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

**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 Q1 FY 24 was held on August 11, 2023.

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

This is for your information and records.

Thanking you,

Yours faithfully,
**For Apollo Tyres Ltd.**

SEEMA THAPAR
Digitally signed by SEEMA THAPAR
Date: 2023.08.21 11:29:39 +05'30'

**(Seema Thapar)**
**Company Secretary & Compliance Officer**

**Apollo Tyres Ltd Q1 FY24 Earnings Call**

**Moderator:** Good afternoon, and welcome, everyone. Thank you for joining Apollo Tyres First Quarter FY24 Earnings Group Conference Call.

Today's call will be moderated by Nomura Analyst, Siddhartha Bera, Consumer Durables, Auto Ancillaries and Digital Commerce Analyst; and Kapil Singh, Head of Consumer and Digital Commerce Research India and Lead Autos Analyst.

The call will now begin, and I'm handing over to Sid. Hi, Sid. Please go ahead.

**Siddhartha Bera:** Yeah. Thanks, Linda. Good evening, everyone. I welcome you all on behalf of Nomura to this 1Q FY24 Earnings Call of Apollo Tyres.

We have with us today Mr Neeraj Kanwar, Managing Director and Vice Chairman of Apollo Tyres; and Mr Gaurav Kumar, Chief Financial Officer; and the IR team as well.

We will start the call with brief opening remarks from the management team followed by a Q&A session. Over to you, sir.

**Neeraj Kanwar:** Thank you, and good morning, good afternoon to everyone. I'm very pleased to provide an update on the company's performance.

Despite a very challenging environment, the team has delivered yet another healthier quarter with a consolidated operating margin of 17% and approximately 115% increase in consolidated earnings.

As we continue to work on business fundamentals, the results are there for everyone to see. Last few quarters, we have consistently displayed our relentless focus on profitability, on cost optimisation, free cash flows, and improvement in our return ratios. I believe we are at the cusp of an exciting phase given all the work around key pillars, and business fundamentally becomes more efficient and cash generative.

Coming to our business performance, despite sluggish demand environment in some of our key markets, we reported mid-single digit YoY growth in consolidated revenues. More importantly, we reported strong improvement in our operating performance, helped by benign RM cost, improved sales mix, and tight control over cost. I'm confident that we will be able to sustain the momentum going forward as well.

In terms of outlook, we expect the top-line growth to improve in the second half of the year. In domestic markets, we are witnessing good recovery in the replacement segment. Exports remain relatively weak.

Coming to Europe, we expect the demand to remain soft in the near term. However, more importantly, I expect the momentum for operating performance to continue in near-term driven by subdued RM cost and consistent focus on cost controls.

Let me now talk about some of the key pillars of our Vision '26. Starting with R&D, we continue our focus on new product development and launches. During the quarter, we further extended the Quatrac Pro EV (electric vehicle) range by addition of new nine SKUs. During the quarter, we were also awarded for Design and Development and R&D Localisation by Maruti Suzuki.

The team introduced new generation polymers in Europe and also developed low rolling resistance compound package for one of our key EV clients in India.

Finally, underscoring our commitment to sustainability, team showcased PCR concept tyre made from 75% sustainable material, and our truck bus radial concept tyre made from 65% sustainable material.

Moving to Digitalisation, we continue to work on new age technologies as we optimise our current process technologies and prepare for future. The digitalisation of supply chain further has gained momentum during the quarter, helping us to engage with our stakeholders and customers efficiently and in a timely manner.

We continue to roll out new manufacturing execution systems across our facilities, helping us with our Industry 4.0 journey. We have also been working on digitalisation of key internal processes like product costing, budgeting, which would help us gain better visibility of our operations and help us with benchmarking and driving improvements faster.

Coming to Sustainability, the team continues to scale new heights as we go ahead. I'm happy to share that our work on this front is also being recognised by external agencies. Recently, Apollo Tyres' Chennai facility was recognised at the 4th National Water Awards 2022 under the Best Industry category for our global commitment on water efficiency, and was lauded for water conservation initiatives undertaken at the plant.

During the quarter, Apollo Tyres Foundation won an award for its Miyawaki Forestation Project under the "Seeding Sustainability: Recognising companies that have nurtured forests through Impactful CSR Endeavors" category.

