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

Sub: Transcript of Analyst/ Investor Conference call

Dear Sirs,

Pursuant to Regulation 30(6) and 46(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that a Conference Call for the analysts and investors to discuss the financial and operational performance of the Company was held on August 16, 2022.

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 & Compliance Officer

Apollo Tyres Limited
1Q FY23 Earnings Call

Ronak Mehta: JM Financial

Good evening, everyone. My name is Ronak Mehta. I welcome you all on behalf of JM Financial to this 1Q FY23 Earnings Call of Apollo Tyres Limited. We have with us today, Mr Neeraj Kanwar, Managing Director and Vice Chairman of Apollo Tyres, and we also have Mr Gaurav Kumar, Chief Financial Officer and the IR team. So, as we do always, we will start the call with a brief opening remark from the management and followed by Q&A session.

So, with that Neeraj over to you. Thank you.

Neeraj Kanwar: Vice Chairman & Managing Director

Thank you. Good afternoon, everyone. A very warm welcome to the Apollo Tyres quarter one earnings call. At the onset, let me thank all our stakeholders for helping us report another healthy quarter. Over last few years, the team has worked hard and the results of all that hard work is getting visible now. Helped by work done on key pillars, our business model is far more resilient, diversified, and future ready than it had ever been.

As I highlighted in the last quarter, the term to describe current quarter's performance would be resilience. Despite adverse environment, we reported a sequential improvement in margins in the current quarter, while maintaining a healthy growth rate highlighting our strong focus on profitable growth. The quarter was once again impacted by increase in RM prices. However, we were able to recover the same in India, thereby helping us report sequential improvement in operating margins.

In Europe, also despite strong headwinds in form of higher cost pressures, we were able to report healthy double digit operating margins. We remain committed to reach our intended margin range and the same is further highlighted by continued sequential improvement in margins over last couple of quarters.

I'd now focus on key pillars of our FY '26 vision and highlight some of the work done by the teams. Starting with R&D, we are working on new age technologies like RFID, and foam technology to support the upcoming automotive trends. We are also focusing a lot on electric vehicles and have recently launched a new range of tyres for electric two wheelers and passenger vehicles in India. Made with leveraging new age technology and advanced polymers, the tyres help electrics vehicle achieve better performance. We are also working closely with key OEM across geographies to support their EV journey and emerged as a preferred partner for electric vehicle tyre needs.

Moving to Digitalisation, we are leveraging new age digital tools to future optimize supply chain and use it to differentiate Apollo Tyres in the marketplace. We are also using digitalisation for customer activities, and using apps to deliver superior customer service, which would allow us to collect valuable customer data, which would in turn become base for future improvements and enhancement.

As I highlighted in my last quarter interaction with you all, we are starting to extensively use IOT, machine learning and artificial intelligence to drive efficiency gains in our plants. Finally, we are also using cloud technologies to transform our business as we become future ready.

Another key area of focus is sustainability. We are committed to a target of 25% renewable energy by '26. This is a testimony to the efforts and initiatives in the domain of accelerating renewable energy use. Furthermore, we are working on developing a decarbonisation roadmap for the organization. During the quarter, we completed our first external assurance of the company wide water footprint by an independent third party. The results showed 38% use of recycled or reused water in the operations against total water withdrawn. As highlighted in my last call, business teams are working closely with R&D, suppliers, and other stakeholders to increase usage of sustainable raw material.

Talking about brands, we continue to invest in brands across our key geographies. To start with India, during the quarter we launched Virat, our latest offering in the farm segment. The launch attracted 1.8 million views across social media. During the quarter, we leveraged platforms to engage with relevant consumers. We also maximized engagement with interested audience using social media platforms.

On the OEM side, we gained fitment on key models of Mahindra, Maruti Suzuki, Toyota, VW, and Skoda. These wins not only highlight our superior R&D and manufacturing capabilities but would also help us further in premiumising in India.

Moving to Europe, we continue to register improvements in Google trend index, indicating effectiveness of our digital and social media outreach programmes. In addition, we also associated with events like Mille Miglia in 2022 and Paris 20 kilometers. Events like these will help us further engage with influencers and potential customers.

