other A&P spends, and is only a near-term impact. The A&P spend would normalise from next year onwards. We witnessed that Q3 volume growth YoY was in mid-teens, led by a strong double-digit growth across all categories, replacement, OE and exports.

Our premium brand, Vredestein, continued to get good traction and achieved highest ever volumes in this quarter. On the demand outlook, we anticipate healthy momentum to continue into Q4 of the fiscal year. We witnessed continued strong demand during the month of January with double-digit growth.

Moving on to the raw material side, we expect the raw material cost to be steady in Q4. On the balance sheet for the India Operations, the net debt level stood at INR 18 billion in India, significantly lower as compared to the September level. The net debt to EBITDA for India Operations reduced to 0.7x from the 1.1x at the end of previous quarter. In our standalone results for this quarter, the exceptional item below the EBITDA includes a one-time charge of INR 259 million on account of the estimated obligation under the new labour code. This is based on actuarial valuation and best estimates in accordance with the accounting standards.

Coming to Europe, the revenue for the quarter was Euro 180 million, flattish compared to the same quarter last year. The EBITDA for the quarter stood at Euro 32 million, a margin of 17.9% compared to the 17.7% for the same quarter last year, and substantially higher than the 12.7% for the last quarter.

Continuing with our premiumisation journey, the UHP mix for the quarter increased to 52%, compared to the 48% for the same quarter last year. Our PCR capacity expansion in Hungary is progressing as planned, and we expect an acceleration in demand momentum going forward as we ramp up this capacity.

Over the last four or five years, our strategic intent around the judicious use of capex in an effort to sweat our assets, prioritise deleveraging, and return on capital via pursuit of profitable growth has borne fruit, as seen in our strong balance sheet. We've had low levels of growth capex over this period and substantial improvement in our underlying operating metrics.

We remain committed to this strategic intent while also ensuring that we are making the right investments for continued profitable growth in our core

categories, particularly to capitalise on the demand environment as our capacity utilisation has continued to increase through the year.

Our current capacity utilisation level in India are in the high 80s, and given our growth expectations for the near future, as seen by the current demand momentum, we would start hitting capacity limitations soon, and hence it was prudent for us to plan investments in our core categories for the next 3-4 years.

Taking this into account, the Board of Directors in the recent meeting approved a INR 5,800 crores capex for our AP plant for expanding both the PCR and TBR capacities, spread over the next three financial years, that is FY'27, '28, and '29. As part of this, there would be a growth capex of about INR 2,000 crores in FY'27. Our capex guidance for FY'26 remains as such.

We will continue to provide you a clear picture of future capex plans as done over our calls over the last few years and our strategy would continue to be focused on profitability, free cash flow generation and return ratios. With this, I would conclude my opening comments. Thank you and we would be happy to take your questions.

Ronak Mehta: Thank you. Participants, we'll begin with the Q&A session. If you have any questions, you can click on the raise hand button. We'll take the first question from Raghunandhan NL from Nuvama.

Raghunandhan NL: Congratulations, sir.

Gaurav Kumar: Thank you, Raghu.

Raghunandhan NL: Good afternoon. My first question, sir, on the capacity increase. Roughly, if I calculate, there would be about 370 tonne per day getting added because of the PCR and TBR addition. And the capex per tonne seems to be around INR 16-17 crore. I was trying to understand this is further higher compared to the previous capex which we have done. So, I was trying to understand what has led to this increase in capex per tonne.

Gaurav Kumar: Sure, Raghu. Your calculations are broadly correct. It is about a 350 tonnes capacity addition leading to about INR 17 crore per metric tonne of capex. The increase comes as a result of both the inflationary pressures, and you would see that our last big capex was back in FY 2021, and also because the technology keeps moving. The capacities that we have set up have always been state-of-the-art, not just catering to a small segment of the market. It caters to the global OEMs, both in India and also the overseas developed markets of Europe and U.S.

