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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 for Q4 FY24 was held on May 15, 2024.

Please find attached herewith the transcript of the aforesaid call. The same has also been placed on the website of the Company <https://corporate.apolloyres.com/investors/ir-updates/>

This is for your information and records.

Thanking you,

Yours faithfully,
For Apollo Tyres Ltd.

(Seema Thapar)
Company Secretary & Compliance Officer



Apollo Tyres Ltd Q4 FY24 Earnings Call

Mitul Shah: Good day, everyone. This is Mitul Shah from DAM Capital. On behalf of DAM Capital, I welcome you all to the Q4 and Year-Ended March '24 Earnings Call of Apollo Tyres Limited. From the management side we have Vice Chairman and Managing Director, Mr Neeraj Kanwar; CFO, Gaurav Kumar, and members of IR team.

Without taking much time I hand over to the call to Neeraj sir for opening remarks post which we can open the call for Q&A. Over to you, sir.

Neeraj Kanwar: Thank you, and good afternoon my friends and thank you for joining us today. I welcome you all to this post results quarter call and I'm pleased to provide an update on our company performance and outlook.

As you may be aware that Satish has decided to take early retirement and pursue his personal interests. It was an emotional moment for the organisation yesterday, but we understand and respect his decision. We wish Satish all the very best in his well-deserved retirement.

I would also like to congratulate Gaurav, our CFO for joining the Board. The Board of Directors have approved his appointment as a Whole Time Director, obviously subject to Shareholders approval. Gaurav's presence on the Board will further strengthen our financial lens on strategic decision-making. Congratulations Gaurav.

In terms of operating performance, despite several headwinds this quarter, the team has once again delivered a healthy performance with consolidated EBITDA margin of nearly 16.4%. Few years back, we came out with our Vision 2026 targets. I would also like to take this opportunity to highlight that despite less than favorable market conditions, the team has not only achieved but has exceeded three out of four key financial targets, well ahead of the defined timeline of 2026.

Talking about these, in terms of consolidated EBITDA margin, against a target of 15%, we have achieved 17.5% margin for FY24. Please note that this is despite additional charge of INR 68 crores on account of EPR liability. Similarly, in terms of consol net debt/EBITDA, against a target of less than 2x, our FY25 number stood at 0.6x. Consequently, FY24 consolidated ROCE stood at 16% against our target range of 12% to 15%.

Given the unwavering work being done around key pillars and our recent accomplishment, we are confident and excited for what lies ahead. I believe we are all well-placed to leverage the upcoming opportunities and remain extremely bullish on the long-to-medium-term prospects for the company.

Before diving deeper into the quarter's performance, I would like to thank all our stakeholders for their strong and unrelenting support. Going forward, we'll maintain a cautiously optimistic stance on market demand. We expect the demand in India to pick up post elections. We have already registered a double-digit growth in our commercial vehicle and passenger

car volumes for the month of April 2024, while demand in the Agri segment also seems to be coming back.

Coming to Europe, we expect the demand momentum to be better in FY25 compared to last year. In Europe also, markets registered a double-digit growth in volumes in the month of April 2024. We are extremely well-placed to leverage improving demand momentum, given our investments in our factories, in our infrastructure, in our product, and marketing.

As always, we are keeping a close watch on the markets and our cost. We aim to maintain strong operating performance through a mix of efficiency gains, superior sales mix, and well-timed pricing actions. We will continue to be judicious about Capex and will continue to focus on sustainable and profitable growth.

With this, I conclude my opening remarks and I hand over the call to Gaurav. Thank you. Gaurav, over to 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 from last quarter. The consolidated revenue for the quarter stood at INR 62.6 billion, flattish compared to the same quarter last year. The consolidated EBITDA for the quarter at INR 10.3 billion, was a margin of 16.4% compared to 16% in the same period last year. This included the EPR liability on the India Operations which Neeraj talked about. Excluding that, the consolidated EBITDA would have been at 17.8%.

Coming to the balance sheet. We have been able to further improve our leverage ratio, given the focus on cash flow and profitability. The net-debt-to-EBITDA for the consolidated operations was at 0.6x at March 24 versus 1.4x at the beginning of the year. Over the year, we have reduced our leveraging by a significant INR 18 billion.

Helped by a healthy margin performance, strong Capex control, our consolidated ROCE for FY24 stood at 16%, an improvement of around 600 basis points compared to last year, and significantly above our stated targets in the current Vision period.