Finally, last pillar of our strategy is People. To drive professional growth and career advancement, we are focusing on micro-learning and we now have month wise team calendars. As an organisation, we are committed to diversity and inclusion and have launched a variety of learning programmes on the same. Going forward, we are extremely bullish about long term prospects of industry and Apollo Tyres in particular. I believe, we have a huge opportunity in front of us and we, at Apollo Tyres, are making every possible effort to leverage the same.

In terms of near-term outlook, we're cautiously optimistic. We are keeping a very close eye on the markets and our cost. We will continue to be judicious about CapEx and will continue to focus on profitable growth and our free cash flow generation. However, we would also be cognizant of long term needs of our business and will undertake all efforts and costs, which will help us make our business more efficient and future ready.

With this, thank you, once again, I conclude my opening remarks and pass it on to Gaurav. Thank you. Gaurav, over to you.

Gaurav Kumar: Chief Financial Officer

Thank you, Neeraj, and good afternoon ladies and gentlemen. In India, the demand during the quarter was somewhat impacted by inflation and steep price increases. However, despite the adverse environment, we reported volume growth year-on-year, and even on sequential quarter basis. More importantly, we were able to pass on increase in commodity cost during the quarter, which helped us largely offset the impact of increase in raw material costs. This along with control over other costs helped us report a small sequential improvement in margins despite a difficult operating environment.

We took up to 8% price increase across categories in the replacement segments in Q1 and are taking further pricing actions in the current quarter as well. The Europe Operations reported another healthy quarter with revenue increase upwards of 30% and a healthy double digit EBITDA margin. The operations took well timed price increases of up to 10%, and the control over costs together with that, helped us largely negate the impact of higher raw material and energy costs.

In terms of outlook, we expect the demand in India to remain sluggish in near term, also impacted by seasonality, monsoons always impact the Q2 demand and the prevailing inflation. We expect the demand momentum to remain healthy in Europe. We are cognizant of the recession risks in Europe and are keeping a close tab on the markets as we move ahead.

In terms of operating performance, the margins are expected to remain under pressure in near term. However, we will continue to take well timed price increases and maintain control over costs and CapEx.

Moving on to financial results, the consolidated revenue for the quarter stood at INR 59.4 billion, a growth of 30% over the same quarter last year, and a 7% growth on a sequential basis. The consolidated EBITDA for the quarter stood at INR 6.9 billion, a margin of 11.6% compared to 12.4% for the same period last year, but an improvement over 11.2%, which was the margin in the last quarter. The raw material costs, and the increases in that, continue to weigh on the margins.

Coming onto the balance sheets, we've been able to maintain our leverage ratios given the focus on cash flows. The net debt to EBITDA for the consolidated operations was at 1.9x. For India Operations, the revenue for the quarter was at INR 44.4 billion, a very healthy growth of 38% over the same quarter last year and 11% on a sequential basis. This was led by volume growth in excess of 20%.

The EBITDA for the quarter stood at INR 4.3 billion, a margin of 9.7% as compared to 9.4% for the previous quarter.

Currently out of all the segments, the CV segment continues to be a laggard on a sequential basis. Moving on to European Operations, the revenue for the quarter was EUR 151 million, up 32% compared to the same period last year. We continue to make inroads into the market and grow. We have had market share gains across product segments, and we continue to focus on mix improvement. The EBITDA for the quarter was EUR 22 million, a margin of 14.4% lower than the 16.3% for the same period last year. Essentially the impact of raw material and energy cost inflation, in spite of the price increases taken.

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

Q&A

Ronak Mehta: JM Financial

Thanks, Gaurav. I would now request all the participants to use raise hand function to ask a question. We will wait for a moment before the question queue assembles. We have first question from the line of Siddharth Bera. Siddharth, please unmute yourself and go ahead please.

Siddhartha Bera: Nomura Securities

Yeah, so thanks for the opportunity and congrats on a good set of results. Sir, my first question is on the replacement demand. First, if you can help us in the quarter, how much has been the volume growth across segments and on overall business for India? And secondly, on the outlook side, you said that it is likely to remain sluggish because of seasonality. So that would also be in the base. So, if I look at the growth on a Y-o-Y basis for the second half of the year, should we still expect single digit on the replacement side? Yeah, that will be the first two questions.