Raghunandhan NL: Got it, sir. Sir, my second question was on the India volume growth, and if you can give a break-up between OEM, replacement and exports, and also

your thoughts on how do you look at the outlook for replacement and exports for FY'27?

Gaurav Kumar: Our volume growth for OEM and replacement was in mid-teens and in exports it was just short of 20%. So we've had a healthy growth, as I mentioned, across all the three channels.

Raghunandhan NL: Got it, sir. And how do you see the outlook, sir, for FY'27?

Gaurav Kumar: Outlook as of now, Raghu, seems to be very good. As I mentioned, even January has seemed good. And as of now, the expectation is that this demand momentum will continue.

Raghunandhan NL: Understood, sir. And last question before I fall back to the queue, on A&P spends, how much was A&P in Q3 as percentage of your standalone? And how do you see this ratio panning out over a year's period? Because I think you have a tie-up with BCCI for a period of three years.

Gaurav Kumar: Sure, so Q3 Raghu, would be an anomaly given that there was activation apart from the usual sponsorship fee, so it would have jumped up. We used to be roughly around 2% spend of A&P as a percentage of sales. In a normalised scenario, we would be upping it to about 2.5% to drive the top line growth and that is where it should settle as we go forward.

Raghunandhan NL: Thank you, sir. Thank you so much. I'll fall back to the queue.

Gaurav Kumar: Thank you, Raghu.

Ronak Mehta: Next question is from Basudeb Banerjee. You may unmute your line and go ahead.

Basudeb Banerjee: Yeah. Thanks, Gaurav. Few questions here. To continue with Raghu's question, like 2.5% would be the A&P ahead. How much was the A&P this quarter exactly?

Gaurav Kumar: Just one minute, Basu. It is clubbed with a little bit of other expenses, but A&P along with certain sales promotion was of the order of INR 150 crores.

Basudeb Banerjee: And you are saying that elevated number will last till Q4?

Gaurav Kumar: Yeah, in the short term because even as we take our call on what are the A&Ps we want to continue, what are the ones we would reduce, it will take some time Basudeb, because of existing contracts and that's why I said the FY'27 scenario would be a more normalised scenario for our A&P spend.

Basudeb Banerjee: Sure. Second things are as you typically give out your raw material basket prices. And from outlook perspective as you said steady, so if you have like currency on one side, crude and natural rubber price, international price is

slightly inching up; so all those things how to look at that, whether gross margin can play a spoilsport as such or you don't think there is any chance of that under current outlook?

Gaurav Kumar: See we continue to live in times where some of these global events are very difficult to predict, even within week to week we have seen the rupee swing very sharply both ways. In the middle of the quarter, we were looking at some further tailwind from the raw materials. Based on the international scenario, the current outlook given by our procurement team is a flattish scenario, so as of now that's the best estimate we have.

On your first part of the question, the prices for some of the commodities - natural rubber was around INR 195 a kg, synthetic rubber at INR 170, carbon black at INR 115 and steel cord at around INR 155 rupees a kg.

Basudeb Banerjee: Sure, and last question, so it's good to see a massive debt reduction, but in the P&L if I see Q-o-Q standalone interest outgo was in fact higher, so when should we see the reflection of the reduction in debt at the P&L level?

Gaurav Kumar: It should start coming in because the long-term debt repayment was happening as per schedule, the big reduction was on some of the working capital borrowings as inventory reduction happened and that may have happened in the last one month or 45 days, so it will start reflecting fairly in the next quarter. Sure sir, thanks all the best.

Gaurav Kumar: Thank you, Basu.

Ronak Mehta: We take the next question from Aryn Pirani. Aryn, you may unmute your line and go ahead.

Aryn Pirani: Yes, hi, thanks for the opportunity. Hi, my question is on this capacity expansion, so first a clarification; the capacity utilisation that you mentioned in your release of 82% for PCR and 89% for TBR, is it just the Andhra capacity that you are talking about or is it just your full company capacity in India, capacity utilisation in India, right?