Coming to India Operations, while the overall volume growth was at 4%, we had good growth in the key segments of TBR replacement and PCR replacement at 7% and 10% respectively for the quarter. The replacement segment has also shown good growth for the full year. Exports are already showing encouraging signs of pickup. The revenue for this quarter was INR 43.9 billion, a small growth over the same quarter last year, and a more than 1% growth over the sequential quarter.

The EBITDA for the quarter stood at INR 6.8 billion, a margin of 15.6% compared to 15.9% in the same period last year. Again, if we exclude the EPR liability of INR 685 million, the margin for India Operations would have been at 17.2%, just a little below previous quarter margin. We continue to maintain the market leadership on profitability. We will mitigate the margin impact of EPR regulation through price increases, which had been already announced in May.

In terms of outlook, we expect the demand momentum to get better, and we are seeing good signs already, which Neeraj talked about.

In terms of raw material outlook, we expect the raw material cost to go up by mid-single digits in the current quarter. We will seek to negate that through price increases.

Given our strong focus on business fundamentals, cost control, free cash flow generation, we expect the operating performance to continue to be strong. The net-debt-to-EBITDA for India Operations, stood at 0.7x at the end of March 24, again a debt reduction of INR 11 billion in the current year in India Operations.

Coming to Europe Operations, the revenue for the quarter was EUR 182 million, up 3% Y-o-Y. This was against a subdued market scenario. While the market overall for the year declined for all the product segments including PCLT and TBR, we showed signs of recovery with our volumes in these segments showing growth. We have gained market share across all product categories.

The EBITDA for the quarter stood at EUR 35 million, with a robust EBITDA margin performance of 19.1% compared to 18.1% for the same period last year. This has been our best-ever Q4 performance for the European Operations.

In terms of outlook, markets are expected to be better than last year. We are already seeing encouraging signs in April, as Neeraj talked about. We expect the operating performance to remain healthy, helped by our focus on product mix and enrichment, cost optimisation. Our UHP proportion continues to improve.

The actual Capex cash flow for FY24 was significantly lower than the guidance as we curtailed Capex. Against a guidance of INR 1,100 crores, the spend was only around INR 700 crores. And our Capex guidance for the coming year, which is FY25, is in the region of INR 1,000 crores.

We will continue to focus on profitability, free cash flow generation, and improvement in return ratios as we have continuously talked about.

With this, I conclude my opening comments. Thank you. We'll be happy to take your questions.

Question and Answer Session

Mitul Shah: We'll start with a Q&A session. Those who wish to ask questions, please raise your hand. Accordingly, we'll start. We'll wait for question queue to get assembled. First question is coming from Raghunandan NL. Please unmute yourself and ask the question.

Raghunandhan N.L.: Thank you, sir, for the opportunity. And thanks for taking my question. Sir, firstly, on the volume growth in Q4 for standalone, can you break down further into OEM, replacement and exports?

Gaurav Kumar: So, Raghu, the volume growth for...

Neeraj Kanwar: Gaurav, let him finish the entire question.

Raghunandhan N.L.: Yeah. So, good to hear the strong demand for April. In terms of the expectations, can you talk about how you see the replacement growth for the overall industry in TBR and PCR for full year FY25? Would it be reasonable to assume a mid-single digit growth for TBR and maybe a better high single-digit growth for PCR? And also, on the export side, there is strong double-digit growth last few months. Can you talk of expectation for exports from India and also Europe growth for Vredestein?

Neeraj Kanwar: Okay. So, Gaurav, you want to take the first part?

Gaurav Kumar: Yes. So, Raghu, the volume growth for Q4 replacement, I already talked about 4%. OEM was a negative 10%. And exports in the last quarter was a very strong growth of 30% plus.

Raghunandhan N.L.: Got it, sir. And what would be your expectations for FY25 for the industry?

Neeraj Kanwar: Yeah. So, like I said, April has had a double-digit growth in both PV and CV. I'm seeing a recovery happening even in Agri now. We are seeing slowly the demand coming up. My expectations would be a high single-digit for CV and a double-digit for PCR. And I'm coming from the back of all the infrastructure spends that have been going on in India currently. And once the elections are over, it is going to be a lot of thrust into infrastructure in building roads and building ports.

And yes, consumer demand is up. So, you will also see the passenger car segment going up. And so, you're right in saying our exports have grown in Q4. And we see Q1 also going in the same direction. As long as things remain same, I'm also bullish about exports going out of India.

