

**Operator**

Ladies and gentlemen, good day and welcome to the Balkrishna Industries Limited Q2 FY14 Post Results Conference Call hosted by Ambit Capital. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashvin Shetty from Ambit Capital. Thank you, and over to you, sir.

**Ashvin Shetty, Analyst**

Thank you, Melissa. Good afternoon, ladies and gentlemen. On behalf of Ambit Capital, I welcome you all to the 2Q FY14 earnings conference call of Balkrishna Industries. From the management team today we have Mr. Rajiv Poddar, I would now like to hand over the call to Mr. Poddar for his opening remarks and then we can start the Q&A session. Over to you, sir.

**Rajiv Poddar, Executive Director**

Thank you, Ashvin. Good afternoon, everyone. I welcome you all to the post results earning calls of Balkrishna Industries Limited. Along with me I have Mr. B.K. Bansal, Director - Finance and SGA, our Investor Relations Advisor.

I would first like to briefly take you through the ongoing demand scenario. So far, in the current year, the order book and volumes have been a bit subdued. Any major upswing in the demand has not been witnessed in any of the geographies. Channel destocking by distributors and an overall negative consumer sentiment across the globe has led to a passive growth in the business.

Considering the above, we are expecting a muted top line growth in financial year 2014. We would be able to reach full year volumes of approximately 140,000 metric tons, however, the margins will continue to remain favorable, mainly on account of stable raw material prices and better currency realizations as compared to the previous years.

As discussed earlier, we, as a team, are committed and endeavor towards working on a longer term goal of BKT. We are creating inroads in all directions and we expect to reap the benefits of the same in the years ahead. We believe that the current situation is a temporary setback and we are preparing ourselves to make optimum use of our resources once the scenario improves.

Overall, we are expecting financial year '15 and onwards to be much better as compared to financial year '13 and '14. The ramp up of Bhuj plant is on-stream and would be near completion by the end of financial year '15.

Also, newer and improved variants of the OTR tires would be available as a part of the entire product portfolio. We would be producing radial mining tires up to 51 inch diameter from the currently produced 35 inch dia. These are large and ultra large all steel radial tires and are much in demand by the leading OEMs worldwide. Also our OEM penetration strategy has started yielding results and we are gradually inching up on that front.

Our focus and efforts in the developing economies continues to be as planned. Our current revenue share from the various geographies is broadly as follows; Europe 50%, Americas 20%, India 12%, rest of the world is balance. Going forward we see incremental growth coming from South and Latin America, India, CIS countries including Russia.

I would like to reiterate that we are working on a longer term vision and we see a huge potential in our business going forward. We still have a long way to go and our continued focus and constant innovation would be the fundamental for our growth.

I would now like to hand over to Mr. Bansal to take you through the financials.

**B.K. Bansal, Director - Finance**

Good afternoon friends. I would now like to take you through the financials of the current quarter. Our sales volume for the current quarter was 33,145 metric tons and the revenue stood at INR830 crore with EBITDA 207 crore. This shows margin of around 24% and now it's 3%. [ph]

The PAT was at 108 crore which roughly works out to 12.8%. The natural rubber prices have been pretty stable and hovering in a broad range. We are maintaining a rubber inventory of approximately two months. The prices of other raw materials have also been quite stable over the past few months. On Bhuj, we have incurred around INR2,040 crores still September 2013 and out of it we have capitalized around INR850 crore.

## Questions And Answers

### Operator

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Abhijeet Dey from BNP Paribas Mutual Fund. Please go ahead.

### Abhijeet Dey, Analyst

Good afternoon, sir.

### Rajiv Poddar, Executive Director

Good afternoon.

### Abhijeet Dey, Analyst

Just one or two questions. What would be the production for the quarter?

### Rajiv Poddar, Executive Director

Production is 33,461.

### Abhijeet Dey, Analyst

Okay. And sir, you gave a geographical break up, geographical revenue, can you just repeat it once again?

### Rajiv Poddar, Executive Director

Yeah. Actually the break up which we gave was in terms of volume.

### Abhijeet Dey, Analyst

Okay.

### Rajiv Poddar, Executive Director

So the percentage basis and so value-wise also it remains more or less same. In terms of -- to repeat it, Europe is 50%, Americas would be about 20%, India 12% and the balance would be from the rest of the world.

### Abhijeet Dey, Analyst

Okay. Can you just give the same percentages for the same quarter of last year, sir, also? This is similar, these are all in the similar lines.

### B.K. Bansal, Director - Finance

Almost same, not too much of change.

**Abhijeet Dey, Analyst**

Okay. I think India would have done better, sir?

**Rajiv Poddar, Executive Director**

No, India, as I said in my previous phone call, it was around 12%, so which has been at the same level.

**Abhijeet Dey, Analyst**

Okay. And what about North America? I think last quarter, in the June quarter there was a dip in North American share.

**Rajiv Poddar, Executive Director**

Yeah, 2%, 3% dip was there, so that is, I would say, regular and normal thing.

**Abhijeet Dey, Analyst**

Okay. And in terms of your other markets, which you are focusing in South America, Russia and CIS, what has been the initiatives of late, I mean have you appointed new dealers there and what is the plan going ahead?

**Rajiv Poddar, Executive Director**

Yeah, we have appointed new dealers, we are actively participating in those countries in major exhibitions and trying to create more of our brand name over there.

**Abhijeet Dey, Analyst**

Okay. And in terms of your Bhuj facility, what is the current operational capacity out there as of today?

**Rajiv Poddar, Executive Director**

It is around 20,000 metric tons per annum.

**Abhijeet Dey, Analyst**

Okay. And you plan to take that up to?  
60,000 by March '14.

**Abhijeet Dey, Analyst**

Okay. And you mentioned about the large size 51-inch tires, which are used for mining, do you plan to start production of that this year itself or?

**Rajiv Poddar, Executive Director**

Yeah, by the end of 2000 -- I mean financial year, maybe about March.

**Abhijeet Dey, Analyst**

Okay. And initially it will be targeted at OEMs obviously?

### **Rajiv Poddar, Executive Director**

It will be a mix of both because you will need to test the tires out, so it will be a bit of replacement as well as OE.

### **Abhijeet Dey, Analyst**

Okay. Right, sir. Thank you very much and all the best.

### **Operator**

Thank you. The next question is from the line of Basudeb Banerjee from Quant Capital. Please go ahead.

### **Basudeb Banerjee, Analyst**

Yeah. Thanks for taking my question. Just going through your numbers, if I see your realization per kg on a QoQ basis it is up around 8.5%, whereas raw material per kg is slightly down QoQ. So if one takes a ballpark 50% as RM by sales and broadly both against euro and dollar, rupee has weakened by around 12%, so the benefit of that weakening is getting reflected in the realization part, but just wanted to know why this RM per kg is on the down side. Is it cost of raw mat in dollar terms have been -- on an absolute basis have come down QoQ?