Gaurav Kumar: So in the release that was there because there is a certain format, Aryn, and very valid question, it was for AP; what is more relevant for us is the overall India Operations capacity utilisation, that as I mentioned was in the high 80s both for car tyres and truck tyres.

Aryn Pirani: Okay. And so just a follow-up on that, you mentioned 7 million and 1.6 million that you have in Andhra and you mentioned how much you will add, just want to get a sense that including Chennai and everything else, how much will the addition be, do you have that number and how much PCR do you have vis-a-vis the 3.7 million being added and how much TBR you have vis-a-vis the TBR being added?

- Gaurav Kumar:** Sure, Aryn, and let me talk of the capacity in terms of number of days. So our India capacity is a little short of 60,000, so let's say about 58,000 tyres per day, and we are adding 10,500; so we are adding about 17%-18% of capacity to our India PCR capacity. Similarly, our existing TBR capacity is 15,000 plus and we are adding 3,600 tyres per day capacity. So about a 20%+.
- Aryn Pirani:** Okay. That's helpful. And just on the capex number itself. So I am guessing this year we will be at like less than INR 1500 crores for the full year on a consol basis. That's correct. And next year you talked about a growth capex of INR 2,000 crores. So then would it be fair to say that overall capex including maintenance and everything could inch in excess of INR 2,500 crores because there is a PCR expansion ongoing in Hungary as well. So how should we put all that in context?
- Gaurav Kumar:** So, I would put the overall capex number for next year closer to INR 3,000 crores, Aryn. As you rightly said there is the PCR expansion in Hungary which was already underway. Some of it is coming in this year, some of it is coming in next year. And then our usual maintenance operational capex across different functions always totals up to about INR 700 odd crores. So, I would put that number at INR 3,000 crores for next year.
- Aryn Pirani:** Okay. And I know it's a bit early in the day but then in this FY'27 to '29 cycle would FY'27 be the peak year or will INR 3,000 crores on an overall consol number that we should assume for this cycle?
- Gaurav Kumar:** FY'29 would be a much more tapering off, but FY'27 and '28 both years would be high capex. FY'28 in fact might be even higher than the INR 3,000 crores. That's the mid portion of that capex.
- Aryn Pirani:** Okay. So just one last thing on this. What is your ROCE right now as we are getting closer to the end of the FY'26 plan period. Any initial thoughts on how we should think of ROCE because on the one hand growth is picking up but capex is also picking up.
- Gaurav Kumar:** So our current year ROCE we are running at 13.5%. It is in the band where we had set out our targets, but still not reaching that 15% target where we wanted to be and I think we crossed that number or were at that number for two out of the five years. As we are finalising the budgets, we are also on the drawing board for our five year vision from April 2026 to March 2031. And we would definitely be looking at ROCE leveraging and the free cash flows taking into account the operational metrics, but also the fact that capex is kicking in. So we will have to come back to you on that.
- Aryn Pirani:** Sure. Thanks. Look forward to that and I will come back.
- Gaurav Kumar:** Thank you, Aryn.

Ronak Mehta: We take the next question from Joseph, you can unmute your line and go ahead.

Joseph George: Thank you. I have two or three questions. One is on the income tax, the standalone entity has been at about 33%, 34% tax for some time. We haven't moved to that 25% tax. Now, with the changes that have happened in the MAT this year's budget, do you expect to go to a 25%, 26% tax soon?

Gaurav Kumar: Yes, Joseph, the tax team is examining and with the change, most probably we would be moving to that tax bracket.

Joseph George: So effective FY27?

Gaurav Kumar: I think so.

Joseph George: Sure. The second question that I had was on capex. So over the last three, four years, I think you also mentioned this in your opening remarks, last three, four years, the focus was on bite-sized capex and debottlenecking etc. And if I remember pre-Covid, tyre companies, including ourselves, used to announce INR 3,000 crores, INR 4,000 crores big lumpy capex.

But for the last three, four years, we have not seen tyre companies do that. And in that sense, this is a change. So I want to understand what takes us away from the practice that we have had for the last three, four years and coming in announcing a very big capex.

