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ATL/SEC/21

February 9, 2017

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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 was held on Thursday, February 2, 2017 at 12:00 PM.

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

Apollo Tyres Ltd.
Q3 FY17 Earnings Conference Call

February 2, 2017

For the nine-month period, the sales stood at Rs. 98 billion; growth of 11.5% over the same period last year. The EBITDA for the nine-month period was in excess of 15% compared to the 17% last year, owing to a combination of lower margins in the existing operations in India and also addition of the Reifencom business that has fundamentally a lower margin.. The net debt stood at Rs. 18 billion. The leveraging levels are still very comfortable, with the Net Debt: Equity being slightly under 0.3.

Going forward, one of the challenges remain rising raw material prices that is expected to increase by nearly 10% in coming quarters; which would be offset both from cost optimisation and selling price side by us going forward.

Moving on to India Operations, the sales for the quarter stood at Rs. 21.8 billion, a growth of 2% over the same period last year. There was a growth of 7% through volumes negated to the extent of 5% from the price impact. Though the impact of demonetisation was felt in December, but overall, the quarter was managed quite well.

OEM segment revived to some extent vi-a-vis the previous quarter. The passenger car tyre segment grew sharply on a year-on-year basis though on the commercial vehicle side, there was a de-growth.

However, for the truck and bus tyres, there was a strong growth vis-à-vis the comparatively weaker September quarter. One good point for the company was that the demonetisation also impacted the Chinese imports. The current level of imports has reduced from the earlier higher levels.

EBITDA for the quarter stood at Rs. 3.2 billion with margin of14.8% compared to a 17% for the same period last year. This was primarily due to price reductions that were undertaken. This was the third consecutive year of declining selling prices, which with the cascading effect and

Gaurav Kumar: That is correct, the CV market overall was flat to a slight negative whereas in passenger car our expectation is that the market grew by about 10% plus. Whereas, our growth in PCR was in excess of 15% and CV was flat vis-à-vis last year.

Ashutosh Tewari: My second question is on pricing. What kind of price increase is required to cover the raw material price increase, which we are seeing in Q4? And have you taken any prices increase so far?

Gaurav Kumar: We do not have an exact raw material price for Q4, as mentioned, we expect the raw materials to go up by about 10%, price increase of about 6% to 7% would be required to sustain the margins. Various players across the globe are considering price increases, what finally gets played out will be determined by the industry scenario. And, yes we have taken some small price increases.

Ashutosh Tewari: Post demonetisation Chinese volumes are going down, and now how do you see this quarter shaping up for CV volumes?

Gaurav Kumar: CV volumes are expected to be good this quarter. There was some continuing effect of demonetisation and it impacts probably the two wheeler segment etc. categories more. The expectation as we proceed further in the quarter is, the impact of demonetisation would go away. There is also an expectation of new CV sales booming as the new emission norms are coming into to place from April, which should lead to good new vehicle sales and hence tyre sales to the OEM.

Ashutosh Tewari: Also on the margin front in India, we are seeing a decline in the margin now it's around 14.8% in the current quarter; but how do you see on sustainable basis, how much margin we can do considering raw material price increase?

Gaurav Kumar: You would know, we do not give out margin guidance, so I cannot comment on that.

vis-à-vis what they were for the last quarter, and we would again assess the mix between domestic and imported rubber as per our requirements going forward.

Basudev Banerjee: When would the new capacity of TBR in Chennai be fully operational?

Gaurav Kumar: The production has already commenced in Chennai. The final plant capacity of 12,000 truck radials per day would be reached by about mid-2018.

Basudev Banerjee: So one can assume that from Q4, both the Chennai TBR expansion and Hungary will be starting to produce?

Gaurav Kumar: That is correct. Also please note that Hungary would first start with passenger car tyres; the truck tyre production in Hungary would only come through towards end FY18 or maybe early FY19.

Basudev Banerjee: Last thing sir, how is your two-wheeler tyre business ramping up?

Gaurav Kumar: It has been at a steady level, we did not see the expected ramp up with some of the impact of demonetisation, but we remain quite upbeat on the possibilities and it has brought in the benefits of network expansion significantly in the rural areas.

Chirag Shah (Edelweiss): Two questions, firstly in India what would be your revenue mix in terms of major product categories? My second question is on the commodity basket: the entire industry has already started seeing the impact of rising raw material prices so what is your thought process and what kind of pricing actions the industry can take. In the past, has there been this kind of sharp price hike or it takes a reasonable long time for you to raise prices at an industry level?

Gaurav Kumar: Answering to your first question, In India 90% of our revenue is domestic and about 10% exports. Product category wise about 60% of

Harsh Shah: The last question was how much is your Reifencom revenue for the quarter?

Gaurav Kumar: Reifencom revenue for the quarter is about €65 million.

Jatin(Credit Suisse): What price hikes have you taken in which segment?

Gaurav Kumar: We have taken about 1% to 1.5% price hikes in farm category w.e.f January 2017. A price hike of radial tyres is also being contemplated.

Jatin: What is the total CAPEX that you have already incurred for Chennai TBR expansion and Hungary?

Gaurav Kumar: In Hungary by the end of FY 2017, we would have incurred about €300 million and in Chennai by the end of this fiscal year, we would have incurred about Rs 1,500 crores.

Jatin: There were, a few days back some talks about global players like Michelin and all having taken a large price hike in Europe, have your European Operations also taken a price hike?

Gaurav Kumar: These players have announced price hikes ranging between 5%-8% for summer tyres, so it is not yet implemented because the summer tyre inventory is being built up and would start playing out from around March or April.

Jatin: Because the industry there generally tends to be more disciplined in terms of passing on the raw material either benefit or the other way around?

