"JK Tyre & Industries Limited hosted by Emkay Global Financial Services"

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MODERATOR: **MR. CHIRAG JAIN - EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY25 earnings conference call of JK Tyre & Industries Limited hosted by Emkay Global Financial Services.

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. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chirag Jain from Emkay Global Financial Services. Thank you, and over to you, sir.

Chirag Jain: Thanks, Nia. Good afternoon, everyone. On behalf of Emkay Global, I would like to welcome you all to the 2Q FY25 Earnings Conference Call of JK Tyre & Industries Limited.

Today, we have with us the Senior Management Team represented by Mr. Anshuman Singhania, Managing Director; Mr. Arun K. Bajoria – Director & President (International Business); Mr. Anuj Kathuria – President (India Operations); Mr. Sanjeev Aggarwal, Chief Financial Officer, and Mr. A.K. Kinra, Financial Advisor.

We'll begin the call with "Opening Comments" from the Management Team followed by the Q&A session. Over to you, sir.

Anshuman Singhania: Good afternoon everyone, and welcome to JK Tyre's Q2FY25 earnings conference call. On behalf of the entire JK Tyre family, I would like to extend warm wishes for a very happy and prosperous festive season in 2024.

To begin, I would like to share the key performance highlights of the Indian economy, and auto sector followed by Quarter 2 business performance.

India continues to be the fastest growing economy despite geopolitical uncertainties. Key factors like strong growth in manufacturing, robust credit growth & GST collections, rural economy rebounding and stronger exports in services and high-value manufacturing has strengthened India's position further.

We firmly believe that India will keep delivering superior performance which would strengthen its position in the global economy.

The automobile industry is one of the key drivers of growth in the Indian economy, However, the performance was a mixed bag during the quarter. While the Commercial vehicle segment de-grew by high single digit on account of extended monsoon and moderation in infrastructure spend post general elections. Passenger vehicle segment sustained on a high base. The 2/3-wheeler witnessed robust growth of more than 12% in Q2.

JK Tyre, being a CV major, the OE sales was impacted by the drop in CV production during the quarter. However, for the domestic market overall volumes were flattish over the previous quarter. As we move into the second half of the year, we expect demand to improve, driven by festive season, resumption of government infrastructure spend and normalization of construction, industrial and mining activities.

Further, premiumization trend shall continue across sectors including auto led by increasing aspirations, changing lifestyle and greater availability of easy finance schemes.

Domestic passenger car radials have significantly improved over the previous quarter in the replacement market.

Now coming to Quarter 2 business performance, overall revenues were recorded at Rs. 3,643 crores as compared to Rs.3,905 crore in the corresponding quarter last year. Overall domestic market volumes contracted in the high single digits, primarily driven by the OEM segment.

On export front, volumes remained flat on y-o-y basis but showed sequential improvement in the high single digits.

Export demand continues to recover from all markets like American Continent, Asia & Middle East. Introduction of new products and expansion of footprint in our target markets, we are confident that this growth will sustain in the second half despite continuing supply chain issues and uncertain geopolitical scenario.

On the margin front, EBIDTA margins contracted sequentially due to higher raw material costs, which increased by approximately 6-7% compared to Q1. We have been actively working to mitigate this impact through judicious pricing actions and product mix enrichment coupled with operating efficiencies. Presently, we are witnessing correction in RM prices.

During the quarter, we further expanded our market reach in the replacement segment by adding 23 brand shops, 40+ fleet customers and 2 large accounts in mobility business.

The ongoing capacity expansion programs in TBR, PCR and All Steel Light Truck Radial tyres for an aggregate cost of Rs.1,400 crore is progressing well.

In our continued efforts to strengthened our brand visibility "JK Tyre has been recognized as 'Iconic Brand of India 2024' by Economic Times for the 5th time.

At JK Tyre, we have embraced digitalization as a strategic catalyst to enhance operational efficiency across all functions, including Manufacturing, Marketing, and Sales. By integrating digital and predictive technologies with AI, we are accelerating the innovation and product development.

It is indeed a matter of pride that, "JK Tyre has been honored with the prestigious Mahatma Award 2024 for CSR excellence."