We've also joined the Net Zero pilot in Gujarat, being led by NITI Aayog and the World Economic Forum. Finally, we are now sourcing our natural rubber supplies from companies who are committed to sustainability throughout the supply chain, aligning with the code of conduct set out by the global platform for sustainable natural rubber (GPSNR).

Talking about Brands, we continue to invest in brands across our key geographies. To start with, in India, we introduced Terra BT, our latest product in the buyer segment designed specifically for bulk transportation applications. During the quarter, our CV zone surpassed 105 outlets milestone, reinforcing our commitment to providing top-notch service and accessibility.

During the quarter, we launched the Apol10 campaign across India as part of Sachin Tendulkar's 50th birthday celebration. The campaign ran across national print, digital, and along with our BRO partners, we reached out to over 82 million people, and our hashtag #Apol10 reached over 17.8 million and trended for seven hours nationally.

Coming to Europe, celebrating 30 years as pioneers in the All-Season segment, we launched the new Vredestein Quatrac Pro+. During the quarter, we also participated in the iconic 1000Miglia race with a team of classic cars and joined the 1000 Miglia Green, promoting zero emissions racing.

Finally, the last pillar of our strategy is People. We have started our journey for hiring women at Apollo in the field. India's sales force has pioneered its journey on hiring diversity campus batch this year in June. We recently launched our wellness and well-being initiatives in our offices in India, in Singapore, UK, and the U.S., focusing on mental, physical, and financial well-being of our employees.

We're also working on defining our talent value proposition and continue to build on our brand as employer. During the quarter, ET Now covered Apollo Tyres as India's finest workplaces, and Apollo Tyres India was certified as a Great Place to Work in India.

Last but not the least, Apollo Tyres has been recognized as one of the Top 30 Leadership Factories of India for the period '23 to '25. We are now a certified Top Employer for 2023 in the Netherlands and Hungary, joining our UK and Singapore offices. This achievement underscores our dedication to exceptional workplaces where our employees can thrive and grow.

As always, we are keeping a close watch on the markets and our cost. We'll continue to be judicious about Capex and will continue to focus on profitable growth and free cash flow generation.

With this, I thank all of you and hand over the call to Gaurav. Thank you.

**Gaurav Kumar:** Thank you, Neeraj, and good day, ladies and gentlemen. Continuing from where Neeraj left, let me give some further details of the operations for the last quarter.

The consolidated revenue for the quarter stood at INR 62.4 billion, a growth of 5% over the same quarter last year. The consolidated EBITDA for the quarter at INR 10.5 billion was a margin of 16.8% compared to 11.6% for the same period last year, and 16% for the previous quarter.

In terms of continuing our focus on profitability, our net profit more than doubled vis-a-vis last year, and EBITDA levels were higher by more than 50%.

Coming to the balance sheet, we have been further able to improve our leverage ratio, given our continued focus on cash flow generation and profitability. The net-debt-to-EBITDA for the consolidated operations was at 1.1x, and the ROCE for the current quarter annualised is now at a level of 15%.

In India, during the quarter, we witnessed recovery in the Replacement segment with a revenue growth of 7% year-on-year and 10% sequentially over last quarter. We see good signs of demand pickup in the key replacement segment across product categories.

While this was largely negated by subdued performance in the export segment, we are seeing strong traction in the core domestic market and feel good about our competitive position. More importantly, we were able to maintain the price advantage gained in the last few quarters domestically, and this helped us report a very strong 990 bps Y-o-Y and a 210 bps sequential quarter improvement in gross margins.

This in turn helped us maintain a very healthy operating performance, generate positive free cash flow, and further deleverage our balance sheet. We expect the revenue growth to pick up as the year goes by.

In India Operations, the revenue for the quarter was INR 44.1 billion. The EBITDA for the quarter at INR 7.9 billion, was a margin of 17.8%, compared to 9.7% for the same period last year, and 15.9% for the previous quarter.

In terms of profitability, the net profit more than tripled vis-a-vis last year and EBITDA was higher by more than 80%. We continue to demonstrate profitability leadership in our industry vis-a-vis the key peer set over the last several quarters. The positive free cash flows resulted in deleveraging with the net debt-to-EBITDA for India Operations reducing to 1.2x.