Neeraj Kanwar: Vice Chairman & Managing Director

Gaurav, will you answer Q1 volume.

Gaurav Kumar: Chief Financial Officer

Sure. So, Siddharth overall, as I mentioned, the volumes grew 21%. For the replacement segment that you asked, overall the volume growth was 13%.

Neeraj Kanwar: Vice Chairman & Managing Director

And the outlook, Gaurav outlook?

Gaurav Kumar: Chief Financial Officer

And on the outlook, Siddharth, year-on-year we would still have growth but given the seasonality impact and the fact that we see some degree of slowdown in the CV segment, particularly on the OE side, we may have some decline in revenue from the current quarter.

Siddhartha Bera: Nomura Securities

Got it. And can you also break down the growth for the quarter for the TBR, TBB and PV segments as well?

Gaurav Kumar: Chief Financial Officer

So broadly, the two big growth segments in passenger cars volumes were up 35% overall. Similarly, TBR growth was nearly 30%. Those were the two big growth drivers for the volume growth.

Siddhartha Bera: Nomura Securities

Got it. And sir lastly on the export side, we continue to see a very good traction, even on a quarter-on-quarter basis with revenues going up and the revenue share also going up. Any sort of guidance or target, if you can help us understand how to think about export growth in the next couple of years?

Gaurav Kumar: Chief Financial Officer

Siddharth, the export growth will continue to be driven even in this current quarter in terms of volumes, there is no internal target saying that export should be a certain percentage of the overall mix. It is an optimizing decision that is taken across geographies, across product categories and it's something that is looked at on a monthly/ quarterly basis. and it would be driven by demand and profitability decisions across the globe.

Siddhartha Bera: Nomura Securities

Got it. Thanks lot, sir. I'll come back in the queue.

Gaurav Kumar: Chief Financial Officer

Thank you, Siddharth.

Ronak Mehta: JM Financial

Thanks, Siddharth. We have Mr Nishit Jalan as next. Please unmute yourself and go ahead, please. Can you please unmute yourself and go ahead.

Nishit Jalan: Axis Capital

Yeah. Can you hear me?

Ronak Mehta: JM Financial

Yes, we can.

Nishit Jalan: Axis Capital

Yeah. So, my first question is on Europe. There are significant increases on the cost side on power and fuel. I think in one of the quarters you did mention that you would do some hedging from a near-term perspective. So just wanted to understand, has all the cost increases are already reflected in the P&L, or we had seen some relief so far because of hedges? And how do we expect these cost increases to behave going ahead? That will be my first question.

And second question is on India business. How do you see cost increases going ahead on the RM side given that in crude derivatives, we may see a lag of one to two quarter? And what kind of price hikes we have taken for that? And thirdly, on the capacity utilization, I just wanted to understand, especially the two big segments, TBR and PCR, in India and in Europe, where are we in terms of capacity utilization in this quarter or for the full year, whatever numbers you have in front of you? Thank you so much.

Gaurav Kumar: Chief Financial Officer

So, Nishit, we took timely action on the power cost and we have hedged about 80% of our requirements for FY '23. So largely for the balance 20% that inflation is baked in. Whether it would go up or not is anybody's guess, but broadly we are largely covered for FY '23 with a very high quantity of hedge.

Then your other question was around capacity utilisation in India. Both for PCR, TBR it was around 85% in Q1 in India. And in Europe, the capacity utilisation was close to 90%. You had one more question relating to raw material; we still expect a small increase in the raw material cost in Q2 over Q1, low single digit. But the expectation is that the raw material basket should be peaking out in the next quarter and then flattening out and slowly starting to reduce.

Nishit Jalan: Axis Capital

Thank you, Gaurav, for the details. Just one follow up since in India, we are already at 85% utilisation and in Europe we are at above 90%. So how do we look at capacity expansion from here on because -- correct me if I'm wrong sustaining a 90% -- more than 90% utilisation level for a longer period of time is not something which is sustainable. So are we looking at brownfield kind of a capacity expansion either in India or in Europe, if not now, then in FY '24, definitely we'll have to look at it because a growth is pretty strong that's how we look at it.