JK Tyre, is a Green Company and is committed to reducing carbon intensity by 50% by 2030. Sustainability is at the core of it's activity, be it manufacturing excellence or development of next-generation technological advanced products.

Now, I request Mr. Arun Bajoria to talk about the performance of JK Tornel, Mexico.

Arun Kumar Bajoria: Thank you, MD sir, I will share the highlights of Mexican economy and JK Tornel for the second quarter of FY25.

Mexico's economic activity slowed in the second quarter of 2024 following the establishment of the new government. GDP growth decelerated to an annualized rate of 0.8%, down from 1.1% in the previous quarter and employment growth rates also slowed down. Peso weakened against the dollar which should support Exports in coming quarter. The IMF projects Mexico's GDP growth forecast for 2025 at 1.5%.

The positive development for the Mexican tyre industry is that, the Mexican government imposed anti-dumping duties @ 32% on imported passenger car and light truck tyres from China, effective from October 1, 2024. This move is expected to provide a significant boost to JK Tornel's domestic sales of PCR tyres.

Now, coming to quarterly financial performance, JK Tornel, Mexico registered quarterly sales of 1,342 Million Pesos (equivalent to Rs.593 crore), lower by about 8% on y-o-y basis on constant currency terms, EBIDTA margins sustained at 8.0%, i.e., 106 Million Pesos (equivalent to Rs.47 crore). However due to depreciation of Mexican pesos by nearly ~10% viz-a-viz Indian rupees, the overall revenue and profitability were further impacted in Indian currency.

During the quarter, raw material cost has increased significantly by 11% over previous quarter to offset this impact we have taken strategic price increase across categories and could increase our net sales realization by 9%.

In an effort to boost sales of passenger radial tyres, 18 new SKUs in the premium category were introduced to the market, with plans underway to launch over 14 more premium SKUs by December 2024. These efforts have resulted in increasing PCR capacity utilization to nearly 90%.

JK Tornel is onboarding new customers in the mobility and mass merchandise segments. Recently, it has started supplying premium SKUs to Walmart.

Now, I request Mr. Aggarwal to brief about the financial performance of the quarter.

Sanjeev Aggarwal: Thank you, sir. Let me briefly share the key highlights for Q2FY25:

Firstly, consolidated revenues for Q2FY25 were recorded at Rs.3,643 crore as compared to Rs.3,905 crore in the corresponding quarter last year. EBIDTA margins during Q2FY25 were recorded at 12.2% viz-a-viz 14.1% in previous quarter, contracted by 195 bps due to higher RM cost, primarily driven by a significant rise in natural rubber prices, while crude oil prices remained moderated at present. Profitability at EBIDTA level was recorded at Rs.443 crore as against Rs.597 crore in Q2FY24.

On quarterly basis, Cash profits stood at Rs.323 crore as compared to Rs.488 crore in Q2FY24. Profit after tax (PAT) stood at Rs.144 crore. Consolidated capacity utilization for the quarter was 83%. The utilization of radial capacities remained strong, ranging between 85-90% at present. Consolidated exports stood at Rs.693 crore, up by 6% on y-o-y basis.

Subsidiary companies, namely, Cavendish Industries Ltd. and JK Tornel, Mexico continued to perform well and contributed significantly to the revenues and profitability on consolidated basis. Cavendish (CIL) posted a topline of Rs.957 crore, with EBIDTA at Rs.123 crore registering an operating margin of 12.9%.

Earnings per share (EPS) on a consolidated basis stood at Rs.4.93 per share in Q2FY25. Return ratios, ROCE and ROE are within the mid to high teens range.

Net debt stood at Rs.4,340 crore as on September 2024 as against Rs.3,704 crore in March 2024. The debt levels have risen due to increased working capital borrowings, primarily related to the strategic buildup of key raw materials. For FY2023-24 the Company paid the total dividend of Rs.4.50 per share including an interim dividend of Re.1 per share paid earlier and final dividend of Rs.3.50 per share was paid during the quarter.