Gaurav Kumar: So, Joseph, it's not moving away from that intent. There are also times when within the same building, you can do marginal increases in capacity with few equipment ordering, as we would call in manufacturing parlance as line balancing. But we reached a stage where we could not further increase the capacity by line balancing and hence, any further increase in capacity needed civil. And the moment you reach that stage, it has to be of a certain quantum.

Now, also, to be fully transparent about the capex, we could give you just an FY'27 capex and say another nine months down the line that we'll give you the FY'28 capex because that's when it is being incurred. But the fact is that the capex plan that we have needs to be of a certain quantum to be optimising on the manufacturing capacity, the civil construction.

And hence, it is better that we are transparent about the overall plan that is there in the mind as we kick off this capex. It's not moving away from that. This can then be followed again by the small, bite-sized capex within that same building, if it is possible. So it is not dictated by a change in strategic intent, but more as to where we stand vis-a-vis our capacity and capacity utilisation cycle.

Neeraj Kanwar: Gaurav, just to add to that we are also seeing shortages in TBR and passenger car, and in farm. Given what we have been able to do with BCCI, we are seeing a lot of traction coming from the rural market, specifically in three categories which is PCR, two-wheeler and farm category. And that's where the growth is coming.

In our estimates, in TBR, we are running at close to 100% utilisation. So we need expansions coming. And like I said in my opening remarks, it's all towards a profitable growth. And Gaurav has already explained you the fundamentals behind the factory.

Joseph George: Understood. Just the last one, just some clarifications. One is the INR 3,000 crore that you mentioned, it is at the consolidated level, right? It includes growth, maintenance and the European capex.

Gaurav Kumar: That's correct, Joseph.

Joseph George: And the last thing was, if you can share the numbers for Reifencor for the quarter.

Gaurav Kumar: So Reifencor revenues for the quarter were EUR 82 million with an EBITDA margin of 8%. This is their best quarter, but yet the markets were weak.

Joseph George: Thank you.

Gaurav Kumar: Thank you, Joseph.

Ronak Mehta: We take the next question from Arvind Sharma. Arvind, you can unmute your line and go ahead.

Arvind Sharma: Hi, sir. Good afternoon. I hope you can hear me. Thank you for taking my question. The first question on the pricing environment, you alluded to a very strong demand growth. How is the pricing, especially in the replacement market?

Gaurav Kumar: Pricing has largely remained stable, Arvind. It's held up. We haven't taken any pricing action. People have been competitive, but the raw material tailwind has played into the margins as you would see for all the players.

Arvind Sharma: All right. Thank you so much. And just one question more on the accounting purpose. You alluded to a fairly strong capex over the next three years. Will it be a by-part capex, i.e. some lines start coming in earlier, so the revenue starts accruing in parts over this period? Or do you believe that the entire revenue, hopefully, the demand comes only in FY'29?

Gaurav Kumar: No, Arvind, we will start seeing some revenue flow into FY'28. And the reason for taking these approvals and starting next year itself is we see that we will start hitting capacity constraints towards end FY'27. So we will have some

capacity coming on stream in FY'28, which will play into the revenue and then it will ramp up and only towards the second half of FY'29 will all of the capacity be on stream. So actually, the full benefit of these capexes will be there in FY'30.

Arvind Sharma: But FY'28 onwards, given demand remains where it is, you would see some revenue start occurring.

Gaurav Kumar: Yes, Arvind.

Arvind Sharma: Thank you so much for taking my question, that's all from my side. Thanks, again.

Ronak Mehta: Next question is from Kapil, Kapil you may unmute your line and go ahead.

Kapil: Good evening, sir. This is Kapil from Nomura. My question is on Europe, when will the restructuring that we've had in the Netherlands plant, start getting visible in terms of benefits and how much benefit do we expect from that?