### **Rajiv Poddar, Executive Director**

See, first of all, when you look at the realization you have to look the realization after considering the exchange gain or loss, which we have reported separately this time, okay. So considering that, yes, there is an improvement in the realization compared to the previous quarter and compared to the same quarter in the previous year and which is nothing but basically a reflection of the better currency realization. And as far as raw material cost goes, it is almost same, because the raw material cost in the previous quarter was INR123, which now stands at INR121, so not too much of the variation. So, in absolute dollar terms also commodity prices have remained benign?

### **Rajiv Poddar, Executive Director**

Yeah, more or less it's stable, I would say.

### **Basudeb Banerjee, Analyst**

And was there any, sir, price cut or price hike in dollar terms Q-on-Q this time?

### **Rajiv Poddar, Executive Director**

No, nothing.

### **Basudeb Banerjee, Analyst**

Okay, sir. Next is, as we have been discussing for so many quarters that you are targeting new OEM clients across Europe and US, so any new development in last few months?

### **Rajiv Poddar, Executive Director**

See, I mean, it's an ongoing thing. We keep working on that direction and as I said in my earlier call that the overall OEM sales has increased from 12%, 13% to 16%, 17% in the previous quarter and now it stands at around 19%, 20%. So, it is gradually improving and going forward it will continue to improve.

**Basudeb Banerjee, Analyst**

Surely. And, sir, last question is, as you have been saying that Bhuj plant being a modern state-of-art facility, so all productivity led benefit should come in, so now already you are running at the rate of 20,000 ton per annum and moving up to 60,000 very soon, so do you see those benefits already trickling into the margins or --?

**Rajiv Poddar, Executive Director**

No, it's too early, because once it starts operating at 75% to 80% of capacity utilization level, that time those benefits would be visible.

**Basudeb Banerjee, Analyst**

But for, sir, to Bhuj to reach 75, 80 along with the existing plants, then the utilization level at the existing plants might drop significantly looking at the single-digit volume growth prospect?

**Rajiv Poddar, Executive Director**

Yeah, in the current scenario, you are right, but we are hopeful that situation should improve in the time to come.

**Basudeb Banerjee, Analyst**

So, you will be increasing you Bhuj capacity utilization at the -- and decrease the utilization at the other plants in due course of time?

**Rajiv Poddar, Executive Director**

Yes.

**Basudeb Banerjee, Analyst**

Sure, sir. Thanks, sir.

**Swapnil Misra, Investor Relations Advisor**

As of now Basu, because going forward.

**Basudeb Banerjee, Analyst**

No, going forward definitely I agree, but at least this year or next year?

**Rajiv Poddar, Executive Director**

Yes.

**Basudeb Banerjee, Analyst**

Sure. Thanks.

**Operator**

Thank you. The next question is from the line Jaisinh Suchak from JM Financial. Please go ahead.

**Jaisinh Suchak, Analyst**

Hi, good evening. Congrats on the result. What is the order book right now?

**Rajiv Poddar, Executive Director**

It's around 1.5 to 2 months.

**Jaisinh Suchak, Analyst B.K. Bansal, Director - Finance**

Yeah, it is almost same.

**Jaisinh Suchak, Analyst**

Okay. In terms of the Bhuj CapEx you mentioned we've already incurred on about 2,040 crores. How much is left in terms of for the rest of FY14, the total number?

**B.K. Bansal, Director - Finance**

It would be around 500 crore to 600 crore.

**Jaisinh Suchak, Analyst**

More 500 crores is left?

**B.K. Bansal, Director - Finance**

Yeah. Not necessary that everything would be spent in the current financial year, some of it may be spent in the next financial year.

**Jaisinh Suchak, Analyst**

Sure. Okay. And one more thing. So basically if you could just give us some color in terms of, as you said, these other interesting geographies like Russia, CIS countries and LatAm have been doing well, so what sort of traction have seen in terms of year-on-year growth as a ballpark number and in terms of what is the situation in US and Europe right now in terms of demand momentum? Like, is it weak across categories, are we seeing some recovery in the US on some phases, something like that?

**Rajiv Poddar, Executive Director**

In US we are seeing recoveries. Basically they are now gearing up for the season which is going to start off. They are expecting it to be good. Last year actually in the start there were heavy drought, this year last time, so that's why they were not able to pick up in when the season started. But this year they are quite positive on the season.

**Jaisinh Suchak, Analyst**

Sure. And anything for the Europe, any specific thing?

**Rajiv Poddar, Executive Director Jaisinh Suchak, Analyst**

Okay. And just lastly on the -- any on the Russia, CIS countries if any year-on-year performance like the 20% growth or --

**Rajiv Poddar, Executive Director**

It's a long term thing because we are yet very small, so the numbers would definitely be higher, but that would not give you a very good -- because when you start off in some country, year-on-year you can have 100% growth, but the base is so small, so those

numbers would be misleading. Though on an average we are doing reasonably well there, our growth is as per our plan. And long term we see it as good market for us.

### **Jaisinh Suchak, Analyst**

Great. Thanks a lot and wish you all the best.

### **Rajiv Poddar, Executive Director**

Thank you.

### **Operator**

Thank you. The next question is from the line of Kartik Joshi from First Voyager. Please go ahead.

### **Kartik Joshi, Analyst**

Hi, thanks for taking my question. I just wanted to take a little step back and just talk about our overall demand volume growth, which is fairly steady for a number of years and then from December quarter of last year there was steep drop. What I want to understand was when I believe in the presentation we talk about 60% to 63% of our demand coming from agriculture and 80% of our demand really being the replacement driven.

### **Rajiv Poddar, Executive Director**

Yes.

### **Kartik Joshi, Analyst**

So to that extent, suddenly in one quarter to see such a sequential drop and then that really sustaining for the last few quarters now, can you just explain why, because I would think like agri and replacement would be quite a defensive market which has seen much of a volatility in terms of growth.

### **Rajiv Poddar, Executive Director**

And as far as replacement market goes, the market is yet strong. I mean the demand at the market is yet strong, but what happens is there is lot uncertainty. So people don't want to be in the situation they were in 2008, 2009 when they were overstocked. So they want to only sell off -- earlier people were keeping four months, five months stock, today they want to only keep what they -- they just want to replenish the stock that they are selling.

### **Kartik Joshi, Analyst**

Okay.

### **Rajiv Poddar, Executive Director**

Demands are coming in smaller -- the orders are coming in smaller lots and not in bulk as they used to come earlier.