Coming to Europe, the markets were subdued with the Passenger Car and the Truck Tyre industry volumes declining by 13% and 33%. Despite this challenging environment, while we had a small reduction in volumes, we improved our market share in the passenger car segment. We also gained market share in the OHT segment. The key UHP-UUHP mix for this quarter stood at around 40%.

In terms of outlook, while the demand is expected to remain sluggish in near term, we continue to feel good about our competitive position and the set of markets and strategic choices that we have made. We will continue to focus on cost containment measures in the near term.

For the European Operations, the revenue for the quarter was EUR 144 million, down 5% compared to the same period last year. The EBITDA for the quarter stood at EUR 19 million, a margin of 13.4% compared to 14.4% for the same period last year. The decline was essentially due to an operating leverage impact due to the lower top line.

Inspite of the tough external environment, the Europe Operations were also free cash flow positive. Given the work being done around the key pillars and along with improvement in gross margins, we are confident of going back to our target margin levels in medium term.

As Neeraj mentioned, we continue to keep a close eye on our Capex outflow and remain committed to our strategy around judicious capital allocation, debottlenecking our plants and sweating our assets. There is no change in our Capex guidance for the current year. We will continue to focus on profitability, free cash flow generation, and improvement in return ratios going forward.

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

**Question-and-Answers**

**Moderator:** Thank you. We will now begin our Q&A session. (Moderator Instructions) First question is from Ashutosh Tiwari. Please go ahead with your question.

**Ashutosh Tiwari:** Yeah, hi. Congrats on good numbers. Firstly, on the volume side in domestic India Operations, how was the growth in the replacement Y-o-Y and decline that you saw in exports and OEM, if there's any?

**Neeraj Kanwar:** Gaurav, will you answer that?

**Gaurav Kumar:** Yeah. Yeah, Ashutosh. So the replacement segment volumes were up about 3%. Even the OEM volumes were slightly up. In terms of volume, the decline was only in the Export segment, to the extent of 30%.

**Ashutosh Tiwari:** Okay, 30% volume decline?

**Gaurav Kumar:** That's correct, Ashutosh.

**Ashutosh Tiwari:** Okay. And do we expect export volumes to, I mean, improve from this quarter level going ahead or how should one look at it?

**Neeraj Kanwar:** Yeah, so exports generally have been down, but we are seeing some gains happening in the month of July, in all countries that we are looking at, mainly Middle East, Southeast Asia, Europe and the U.S. So things are slowly looking up, but it's a slow improvement. We believe H2 will be much better.

**Ashutosh Tiwari:** Okay. And how do we see replacement volumes, say, from second quarter or going ahead, basically, in India?

**Neeraj Kanwar:** So replacement will be good. As Gaurav has already mentioned, we've had a double digit growth. We are seeing the OEs come back, both in CV segment and PCR. So H2 replacement volumes will be much healthier than H1.

**Ashutosh Tiwari:** Okay. And lastly, on the Europe side, was there also an impact of de-stocking at the dealers end in this quarter? And that probably impacted your cost as well, because fixed costs will not change. And will that change in the second, third quarter? How do you see that?

**Neeraj Kanwar:** Gaurav, do you want to answer this?

**Gaurav Kumar:** So, Ashutosh, there is some amount of de-stocking because in a tough environment, dealers want to run thin on inventory. Fundamental demand still has to pick up. As I mentioned, the Passenger Car, the market declined by 13%. So probably for one to two quarters at least, the Europe market is expected to remain weak and then probably pick up.

**Ashutosh Tiwari:** So in that sense, even the margins in Europe will probably remain weak for one or two quarters?

**Gaurav Kumar:** We would not like to go with the margin guidance, given that we refrain from that. So, only the topline guidance.

**Ashutosh Tiwari:** Okay. And lastly, on the debt side, the debt has come down to INR 3,800 crores as of June. Is the working capital normal or is it below normal and it can increase? I just want to understand that going ahead also we will see a reduction in the debt?

**Gaurav Kumar:** Going forward also, Ashutosh, we will see a reduction in debt. Inventory levels are normal or if anything, a little higher, particularly in overseas geography. So the deleveraging would continue.