Raghunandhan N.L.: So, if you can elaborate a little where you're seeing which categories, which regions are doing very well for you and what can further help that growth during the year?

Neeraj Kanwar: So, MEA, Middle East and Africa is now coming back up. And that had gone down. So, we see certain areas like Saudi coming back up. We see certain areas of Africa coming back up. Also, our operations in America have started picking up. So, there's exports happening to the US from here. And I'm now talking generally about both CV and passenger car segments. So, you know, when you're entering a new market, it does take time to build the brand and to build the network.

So, things are going in the right direction and more headways are being made in these main markets that I'm looking. Obviously, Europe also, like I mentioned to you, has had a double-digit growth in the month of April. We are a little bit cautious on Europe, given the uncertainties in Europe, but Vredestein is making good headway specifically in the UHP, UUHP segment, where already we are looking at above 45% of our pie is in the higher end of the segment.

Raghunandhan N.L.: Thanks for that, sir. And congratulations on increasing that UHP share to 47%. Gaurav, just one clarification. On this EPR, how is this EPR being calculated? EPR ratio stands at 0.8% of domestic sales for Apollo T minus 2, while one of your peer has indicated an EPR ratio range of 1.2% to 1.4%. Just trying to understand how the computation has happened. That's all from my side.

Gaurav Kumar: So, Raghu, on the EPR, as per the regulation, on the commitment for 2 years prior, it was linked to 30% of production. And for the previous year, it was linked to 70%. And going forward, it will be linked to 100% of production of a prior year. So that is why you see difference, first of all, even within the same company's figure for different years.

The second factor which would make it different for different companies is relating to buying of certificates. And at what price the certificates relating to complying with the EPR obligation are picked up, that may vary across the company. So, we would not be able to comment on another company's final financial liability that they have taken on the books because it is linked to both production and to the price of certificates that they have picked up.

Raghunandhan N.L.: Thank you, Gaurav. Very helpful. I'll come back in the queue.

Gaurav Kumar: Thanks, Raghu.

Mitul Shah: The next question is from Siddhartha Bera. Please unmute yourself and ask your question.

Siddhartha Bera: Yeah, sir. Thanks for the opportunity. Sir, my first question is on the volume side again. I mean, if we see on the OE side, probably for the full year also, we have seen a decline compared to growth in the industry. So first, your thoughts probably, I think one reason might be that we have focused more on profitability and going ahead this year also, we do see OE industry sort of probably growing in single digits. So, do you think our trend on the OE side will probably continue in the coming year also or do you expect here, we will probably grow ahead of the industry? So, some thoughts on the OE growth for this year?

Gaurav Kumar: Siddhartha, overall for the full year, the OE volumes were almost flat. We had strong growth in the passenger car segment. The area which pulled it and negated it down was a negative growth in the TBR OEM segment. Particularly, the large, higher capacity trucks sold less and with the growth coming very strongly in the area of buses, where we have stayed away on profitability reasons. We expect with the kind of infrastructure spends that are happening, volumes will come back on the cargo movement side of MHCV and that should provide us growth in this current year.

Siddhartha Bera: Okay. Got it. And second is sir, on the replacement side in truck and bus segment, can you just indicate what will be our market share currently and maybe last year, similar quarter, any trends there?

Gaurav Kumar: So right now, the market share numbers are broad estimates because we do not have the published industry figures. We expect our market share to be broadly in the high 20s, closer to 30%. We've had volume gains even in the full year for TBR and for overall replacement. So, we would have continued

to maintain / gain share in TBR replacement with whatever market share losses coming would be on TBR OE.

Siddhartha Bera: Okay. Got it. Second, sir, question on the pricing. So, we have indicated up to 3% price increase. Can you probably quantify on a blended level for us, how much ASP increase can we expect or has happened probably in May? And given the cost increase now on the commodity side, which you have indicated, how much more cost or price increase we need to take to sort of offset this cost impact?

Gaurav Kumar: The broad indications, Siddhartha, and we will still get to know the actual price cost. In May, we have taken about 3%. That negates the entire EPR and maybe to a certain extent, raw material. We may need another small increase to completely cover the entire raw material and the EPR cost increase for Q1.

Siddhartha Bera: Okay, sir. Got it. Thanks. I'll come back in the queue.

Gaurav Kumar: Thank you, Siddhartha.