Neeraj Kanwar: Vice Chairman & Managing Director

Yeah. So, we are looking at how we can optimise already the CapEx that is put in. In my opening remarks, I spoke about digitalisation, where we are doing a lot of artificial intelligence and machine learning. With that, we believe that we'll be able to get 10% to 15% increase in productivity. That will look after the growth in India and in Europe. We're still in a planning phase, whether it is FY ‘24 or ‘25 we don’t know because of markets are very volaile. Right now, we are going to go CapEx light and only look at debottlenecking of all our plants.

Nishit Jalan: Axis Capital

Thank you. Neeraj, just I missed one number, my line was a little bad. What was the percentage increase in productivity that you talked about?

Neeraj Kanwar: Vice Chairman & Managing Director

We are looking at 10% to 15% through machine learning and artificial intelligence.

Nishit Jalan: Axis Capital

Okay, thank you.

Ronak Mehta: JM Financial

Thank you, Nishit. We have next question from Mr Amyn Pirani.

Amyn Pirani: J.P. Morgan

Yes. Hi, can you hear me?

Ronak Mehta: JM Financial

Yes, Amyn.

Amyn Pirani: J.P. Morgan

Yes. Hi, thanks for the opportunity. First of all, it's very encouraging to see that price hikes and that too proactive price hikes have become a consistent part of the action as well as the commentary, which is different from how the industry used to be in the past. My question is on the replacement demand, both in India and Europe. So starting with Europe, obviously, there are concerns around inflation and possible recession. But generally, replacement demand historically has been pretty stable, but we've not seen this kind of inflation also in that geography for more than a decade. So what is the sense that you're getting on the replacement demand? Can it continue to be stable? Or is there a concern arising because of the price hikes and general inflation that we are seeing in those geographies, especially in Germany, which I think is your biggest market within Europe as well.

Neeraj Kanwar: Vice Chairman & Managing Director

So, -- Gaurav, I will answer. So there is a respite also with the Ukraine war, while inflation is there. There were close to 8 million to 10 million passenger car tyres coming in from Russia into main Central Europe. That, because of the war, has stopped coming in from Russia. So that opens up a huge opportunity. Also, Vredestein in Europe, is a premium brand, and the premium segment is doing good. So if you've seen, we will continue to have growth. So there are two-sides of the point, where one is inflation, yes, I totally agree. But then there is a growth opportunity also.

Also in TBR, if you see, we are increasing our growth, our sales. We've just started 18 months ago. So, we are now close to 30,000, 35,000 tyres per month. So, we are getting good traction even on truck/bus radial in Europe.

Amyn Pirani: J.P. Morgan

Okay, great. That’s good know and on the India side, obviously, right now we are in a seasonally weak quarter for CVs, but in general, are you seeing an uptake in replacement demand going forward because we've seen a very sharp recovery in OEM already. And even if OEM sustains at this level, I mean, ideally, we should start to see some uptick in replacement also if the activity level on the ground continues to be strong. So what is the sense that you're getting on the replacement demand, not just for this quarter, but for over the next say two to three quarters?

Gaurav Kumar: Chief Financial Officer

No, definitely CV cycle is at a low, but we believe that this quarter it is going to be low, but going forward with the infrastructure funds that have come in and the growth that's taking place in India, I'm pretty optimistic that CV is going to come back in a big way. We are already seeing some traction coming in September-October with the OE orders coming up.

Amyn Pirani: J.P. Morgan

And what would be your TBB and TBR ratio right now?

Neeraj Kanwar: Vice Chairman & Managing Director

Gaurav?

Gaurav Kumar: Chief Financial Officer

Just a minute, Amyn. So for us, Amyn, now it's almost two third TBR, one third TBB.

Amyn Pirani: J.P. Morgan

Okay, great. That’s helpful. I'll come back in the queue.

Ronak Mehta: JM Financial

Thank you. We have the next question from Nidhi. Can you please unmute yourself and go ahead.

Nidhi Saraswat: Bonanza Portfolio Ltd.