**Ashutosh Tiwari:** Okay. Okay. Thank you and all the best.

**Gaurav Kumar:** Thank you, Ashutosh.

**Moderator:** Thank you. Next question is from Jinesh Gandhi. Jinesh, please go ahead with your question.

**Jinesh Gandhi:** Yeah, Hi. A couple of questions from my side. One is for Europe. Did you mention 33% decline in TBR volumes in this quarter? Did I catch that number correctly?

**Gaurav Kumar:** Yeah, the market, Jinesh, declined by 33% for this quarter. And our numbers also would be in the similar range, slightly lower. So we would be also in the minus 30% order.

**Jinesh Gandhi:** Okay. And any indication of how did OHT segment did in Europe? We did well in terms of market share gain, but how did underlying market behave?

**Gaurav Kumar:** Underlying market was quite weak, Jinesh. The market decline in OHT segment was also around minus 35%.

**Jinesh Gandhi:** Sorry, I missed that.

**Gaurav Kumar:** The OHT market in Europe also declined by about 35%, JInesh. We did much better. And that's where we had market share gains.

**Jinesh Gandhi:** Got it. And in the domestic market, how has been our market share in Replacement market, particularly on Y-o-Y and Q-o-Q basis? How are we trending in a relatively weaker market?

**Gaurav Kumar:** Difficult because we've still not got the market data that comes in with a lag. We believe we would have maintained market share. You've seen the results of our peers. And while we don't have the breakup across the channel wise, as mentioned, our volume growth is decent, particularly in the replacement segment.

In fact, sequentially, the volume growth is almost close to double-digits vis-a-vis Q4. So our estimate is that we would have maintained market share in the replacement segment.

**Jinesh Gandhi:** Okay. Got it. And lastly, what was the benefit of RM cost savings in 1Q in India. On Q-o-Q basis, would there be a 150% reduction?

**Gaurav Kumar:** So vis-a-vis last quarter, the RM reduced by about 2%.

**Jinesh Gandhi:** Okay, thanks. I'll come back in queue.

**Gaurav Kumar:** Thank you, Jinesh.

**Moderator:** Thank you. Our next question is from Amyn Pirani. Hi, Amyn. Please go ahead with your question.

**Amyn Pirani:** Yes, hi. Thank you for the opportunity and congratulations on achieving the 15% ROCE number in this quarter.

My first question was on Europe. Can you comment on how the energy cost is behaving? I think last year you had some hedges which were benefiting you. Now the energy cost itself has come down, but I think it still remains higher than historical levels. So how is that cost behaving for you right now?

**Gaurav Kumar:** Amyn, you're right that the energy costs are down significantly. Even for the current year, based on prior hedging, we were about 50% hedged.

So in a very simple manner, is energy cost a cause of concern? No. It is, yes, higher than historical levels, but due to the inflation, so are a number of other factors, and price increases, etc were taken to cover that.

I would say the Europe side is more waiting for the demand to pick up. Energy cost is not a cause of concern.

**Amyn Pirani:** And as far as demand is concerned, given that your UHP share has remained at around 40%, so would it be fair to say that you have seen equal amount of pain as far as volumes are concerned on the standard tyres as well as UHP tyres? Because normally we see the UHP or the premium tyres do slightly better. So some color there would be quite helpful.

**Gaurav Kumar:** For us broadly, yes. The decline, which is about mid-single digits compared to the 13% for the market, is fairly similar. Even for the market, it's more or less similar this time, but then we are talking about only one quarter phenomenon, Amyn, and we need to see it on a longer term.

**Amyn Pirani:** Okay, okay. And lastly, on the India side, just a clarification, I think you mentioned in a previous question that your market share has remained stable. So, I mean, going forward, given that you have maintained this price premium now for quite a few quarters, as the replacement demand comes back, I mean, is it your assessment that the customers have now absorbed the higher prices and are okay with this level of premium or how are the market dynamics playing out in the last one or two months?

**Gaurav Kumar:** So, in the last few months, etc, with raw materials being where they are, have we seen increased competitive intensity? No. And yes, a certain amount of premium has been established and we would look to continue that premium price positioning and more importantly, also profit leadership that we have now established over several quarters.

**Amyn Pirani:** Great, that's good to know. Thank you, I'll come back in the queue.

**Gaurav Kumar:** Thank you.

**Moderator:** Thank you. Our next question is from Aditya Jhawar. Hi, Aditya. Please go ahead.

**Aditya Jhawar:** Yeah, hi. So just wanted to clarify, I mean, you mentioned that market share has been in the Indian market -- there has not been any change, but two data points when we look at, on a Y-o-Y basis, there's a decline in the CV part and on a Q-o-Q basis, there's a decline in the PV part.