Leverage ratios, i.e., Net debt to equity and Net debt to EBIDTA remained at 0.90x and 2.15x as on September 2024 respectively. The Balance Sheet and return ratios of the company remained within healthy levels.

On September 16, 2024, the Board of Directors of JK Tyre and CIL respectively approved a scheme of amalgamation, which involves the merger of CIL into the parent company, JK Tyre. The merger aims to synergize benefits, simplified structure, unlocking value for the shareholders and consolidate tyre operations into a single entity. As per the Swap ratio, shareholders of CIL will receive 92 shares of JK Tyre for every 100 shares they hold in CIL. The proposed merger will go through several approval processes and is expected to be completed within the next 10-12 months.

We have already circulated our Earnings Presentation, which is available on our website as well as on the stock exchange websites. Now, we open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amar Kant Gaur from Axis Capital. Please go ahead.

Amar Kant Gaur: Sir, I had two questions. One was regarding the growth that we have seen in the OEM segment quarter-over-quarter. What is contributing to that, because most of the OEMs, we haven't seen a great growth in the production sequentially. And a commensurate decline we are seeing in the replacement segment when sequentially we typically see an improvement in the 2nd Quarter. So, could you shed some light on those numbers, please?

Anshuman Singhania: In the OEM segment, the major decline was in CV segment, especially the MHCV which has shown a decline and has been quite sluggish in H1. In passenger there has been slight growth over the previous quarter, however, it declined on y-o-y basis.

Amar Kant Gaur: I'm talking about sequentially. From the numbers that I have, there's about Rs. 100 crores of addition, almost 15%-16% addition in the revenues quarter-over-quarter. Then the growth in 2-wheelers might not be that great, maybe around 6%-8% kind of growth there, and CVs would be largely flat and LCV would be lower. So, would that mean that we have gotten into more OEM, certain models where we are present have done relatively better?

Anshuman Singhania: In terms of the numbers, there has been slight degrowth in the OEM on sequential basis. We got impacted because we have the largest participant in the OEM, in the CV segment and in the passenger car, it has been a minor growth in terms of volumes. This is from the sequential quarter.

Amar Kant Gaur: And regarding replacement, sir?

Anshuman Singhania: In replacement segment, we have grown in volumes both from sequential as well on corresponding basis.

Amar Kant Gaur: My second question relates to the pricing actions that we are seeing in the market and the competitive intensity that has been relatively high in certain segments and not in others. So, would you please elaborate the kind of competitive intensity you are seeing in the market as far as pricing is concerned and which segments are the most competitive and how much price hikes have you taken in individual segments over the last couple of quarters?

Anshuman Singhania: We have been able to take price hikes of about 3% - 3.5% in H1 across various categories.

Amar Kant Gaur: And regarding the competitive intensity, if you can comment? Why I'm asking that is because in the past a lot of your competitors have been quite vocal in terms of being very prudent on price increases and protecting the margins. But lately margins have come under pressure quite a lot and we have seen some of the competitors also resorting to some pricing action to protect market share rather than the margins. So, is that something that you are seeing in the market as well or that is something you believe that is a maybe a shorter term phenomena and we might see more price competitiveness coming through going forward?

Anuj Kathuria: It's not just about competition; it's also about the market's capacity to absorb price increases. We are carefully evaluating this aspect. As you might know, freight rates haven't risen significantly, which has limited our ability to pass on higher costs, particularly in the replacement market.

On the other hand, in the passenger car segment, we have successfully taken more substantial price increases. We anticipate that as overall demand improves and freight availability strengthens in Q3 and Q4, we will have a better opportunity to implement further price adjustments."

Moderator: Thank you. The next question is from the line of Abhishek Jain from AlfAccurate Advisors Private Limited. Please go ahead.

Abhishek Jain: Sir, in CV segment, how's your TBB versus TBR? And how is your market share over there? And what is the outlook for the replacement demand in TBR and TBB?

Anuj Kathuria: In the TBR segment, the replacement demand is holding steady. Typically, when new vehicle sales are lower, the replacement market tends to see an uptick. However, in Q2, demand was slightly muted due to the extended monsoon, which slowed down construction and mining activities whereas, demand in the long-haul segment remains strong.