Gaurav Kumar: Sure. So Kapil, as announced the plan remains on track, the Enschede plant in Netherlands will stop production end of June 2026, one quarter into FY'27. The transition of the various product categories to the plant in Hungary and India is already underway and we think that in second half of FY'27 you would start seeing the benefit of that flowing through. I would hold on to giving a margin guidance as we do not do across, but we think there will be a definite boost up to the European Operations profitability with that.

Kapil: Sure, sir. Thanks. And second question was, we've recently seen the India-Europe and India-U.S. trade deals getting announced. If you could share some of your broad thoughts on how the company can take advantage of these in terms of export potential, how are you looking at competitiveness of Apollo Tyres now after these deals become effective from this year or next year?

Gaurav Kumar: So Europe is a very strategic and almost a home market for us, so a deal is welcome. The duty levels were anyway small, but with this announced closure of Enschede, the exports to Europe would even increase. So any kind of FTA is welcome. We would not have the details right now as to quantifying the benefits. U.S. of course, with the duty reductions would further, sort of, let's say provide a boost. Our revenues had not suffered, but profitability had definitely taken a bit of a beating in the current year, that will start going up.

Kapil: And do you see a potential that we could gain market share significantly in either Europe or U.S. after this? I'm not talking of short term, but maybe in the next two, three years?

Gaurav Kumar: See in both these geographies, we will still continue to be a small player. Will we gain market share? Yes. In Europe, replacement market, we are all of under 3% market. Our gaining of market share, also given the market size, would still be in decimals. We will gain market share, we expect both these geographies to keep growing at a significant pace for us. But within an overall context, India is and will remain our largest market.

Kapil: Sure, sir. Thank you. That's it.

Gaurav Kumar: Thank you.

Ronak Mehta: We take the next question from Yash Agrawal. Yash, your line is unmuted, please go ahead.

Yash Agrawal: Thank you for the opportunity, sir, and congratulations on your results.

Gaurav Kumar: Thank you, Yash.

Yash Agrawal: You just highlighted that the domestic demand is really strong. So can you just on each segment level, can you see which segment is having a better demand like PV versus truck and what is the channel inventory level as of now?

Gaurav Kumar: So right now, Yash, we are seeing a strong demand across categories. For example, even in Q3, the only area in the domestic market where we had a slow growth for us was PCR OE, which was more a result of some of our past actions of not taking up certain accounts because of profitability reasons. Otherwise, the growth across replacement and OEM for all product categories was very strong.

As Neeraj mentioned, also with the jersey sponsorship, we are seeing very good traction on the passenger car, two wheelers and farm, including in the rural segment. But even the truck demand has picked up very strongly, both from OEM and replacement.

Yash Agrawal: Okay, sir. And second question on the channel inventory level.

Gaurav Kumar: Inventory levels are fairly, fairly normal. There is no abnormality in that.

Yash Agrawal: And my last question is on the Europe demand scenario, what's the outlook for Q4 as few of the other players in the industry highlighted pickup in the demand and things getting better at the back end of the FY'25. So do we also see similar trends?

Gaurav Kumar: Right now, Europe continues to be a weak market. Even in Q3, the quarter gone by, the passenger car Europe market, which is the most relevant category, the market growth was -1%. It sort of improved from a mid to high single digit negative to this level. But it continues to be in the low single digit.

I'm in fact, sorry, the Europe market was -4%. So there are signs of it improving, but still not to a point that it is getting into the positive zone, Yash.

Yash Agrawal: Okay, sir. Thank you from my side. Best of luck.

Gaurav Kumar: Thank you, Yash.

Ronak Mehta: If we take the next question from Mihir Vora, please unmute the line and go ahead.

Mihir Vora: Yeah, hi. Am I audible?

Gaurav Kumar: Yes, Mihir.

Mihir Vora: Yeah, thank you for taking my question. So sir, basically, if we go through the capex currently, you mentioned that it is around INR 17 crores per tonne per day. And previously, when we had done this FY'20 Andhra Pradesh capex at around INR 11.5 crores to INR 12 crores per tonne per day. So this is sort of an increase in capex. So how are we seeing the pricing in longer term in our products, basically, that how will the pricing move up going ahead in terms of realisation because the capex cost has gone up?