So we understand that you mentioned that export was quite weak, but other than that, why there has been such a steep decline on a Q-o-Q basis in PV?

**Gaurav Kumar:** Specifically, which data point, Aditya, you're referring?

**Aditya Jhawar:** So on a sequential basis, there is a 23% decline in PV.

**Gaurav Kumar:** 23% decline sequentially?

**Aditya Jhawar:** Yeah? I'll get back, I'll take it offline. With regard to CVs, there is a decline of 7%. And we have seen that other players have reported double-digit growth. And are we having any sense that on the ground, has there been a slight change in market share or the customers incrementally are becoming more price conscious?

**Neeraj Kanwar:** I think your data points are wrong, because in our estimates, in the Replacement segment, CV has gone up by 10% sequentially, Yes, definitely, we have reduced our OEMs, both with Leyland and Tata, basically on pricing. As I've always mentioned, we are looking at profitable growth.

So where we believe there's no profit coming in, I'm not looking at volumes. We are looking more towards profit -- and you've seen in our margins that our margins have been going up and have been stable.

**Aditya Jhawar:** Fair enough. Yeah, that's helpful, I'll fall back in queue and take some questions offline. Thank you.

**Neeraj Kanwar:** Okay, thank you.

**Gaurav Kumar:** And just to iterate, Aditya, while we'll discuss offline, we've had volume growth in replacement sequential quarter, both in Truck and Passenger Car Tyres.

**Neeraj Kanwar:** You can take that up, Gaurav, later.

**Moderator:** Next question from Nishit Jalan. Hi, Nishit. Please go ahead.

**Nishit Jalan:** Yeah, hi. Thank you for the opportunity. Just wanted to get the overall volume performance in the India business. You highlighted that export was a big decline. So what was the share of exports in India in this quarter versus same quarter last year?

**Neeraj Kanwar:** So, can you give that answer, please?

**Gaurav Kumar:** So, this quarter, the share of exports was 11% vis-a-vis 17% same quarter last year.

**Nishit Jalan:** And total volumes, how have we done in India in terms of growth or decline, whatever it is?

**Gaurav Kumar:** In terms of overall volumes, the volumes were down about 5%.

**Nishit Jalan:** And just on Europe business, while I understand that revenues have declined because of weak industry, our margin performance seems to be on the weaker side. So how are the RM costs behaving there? Is there a bigger lag and we have not started realising or the market has slowed down so suddenly that and we have not been able to adjust our costs accordingly? So what kind of efforts do you think you will be able to make to kind of maintain mid-teens kind of margins in the European business?

**Gaurav Kumar:** So Europe, Nishit, always has a larger proportion of fixed costs vis-a-vis India Operations. And the big impact there is of the operating leverage. It also has a lag on the raw material side. So some benefit will still flow through, compared to Indian Operations. But the margin decline of 1% vis-a-vis last year from 14.4% to 13.4% is largely due to the operating leverage impact. There are cost containment measures being taken, and you would see those coming into play as we go on further in the year.

**Nishit Jalan:** Okay. Just to probe a little further on this, on a Y-o-Y basis, what kind of gross margin improvement have we seen in the European business? Just wanted to understand what was the negative impact because of operating leverage on margins in this quarter?

**Gaurav Kumar:** I will not have the data, Nishit, right now. We can get back to you. So, we've had a gross margin improvement. So, we can get back to you with the data.

**Nishit Jalan:** No pricing pressure in European market because of the steep declining volumes, right?

**Gaurav Kumar:** There have been pricing pressures and we've had to follow the market in some cases, particularly on the truck side. So, there are pricing pressures given the kind of demand environment.

**Nishit Jalan:** Not in PVs?

**Gaurav Kumar:** Not so much in PVs.

**Nishit Jalan:** Okay, thank you.

**Gaurav Kumar:** Thank you.

**Moderator:** Next question is from Rohit Jain. Hi, Rohit. Please go ahead.

**Rohit Jain:** Yeah, hi. Thanks for the opportunity. I have a question on the Off-Highway Tyre segment that you spoke about. If I got it right, you said that the volume decline was about 30% Y-o-Y?