### **Kartik Joshi, Analyst**

Sir, to that extent, I mean if I look at it since we saw this impact from the December quarter, going forward now the inventory level should already be low in the channel. So to that extent from the current December quarter onwards we should really be seeing the retail kind of demand.

## **Rajiv Poddar, Executive Director**

We are already seeing that people are ordering for futures for that quarters from January, so we have already seen that little hike over there. So your assessment is absolutely correct, now they are all destocked and they are looking to replenish.

## **Kartik Joshi, Analyst**

And then US saw a drought, but in Europe which is I guess 50% of our revenues, I mean what was the issue out there?

## **Rajiv Poddar, Executive Director**

No, in Europe, as I mentioned earlier, that we are yet strong and in fact year-on-year we have a marginal growth as well, but US has been affected quite substantially which has led to these numbers being down.

## **Kartik Joshi, Analyst**

So, if you had to look at it in terms of volume US -- overall volumes are down about 10%, US would be down how much?

**B.K. Bansal, Director - Finance**

**B.K. Bansal, Director - Finance**

US overall is around 20% and it was down by you can say 3%, 4%.  
Okay. 3%, 4% as a percentage of overall sales?

Yeah.

## **Kartik Joshi, Analyst**

Okay, got it. Alright. Then my second question is on this -- our realization has gone up by 8.5% quarter-on-quarter, so it seem to be as of now holding on to all the benefit we are getting form the rupee. Going forward is that something that you are looking at in terms of maybe reducing prices related to rupee to help demand or I mean what's the strategy on the rupee depreciation?

## **Rajiv Poddar, Executive Director**

First of all, there is no increase of 8% because, as I said few minutes back that we have to see the realization with reference to the exchange gain or loss, so after adjusting the exchange gain/loss there is an increase of only 2%.

## **Kartik Joshi, Analyst**

No. Yeah, I agree. I think that has gone up because of the rupee.

## **Rajiv Poddar, Executive Director**

Yes. So it is that it has gone up by 2% and not by 8.5%

## **Kartik Joshi, Analyst**

Yeah. So my question is, are we going to retain all these benefits of rupee or are we looking to pass some of this --

**B.K. Bansal, Director - Finance**



If rupee continues to remain in a depreciated position, I think we will continue to get this benefit

### **Kartik Joshi, Analyst**

Okay . Then my other question was, while we talk about having over 2,000 SKUs, what I want to understand is, how granular is our actual demand, so if you have to look at your top 50 SKUs that you sell, top 50 by volume, I mean what percentage of overall sales with that --

### **Rajiv Poddar, Executive Director**

It is very fragmented, it is not concentrated amongst few SKUs.  
So just to get a ballpark number, maybe a top 50 or top 100 SKUs what percentage of sales will they be?

### **Rajiv Poddar, Executive Director**

It is very fragmented so they are very difficult to answer your question precisely.

### **Kartik Joshi, Analyst**

Okay, got it. Alright, and just last question on the Bhuj expansion. You mentioned that you will be taking some of your manufacturing away from your existing plants and moving them to Bhuj to improve the utilization there, but besides that what are the new areas that we are looking to enter into in Bhuj? I mean because of Bhuj plant which we were not previously --

### **Rajiv Poddar, Executive Director**

Basically we are looking at the mining segment, which is going to be the major chunk of production there and that's what we are --

### **B.K. Bansal, Director - Finance**

Yeah, rest of the products line would be similar to what we already have. The new addition will be on the mining side and that too a large size of OTR tires.

### **Kartik Joshi, Analyst**

Okay, got it. And finally, you mentioned that you are expecting 2015 to be lot better than 2014. Can you just give some color on why you expect that? What are you hearing from the people on the ground in US and Europe?

### **Rajiv Poddar, Executive Director**

The long term they are positive and they are quite upbeat on it, so that's why we -- and we are seeing that in, as I mentioned earlier, they are seeing -- we are seeing that in orders that they are placing for January onwards we see it be up and we -- that is there and also our capacities for these new segments would come up, which would give us enhanced sort of sales.

### **Kartik Joshi, Analyst**

Okay. Thanks so much.

### **Operator**

The next question is from the line of Ajinkya Dhavale from Fidelity. Please go ahead.  
Yeah. Good evening, sir. Just a question on the CapEx. I think the capital number you had said was about 2,200 crores for this whole expansion and you have spend 2,000, so there is a upward revision in the CapEx numbers?

**B.K. Bansal, Director - Finance**

See, basically this 2,000 crore also includes the forex loss and the interest and some of the finance cost being capitalized, so which roughly works out to INR500 crore, so actual spending on the project is roughly INR1,500 crore.

**Ajinkya Dhavale, Analyst**

Okay. And with cumulative it will touch INR2,500 crores?

**B.K. Bansal, Director - Finance**

Yes.

**Ajinkya Dhavale, Analyst**

Okay. And beyond that how should we think about the regular CapEx in your business?

**B.K. Bansal, Director - Finance**

That will be around INR60 crore to INR70 crore for the company as a whole.

**Ajinkya Dhavale, Analyst**

Okay. And question on this accounting, I mean, you think we should club realization with the net exchange difference loss/gain, so that's the derivative hedging loss which you book in the expense line item, is that --

**B.K. Bansal, Director - Finance**

No, it's not derivative. See, what happens, all the exporters or importers, they book their sales and purchase transaction with the custom rate declared by the custom department. It is just a notional rate.

**Ajinkya Dhavale, Analyst**

Okay.

**B.K. Bansal, Director - Finance**

**B.K. Bansal, Director - Finance**

And then actual realization happen either at the forward contract rate or the spot rate.

**Ajinkya Dhavale, Analyst**

So, the difference between this custom rate and this forward/spot rate is recognized as exchange gain or loss. Earlier, we used to club it under the sales side, so it was not getting reflected separately, but now because of this Revised Schedule VI, we have to show it separately.

**Ajinkya Dhavale, Analyst**

Okay. Understood. Yeah. That's it. Thank you.

**Operator**

Thank you. The next question is from the line of Saurabh Das from Tata Mutual Fund. Please go ahead.

**Saurabh Das, Analyst**

Good evening, sir, and congratulations on a very good margin performance. Sir, just wanted to get a sense on what has been the currency realizations in the quarter in terms of dollar and euro?

**B.K. Bansal, Director - Finance**

For the quarter, I do not have readily available with me. You can take it from me separately.

**Saurabh Das, Analyst**

Or if you a broad sense, between --

**B.K. Bansal, Director - Finance**

I mean, for the year the average realization in terms of the euro would be 75.

**Saurabh Das, Analyst**

Okay.

**B.K. Bansal, Director - Finance**

And dollar is generally at the spot level. So it depends on the day-to-day movement in the dollar rates, so the last quarter, I think the dollar have been in the range of 62 to 64, so roughly our realization would have also been into the same range.

