

Business Updates

- Since competitive intensity is higher and Chinese have been selling aggressively in the Thailand market the company too is competing for volumes and selling higher number with some pressure on margins

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- In spite of competition from Chinese market the management is confident of maintaining volume growth in the Thailand market especially and overall guidance for volume growth for this year remains at 18-20% with EBITDA margins of 18%
- Imports of bead wire continue to come in at a lower price and capacities have been put up by Tata Steel which has taken away some market share leading to lower volumes in the domestic market
- In the Chennai plant investments have been to the tune of Rs 195 crores and trial runs will start by end of this year and revenue realization will start from next year with full potential being achieved in 3-4 years from that
- There is good traction from Europe and from next quarter volumes to one customer in Europe will start
- The market share in the Thailand market is around 25% and next two quarters will see much better numbers
- The overall margins do not have too much scope for improvement and focus will be to fight for higher volumes rather than higher margins on a consolidated level
- There is good traction from multinational tyre companies and multiple companies are auditing the facilities in Thailand for European and US business
- The volumes sold to Chinese companies was higher in Q2 and that was the strategy to get better volumes and gain more efficiency at a plant level

- When plants run at 80-85% utilization level the profitability is much better and selling prices are better than the Chinese competitors and thus the only strategy that remains is selling higher volumes
- If demand continues to improve the threat from Chinese competition is not too high as higher utilizations allow plant to run at a very low cost
- As of now the Chinese industry is not getting any rebate from the regulatory authorities to export their produce in Thailand market
- Different companies have different levels of duties on their production in the market of Thailand and apart from Maxxis the company supplies to all other companies
- India today imports around 2000-2500 tons every month and this number has been consistent for a long time
- There have not been any moves by the company in putting restriction on imports by government and there is no policy under WTO where imports can be stopped
- The Chinese customers do have lower margins but not supplying to them is not an option so there is continuous working on how costs of operations can be reduced further
- Michelin has seen a drastic fall in their business in India but whatever bead wire they take is only from Rajratan