**Gaurav Kumar:** For the European market, yes, the volume decline was in fact of the order of 35%.

**Rohit Jain:** So, two questions there. One is, how long do you expect this weak environment to continue, and what is driving it?

And second question is if we look at the commentary from one of the peers, which is pretty big in this segment, there I think the decline has not been so steep. So, are we operating in the same segment or is there a difference in the segments that we are operating in?

**Gaurav Kumar:** First question, at least in near-term, this tough market is expected to continue, Rohit.

And there is some overlap with the peer in terms of SKUs, but it's not 100% like-to-like.

**Rohit Jain:** Okay. And the second question that I had was on the recent rise in the oil prices. Is it going to have an impact with the lag on our, let's say, margin levels? Or is it something that still is well within our budgetary estimates?

**Gaurav Kumar:** So, right now it is still well within the budgetary estimates. Immediately for the current quarter, the raw material continues to be benign. It is difficult to predict for Q3 as of now, but I would say the raw material scenario seems to be fairly benign, at least for the next one, two quarters.

**Rohit Jain:** Okay. Fair enough. Thanks. Thanks for the answer.

**Moderator:** Next question is from Raghunandan. Hi, Raghu. Please go ahead.

**Raghunandan NL:** Thank you, sir, for the opportunity. Congratulations on a good set of numbers. Sir, firstly, on the Europe outlook, the outlook seems to be on the weaker side. And how do you see the industry to fare this year?

And secondly, for exports from India to offset the weakness in terms of expanding our reach, improving our penetration in the U.S., if you can share thoughts on that.

**Neeraj Kanwar:** So, like I mentioned, H2, we expect Europe volumes to start on a positive note. We're already seeing some traction coming in. It's still soft, but I think I believe H2, both the U.S. and Europe will start picking up. Our brand in the U.S. is doing very good. We're getting a very good demand pull. So we believe that Quarter 2 onwards and then going into Quarter 3, Quarter 4 volumes will be up in both these countries.

**Raghunandan NL:** Got it, sir. And in terms of U.S., U.S. is roughly 4%, 5% of revenue. I mean, how do you see that share increasing in future in terms of your efforts on SKUs or improving your addressable market?

**Neeraj Kanwar:** So there are small steps, small gains, but we are going in the right direction. We are a premium product as far as Passenger Car is concerned. So we've introduced a Vredestein brand there, which is gaining market share. We're still very, very small, but we're going in the right direction. In TBR, as you know, last year we launched the Apollo brand. We've got some large distributors. We've recently tied up with the largest Canadian distributor for our passenger car radials. So all is going well. I guess we are building the foundation and slowly we will see good traction coming in.

**Raghunandan NL:** Thank you, sir. Gaurav, can I request for the commodity data which you generally share?

**Gaurav Kumar:** Sure, Raghu. So natural rubber, the average for the quarter was Rs 157/kg. Synthetic rubber, 167. Carbon black, 106. Steel cord, 180.

**Raghunandan NL:** Thank you. And, I mean, would you be having a couple of months of inventory, which gives the confidence that Q2 would have a stable cost compared to Q1, and possibly at the current price, you'll see some impact in Q3. Is that the right way to understand?

**Gaurav Kumar:** Raghu, the raw material inventory usually would be under a month. But for most of the materials, the quantity and the price are tied up for one quarter ahead. So for all the sourcing of raw material in the current quarter, the prices would have been fixed, and hence the confidence of having the current raw material scenario continues.

**Raghunandan NL:** Got it, sir. And would you be able to share the Reifen data, revenue and margin?

**Gaurav Kumar:** Sure, just a minute. For the quarter, Reifen did Euro 55 million in revenue, and about 4.5% on EBITDA.

**Raghunandan NL:** Thank you, sir. Thank you so much. That's all from my side.

**Moderator:** Thank you, Raghu. The next question is from Basudeb Banerjee. Hi, Basudeb. Please go ahead.

**Basudeb Banerjee:** Yeah, so, I have a few questions, most of what answered. I just missed out. As you said, India overall volume was down 5%, including the massive exports decline. How much was the total volume decline in Europe? 13%, you said, PCR, and 33% TBR. So overall, Europe was how much down for you?