For the PCR segment, there is a positive trend, with replacement market demand picking up. Overall, while there were temporary challenges due to seasonal factors, the underlying demand in both TBR and PCR replacement segments remains strong.

Abhishek Jain: So, in commercial vehicle, the new contribution is around 53% to 55% There how much revenue mix for TBB versus TBR?

Sanjeev Aggarwal: In terms of revenue the total truck bus accounts for almost say 52%-53% for us and there roughly 40% comes from TBR.

Abhishek Jain: And as you are adding the new capacity most probably that this ratio will increase?

Anuj Kathuria: Yes, absolutely. The TBR ratio will further go up because now we are seeing that even in the mining segment the use of TBR is increasing.

Sanjeev Aggarwal: And our capacities are all being set up in TBR, not in TBB.

Abhishek Jain: So, because of the capacity constraints, your TBR percentage overall is low, right?

Sanjeev Aggarwal: Within the segment of truck and bus, The TBR definitely will go up.

Abhishek Jain: And my next question is on the Cavendish. How do you shape a volume growth over the next two years?

Sanjeev Aggarwal: First of all, the overall we consider Cavendish or JK Tyre like one unit only, but just for the sake of your question clarity, so you are talking about the growth percentage, right?

Abhishek Jain: Yes.

Sanjeev Aggarwal: The growth percentage in JK Tyre will be higher going forward because of the increase in passenger line radial tyres capacity.

Abhishek Jain: Sir, I am asking about Cavendish now. They have achieved a revenue of Rs. 975 crores. So, how do you see the revenue growth over there and what would be the key triggers of the revenue growth and EBITDA margin over there?

Anshuman Singhania: EBITDA margins are definitely better in the case of Cavendish, presently and going forward we would not like to comment on the EBITDA margins, as the new capex in passenger vehicle segment at JK Tyre would help in improving margins in JK Tyre.

Abhishek Jain: My next question is on the Tornel Mexico. So, how much export of the Tornel Mexico in the different countries and which are the key markets?

Arun Kumar Bajoria: This is about 50% and the key markets for export from Mexico are Brazil and Latin America. And in Latin America, it is Colombia, it is Argentina, Venezuela, Cuba. So, these are the countries and they keep varying because it depends on the exchange rate of those countries. As you know, that the exchange volatility, whether it is Brazil, the real was at around 4.7-4.8 reals to a dollar. Today it is about 5.6 reals to a dollar. So, the import into Brazil has become, to that extent, much more unremunerative, very expensive. And so also the other countries in Latin America. For example, Argentina and Venezuela, the exchange rates are absolutely gone haywire.

Abhishek Jain: So, because of this imposing duty on the Chinese companies by the 32% rate, domestic business will see a significant growth from this quarter onwards?

Arun Kumar Bajoria: Yes. We are expecting our domestic sales to go up significantly going forward. That is from November 24 onwards.

Moderator: Thank you. The next question is from the line of Mitul Shah from DAM Capital. Please go ahead.

Mitul Shah: Sir, my question again on the Mexico Tornel, sequentially Q2 is always strong on a Q-on-Q basis. And we have seeing 10%, 15%, 20% type of revenue growth compared to Q1. This time, it is a decline. So, as initially you highlighted about this new government formation related challenge, etc.. But anything one time or it is overall slowdown which has impact on the Q2 and we'll see similar impact at least for next few quarters?

Arun Kumar Bajoria: We are currently facing challenges in our export sales due to subdued demand in the Latin American markets. This decline has impacted our overall sales performance. Additionally, currency depreciation, particularly the weakening of the Mexican peso against the Indian rupee, has further impacted this. Although our sales in peso terms have not decreased significantly, the issue arises during consolidation. Previously, we converted peso sales to Indian rupees at a rate of around 4.5-4.6. Now, with the conversion rate at approximately 4.2, we are seeing a 10-11% impact on consolidated figures due to this currency fluctuation.

Mitul Shah: On sequential basis sir, Q-on-Q 10% to 11% you are talking?