Mitul Shah: The next question is from Aryn Pirani. Please unmute yourself and ask your question.

Aryn Pirani: Hi, can you hear me now?

Gaurav Kumar: Yes Aryn.

Aryn Pirani: Yes. Thanks for the opportunity. My first question was actually, you know, on your Capex, you know, last 2 years, you have been, spending less than what the initial expectation was. And even in FY25, the number remains at INR 1,000 crores. So given that, I think at least on PCR, you are at high-capacity utilisations. How should we think about what is your expectation of growth? How should we think about growth in this category, because I think whenever you start a brownfield expansion, it will take 12 to 18 months, you know, so just some thoughts there.

Gaurav Kumar: So, Aryn, you know, our industry quite well. And one of the reasons in the last couple of years of Capex being lower, we have significantly tightened up our control elements on Capex. And since volumes have been behind the initial expectations, or with general market conditions being quite tough, Capex has been pulled back.

You are right that the passenger car tyre capacity utilisation is in the 80s. If the current expectations on demand hold up, and we will be carefully watching that, maybe in the second half we will start a small capacity expansion on passenger car, nothing has been committed yet. But a small amount is budgeted in the number that I talked about, which will lay the foundation for a capacity that we need in FY27. We are well covered for FY25 and FY26.

Aryn Pirani: Understood. Understood.

Neeraj Kanwar: And Gaurav, we've been mentioning in the same forum about AI and machine learning and the enhancement we are doing through these tools

on productivity increases in all our PCR plants. And we believe that we could look at close to a 10% to 15% increase in productivity from the current equipments that are already in the plants through AI and machine learning. And that's our target that we are taking. So, any growth that is coming, first, we will look at a Capex-light model, which is investments in technology and in digital, and then only go for these small expansions that Gaurav has spoken about.

Amyr Pirani: Great. That's good to know. My second question is, you know, like you mentioned at the beginning of the call, you have exceeded on your leverage targets. So, the corollary to that, you know, something which you have not guided for, but which would be interesting to know is, how should we think of dividends, because if you are actually throwing up significant amounts of cash flow, balance sheet is stronger and Capex looks like near-term is not going to be that high, how should we think of dividend going forward?

Neeraj Kanwar: Amyr, we have a very clear, clearly listed dividend policy, which has been cleared by the Board, which is to say that the payout has to be between 20% to 35%. You also have to look at future spends as we go along. And therefore, the Board yesterday only has declared a INR 6 dividend, which is an all-time high. So, we keep balancing it out, looking at market conditions and looking at our own Capex outlay that we have in mind, and looking at also the environment and the economy. And so, very clearly, we have been within the 20% to 35% range, depending on markets.

Gaurav Kumar: And Amyr, this policy has been firmed up looking at the benchmark of the global tyre industry, auto component industry, and in fact, the attempt has been to be at the higher end. So, even if you look at the last few years, the dividend payout has been above what tyre industry or typically more than what auto component has been.

Amyr Pirani: No, I appreciate that. I think the question is just that while your FY26 target was to remain below 2 times net-debt-to-EBITDA, clearly, you know, obviously, nobody knows what's to happen in the future. So, unless, you know, there is something really going wrong, hopefully, you will be net cash at some point of time in the next 12 to 18 months. And as a net cash company, then how should we think of dividends, it was the directional question that I was trying to ask.

Gaurav Kumar: Board would be better placed, but highly unlikely that we would borrow to go up on dividends, that we borrow cash because there is not enough debt on the balance sheet just to distribute out. But in a scenario, like you have painted, Amyr, pretty much all the excess cash generated would then possibly be paid out to the shareholders.

Amyr Pirani: Understood. Understood. That's good to know. Thank you. I'll come into queue.

Mitul Shah: Next, we have a question from Arjun Khanna. Please unmute yourself and ask the question.

Arjun Khanna: Hi, thank you for taking my question. My first question is regarding EPR. If you could help us understand, so these provisions have actually been, these are

just provisions or have we actually purchased the certificates as required under the regulations?

Secondly, are there enough certificates available for the volume of production that we would have probably what we would have done 2 years back to purchase this year for the entire industry, domestic sales? And three, have we registered as just a manufacturer or are we registered also as a recycler under the Act?