Yeah. Hi. Thank you sir for taking my question. Just to help me, correct me if my understanding is wrong. So, if the replacement demand is every four, five years, so the peak quarter volumes were in 2019. And from '20, the demand started to take a u-turn. So, if my 2020 volumes will give me replacement cycle into the FY '24 or '25, let's say, don't you think that our replacement volumes will have a degrowth on a Y-o-Y basis, we'll start to have a degrowth?

Neeraj Kanwar: Vice Chairman & Managing Director

Gaurav, you want to answer.

Gaurav Kumar: Chief Financial Officer

So, Nidhi, broadly, yes, the car tyres are replaced in three to four years. But that correlation that we have seen, and if you run it across years is not that strong. There is a whole bit of other demand cycles that come through. OEs are significant factor, but with e-commerce, with the kind of mobility of shared vehicles, et cetera, that is going along, the replacement cycles for passenger vehicles could vary significantly. And it's been a fairly steady sector. Very rarely have we seen a drop in replacement demand in the passenger car segment across the years. So do we expect a reversing of the demand growth? No. Maybe there could be slight slowdown, et cetera, but not a reversing.

Nidhi Saraswat: Bonanza Portfolio Ltd.

Okay. Okay. So with this, then we can assume that in this year and next year, our replacement demand should give us a decent amount of volume growth, which like at least for Q1 FY '23, is that fair to assume?

Gaurav Kumar: Chief Financial Officer

It will be the kind of growth that we have had in Q1. Even for our full year, we had mentioned that we expect our growth to be about close to 20%. So we expect the demand momentum to continue.

Neeraj Kanwar: Vice Chairman & Managing Director

And I believe, Nidhi, that with the government spends on infrastructure, CV cycle is bound to go up and Apollo, as leaders in the CV market, we are ready to go as soon as the market starts moving.

Nidhi Saraswat: Bonanza Portfolio Ltd.

Okay, thank you. That's it from my side.

Ronak Mehta: JM Financial

Thank you. We have a follow up question from Siddharth, please unmute yourself and go ahead please.

Siddhartha Bera: Nomura Securities

Yeah. Sorry. Thanks for the opportunity again. Sir, can you sort of highlight basically in the quarter, if I look at depreciation cost and all, they have also actually come off slightly from the last quarter. So should we consider this as a normalised rate or do you think there were something one-off in the quarter?

Gaurav Kumar: Chief Financial Officer

These could be considered as the normalised rate, Siddharth.

Siddhartha Bera: Nomura Securities

Okay. Can you highlight what was the amount of price increases we have taken in the current quarter?

Gaurav Kumar: Chief Financial Officer

Sure. So in the current quarter, our TBR price increase was up to 8%, whereas on some of the other categories, it was 3% to 4% in India. In Europe, we took a price increase in passenger car segment of up to 9%.

Siddhartha Bera: Nomura Securities

Okay. Okay. So despite such a high price increase in Europe, you don't expect any meaningful impact on the demand or the volumes side given the issues you highlighted from supplies from Ukraine?

Gaurav Kumar: Chief Financial Officer

No. The demand continues to be strong to even connect up with an earlier question, the market itself in Europe on passenger car grew by about 5%, which is higher than what is usual for a mature market. So right now, given all that is happening, we are watching the market carefully. But as of now, all indications are for a very strong demand.

Siddhartha Bera: Nomura Securities

Got it. And sir, last question on the net debt side, so we have seen that it has gone up slightly in the quarter, although the gross has remained stable. So can you just throw some color why was it? Was it because of high working capital requirement or because of higher tickets?

Gaurav Kumar: Chief Financial Officer

It was largely working capital as the demand went through its fluctuations, our inventory slightly went up, which resulted in working capital borrowings in India. And also in Europe, traditionally, seasonally, this is a quarter when we stock up on the winter tyres. And then the winter tyre sales happen from August to November. So in Europe, it's a very usual seasonal phenomenon. And in India, there was because of demand fluctuations, a little upping of the working capital from vis-à-vis normal levels.

Siddhartha Bera: Nomura Securities

Got it, So this will normalize probably going ahead in the coming quarters.

Gaurav Kumar: Chief Financial Officer

That's correct, Siddharth.