**Saurabh Das, Analyst B.K. Bansal, Director - Finance**

Correct.

**Saurabh Das, Analyst**

So does that mean that we have taken price cuts in those markets because the otherwise implied realization would have been much higher?

**B.K. Bansal, Director - Finance**

No, that is not the case. There has not been any price cut and as I said, we book forward contracts in advance for our euro realization.

**Saurabh Das, Analyst**

Right. But even on the dollar side which is close to let's say 40% or 50% of the total sales, that would have at least seen an average realization growth of at least 15%?

**B.K. Bansal, Director - Finance**

See, in the last I do not -- it is very difficult because what has been -- it's very difficult to calculate the average rate of dollar in a month or in a quarter.

## **Saurabh Das, Analyst**

Right. No, I do understand that it would not be exactly average. It would be depending on what time you are sending the shipments.

## **B.K. Bansal, Director - Finance**

Correct.

## **Saurabh Das, Analyst**

But let's say on a blended basis also first quarter and second quarter has seen quite a different exchange rate, so are you saying that it was only 2% for you without any price cuts?

## **B.K. Bansal, Director - Finance**

## **B.K. Bansal, Director - Finance**

Yes.

So now in the next quarter, what kind of --

This 2% is on our overall realization, effectively it is coming to 5%.

## **Saurabh Das, Analyst**

5%, that's right. But if I take the averages then it is much higher. So now the question is that going forward in the third quarter, is the same kind of realization on the dollar what you are getting or the realizations are higher?

## **B.K. Bansal, Director - Finance**

No, I think it will be same because now dollar has been quite stable for last one to two months and I don't see too much of fluctuations going forward. So we should see similar kind of realization.

## **Saurabh Das, Analyst**

And in terms of the forward contracts now which you are entering on the Europe, what is the rate there?

## **B.K. Bansal, Director - Finance**

For the next financial year the average up to October is around INR83.

## **Saurabh Das, Analyst**

83?

## **B.K. Bansal, Director - Finance**

Yeah.

## **Saurabh Das, Analyst**

So, so far whatever you have booked from, let's say, 1st April 2014 to October now, what can be the average which we can work

with, upwards of 80?

**B.K. Bansal, Director - Finance**

**B.K. Bansal, Director - Finance**

I told you, 83 is for the next financial year and 75 is for the current financial year.

**Saurabh Das, Analyst**

Not whole, up to October.

**Saurabh Das, Analyst**

Up to October, okay. And on the margins, since only 2% is the realization improvement, but on the RM to sales we have seen almost 400 basis points improvement. Is that largely because of raw material benefits?

**B.K. Bansal, Director - Finance**

No, there is no 400%, 400 basis points of improvement, the RM cost for me 121 against 123 in the immediately previous quarter, that is June quarter. And yes, from the same quarter in the previous year there is a substantial drop from 135 to 121.

**Saurabh Das, Analyst**

So I mean is this kind of RM to sales sustainable in this quarter?

**B.K. Bansal, Director - Finance**

Yes, in the current scenario I can say so.

**Saurabh Das, Analyst**

Okay. And are there any pressures on pricing in the markets where you are operating?

**B.K. Bansal, Director - Finance**

No, not really.

**Saurabh Das, Analyst**

Okay. And just on the guidance part, you mentioned that US has a low base of last year because of poor corn crop there and Europe is largely stable, but your 140 ton guidance kind of says that whatever we did in the first half almost a similar number in the second half. So I mean why the muted guidance while the low basis there for last year. So I mean incrementally aren't you seeing better growth or you are seeing almost similar market?

**B.K. Bansal, Director - Finance**

Almost similar markets.

**Saurabh Das, Analyst Rajiv Poddar, Executive Director**

We are not into commercial vehicles, we don't manufacture for them.

## **Saurabh Das, Analyst**

No, what I was coming to is that if the CV market which is largely to housing and some of other segments which are related to the US economy are reviving, and so is possibly some of the allied industries. Aren't you seeing that rub off on the segments which you are operating in and let's say the non-farm segment which is the industrial segment?

## **Rajiv Poddar, Executive Director**

Yeah. We have yet to see it. So far we haven't seen it and as I mentioned earlier that from the next quarter we have seen, I mean the January quarter we see that it should come -- I mean some improvement should be there in that.

## **Saurabh Das, Analyst**

Okay. And if I just look at the US market what would be the share of non-agri there?

## **Rajiv Poddar, Executive Director**

I think in Americas there have been -- overall our channel, I mean our segment sales are same across the world.

## **Saurabh Das, Analyst**

So, two-thirds is agree and one-third is --

## **Rajiv Poddar, Executive Director**

Yeah, exactly, yes.

## **Saurabh Das, Analyst**

Correct, okay. Great. Thanks and all the best.

## **Rajiv Poddar, Executive Director**

Thank you.

## **Operator**

Thank you. The next question is from the line of Neha Patel from KR Choksey. Please go ahead.  
Hello. My question has been answered. Thank you.

## **Rajiv Poddar, Executive Director**

Neha.

## **Operator**

Thank you. The next question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

## **Ashutosh Tiwari, Analyst**

Yeah. Sir, on this realizations front, should we --

## **Operator**

Mr. Tiwari, I am sorry to interrupt. Could you move a little closer to the speaker phone?

## **Ashutosh Tiwari, Analyst**

Yeah. Is it good now?

## **Operator**

Yes, please go ahead.

## **Ashutosh Tiwari, Analyst**

Sir, on the realizations front , if I look at (inaudible) by the volumes, it's only INR253 per kg. So should we take that number or the whatever forex losses that you have reported basically should we deduct that numbers and then look at the average selling price?

## **B.K. Bansal, Director - Finance**

That is what I had explained.

## **Swapnil Misra, Investor Relations Advisor**

See, actually if you consider that number, the actual realization is 241, not 253, so you have to consider that number and then calculate the realization.

## **Ashutosh Tiwari, Analyst Rajiv Poddar, Executive Director**

No, it would be basically that the share is good across the agri segment. Yes, of course, in some segments we would have some below share, in some segments we would have smaller share, but overall our presence is strong and our band is well accepted over there.

## **Ashutosh Tiwari, Analyst**

Okay. So because if we look at data and say US strictly over last three, four years, the major sales growth in tractors have come from higher HP tractors so just wanted to understand how is the penetration of Balkrishna in those segments. And I think the crucial thing is that being -- having a good presence in OEM would have probably helped with the larger tire sizes, large HP tractors, so is that correct essentially and how would we position toward that?

## **Rajiv Poddar, Executive Director**

No. Yes, you are correct that OEs have a good potential in this, we are working towards that. And lot of OEMs have actually started using our tires also, so we are on course but overall when the market is down, that's why all these issues are coming up. And once the markets are back again, we will see the sales coming in.