**Gaurav Kumar:** Basudeb, the 13% and the 33% were market. For us, in terms of Passenger Car volumes, we're down about 5%. And Truck, as I mentioned, was about 30%.

**Basudeb Banerjee:** Okay, that's helpful. Second thing, currently, how much is the annualised TBR utilisation?

**Gaurav Kumar:** Just one minute. So currently, for TBR, we are utilised at about 77%-78%.

**Basudeb Banerjee:** Okay. And last, Capex Outlook for the year, will it be like, to assume, sub INR 1,000 crores broadly, or exact INR 800 crores? How to look at that?

**Gaurav Kumar:** I think our guidance for consol was about a little over INR 1,000 crores. That will continue. For India, I don't recall the figure exactly. It was in fact more around INR 700 crores.

**Basudeb Banerjee:** Okay, sure. Thanks.

**Moderator:** Thank you. And next question is from Abhishek Maheswari. Hi, Abhishek, please go ahead.

**Abhishek Maheswari:** Yeah, thank you for the opportunity. So a micro-level question. So in terms of power generation, is that something you buy from the open market, or do we have our own captive power plants?

**Gaurav Kumar:** There's a certain amount of captive power which is only as a backup. We source power as a combination from the state electricity grids, also solar power, in some cases wind power, etc.

**Abhishek Maheswari:** Okay, so if, say, the coal prices have fallen significantly over the last one year, so do you get some benefit of it or your power purchase agreements have been structured in a fixed basis on a long-term basis?

**Gaurav Kumar:** I'll have to look at specific details. I won't have it readily, Abhishek.

**Neeraj Kanwar:** Gaurav, we are buying from the circuit. So if the power cost comes down from the circuit, so let's say from Gujarat Electricity Board, we don't have long-term contracts. It's on a daily basis.

**Abhishek Maheswari:** Okay, understood. Secondly, on a broader level, you have guidance of $5 billion sales over the next two, three years. So do you feel your existing capacities will be able to accommodate that guidance, or you have to set up new greenfield facilities for that?

**Neeraj Kanwar:** No, we are not looking at any greenfield. We will be looking at consolidating all our plants. And as I've been mentioning, we are using a lot of AI and machine learning to try and see how we can increase productivity from the existing plants, existing equipments. My more focus is on balance sheet ratios, on profitability, rather than the $5 billion. And so we are looking at, as you've seen, ROCE has gone to 14.9% this quarter. So we are really focusing on these targets.

**Abhishek Maheswari:** Right, and my compliments on that. The balance sheet has tended significantly last two, three years. Lastly, so when we say that Europe is going through a slowdown, and yes, you've mentioned that it's majorly a demand slowdown. But we know that China has humongous capacities, and they conquer export markets. And domestically, they are going through a big slowdown. So do you feel that there is a competitive element to it also because if there is not enough domestic demand in China, there is more pricing pressure in export markets because of excess supplies, right? So is that something you are witnessing or too soon to tell?

**Neeraj Kanwar:** No, I don't think so. That's the major issue. The market itself is down, and we do not even operate in the pricing category as Chinese operate in. So they are below budget brands, whereas Vredestein operates in the higher segment of the brand, which is in the 80 - 85 range if Michelin is 100 on a price index. So we are a premium brand, and therefore for us, the Chinese competition is not that severe.

**Abhishek Maheswari:** Okay, one last question I'll try to fit in. Considering the benign commodity environment and seeing that it's still showing a downward trend in raw materials, do we feel that there is still a scope for operating leverage and margin improvement as capacity utilisation improves?

**Neeraj Kanwar:** Gaurav?

**Gaurav Kumar:** So Abhishek, currently these margins are with lower capacity utilisation around the mid-70%. So yes, there is definitely scope for operating leverage.

**Abhishek Maheswari:** Okay, thank you very much, and all the best.

**Gaurav Kumar:** Thank you.

**Moderator:** Next question is from Jinesh Gandhi. Hi, Jinesh. Please go ahead.

**Jinesh Gandhi:** Yeah, hi. Sorry, I was breaking in between. So just can you clarify for second quarter, what kind of RM trends do you see for India business?