Gaurav Kumar: And Mihir, I won't have the data readily right now. But we can come back to you as a team. The pricing does move up year to year, it doesn't seem evident. But each time the raw material cycle kicks in the pricing moves up, even though there is pricing pressure. And then it sort of is sticky as the raw material cycle goes down. So we can present that data to you as to how it has moved over the five year period.

Mihir Vora: Right, but apart from that, just an idea from you that if the RM stays stable, whereas like it does not, but if it stays stable, then what kind of hikes do we need to take to maintain that return levels on a plant?

Gaurav Kumar: I wish we had this nice stable scenario of RM remaining constant, but we would probably need to take a mid-single digit kind of price increase every year.

Mihir Vora: Okay. All right. And secondly, on the debt levels, what are we seeing, like right now we are at a INR 1,300 crore net debt, but going ahead with the larger capex, how do we see our debt in FY'27 going ahead?

Gaurav Kumar: We will take on some debt as we go through FY'27 capex and even FY'28. In our estimate, with a normalised industry scenario, we would still be below our long term stated goal in this vision period of below 2.0 net debt to EBITDA, even at the peak levels.

Mihir Vora: Okay. So that's all from my side. Thank you.

Gaurav Kumar: Thank you, Mihir.

Ronak Mehta: We take the next question from Naveen Baid. Naveen, you may unmute the line and go ahead.

Naveen Baid: Yeah, thank you for the opportunity. Just to confirm the volume growth that you highlighted, which was in mid-teens, that's only for the standalone business?

Gaurav Kumar: That's on the standalone business. Europe was...

Naveen Baid: Yeah, Europe was?

Gaurav Kumar: Europe was flattish.

Naveen Baid: Okay, thank you.

Ronak Mehta: Okay. We take the next question from Vijay Pandey. Vijay, you may unmute the line and go ahead.

Vijay Pandey: Hi. Thank you, sir, for taking my question. Thank you. A couple of questions. First, I wanted to check if you have any raw material hedging and currency hedging policy especially connected to the global rubber prices?

Gaurav Kumar: We've looked at raw material hedging, Vijay, and we came to the conclusion that we would rather not get into this speculation because very little of this also comes with delivery of the product. So after looking at it for quite some time, we came to the conclusion to stay away from rubber or crude oil hedging. On the currency side, all our borrowing, if it's in a foreign currency, is fully hedged 100% on both principal and interest. And even on our operational exposure, we are a net importer in India, our hedging ranges between 75% to 100%.

Vijay Pandey: Okay. Because currently, the global rubber prices have been increasing over the last at least four weeks. What is the time frame after which we start seeing the impact on the P&L? Is it like a quarter or two quarters?

Gaurav Kumar: So for our India Operations, it's maximum a quarter, sometimes even lesser than that because what is sourced from the local sources pretty much starts sitting within a month. For European Operations, the lag is about a quarter.

Vijay Pandey: Okay. And lastly, our standalone other income was pretty significant this quarter. Is it anything related to something significant?

Gaurav Kumar: Yeah, it was a one-time dividend that was received through the overseas subsidiary. And that's why the number is significantly higher.

Vijay Pandey: This is just for this year or does it come every third quarter?

Gaurav Kumar: No, this is only for this year.

Vijay Pandey: Okay, thank you.

Gaurav Kumar: Thank you, Vijay.

Ronak Mehta: We have a follow-up question from Naveen Baid. Naveen, you may unmute the line and go ahead.

Naveen Baid: Yeah, thank you for the opportunity. Just wanted to check in terms of the pecking order for margins, especially for the domestic market. What would be the differential of margin between exports and the aftermarket business? Some colour?

Gaurav Kumar: So replacement always remains as the most profitable category. Exports is usually much lower than that. Of course, it can depend on the currency part of it. So TBR is where exports may inch up closer to the domestic replacement. But in general, domestic replacement would be always higher margin than exports.