Gaurav Kumar: So, Arjun, we are in the process of purchasing the certificates. We have not purchased the entire lot, because as you yourself rightly said, right now the quantum of certificates available is in shortfall vis-a-vis the overall requirement. But the provision has been made based on the current purchases for the entire amount of certificates. The availability of certificates also is improving as we go along. It was, it is significantly better today than it was a quarter back. And that is why we've been able to meet a certain amount of requirements as actually buying the certificates. We will have to check, but from what I recall, we are listed as a -- registered as a manufacturer, not as a recycler, but we can check and get back to you.

Arjun Khanna: Sure. So, this was only in the limited context of certificates not being available. Do you see a scenario where we would also have to go into recycling?

Gaurav Kumar: If that is the case, it will be examined as a separate business proposal, Arjun. We will not get into recycling because of a certificate need, because even from a government perspective, they are clear that the necessary infrastructure, the necessary requirement from the recyclers in terms of making certificates available has to evolve. A manufacturer would not be forced to get into recycling to meet this compliance.

Arjun Khanna: Sure. Very helpful. Sir, the second question is, if one looks at our top line, one does see a slower growth on the domestic side with respect to our peers, essentially indicating we probably would have lost some market share. At what point in time do we take corrective measures or we are on the margin, okay, losing market share? Just your thoughts, please.

Neeraj Kanwar: You know, as I mention always that going forward, the new mantra for Apollo is profitable growth, and in that profitable growth, we have given up on some sizes that we believe are not profitable, specifically to do with smaller sizes and also looking at different channels. So yes, in let's say, in truck, we would have lost a little bit market share, but the growth has actually come in the bus segment, which is really not a profitable segment, which is a people movement. That is where we are seeing growth. And on purpose, Apollo is not entering that segment. As I said, it's not a profitable segment. But obviously, we will continue to gain our leadership in both truck and passenger car. And we will, I mean, it's a very clear balance between profitable growth, looking at market shares.

Arjun Khanna: Sure. Thank you. Wishing you all the best.

Neeraj Kanwar: Thank you.

Mitul Shah: Next question is from Mumuksh Mandlesha. Please unmute yourself and ask the question.

Mumuksh Mandlesha: Thank you so much for the opportunity. Gaurav sir, to you, on the blended price hike, which was taken at the end of April, it's a 3% on blended, right, sir?

Gaurav Kumar: That's correct, Mumuksh.

Mumuksh Mandlesha: And or how would be the segment wise, sir, TBR and PCR, if you can indicate?

Gaurav Kumar: I won't have that number immediately, Mumuksh. The investor relations team can get back to you.

Mumuksh Mandlesha: Sure. And one of the major peer is delaying the price hike. How would you see that? Would it make it more difficult to take price increases ahead?

Gaurav Kumar: That's a fine balance, Mumuksh. We always have to see and then balance out. We can't go way out of the industry or the pricing ladder. We have always taken the lead on price increases. And we will balance that looking at the overall industry scenario and our own profitability targets internally, whether we will take another price increase based on competitor action, etc. We'll have to see the overall scenario and take a call.

Mumuksh Mandlesha: Got it, sir. And on the Europe side, margins have grown well, sir, despite flat revenues. So, what are driving margins? Is the price increase a better mix, sir?

Gaurav Kumar: The large part of this in the last quarter was a better mix. As Neeraj talked about, the UHP proportion was significantly higher at 47% against our more steady-state average of 43%. And that's the constant endeavor of Europe Operations to continue to enrich the product mix, which is a significant boost to profitability.

Mumuksh Mandlesha: Any price hike, sir, in Europe?

Gaurav Kumar: Not yet. Now, with the raw material scenario, they would be looking at price hikes.

Mumuksh Mandlesha: Got it. Just lastly, on the other expenses in the standalone business has grown by 7% excluding the EPR expenses on a flat revenue Q-o-Q. So, what has led to the increase and what should be the run rate going ahead?

Gaurav Kumar: Apart from the EPR, the other increases are fairly standard. Some higher spends in advertising, brand promotion, etc. There could be one-off spikes, I would say in a quarter or so. Apart from the EPR, it will come back to a steady-state.

Mumuksh Mandlesha: Thank you so much for this.

Gaurav Kumar: Thank you.

Mitul Shah: Before we go to the next participant, I would like to highlight that those who want to ask the question, please raise your hand. Next question is from Siddhartha Bera. Please unmute yourself.

Siddhartha Bera: Thanks, sir, for the follow-up. Just some data on the Reifencom business, if you can share the revenue and margins for the quarter.