## **Ashutosh Tiwari, Analyst**

And the second thing is recent development, basically Titan is going to acquire one of the Goodyear facilities in France and I think Titan was not there in Europe and they are fairly aggressive in the US market, so how you see that development basically impacting the world market?

## **Rajiv Poddar, Executive Director**

Basically, we don't know about Titan because if -- we can't comment on that, but we are waiting for them to acquire this for quite a while. So we don't know -- we can't comment on what they are planning to do.

### **Ashutosh Tiwari, Analyst**

Okay. And sir, when you report these regional volumes like America volume of 20%, does that include South America also or is it part of others?

### **Rajiv Poddar, Executive Director**

Yes.

### **Ashutosh Tiwari, Analyst**

That includes the South America also right? Hello?

Yeah. It includes all of Americas, that's North America and South America and Central America.

### **Ashutosh Tiwari, Analyst**

Okay. Thank you, sir.

### **Rajiv Poddar, Executive Director**

Thank you.

### **Operator**

Thank you. Ladies and gentlemen, before we move to the next question, we would request you to limit your questions to two during the initial round. The next question is from the line of Sandeep N from Ashmore India. Please go ahead.

### **Sandeep N, Analyst**

Yes, thank you. On the 51 inch radial tires, can you give us a sense of the approximate size of global demand in the segment and what's the revenue potential for your company?

### **Rajiv Poddar, Executive Director**

Basically, overall if you see the tire market about 8% of the overall of our tire market comes from mining, and out of that 8% in terms of value, about 60% would be of ultra large tires. In volume terms, they would be about 40% of the market because the sizes, I mean, the numbers are not that high as compared to the value. So I hope that answers your question.

### **Sandeep N, Analyst**

Yeah. Thank you.

### **Operator**

Thank you. The next question is from the line of Vaibhav Agarwal from Motilal Oswal. Please go ahead.

### **Vaibhav Agarwal, Analyst**

Yeah. Good evening sir, and congratulations on your margin increase. One question I had was, so for the Bhuj plant we have taken an ECB right? And so I was trying to understand in terms of when you capitalize -- when you run the interest and depreciation



through the income statement, how is that going to affect the next two, I mean, this financial year and the next financial year? I mean, is that going to -- you might have, say, volume and top line increase, but much lower net profit increase because of the same, so could you may be shed some light on that?

**B.K. Bansal, Director - Finance**

See, basically it will come in proportion to the capitalization which we do in the year.

**Vaibhav Agarwal, Analyst**

Correct.

**B.K. Bansal, Director - Finance**

And, as I said, out of 2,000 crore of the total spending, the capitalization has only been 850 crore, so the interest and depreciation would also come in proportion to that. Now, this capitalization is not going to happen altogether in one go, it will happen partly in the current year and partly in the second next year, so the impact would also come accordingly.

**Vaibhav Agarwal, Analyst**

But, sir, will we capitalize the whole thing in the next two years by the end of FY15?

**B.K. Bansal, Director - Finance**

Correct.

**Vaibhav Agarwal, Analyst**

So that means that your depreciation and interest costs are going to balloon going forward for the next two years at least, right?

**B.K. Bansal, Director - Finance**

The full impact would be visible in FY16.

**Vaibhav Agarwal, Analyst**

Okay. And, sir, the second question I had was competition from, say, other players such as Alliance Tires, how do you see that going forward, when --

**Rajiv Poddar, Executive Director**

We don't see Alliance as competition.

**Vaibhav Agarwal, Analyst**

Okay, alright.

**Rajiv Poddar, Executive Director Vaibhav Agarwal, Analyst**

Okay, alright. Thank you.

**Operator**

Thank you. The next question is from the line of Ujwal Shah from Axis Securities. Please go ahead.

### **Ujwal Shah, Analyst**

Thanks a lot for taking my question. Sir, I just want you to reiterate the geographical breakup in terms of volume that you have discussed, sorry I just turned up a bit late.

### **Rajiv Poddar, Executive Director**

Yeah. Europe is 50%, Americas is 20%, India is 12%, and balance is rest of the world.

### **Ujwal Shah, Analyst**

Okay, this is in terms of volume, sir?

### **Rajiv Poddar, Executive Director**

Yes.

### **Ujwal Shah, Analyst**

Okay, fine, sir. And, sir, lastly if I could see the half yearly balance sheet, the long-term borrowings have shot up a bit, this is mainly on account of revaluation in terms of currency?

### **B.K. Bansal, Director - Finance**

Revaluation of currency, otherwise there has not been any fresh borrowing.

### **Ujwal Shah, Analyst**

No fresh borrowings. Okay, great, sir. Thanks a lot. All my questions were answered.

### **Operator**

Thank you. The next question is from the line of Nishant Vyas from ICICI Securities. Please go ahead.

Yeah, hi, sir. Sir, I just wanted to ponder again on the realization part. You have reclassified from this quarter onwards, however if I am looking at the previous quarters' numbers, the adjustment for previous quarter was set out in other income and not in gross sales?

### **B.K. Bansal, Director - Finance**

Correct, because there was a gain.

### **Nishant Vyas, Analyst**

Yeah. So actually what we are trying to do is we are trying to calculate from gross sales, so we are managing -- we are actually comparing gross sales to gross sales. So if we adjust for the forex even on that front the gross sales you see the ASP increase by 8.5%. I think that is what people are trying to elucidate on because last quarter reporting was a bit different and we were trying to calculate from gross sales.

### **B.K. Bansal, Director - Finance**

See, let me explain to you. Now in the current quarter the sales stands at 830 crore and the exchange loss is 31 crore, so after

adjusting this, the sales stands at 799 crore.

**Nishant Vyas, Analyst**

Okay. So, sir, can you remove this problem? Can you give the revenue in terms of dollar this quarter and previous quarter?

**B.K. Bansal, Director - Finance**

No, that I do not have right now.

**Nishant Vyas, Analyst**

But can you share it in future reference so that we can have an easier number realization?

**Swapnil Misra, Investor Relations Advisor**

It's difficult to share it actually on a quarter to quarter basis. This is much more standardized.

**B.K. Bansal, Director - Finance**

**B.K. Bansal, Director - Finance**

The reason is that everything is not into dollar, partly is into euro also. So the right sense you will get only from the rupee realization.

**Nishant Vyas, Analyst**

The full year depreciation should look like 160 crore to 170 crore.

**Nishant Vyas, Analyst**

Okay, 160 crore to 170 crore. Okay. Sir, lastly my question on the demand side. You were talking about mining. However, the recent Caterpillar results were pretty disappointing and they have guided for, actually they've actually cut down their target for the rest of the calendar year. So how are you getting kind of -- getting some kind of bullishness in the fact that mining will come back?