Siddhartha Bera: Nomura Securities

And CapEx spent will be how much in the quarter?

Gaurav Kumar: Chief Financial Officer

CapEx spent in the current quarter in India would be about INR 125 crores.

Siddhartha Bera: Nomura Securities

INR 125 crores. Got it. Okay, sir. Thanks a lot. That was very helpful.

Gaurav Kumar: Chief Financial Officer

Thank you, Siddharth.

Ronak Mehta: JM Financial

Thank you. So we have next question from Sandip Sabharwal. Please unmute yourself and go ahead.

Sandip Sabharwal

Yeah. So from the historical trends where the company used to be very heavy on capital expenditure, I think you have said that you are going to go slow on capital expenditure and focus on brownfield et cetera. So are there any targets of total debt on the balance sheet, which you have over the next two, three years, how do you see that reducing?

Gaurav Kumar: Chief Financial Officer

So Sandip rather than debt, as we have stated in our vision and Neeraj has mentioned a number of times, we intend to keep our net debt EBITDA below 2. And that is what is a driving factor because there would be some amount of CapEx needed and in the last few years we've been keeping a watch on that given the uncertain times. I don't have a number of an absolute debt amount, but our intention would be to keep our net debt EBITDA below to 2 mark.

Sandip Sabharwal

So alternatively, is there any CapEx guidance you have for this year and next year?

Gaurav Kumar: Chief Financial Officer

For the current year, for India, the CapEx was slightly below INR 900 crores and in Europe was about EUR 40 million, if I remember correctly. As mentioned earlier by Neeraj, we have not firmed up our CapEx for the future years. We are taking a fairly cautious approach and will take that decision as we go along in the year.

Sandip Sabharwal

And lastly, despite the substantial price increases, which you mentioned 8% in domestic markets, 4% et cetera Europe, why do you think that your margins will still be under pressure going forward?

Gaurav Kumar: Chief Financial Officer

The current margins and while they are, Sandip, a sequential improvement from the last quarter, they are still not margins, which are in line with our long-term guidance or ambitions. We definitely need to improve our margins further. As I mentioned, the next quarter will again see an increase in raw material prices though it's beginning to taper down. So in near term, that's why I mentioned that the pressure will continue.

Sandip Sabharwal

So essentially the pressure, which you are saying is relative to what your targets long-term are reaching around 15% margins, not in the context of margins actually coming under pressure from where they were right now?

Gaurav Kumar: Chief Financial Officer

That's correct.

Sandip Sabharwal

All right. Thank you.

Gaurav Kumar: Chief Financial Officer

Thank you.

Ronak Mehta: JM Financial

Thank you. So we have next question from Jinesh. Jinesh please unmute yourself and go ahead.

Jinesh Gandhi: Motilal Oswal Securities

Hi, am I audible?

Ronak Mehta: JM Financial

Yes, Jinesh.

Jinesh Gandhi: Motilal Oswal Securities

Hi, Gaurav. So just to clarify this on the price hike, what you talked about 8% in TBR and 3% to 4% in other categories is for first quarter, right? Not for the current quarter, second quarter?

Gaurav Kumar: Chief Financial Officer

That's for the first quarter.

Jinesh Gandhi: Motilal Oswal Securities

And any indication on what kind of price increases you took in 2Q so far?

Gaurav Kumar: Chief Financial Officer

We announced another price increase in July. I think the quantum was again around the 3% mark. I don't have the exact numbers, Jinesh.

Jinesh Gandhi: Motilal Oswal Securities

Okay, 3% across categories. Got it. And in the 1Q in terms of RM cost inflation was in line with what we had earlier guided for 3% to 4%, or was it higher than that?

Gaurav Kumar: Chief Financial Officer

No, the RM inflation was higher than that. It was actually around 7% to 8%.

Jinesh Gandhi: Motilal Oswal Securities

Okay. So that is the reason margins under pressure. Got it. And when we look at our capacity expansion scope from where we are today. So as Mr Kanwar talk about productivity led improvement of 10% to 15%, is there also scope of brownfield at our existing locations in India?