Arun Kumar Bajoria: Yes.

Mitul Shah: And second question is on how much would be roughly intersegment between Cavendish and JKI?

Sanjeev Aggarwal: This is approximately 250 crores. The inter-unit sale you are talking about, right?

Mitul Shah: Yes.

Sanjeev Aggarwal: 250 crores in the quarter.

Mitul Shah: And lastly, sir, any meaningful benefit of this restructuring of Cavendish going forward, merging with the JK?

Sanjeev Aggarwal: The proposed restructuring and amalgamation, approved by the board, will bring multiple strategic benefits. Primarily, we expect to realize significant economies of scale, which will enhance overall operational efficiency. Additionally, the simplification of our corporate structure will lower costs and improve ease of doing business. We also anticipate tax benefits stemming from carried forward losses in Cavendish, specifically for income tax purposes (these losses do not appear on the balance sheet). These carried forward losses can be utilized over the next 1.5 to 2 years, providing a valuable offset and contributing to improved financial performance.

Anshuman Singhania: Unlocking value of the stakeholder and consolidating tire operation into one single entity. We see a lot of synergical benefits.

Sanjeev Aggarwal: We thought that this would be the best time and the ideal situation is because now Cavendish Industries is also generating a good amount of profitability and business. This has stabilized now more or less. So, it is the best time to reap the benefits of the merger.

Mitul Shah: Sir, can you quantify these losses? How much would be the most peripheral losses which can be used as a benefit for you?

Sanjeev Aggarwal: That directly would be very difficult. But we will work out and we can discuss separately.

Moderator: Thank you. The next question is from the line of Aditya Akhani from Omkara Capital. Please go ahead.

Aditya Akhani: Could you help us with revenue mix by market and product line for India business for either Q1, Q2 or H1?

Sanjeev Aggarwal: By market, the broad numbers I can share with you. The replacement is 60%. OEM is about 26% to 30% and the exports remaining.

Aditya Akhani: This is for Q2 or H1?

Sanjeev Aggarwal: This is for Q2 I had talked about. Both are more or less similar.

Aditya Akhani: And revenue mix by product line?

Sanjeev Aggarwal: Revenue mix by product line, truck and bus is again the major contributor to the revenue to the extent of about 60% and passenger car radials would be about 30% and balance from two-wheeler and non-truck bias.

Moderator: Thank you. The next question is from the line of Amit Aggarwal from Leeway Investments. Please go ahead.

Amit Aggarwal: What is the volume growth, YoY for 6 months?

Anshuman Singhania: In H1FY25 compared to H1 FY24, the domestic sales volumes were lower in mid-single digit.

Amit Aggarwal: Could you define in percentage?

Sanjeev Aggarwal: See, this was not across the categories actually this lower number, in terms of volume.

Amit Aggarwal: That's okay, but I just wanted to know the exact price rise and volume growth so that I can, you know, it helps me in forecasting the future growth of the company and the capacity utilization of the company.

Sanjeev Aggarwal: To relate that, then it is better to look at the tonnage rather than the numbers.

Arun Kumar Bajoria: In any case, as we have discussed and Anshumanji talked about in his speech, this quarter is not a real representative quarter for the future growth of the company, simply because the OEM was not doing so well, and therefore this is a picture completely different this quarter.

Amit Aggarwal: Sir, I understand, but sir, it's better if you could give me the percentage. Is it 2%, 5%, 6% or 3%? Was it negative? Because the turnover has been stagnant. So, I just wanted to get an idea what is the price rise and what is the volume growth in Indian operations?

Anuj Kathuria: So, in terms of market segments we can talk about this. So, replacement is low single digits. OEM is low double digits. And then export is positive high single digits.

Amit Aggarwal: So, what is the capacity utilization of the Indian operation?

Sanjeev Aggarwal: 85 to 90 percent. Again segment wise it is completely different.

Sanjeev Aggarwal: Radial capacity is 90% and the other overall is 85%.

Amit Aggarwal: So, what is the increase expected in the capacity in the next two years?

Sanjeev Aggarwal: It will be around 10% on consolidated basis.