**Rajiv Poddar, Executive Director**

Yes. Basically in the long term mining will come back for sure. But in the short term our market share in this is negligible. So when you start off with a small base whatever you are able to -- it's going to be additional. So that's why we are quite bullish on this segment.

**Nishant Vyas, Analyst**

Okay. Can I take one last question, if I may?

**Rajiv Poddar, Executive Director**

Sure.

**Nishant Vyas, Analyst**

Yeah. On the EBIT, sir, if I am try to adjust for the FX impact, okay if I track for the customs duty impact that was reflecting in the other income previous quarter, the margins have actually shot up significantly. That is actually driven by the gross margin

improvement on the raw material side. If I adjust for that, the EBITDA margin stand at nearly 28% on a like to like basis. Sir, how much of this is sustainable you see on the coming quarters?

**B.K. Bansal, Director - Finance**

See, I don't know how you got 28%.

**Nishant Vyas, Analyst**

I am adjusting the 32 crore loss on that number.

**B.K. Bansal, Director - Finance**

According to my calculation, it is coming to 25%.

**Nishant Vyas, Analyst**

If you adjust for the loss?

**B.K. Bansal, Director - Finance**

Yes. After considering all this currency gain/loss and account the operating income and other income as well.

**Nishant Vyas, Analyst**

We do it from other operating income, we don't use the other income actually, okay.

**Swapnil Misra, Investor Relations Advisor**

Even if you don't use the other income, it comes to around 24.1% something.

**Nishant Vyas, Analyst**

No, it's a loss this time, sir, actually it will go up.

**B.K. Bansal, Director - Finance**

No, I don't know how you have calculated.

**Nishant Vyas, Analyst**

Anyways, sir, were this gross margin expansion is sustainable?

**B.K. Bansal, Director - Finance**

Yes, in the current scenario, yes, it is sustainable because raw material prices are not likely to go up and more or less our realization is likely to be in the same range. So, I can say that it is sustainable.

**Nishant Vyas, Analyst**

So, for the rest of year we can take a margin guidance of around 24%?

**B.K. Bansal, Director - Finance**

Yeah, for the full year I have already said in my previous call that it will be around 23% to 24% and we maintain it.

**Nishant Vyas, Analyst**

Okay. Thank you, sir. Thank you.

**Operator**

Thank you. The next question is from the line of Raghunandan from Asian Markets. Please go ahead.

**Raghunandan, Analyst**

Thank you, sir, for taking up my question. Just a couple of queries. First one is, you have a policy of 12-month rolling hedge and euro you said the rate is around 83, how is it for dollar, sir?

**B.K. Bansal, Director - Finance**

Dollar, we don't hedge, because we have imports and some interest payments, so we keep it open.

**Raghunandan, Analyst**

But even the net exposure is fully kept open, sir?

**B.K. Bansal, Director - Finance**

Yeah, so net exposure is actually in terms of euro, which we hedge.

**Raghunandan, Analyst**

Okay. So, the net exposure which is in terms of euro is fully hedged?

**B.K. Bansal, Director - Finance**

Correct.

**Raghunandan, Analyst**

And dollar has a natural hedge?

**B.K. Bansal, Director - Finance**

Correct.

**Raghunandan, Analyst**

Okay. And, sir, on this revenue mix, which is OE and replacement, broadly can you state how are the margins in these segments?

**B.K. Bansal, Director - Finance Raghunandan, Analyst**

Okay. So, if in the current scenario I take maybe the replacement might be closer to like 25%, 26% and OEs might be closer to like 23%, something like that, sir?

**B.K. Bansal, Director - Finance**

Yeah, you can take, but I have not done this math, so I am really not able to answer it correctly.

### **Raghunandan, Analyst**

Okay, that's all sir from my side. Thank you.

### **Operator**

Thank you. The next question is from the line of Aryn Pirani from Deutsche Bank. Please go ahead.

### **Aryn Pirani, Analyst**

Yeah. Hi, sir. Thanks for taking my question. Sir, actually, I was just wondering in the medium term, it now seems given the Bhuj capacity you mentioned was -- will go more towards mining, your revenue mix from agri, non-agri which is right now 65/35 would more likely move in favor of non-agri. Is that a correct assumption?

### **Rajiv Poddar, Executive Director**

Yes.

### **Aryn Pirani, Analyst**

And would you help us in understanding whether the profitability and the growth profile of these two segments are similar or I mean?

### **Rajiv Poddar, Executive Director**

Mining segment is a bigger share of the (inaudible) market division and profitability is also and these are -- as we move more towards more specialization, then it will always improve.

### **Aryn Pirani, Analyst**

Okay. But the cyclical in your revenues could also increase, is that a fair assumption?

### **Rajiv Poddar, Executive Director Aryn Pirani, Analyst**

I mean if you move slightly away from agri towards non- agri will the cyclical in your revenue stream also increase?

### **Rajiv Poddar, Executive Director**

Not really.

### **Aryn Pirani, Analyst**

Okay. And sir, you mentioned that in mining your market shares are quite negligible, so -- and can you just help us understand what could be your market share in the other OTR segments broadly in the markets that you offer it?

### **B.K. Bansal, Director - Finance**

It would be about 4% to 5% in line with our global share.

### **Aryn Pirani, Analyst**

Okay.

### **Rajiv Poddar, Executive Director**

Our overall OST market share is around 4% to 5%. Now the OTS piece [ph] would be less than 2%.

### **Amyr Pirani, Analyst**

Okay. So it would be fair to assume that even if these markets don't grow very fast over the next one to two years, you could still be gaining market share?

### **Rajiv Poddar, Executive Director**

Yes.

### **Amyr Pirani, Analyst**

Okay, understood. Sir, thanks for taking my question.

### **Operator**

Thank you. The next question is from the line of Abhijeet Bora from IFCI Financial Services. Please go ahead.

Yeah, Sir, I have one question like what's the outcome on the interest expense. As you said that capitalization will take around two years time frame, so definitely your interest burden will not be reflected in the P&L. So just can you throw some light on that?

### **B.K. Bansal, Director - Finance**

Current year, the interest figures should be around 25 crore to 30 crore and next year it should be around 45 crore to 50 crore.

### **Abhijeet Bora, Analyst**

Okay. And depreciation figure you mentioned 160 crore to 170 crore this year?

### **B.K. Bansal, Director - Finance**

170 crore for the current year and next year it should be in between 200 crore to 225 crore.

### **Abhijeet Bora, Analyst**

Okay. And I just missed upon one, what is the current Bhuj production like in absolute amount?

### **B.K. Bansal, Director - Finance**

I mean actually it is 50 tons per day kind of production we are getting from there, 50 tons to 60 tons.