Neeraj Kanwar: Vice Chairman & Managing Director

Like I said, right now, there's nothing that we are planning. First is to see how we can really sweat our assets, bring our RoCE to our -- what guidance we've been giving you above 12%, and then we will see any brownfield. Right now, there is nothing in the plan.

Jinesh Gandhi: Motilal Oswal Securities

Sure, sure. I understand. I mean, we are not focused on brownfield. My question was, I mean, can we do a brownfield if required?

Neeraj Kanwar: Vice Chairman & Managing Director

Yeah, yeah, definitely. We can do a brownfield when required in Andhra and in Hungary also. There is excess land if that's what you're asking there is excess land and infrastructure, which has been created to take on brownfields.

Jinesh Gandhi: Motilal Oswal Securities

Got it. Got it.

Neeraj Kanwar: Vice Chairman & Managing Director

So the incremental CapEx for a brownfield will be much lesser than the initial greenfield.

Jinesh Gandhi: Motilal Oswal Securities

Exactly, exactly. And when we say 85% utilization in India, so this is based on the ramp up of where we are at AP plant, there'll be further smaller additions at AP plant as well, right?

Neeraj Kanwar: Vice Chairman & Managing Director

Yes.

Jinesh Gandhi: Motilal Oswal Securities

Got it. Great. Lastly, Gaurav can you share the revenues and EBITDA of ReifenCom?

Gaurav Kumar: Chief Financial Officer

Sure. So ReifenCom did EUR 48 million in revenues with an EBITDA of 5%.

Jinesh Gandhi: Motilal Oswal Securities

Okay. Okay, great. thanks.

Gaurav Kumar: Chief Financial Officer

Thank you.

Ronak Mehta: JM Financial

Thank you, Dinesh. We have the next question from Ashutosh. Ashutosh please go ahead. Ashutosh please unmute please.

Ashutosh Tiwari: Equirus Securities

Hello, am I audible.

Ronak Mehta: JM Financial

Yeah.

Ashutosh Tiwari: Equirus Securities

So firstly, on this price increase, I remember that we are taken price increase in the June month around 4%, so that will not fully factored in this quarter. So that should also get into this quarter increase and then also we had announced 3% price increase set in this month, last increase was in July month, so will there be almost like 5% to 6% increase in the pricing in this quarter versus Q1?

Gaurav Kumar: Chief Financial Officer

Broadly, yes, Ashutosh. I do not remember the exact timing in Q1, but we took two price increases in Q1.

Ashutosh Tiwari: Equirus Securities

Because I remember that we had mentioned a plan in June that we've taken from this month largely effectively from, I think, second half of June. So that's one. And in terms of costs increase in this -- like, say, Q2 on RM side, will there be 2%, 3% or like say 4%, 5% cost increase? So I'm asking that in this Q2 in RM cost, will there be like 2%, 3% increase or like say, 4%, 5% increase in RM cost on a quarter-on-quarter basis?

Gaurav Kumar: Chief Financial Officer

Ashutosh, your line was quite bad. I have got some last part of the question, which is RM increase, but before that I couldn't get.

Ashutosh Tiwari: Equirus Securities

No, no I am asking that RM increase, will there be like say 2%, 3% increase quarter-on-quarter or more like 5% increase in this second quarter?

Gaurav Kumar: Chief Financial Officer

We are expecting about a 3% increase in RM.

Ashutosh Tiwari: Equirus Securities

And lastly, on the TBB side, was there a decline in this quarter volumes versus last year?

Gaurav Kumar: Chief Financial Officer

TBB?

Ashutosh Tiwari: Equirus Securities

Yeah,

Gaurav Kumar: Chief Financial Officer

No, we, we still had a growth vis-à-vis last year.

Ashutosh Tiwari: Equirus Securities

Okay. Okay. Thanks all. That's all from my side.

Gaurav Kumar: Chief Financial Officer

Thank you, Ashutosh.

Ronak Mehta: JM Financial

Thank you, Ashutosh. We have a next question from Veeral, Veeral please unmute your line and go ahead. Veeral, can you please unmute your line and go ahead. Okay. So we have the next question from Mr Mayur Malik. Please unmute your line and go ahead.