Amit Aggarwal: That is okay, but looking at I think in last concall we should look at investing Rs. 900 crores around for the next two years, so there will be some expansion on the capacity. So, just wanted to know how much will be the expansion of the capacity?

Sanjeev Aggarwal: We are expanding our capacities mainly in passenger car radial tyres, Truck bus radials and all steel light truck radial category for an aggregate amount of Rs.1,400 crore.

Amit Aggarwal: So, should we expect around 20% increase in total capacity including buses, cars, and scooters?

Sanjeev Aggarwal: Yes, in PCR it will be around 20% and TBR will be around 10%.

Moderator: Thank you. The next question is from the line of Mayur Milak from AMSEC. Please go ahead.

Mayur Milak: So, on the RM basket, sequentially, you said it is up by about 11%. Am I get it right?

Anshuman Singhania: Sequentially, in the RM basket, it is an increase of 6% to 7%. For the H1, it is about 13% increase.

Mayur Milak: 13% in H1 you said and 6% to 7% QoQ.

Anshuman Singhania: Yes.

Mayur Milak: And in your previous call, you had mentioned that in 1Q, your price realization increased by about 2% and you had taken a 1% to 2.5% price hike in the month of July. Now overall, you mentioned that your price hike for the first half has been 3%-3.5%. So, largely, post-July, we have not really been able to take any price hike because of the softness in replacement demand. Am I reading that right?

Anshuman Singhania: Your numbers are correct. So, by H1, we've been able to take cumulatively about 3%-3.5% price increase and we are assessing the situation now in this quarter as well. We are assessing the situation and further price increase will depend on market dynamics.

Mayur Milak: But so far till November of this quarter you haven't really taken any price hike?

Anuj Kathuria: We have announced the price hike in the TBR segment, in the end of October.

Mayur Milak: So, you've taken one already in this quarter earlier?

Anuj Kathuria: Yes, only for the TBR.

Mayur Milak: And sir, coming to overall the demand scenario, I think clearly the industry is reading a typical low single digit demand scenario, which largely means a steady replacement demand and maybe low single digit OE demand. What I understand almost 70%-75% really comes from replacement. So, any particular reason that you see that why the replacement has kind of been very sluggish? OE we understand, there's an inventory thing, but why is the replacement not really picked up?

Anuj Kathuria: Replacement demand has not played out to that level as was expected in the beginning of the year and Q2 particularly was more muted, on account of extended monsoon and the construction and mining activity, which has also had slowed down during this period. Also, because of the election, the infra capex did not happen. So, overall economic activity was slow. The movement of the core sectors, such as cement, steel, even that was also curtailed to a large extent because of the construction activity being muted.

So, we see that the government spend will be much better in infra in the next half. We will see movement in the core industries. Rural economy also starting to churn. Therefore, overall the economic activity will increase and that would also result in better utilization of the vehicles with more freight availability.

Mayur Milak: But one structural question, if you allow me so the direct freight corridor is pretty much on its verge of getting completed, the Western corridor. What we understand from the experts on railway is largely that there could be a dramatic shift of goods from road to rail, which will have its own fleet impact on the M&HCV industry per se. So, if the overall run were **to** come off, does it also mean that the replacement cycle in the M&HCV should kind of see a structural slowdown in the next 2-3 years? Any take from your side? Have you done any kind of reading into that?

Anuj Kathuria: Currently, the dedicated freight corridors are not fully operational, but we are closely monitoring the situation in dialogue with our OEM partners who are also evaluating its impact. Freight movement typically correlates with GDP growth, and we anticipate an overall increase in total freight availability. OEMs are focusing on reducing per-tonne-per-kilometer road transportation costs by enhancing vehicle dynamics and performance. Similarly, we are working on optimizing tire fuel efficiency and reducing overall costs per kilometer.

While dedicated freight corridors will likely to handle point-to-point shipments (like cement or steel), transshipment-heavy freight will still rely on road transport or a multimodal approach. Even in developed economies like China, road transportation remains a dominant mode, accounting for 60-65% of total freight movement. With ongoing improvements in national and state highway infrastructure, we believe that while a portion of freight may shift to rail, road transportation will continue to play a major role, supported by better vehicle and tyre performance.