### **Abhijeet Bora, Analyst**

Okay, sir. Thank you.

### **Operator**

Thank you. The next question is from the line of Prakash Kapadia from ialpha Enterprises. Please go ahead.

## **Prakash Kapadia, Analyst**

Yeah. Thanks for taking my question. Most of the questions have been answered. Just if you could give us some sense of -- in terms of global capacity in the OSP market over the last four, five quarters, has it decreased given the spate of M&As, has it remained same?

## **Rajiv Poddar, Executive Director**

I would say it is more or less same, nothing new has happened in last four, five quarters. Okay, it is more or less same.

## **Rajiv Poddar, Executive Director**

Yeah.

## **Prakash Kapadia, Analyst**

Okay. All the best.

## **Rajiv Poddar, Executive Director**

Yeah. Thank you.

## **Operator**

Thank you. The next question is from the line of Sorabh Talwar from HDFC Securities. Please go ahead.

## **Sorabh Talwar, Analyst**

Hi, sir. Thanks for the opportunity and congratulations on good set of numbers. Sir, with the OEM penetration strategy, our contribution from OEMs have gone up to 19% approximately, right sir?

## **Rajiv Poddar, Executive Director**

Correct.

## **Sorabh Talwar, Analyst**

Sir, if you can help us understand the payment policies of the OEMs and their potential impact on the working capital, can we see a negative impact coming on the working capital cycle because of that?

## **B.K. Bansal, Director - Finance**

Generally, yeah, there would be a little bit of impact, but not much because we do extend credit to OEMs, but again it is not to all the OEMs, the large OEMs only enjoy credit from us.

## **Sorabh Talwar, Analyst**

And sir, what percentage of total OEMs sales would be to large OEMs?

## **B.K. Bansal, Director - Finance Sorabh Talwar, Analyst**

8% of total?



**B.K. Bansal, Director - Finance**

Sales, yeah.

**Sorabh Talwar, Analyst**

Of the total revenues.

**B.K. Bansal, Director - Finance**

Yes.

**Sorabh Talwar, Analyst**

With the credit sales combined.

**B.K. Bansal, Director - Finance**

Yeah.

**Sorabh Talwar, Analyst**

And how different are the payment policies from the replacement market per se, sir?

**B.K. Bansal, Director - Finance**

Replacement we don't extend credit, but the transit time is on our side whereas in case of OEMs, the credit period is of around 60 to 75 days from the date of selling.

**Sorabh Talwar, Analyst**

This includes the transit time.

**B.K. Bansal, Director - Finance**

**B.K. Bansal, Director - Finance**

Yes.

**Sorabh Talwar, Analyst**

45 to 60 days.

**Sorabh Talwar, Analyst**

45 to 60 days?

**B.K. Bansal, Director - Finance**

Yeah.

**Sorabh Talwar, Analyst**

So for 45 to 60 days it becomes 60 to 75 days in case of OEMs?

**B.K. Bansal, Director - Finance**

Correct.

**Sorabh Talwar, Analyst**

Sure, sir. Thank you so much ,sir.

**Operator**

Thank you. The next question is from the line of Ayush Mittal from Mittal & Company. Please go ahead.

**Ayush Mittal, Analyst**

Good evening, sir.

**Rajiv Poddar, Executive Director**

Good evening.

**Ayush Mittal, Analyst**

Sir, wanted to know what would be the approximate M2M loss on the total forex borrowing we had done till now?

**B.K. Bansal, Director - Finance**

Sure. It is around 450 crore.

**Ayush Mittal, Analyst**

450 crore. Yeah. Sir, my question is more from the accounting perspective like --

**B.K. Bansal, Director - Finance**

350 crore, not 450, 350 crore.

**Ayush Mittal, Analyst**

350 crore, okay. So my question is more from the accounting perspective that while at the time of borrowing, we had got very low interest rates, but the risk was on the forex side. Now as this risk has materialized and we have faced interim losses, rather -- while as per accounting standards, we have capitalized these losses, while actually we should have spread them out over the life of the loan to deflect the proper interest cost. Otherwise what is happening now is that the interest costs which we are charging of will be much lesser than what it is actually and the numbers are going to be inflated for next four, five years.

**B.K. Bansal, Director - Finance**

See, basically we are following the circular issued by Ministry of Corporate Affairs wherein they have said that it can be capitalized and it can be depreciated over the life of the assets. So generally the life of the assets are anywhere between 10 to 12 years. So it will be -- it will come to P&L over the period of 10 years to 12 years.

**Ayush Mittal, Analyst**

So that is my point like as per prudent accounting, as the purpose of borrowing the loan was for next maybe five years, life of borrowing was five years, so actually this 350 crore should have been apportioned over five years, that is giving an interest expense of 70 crore per annum, while because we have capitalized, the charge to P&L will be hardly 30, 35 crore per annum.

### **B.K. Bansal, Director - Finance**

Correct.

### **Ayush Mittal, Analyst**

So for next 10 years, we are going to have an inflated profit of 30, 35 odd crore if this rupee things remains here. Don't you think we should think something and give a better picture by doing something on the accounting side?

### **B.K. Bansal, Director - Finance**

No, either you follow the circular or you don't follow the circular. So choice is we have only two choices. If I follow the circular, then what I am doing is correct. Or otherwise, I take entire thing to P&L account, so again, which would not be a correct thing. Okay, sir. Thank you.

### **Operator**

Thank you. The next question is from the line of Shraddha Sheth from Edelweiss. Please go ahead.

### **Shraddha Sheth, Analyst**

Good evening, sir. Congrats on a very good set of numbers. Just wanted to understand the volume trajectory for the next year. This year you said 140 is the volume growth the way it is looking like, but considering the base of -- low base of US and also you are saying lot of inventory is getting now replenished.

### **B.K. Bansal, Director - Finance**

No, I would say that we should achieve somewhere between 160,000 to 165,000.

### **Shraddha Sheth, Analyst**

Okay.

### **B.K. Bansal, Director - Finance**

Yeah.

### **Shraddha Sheth, Analyst**

Okay. And sir, just wanted to understand when was the base of US drought, I mean in which quarter was it very -- it started off?

### **B.K. Bansal, Director - Finance**

Q4 calendar year of 2013.

### **Shraddha Sheth, Analyst**

Q413. Okay. Sir, this quarter, you said the volume degrowth has been 10%, but you said geography-wise Europe did a marginal growth and if we slice it up, US did a 3% to 4% degrowth. So I mean how come the volume growth was higher than the numbers that

you spoke, because India as such has been growing, right?

### **B.K. Bansal, Director - Finance**

No, sorry, come again with your question.

I was trying to sum up what you said. We did a 10% volume degrowth this quarter and you said breaking it up Europe did a marginal growth and US did a 3%, 4% degrowth. So how is that we had a 10% degrowth?