**Gaurav Kumar:** Jinesh, the RM is likely to be flat or marginally down.

**Jinesh Gandhi:** Okay, okay. And in that context, would it be fair to say that India margins will be function of how replacement demand behaves because current quarter, obviously, there was some mixed benefit given replacement did relatively better. But going forward, large part of margin tailwind will be coming from operating leverage and mix?

**Gaurav Kumar:** Broadly, yes.

**Jinesh Gandhi:** Got it. Great. Thanks, and all the best.

**Gaurav Kumar:** Thank you, Jinesh.

**Moderator:** Thank you. Next question is from Disha Sheth. Hi, Disha. Please go ahead with your question.

**Disha Sheth:** How much is the replacement growth year-on-year? You mentioned 13%, am I right?

**Gaurav Kumar:** The revenue growth...

**Disha Sheth:** For Replacement.

**Gaurav Kumar:** It's about 10% revenue growth.

**Disha Sheth:** Year-on-year?

**Gaurav Kumar:** Yes.

**Disha Sheth:** And then the same was 30% de-growth on exports, right?

**Gaurav Kumar:** That's correct.

**Disha Sheth:** Okay. And so in terms of OEM, since we just discontinued our two clients, so how much was the OEM growth?

**Gaurav Kumar:** So, we didn't discontinue the two clients. We reduced our volumes to them. Year-on-year, OEM still had a small volume growth.

**Disha Sheth:** Okay. And sir, in terms of RM costs, with crude price going up, similar questions were asked before, but just want a clarification, with crude price going up, how do we expect, because from Q3, we can say that the RM costs have peaked out and our margins will start – will be same. What is your view on that?

**Gaurav Kumar:** Right now, a little too early to talk about Q3 raw material, Disha. We may see some small upward movement but overall, are we seeing some big upward movement in RM likely for Q3? No.

**Disha Sheth:** Okay. And sir, what is the outlook on Replacement going forward in coming Q2 and H2?

**Gaurav Kumar:** Right now, we see a good trend on Replacement. In fact, sequentially, the volumes on replacement are up even more close to double-digits. So, we see a good tailwind on the replacement demand going up.

**Disha Sheth:** Okay and exports, any trend of improvement?

**Gaurav Kumar:** Right now, no, the export markets are still weak but we are seeing some signs of pickup, as Neeraj mentioned in July. But relatively, they are weaker compared to what we are seeing in OEM and Replacement.

**Disha Sheth:** Okay. Okay, sir. Thank you. That's it from my side.

**Gaurav Kumar:** Thank you.

**Moderator:** Thank you, and Sid. Over to you.

**Siddhartha Bera:** Yeah, thanks Linda. So, maybe I'll take off the last question. Basically, like you have mentioned in the PPT also as that we have continued to maintain our price advantage in the Replacement segment and what I understand is generally, you are expecting some recovery in the Replacement segment to maybe happen in the second half of the year. So, just wanted to understand more here. I mean, will you sort of look at market share gains also as a strategy to sort of drive growth given that exports also is sort of weak, and it will take some time to recover or -- and given that we already are probably leading in terms of the margins in the Indian tyre landscape. So, will you sort of look at this also as a lever in some way to sort of gain back market shares?

**Neeraj Kanwar:** So, Siddhartha, the strategy has always been to gain market share, but we are looking at profitable growth. We are exiting sizes where we don't want to or where we are making either small money or maybe making losses, which we have, even in Passenger Car, even in Truck Bias. So we are only looking at gaining market shares in the premium segment. And that's not only in India, but that's also in Europe. And so we are targeting the higher end of the category.

And therefore, you see our balance sheet ratio is becoming better. So ROCE has gone to 15%, your EBITDA margins are at 18%. So we'll continue, we are not going to lose market share, but at the same time, we will keep inching up on market share.

So for CV, TBR, we are above 30% market share. And we'll continue to maintain that. In Passenger Car today, we would be number 1 or 2 with 21%-22%. So we'll continue to take small gains, but the focus will be on higher margin products.

**Siddhartha Bera:** Got it.

**Neeraj Kanwar:** Thank you.

**Siddhartha Bera:** Okay, sir. So, I would like to thank all the participants and the Management of Apollo Tyres for giving us this opportunity, and wish you all a great evening. Thanks a lot.

**Gaurav Kumar:** Thank you.

**Neeraj Kanwar:** Thank you. Bye-bye.