Naveen Baid: Got it. Thank you.

Gaurav Kumar: Thank you, Naveen.

Ronak Mehta: We have the next question from Nitin Agrawal. Nitin, you may go ahead. I think he's dropped from the line. Okay. A reminder to the participants, if they have any questions, they can click on raise hand button. Okay. So we have a question from Mumuksh. Mumuksh, your line is unmuted. Please go ahead.

Mumuksh: Yeah. Thank you, sir, for the opportunity. Sir, I just wanted to understand, on the Europe side, on the demand there and over the next few years, I mean, what kind of capacity expansion where we need to expand considering the demand there? And any further updates on what kind of savings we can see with the land plant closure? How positively can the margins get impacted? Thank you.

Gaurav Kumar: So Mumuksh, as mentioned earlier, the Netherlands demand for last one year has been in the negative zone. It's improved from where it was, from significant negative to slight negative across product categories. But it is still negative. PCR, agri, truck, all of them. Long-term trend of the European market is generally a 1% to 2% growth. So that should remain.

As of now, apart from the capacity expansion, which is underway in Hungary, in near term, there is no plan of any further capacity expansion unless something very different plays out on the market demand scenario. As of now, the current expansion we are undertaking is good for us for a few years.

Mumuksh: And sorry, if I missed on the savings, how can the closure help on margins?

Gaurav Kumar: The closure side again, as I mentioned, we will start seeing the results playing into our P&L numbers from second half of FY'27. There would definitely be a boost. At this stage, we would refrain from giving out specific margin guidance.

Mumuksh: Got it, sir. And sir, I mean, you may have covered just on the advertising spend on sponsorship side, how are you seeing the impact on the ground in terms of brand recall or how you are benefiting from this new initiative?

Gaurav Kumar: Neeraj also mentioned very strongly, we are seeing a very strong brand pull and we stand committed to this sponsorship and the fact that the positive impact it is doing both in the rural areas on the consumer tyres, we see a very strong impact of this A&P spend.

Mumuksh: Got it, sir. Sir, on the cost side, if you can mention, how would the Q3 RM break up there? And just recently, the natural rubber has gone up. I mean, how do you see the trend there in terms of cost side?

Gaurav Kumar: Mumuksh, I am not sure if you missed out some of the earlier question answers, or you joined late or what?

Mumuksh: Yeah, so, okay, I will note it down, sir. I just joined a little later, sir. Yeah, thank you. Thank you so much for the opportunity, sir.

Gaurav Kumar: Thank you.

Ronak Mehta: We have the next question from Nitin. Nitin, you may go ahead.

Nitin Agrawal: On the market share trend that we are seeing in both TBR and PCR and along with your OEM and replacement, because last time you indicated that we have lost some market share in the PCR segment primarily because of low margin bids that we avoided. So, your thoughts there?

Gaurav Kumar: So, in terms of market share, we believe we have a very strong market share trend. In terms of market share, we believe we have either maintained or gained market share in the current quarter. So, some of that reversal has started. We still need to regain some of the lost ground on the PCR OEM side, Nitin.

As I mentioned, some of the decisions on account of profitability that were taken one or two years back, and in OEM, it always plays out longer. So, we are taking strategic calls on OE business. We will not again completely swing, ignoring the profitability aspect. But we are recovering some of the market share that has been lost.

Nitin Agrawal: Okay. So, just can you put a number on your market share for TBR and PCR in the replacement segment if possible?

Gaurav Kumar: There is no official data available. We would put our TBR replacement share close to 30% and our PCR replacement close to 20%.

Nitin Agrawal: Okay. Thanks. That was from my side. Thank you.

Gaurav Kumar: Thank you, Nitin.

Ronak Mehta: Okay. So, I guess there are no further questions in the queue. I'll hand it over back to the management for any closing remarks.

Neeraj Kanwar: I just want to say thank you for joining our call and hope to see you in the next quarter. All the best. Thank you.

Gaurav Kumar: Thank you.