### **Rajiv Poddar, Executive Director**

No, basically there are other markets also know, apart from your America and Europe which have been slightly negative, so comparatively put everything it's down.

### **Shraddha Sheth, Analyst**

Because major contributors are these two, so ideally it should be -- the picture should be reflective of these two only, right?

### **Rajiv Poddar, Executive Director**

Yeah. The Europe growth is not that dramatic that it can take care of the 3% to 4% growth of -- dip of America.

### **Shraddha Sheth, Analyst**

Okay. Then segment wise just on agri and OTR, Agri is you are saying more or less steady state right or should we see a big delta in the numbers of agri?

### **B.K. Bansal, Director - Finance**

No, it's more or less same.

### **Rajiv Poddar, Executive Director**

More or less same.

### **Shraddha Sheth, Analyst**

Okay. So the delta will really come from the OTR segments right, there is 160,000 to 165,000, the delta will be majorly from OTR right?

### **Rajiv Poddar, Executive Director**

Correct.

### **Shraddha Sheth, Analyst**

Okay. Sir, and just wanted to confirm you said euro hedge is 75, this is for current year, right?  
Current year, yes.

### **Shraddha Sheth, Analyst**

And for FY15 we have hedged it out at 83, right?

## **B.K. Bansal, Director - Finance**

Correct. FY15, yeah.

## **Shraddha Sheth, Analyst**

Okay. Alright. Thank you for answering my questions.

## **Operator**

Thank you. The next question is from the line of Akshay Shah from Quest Investment Advisors. Please go ahead.

## **Akshay Shah, Analyst**

Yeah. Good evening, sir. Sir, you said that to get the real benefit of Bhuj plant utilization has to reach 70% to 75% and for that you try to balance that existing plants you try to reduce it and take their capacity utilization at Bhuj plant. So when do you think that that's actually going to happen? I mean in which financial year you see that is really happening in '15 or '16?

## **B.K. Bansal, Director - Finance**

Financial year '16.

## **Akshay Shah, Analyst**

'16? Okay, in that case, in the existing plants, we have also have got fixed cost base also, do you think that that's affecting our cost structure and indirectly our margins also?

## **B.K. Bansal, Director - Finance**

See, fortunately at EBITDA level our fixed cost component is hardly 4% to 5%, so it really does not impact our margins.

## **Akshay Shah, Analyst**

Okay. So that mean, in our current scenario what you are guiding for 23%, 24% operating margins, I think you should continue that also and of course with operating units of Bhuj plant coming in that should better, but not worse off

## **B.K. Bansal, Director - Finance**

Yeah. Correct.

## **Akshay Shah, Analyst**

And this Bhuj plant, you said that -- what is the exact cost? You were saying that 1,500 crore or something.

## **B.K. Bansal, Director - Finance**

Actually it should be around, as I said, 2,500 to 2,600 crore after considering all this forex loss and the other capitalization. This is what I am anticipating. We have -- we are eager to working on it and in due course of time we will let you know the exact figure.

## **Akshay Shah, Analyst**

So exactly you pointed out that 500 crore or 450 to 500 crore, you can state that it is because of this forex loss and interest capitalization.

**B.K. Bansal, Director - Finance**

Yes, yes.

**Akshay Shah, Analyst**

So basic plant cost be about 2,000 crore, Bhuj plant?

**B.K. Bansal, Director - Finance**

Yeah, 2,000 to -- around 2,000 crores, yes.

**Akshay Shah, Analyst**

Okay, okay. And sir this new strategy, what we are saying that, mining thing and the new markets like CIS and Russia and Latin America and all that. So when do you think exactly like this is getting in reflected in terms of the volumes, in terms of the numbers?

**Rajiv Poddar, Executive Director**

From 2015.

**B.K. Bansal, Director - Finance Akshay Shah, Analyst**

So in that case, in that scenario, how it is today -- our mixes is like 50% Europe and 20% USA and rest is 12% India. How it should span out basically, how do you see that?

**Rajiv Poddar, Executive Director**

It will not change dramatically.

**Akshay Shah, Analyst**

Yeah.

**B.K. Bansal, Director - Finance**

That growth will come gradually. So actually there will not be any remarkable difference in 2015 vis-a-vis 2014.

**Rajiv Poddar, Executive Director**

Because we are looking at the enhanced production capacity.

**Akshay Shah, Analyst**

Okay, okay. So those markets will also be growing and this also, so it will be more or less same, it won't be --

**B.K. Bansal, Director - Finance**

A couple of points up or down.

**Akshay Shah, Analyst**

Yeah, but -- okay, fine. And finally sir, this Bhuj plant, actually we were anticipating doing full capitalization by FY14 and now I think probably we are deferred by one, one and a half year. So now you are saying that by '15 everything will be over or again will be, like depending on the market situation, we might again defer it a little bit or it's final now? I mean --

**B.K. Bansal, Director - Finance**

**B.K. Bansal, Director - Finance**

No, I think everything should be over by 2015.

**Akshay Shah, Analyst**

Correct, correct, correct.

**Akshay Shah, Analyst**

So in the long term, where do you see, I mean, margins -- sustainable margins and the volume like, next year you guided at 165,000 tons?

**B.K. Bansal, Director - Finance**

160 to 165, yeah.

**Akshay Shah, Analyst**

Yeah, yeah. So how do you see, like, say, overnight three to four years if you are stocking, present scenario what we are doing like new markets and new segments and all that, so how do you see the volume growth spanning out?

**B.K. Bansal, Director - Finance**

See in today's scenario, it is very difficult to say anything for '16, '17 etcetera.

**Akshay Shah, Analyst**

Yeah.

**B.K. Bansal, Director - Finance**

At this moment I can only talk of '14, '15 and which I've already said.

**Akshay Shah, Analyst**

Okay, and margins you said that it should be maintained about 23%, 24%?

**B.K. Bansal, Director - Finance**

Yeah, 20% to 22%.

**Akshay Shah, Analyst**

Unless something like raw material prices spike up, something absurd happens?

**B.K. Bansal, Director - Finance**

Correct, correct.

**Akshay Shah, Analyst**

Okay, sir. Thank you.

**B.K. Bansal, Director - Finance**

Yeah.

**Operator**

Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Ashvin Shetty for closing comments. Please go ahead.

**Ashvin Shetty, Analyst**

Thanks. On behalf of Ambit Capital, I thank the management of Balkrishna Industries for giving us an opportunity. Also like to thank all the participants for joining the call. Thanks and have a nice day.

**Rajiv Poddar, Executive Director**

We also thank you all the participants.

**B.K. Bansal, Director - Finance**

Thank you.

**Operator**

Thank you, gentlemen, of the management and Mr. Shetty. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.