Gaurav Kumar: They tend to take the price increases in larger quantum than what happens in India. Here in India since the quantum of price changes is small, there is always a need for multiple rounds of price increases whereas in some of the western geographies, the industry trend is more to take one shot price increases or reductions.

opening up and this has led to the capacity utilisation of cross-ply going up.

Amyn Pirani: In Europe what would be the revenue growth, excluding Reifencom and what is the overall volume growth?

Gaurav Kumar: In the current quarter, we had 5% growth on top-line, in passenger car segment there was a 10% volume growth. We in fact gained some market share in the current quarter. Till last quarter we had the teething issues with SAP and some maintenance breakdown issues due to which some market share was lost, which has now been regained

Ameen Pirani: Has winter tyres come back in a big way this time or still sluggish?

Gaurav Kumar: Winter tyre sales have been good, the ideal scenario would have been the kind of weather that has been there in January if that was there starting from November onwards winter tyre sales would have been very good.

Sonal Gupta (UBS Securities): What was the Vredestein revenues and EBITDA margin for this quarter?

Gaurav Kumar: Vredestein revenues were 118.5 million and the EBITDA was 15.8%.

Sonal Gupta: My next question is on the pricing actions in India, in the last quarter you announced about 2.5% price cut in TBB segment, so was that effected or did you pull that back during the quarter?

Gaurav Kumar: That was affected, and now things are being pulled back.

Sonal Gupta: Given that the Chinese imports have come down, are we witnessing a stronger pickup in TBB demand now?

Gaurav Kumar: On a pure mathematical calculation, if everything else is constant, which is not really the case, we would need to take about a 6% price hike in our Indian Operations, but along with that, you need to recognise that any company would have other levers on the cost side, etc., and hence typically a company would look at various levers to counter a rising input cost scenario.

Disha Sheth: What is the utilisation for truck bias and radials?

Gaurav Kumar: The capacity utilisation levels are about mid-80s, slightly higher in the radial side than bias.

Disha Sheth: Any view on anti-dumping duty coming in?

Gaurav Kumar: We cannot really predict as to when and if it will come in, the matter is under investigation and has been for some time. It continues to progress, but we cannot give you a definitive view on that.

Navin Kumar Dubey (Narnolia Securities): What is the inventory level for the quarter?

Gaurav Kumar: Inventory levels are fairly stable. The numbers have been pretty much constant both in India level and consolidated.

Navin Kumar Dubey: What portion of your natural rubber requirement is imported?

Gaurav Kumar: For our Indian Operations, it is about 50-50, and for the Europe Operations, everything is imported.

Pramod Amte (CIMB): With regard to the TBR, what is your market share in OEs and replacement?

Gaurav Kumar: The industry numbers comes with a lag, so don't have the numbers as such. Our overall market share expectation is that we are at about 25%. We would be higher in the OEM, as a big chunk in the replacement is taken by the Chinese imports also.

total cash subsidy is about €52 million on an investment of €475 million and we have already received about €15 million.

Ashutosh Tewari: What is the EBITDA margin of Reifencom in the current quarter?,

Gaurav Kumar: EBITDA margin was about 3-4%.

Ashutosh Tewari: You also mentioned the winter was strong in January in Europe, so will we see some kind of winter tyre sales happening in January as well?

Gaurav Kumar: Some of it spills over, but not that much because the buying of winter tyres does not happen that much even if the weather is harsh, because people know that summer is around the corner, but it does help in liquidating the inventory with the dealers to some extent in which case the pre-buying next year is done.

Ashutosh Tewari: Lastly on Hungary plant, what is the strategy in terms of utilisation of the plant and which markets you would like to tap with Hungary plant coming up?

Gaurav Kumar: On an immediate basis, the Hungary plant will cater to the European market before focusing on any other geography. We have been ramping up supplies from India to Europe in the previous years and in the current year, the passenger car tyre supplies from India would be close to a million tyres. An immediate basis as the plant ramps up and stabilises the first and foremost would be that those volumes would get shifted to Hungary. Also as it is the Indian Operations with the strong growth in passenger car tyres would soon start needing that capacity, so in a way the timing is very appropriate for us. We are also in discussion with OEMs and making both our plants, the Dutch plant and Hungary plant eventually OE ready. We have already been approved with a couple of OEMs and for the first time, from FY18, the European Operations would also begin supplies to OEM for the regular passenger car tyres in addition to the space master, which is supplied exclusively to OEMs.

Gaurav Kumar: It is only for TBR.

Hitesh Doshi: Second thing, can you throw some light on the rubber inventory with the company?

Gaurav Kumar: Typically, we carry an inventory of about three weeks or so, operations may take a strategic call along with the procurement department and may go up or down on that a little bit, but that is the broad average.

Hitesh Doshi: Just one more thing, looks like the raw material cycle has reversed as you were saying earlier, so any historical data like, can these kind of price increase which we have to take going forward for next few months or next few quarters and any correlation with the replacement demand slowing down or the retreading business coming up and posing a challenge for our volume growth, do we have this kind of historical data to understand the bigger picture for next few quarters?

Gaurav Kumar: I am not sure if there would be historical data. The retreading part of the industry has always been there. The raw material cycle has gone up in the past as well. And any pricing actions has a lag effect. Price increases are taken in smaller quantum. And there is always a lag in catching up but there is always some margin pressure in the interim.

Moderator: Thank you very much. That was the last question, Ladies and Gentleman. As there are no further questions, I would like to hand the conference back to Mr. Sonal Gupta for closing comments.

Sonal Gupta: Thank you every one for joining the call and on behalf of UBS, I would like to thank the senior management team from Apollo Tyres for taking the time out and discussing all the questions in detail. And thank you for joining us ladies and gentlemen

Gaurav Kumar: Thanks everyone.