Mayur Milak: So, your view is the industry will continue its CAPEX as anticipated?

Sanjeev Aggarwal: Yes.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from CLSA. Please go ahead.

Basudeb Banerjee: The raw material basket which moved up 6%-7% in Q2, how do you see that with today's commodity price come down in Q4 per se, not in Q3, because it will have a lag effect. So, this is with respect to the question of further price hike, whether price hike is required at all or not because commodities would have corrected equivalently by Q4 today's price?

Anuj Kathuria: In Q3, definitely the price hikes would be required, but it will finally find its own level as to the raw material prices will also start softening. So, there will be some lag effect which will go into Q3, but more towards the end of the quarter, we may see some softening happening. We are considering further price increases; however, the extent of these will largely depend on the market's capacity to absorb them. As mentioned earlier, we already implemented a price hike at the end of October and will continue to evaluate opportunities for adjustments in other segments as market conditions allow."

Basudeb Banerjee: Second question, the last time when did the JK or industry in general reduce replacement market prices to pass on commodity price benefit?

Anuj Kathuria: No, there was no significant such thing. It was mostly because, if you remember prior to that there was a sharp increase of 40% plus in the commodities. So, overall if you see we were able to sustain whatever increases we had taken even when the commodity prices had softened after.

Moderator: Thank you. The next follow up question is from the line of Abhishek Jain from Alf Accurate Advisors Private Limited. Please go ahead.

Abhishek Jain: Sir, as you mentioned that, you are adding the capacity in the TBR and PCR, and these are fully utilized now. So, what will be the incremental revenue in FY26 because of these capacity additions?

Sanjeev Aggarwal: These are all brownfield expansion projects. And we are expecting 1.1 to 1.2 times the investment.

Abhishek Jain: So, when these are getting commissioned?

Sanjeev Aggarwal: So, these are getting commissioned in different quarters, but you can broadly assume second half of FY26. All the capacities will start and then ramp up will happen over the next 2-3 quarters.

Abhishek Jain: And sir, also import raw materials to different countries like Indonesia, Vietnam. And so just wanted to understand what is your import requirement? What is your RM requirement comes from the import and what is the difference in the prices now domestic versus imported in terms of the RM?

Anuj Kathuria: If you take the different components in the RM, the import percentage varies from quarter-to-quarter, because the production of the domestic rubber is also not reformed for the year. So, there that is one area, but there are other areas where I think so now the domestic capacities are being set up, for example say Carbon Black. But there again in some cases other than commercial reasons we keep on importing but very difficult to give you the figures because it is strategic and tactical which changes from every one quarter to the other quarter.

Abhishek Jain: So, import must be around 50% of the total requirement of RM?

Anuj Kathuria: Not really. But again it varies from quarter-to-quarter.

Abhishek Jain: And as the freight rate was very high in the last two quarters, but now it has started to go down. So, because of this, do you give the benefit in other expenditure?

Anuj Kathuria: You are talking about the what?

Abhishek Jain: International freight rates.

Anuj Kathuria: Ocean freights had gone up but now they have started coming down again.

Abhishek Jain: And my last question on the overall debt, what is the current debt in the company and how is your repayment plan for the next two years?

Sanjeev Aggarwal: So, the debt repayment schedule is being followed as per what we have to pay fully and in next two years basically we will be reducing our debt by almost about Rs. 1500 crore.

Abhishek Jain: And what is the current net debt sir?

Sanjeev Aggarwal: Debt to equity today is 0.90:1.

Abhishek Jain: And in number terms, sir?

Sanjeev Aggarwal: In numbers terms, the net debt is Rs. 4,340 crores.

Abhishek Jain: And that will reduce to the Rs. 1,500 crores or it will be reduced by Rs. 1,500 crores?

Sanjeev Aggarwal: It will be reduced by Rs.1,500 crores.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sanjeev Aggarwal: I thank you for joining Q2FY25 investors call today and I hope we have provided clarifications to all your questions satisfactorily. Good day.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.