Mayur Malik: Asian Markets Securities

Yeah. Hi. So, since you mentioned that capacity utilization are almost 85% in India and about 90% Europe. So does it mean that even with the 10%, 15%, internal inefficiencies really coming into play, you are looking at overall top line of about INR 255 billion, INR 260 billion in a year's time?

Gaurav Kumar: Chief Financial Officer

From the current capacity.

Mayur Malik: Asian Markets Securities

Yeah.

Gaurav Kumar: Chief Financial Officer

Yeah, I was not sure about the inefficiencies that you mentioned, but from the current capacities, yes, we have further scope to go up in revenues to the extent of 15%. I didn't get your point about inefficiencies.

Mayur Malik: Asian Markets Securities

No, no. When I said inefficiency, I'm trying to say that since, Neeraj, mentioned that there's a scope of 10% to 15% improvement from what we are doing now from the current bottlenecks and we intend to make sure that before doing the next round of CapEx, we can first sweat the current assets. So I'm saying the whole potential of sweating the current asset would take us to a revenue of about INR 255 billion to INR 260 billion.

Gaurav Kumar: Chief Financial Officer

Yeah. It'll take that (inaudible).

Neeraj Kanwar: Vice Chairman & Managing Director

So just to clarify Mayur that there is no inefficiency, it is, we are now learning through IOT and through AI and machine learning, how we can improve the equipments that we put in and increase our productivity. So meaning, speeds of equipments will go up and you can get more production out of that. That's what we are doing now.

Mayur Malik: Asian Markets Securities

All right. So, just trying to understand, looking at the industry at this point, even if the industry were to grow at an 8% to 10% kind of CAGR, you'll right be there and fully sweating out your (inaudible). So why are we not really looking at the next round of CapEx when we know that that kind of number can really come up?

Neeraj Kanwar: Vice Chairman & Managing Director

No, right now our focus is on improving our earnings specifically in RoCE. So we believe first we have had a very intensive capital, CapEx in the past 10 years. So right now we just are in a phase of consolidating internally and trying to push all the plants to produce more and then we will come up with the next CapEx cycle.

Mayur Malik: Asian Markets Securities

All right. But -- so your current RoCEs are in the range (inaudible).

Gaurav Kumar: Chief Financial Officer

Our current -- your line is bad, but our current RoCE is sub 10%. Your line is bad, Mayur.

Mayur Malik: Asian Markets Securities

Okay. Am I audible now?

Gaurav Kumar: Chief Financial Officer

Yeah.

Mayur Malik: Asian Markets Securities

All right. So I was asking that our current number is anywhere between 7% and 8% on the ROC. So you expect that with full sweating, we could actually touch 12% or you think it is a two-year, three-year target that we are trying to say, when we say 20% RoCE?

Gaurav Kumar: Chief Financial Officer

Well, that's our target that we've taken to go beyond 12%.

Neeraj Kanwar: Vice Chairman & Managing Director

It will also need, Mayur, a little bit of improvement from the current industry dynamics of raw material prices where they're at and we need to improve our margins. So there is sweating of assets and there is also a fundamental improvement of margins along with mix improvement that we need to do.

Mayur Malik: Asian Markets Securities

All right. So say I missed the year CapEx that you guided for. So you're saying that for this year, Q1 you spent about INR 125 crore and for FY '23 what is the total CapEx that we're looking at combined India and Europe?

Gaurav Kumar: Chief Financial Officer

Combined India and Europe would be about somewhere between INR 1,100 crores to INR 1,200 crores.

Mayur Malik: Asian Markets Securities

Okay. Okay. All right, that'll be all. Thank you.

Gaurav Kumar: Chief Financial Officer

Thank you.

Neeraj Kanwar: Vice Chairman & Managing Director

Thank you.

Ronak Mehta: JM Financial

Thank you. So, Gaurav, I think it's about time and I think that was the last question. So I would like to thank all the participants and the management of Apollo Tyres for giving this opportunity and wish you all a great evening. Thanks a lot. Take care.

Gaurav Kumar: Chief Financial Officer

Thank you.

Neeraj Kanwar: Vice Chairman & Managing Director

Thank you everyone for joining.