- Gaurav Kumar:** Sure, Siddhartha. So, for the quarter, the Reifencor revenues were Euro 35 million with a breakeven EBITDA. And for the full year, they grew by a small percentage. They are closer to Euro 210 million revenue with a 4% EBITDA.
- Siddhartha Bera:** Got it. Sir, second question is on this tax rate. Should we expect it will come back to the 25% tax regime or do you think the standalone tax rates, what is the range you probably are budgeting for the next year?
- Gaurav Kumar:** Ravi, do you want to answer this?
- Ravi Shingari:** Sure, Gaurav. So, the tax rate, we are yet to, you know, we have MAT credit with us. So, we'll continue with the old regime. On the lower rate, as per our projections, we are still some time to get to the new regime. So, you will see our cash tax payout is below, is about 15% to 16%. But on the P&L tax rate, because of the deferred tax calculation, it comes at an effective rate, which is higher. So, we will switch to the new regime once we have exhausted out MAT credit.
- Siddhartha Bera:** Okay. Okay. Got it. Thanks a lot, sir. I'll come back in the queue.
- Gaurav Kumar:** Thank you, Siddhartha.
- Mitul Shah:** Next question is from Aryn Pirani. Please unmute yourself and ask the question.
- Aryn Pirani:** Yes. Hi. Thanks for the follow-up. You know, the other question is, you know, on Europe, you've seen you know margins come back to 17%, 18% after a weak 1H. As we move into FY25, you're saying that price hikes have not yet been thought of. So how should we think whether this margin on a full year basis can continue at this level or will there be some headwinds because demand also right now, while it's good on a low base, you didn't sound very confident as to how the year could progress. So how should we think of Europe going forward?
- Gaurav Kumar:** So, on a full year basis Aryn if you look at it the second half as you rightly said was very strong. We were at 20%-19% plus vis-a-vis what we did in the first half. But on a full year we are just a little short of a 17% EBITDA and which we believe is something we can deliver in a steady-state. There may be variations from a quarter to quarter but a 16% to 17% EBITDA margin for our European Operations with their current mix profile is something we are looking to deliver on a consistent basis and at times when the market situation is favorable, we deliver a much higher performance.
- Neeraj Kanwar:** And in addition to this we are also planning, Aryn, to take a price increase of around 1% to 2% in quarter two, given the cost push that we are having so we will be taking -- we planned it, let's see how it goes. We will keep on correcting our pricing depending on input cost.
- Aryn Pirani:** Understood. And secondly you know just on your interest cost as a whole you know for standalone as well as consol, you know, while the deleveraging of debt has been quite sharp over the last 2 years interest cost on a relative basis is still you know pretty sticky, like for example, even in India you know 1H you had a quarterly interest cost of around INR 105 crores to INR 106 crores – INR

105 crores to INR 110 crores in 4Q also we are still at INR 88 crores. So, is there some element that you know is not being captured by the debt, is there some interest rates which have gone up and how should we think of the interest cost itself coming down in the P&L?

Gaurav Kumar: So, Aryn the interest cost will keep coming down with the debt. There is a certain element of higher interest rates even on a working capital borrowing currently. So, on a like-to-like basis if there is any short-term borrowing during the year it is happening at a higher rate vis-a-vis the past. Thankfully at such times there's been no long-term borrowing. Even in Europe the interest rates have gone up since they are linked to a benchmark rate vis-a-vis a couple of years back. So that is why you are not seeing a similar quantum of interest reduction as the debt reduction. But going forward, the interest cost will keep coming down as the market situations are also moving to somewhat normal scenario.

Aryn Pirani: And are you seeing, based on your current, you know, short-term debt rates, are you seeing any further spikes in India or Europe or are you seeing now stability compared to last few months?

Gaurav Kumar: There are no further spikes. I'll have to specifically check on an immediate scenario vis-a-vis if we have started seeing reductions, but there is no further spikes.

Aryn Pirani: Okay. Understood. Thank you. I'll come back in the queue.

Gaurav Kumar: Thanks, Aryn.

Mitul Shah: Next question is from Raghunandan N.L. Please unmute yourself and ask the question.

Raghunandhan N.L.: Thank you, sir, for the opportunity again. Sir, to Neeraj, sir. One of the areas of focus has been on premiumisation where you've been focusing on higher diameter tyres, you introduced Vredestein in India and also getting products ready for EV. Can you talk about, you know, how this has been progressing in terms of product mix improvement, benefits on, you know, realization margins? And also, do you see that leading to better brand positioning, market share gains?

Neeraj Kanwar: Raghunandan, well, firstly, yes, that progress is going very well in the positive direction. So let me talk about Europe. Like I mentioned in my opening remarks, UUHP has gone to 47% of our total pie. And therefore, you are seeing better, healthier profit margins in Europe also. Secondly, we did launch the Vredestein brand in India, where we are seeing a good customer demand for the brand. Slowly, gradually, there is growth in volumes in the Vredestein brand. There's a lot of marketing, brand building activities happening at the India level.

And these are good margin products that we are selling in the market. And you would see that as far as Apollo is concerned with its Indian peers, as far as profitability, EBITDA margins are concerned, we are at the leading position. And one of the main reasons is because of the richer product mix that has been introduced in both the markets, specifically Europe and India. So, we will continue to put in money behind technology, behind brand building in

these certain segments of the market, where the profit pools are far better than the smaller diameter markets.

Raghunandhan N.L.: Thanks, sir. Just to follow-up, in terms of the luxury segment for PCR, would there be white spaces or would we be covering majority of the market as of now?

Neeraj Kanwar: Are you talking in India?

Raghunandhan N.L.: In India, sir.

Neeraj Kanwar: Yeah, we are covering nearly 70% to 80% of the market. Through both brands, Apollo and Vredestein.

Raghunandhan N.L.: Thank you, sir. To Gaurav sir, sir, can you share the commodity-wise price for Q4? And also, between Q3 to Q4, was RM flattish? And between Q4 to Q1, what is the kind of increase you expect?

Gaurav Kumar: So, Raghu, between Q3 and Q4, the RM was flattish, natural rubber was at around INR 163 per kg, synthetic rubber at around INR 155, carbon black, about INR 120. In terms of going forward, our expectation for Q1 is a movement of maybe somewhere between 4% to 5% for raw material prices going up.

Raghunandhan N.L.: Got it, sir. And in, utilisation is around 75% in India, within that, how would it be for TBR and PCR?

Gaurav Kumar: So, PCR would be up in the 80s, and TBR would be in the early 70s, broadly. TBR is not very far from the average. There was also the farm segment, or the bias segment, which was pulling down the utilisations. But PCR was up in the 80s.

Raghunandhan N.L.: Got it, sir. Thanks for that. Lastly, sir, other income was on the higher side this quarter. Anything to call out there?

Gaurav Kumar: I think the other income was higher due to forex fluctuation gains.

Raghunandhan N.L.: Got it, sir. And how much would be the forex gain?

Gaurav Kumar: Just one minute. For the last quarter, they would be of the order of INR 40 crores.

Raghunandhan N.L.: Thank you so much, sir. I'll get back.

Gaurav Kumar: Thank you, Raghu.

Mitul Shah: Next question is from Nirav Seksaria. Please unmute yourself and ask the question. Nirav? Is it Nirav Seksaria?

Nirav Seksaria: Yeah, hi, I am audible now?

Mitul Shah: Yes.

Gaurav Kumar: Yes, Nirav.

- Nirav Seksaria:** Yeah. So, sir, you're seeing a 4-5% increase in RM basket. So, it's primarily increase in natural rubber or carbon black. Which commodity do you see the major increase in prices?
- Gaurav Kumar:** Natural rubber prices have clearly gone up and I think, but the impact would be coming from both crude linked material prices and natural rubber.
- Nirav Seksaria:** Okay. And so, on a Q-o-Q basis, natural rubber prices have increased. So, have we seen a deflationary pressure in any other raw material?
- Gaurav Kumar:** Yes, we've seen a reduction in Q4 on carbon black and steel.
- Nirav Seksaria:** And what kind of price increase would we need to take to mitigate the effect of the increase in raw material basket, since we have already taken a 3%, is there an additional amount needed?
- Gaurav Kumar:** You know, we would need about, about 2%-2.5% price increase.
- Nirav Seksaria:** More?
- Gaurav Kumar:** More.
- Nirav Seksaria:** Okay. Thank you.
- Gaurav Kumar:** Thank you.
- Mitul Shah:** That was the last question. We'll close the call now. I'll hand over to the management for closing remarks. Over to you, sir.
- Neeraj Kanwar:** I'd like to thank you and hope to see you in the next call. Thank you. All the best.
- Gaurav Kumar:** Thank you.