



December 12, 2017

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To,
The Department of Corporate Services,
BSE Limited, Mumbai

To,
The Listing Compliance Dept.
National Stock Exchange of India Ltd, Mumbai

BSE Script Code: 531795
NSE Script Symbol: ATULAUTO

Dear Sir,

Sub: Transcript of Investor Conference Call held on December 04, 2017

We are attaching herewith the transcript of Investors Conference Call held on Monday, December 04, 2017 to discuss Q2 FY 2017-18 results of Atul Auto Limited.

Please take the same on your records.

Thanking you.

Yours faithfully,
For, ATUL AUTO LIMITED,


(Paras J Viramgama)

Company Secretary & Compliance Officer



ATUL AUTO LIMITED

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ATUL AUTO LIMITED
Transcript – Investor Conference Call – 04.12.2017

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2018 Earnings Conference Call of Atul Auto Limited, hosted by Emkay Global Financial Services. We have with us today Mr. J.V. Adhia - President (Finance). As a reminder, all participant 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Raghunandan of Emkay Global. Thank you and over to you, Sir.

Raghunandan: Good evening everyone. On behalf of Emkay Global Financial Services we would like to welcome you all to second quarter FY2018 post results conference call of Atul Auto. We would like to thank the management for taking time out for the call. I would like to hand over the call to Mr. Adhia for his opening remarks now. Over to you Sir!

Jitendra V Adhia: Thank you Mr. Raghunandan. Very good morning ladies and gentlemen. This call is after Diwali. So I take this opportunity to wish you one and all a very happy and prosperous New Year. It is indeed pleasure for me to welcome you all on behalf of Atul Auto Limited to appraise about performance and financial results for Q2 and first half of financial year 2018.

Let us have look on auto industry performance before we move to performance of Atul Auto thereafter we shall have two-way interactions. The overall auto industry has registered positive growth of 9.57% precisely for first half of FY2018 as compared to similar period last year where domestic industry has grown by 9.40% and exports have grown by 10.71%.

Moving to specific sectors that is three-wheeler industry. Volume has remain almost flat for first half and showing a growth of 14-basis points compared to previous year. Of course still there is a slight impact of demonetisation, which is going on apart from our implementation of GST, we expect that second half will definitely deliver better volumes.

Volumes in domestic market for first half has degrown by 10% whereas in export sales the volumes were grew by 19%. So that is one encouraging news. If we look at quarter-to-quarter movement, the total three-wheeler sales have grown by 8.12% for Q2 wherein domestic sales within the boundaries have grown by 4.06% whereas international sales have grown by 15.30%. If we see quarter-on-quarter movement compared to Q1 the overall sales has grown by 34.47% whereas domestic sales has grown a very good jump that is 47% and international sales have grown by 18.13%.

Now we will move towards performance of Atul Auto and we are pleased to inform you that during the quarter Company has sold 12224 vehicles with a turnover of 159 Crores as against 8924 vehicles with a turnover of 116 Crores in previous quarter. In comparative quarter last year we had sold 11761 vehicles with turnover of 143 Crores. For first half of FY2018 in totality

21198 vehicles has been sold by the company as against 19367 vehicles during first half of previous year.

Let us move to our key performance area. Friends let me appraise you all the highlights and would request the audience to visit our site for the detailed results. The net profit for the quarter has increased to Rs.17 Crores, which is up by 19% on quarter-to-quarter basis, net profit ratio as it was expected as first time clocked in double-digits and it is 11%. EBITDA margin has remained 17% as against 16% in corresponding quarter for the last fiscal.

The current ratio has improved from 2.12 times to 2.20 times quarter-to-quarter basis. EPS for the quarter has remained Rs.7.74. We are happy to report that we have continued the trend to deliver better operating efficiencies quarter-to-quarter. The growth contribution has improved from 25.34% to 27.68% quarter-on-quarter basis. Consumption obviously it has improved by 233-basis points. As you are aware we are enjoying debt free status, which will help us to redesign the strategy for existing performance going forward. Export numbers for first half has remained 1594 as compared to 844 for corresponding period last fiscal. The company has declared an interim dividend of Rs.2.75 per equity share of 5. I am happy to share that during this quarter we have created yet another milestone in terms of buyer saver turnover and profitability.

Now I would like to open the floor for interaction.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We will take the first question from the line of Basudev Banerjee from Antique Finance. Please go ahead.

Basudev Banerjee: Congrats Adhia Bhai for good set of numbers. Couple of questions; one is if I see your monthly export numbers, so now for last two months it is 300 plus and one month I can see last year there was a record 400 units of exports. Down the line how to see exports for FY2019 as a year because your peer set is also doing very good in three-wheeler export term so where do you see your export volume in next fiscal and which will be the key markets?

Jitendra V Adhia: Basudev Bhai first of all we are consolidating in number of overseas markets where the product has been seeded and it has been received well by the end user. I expect next fiscal there will be a significant contribution from export sales as well.

Basudev Banerjee: Sir but may be absolute number like at 300 run rate somewhere around 35 to 400 is sustainable so for FY2019 what such absolute number internally you were look out for?

Jitendra V Adhia: It must be better than that Sir. It is difficult because in overseas market a number of times there are sectors, which are beyond our control; however, we will definitely aim above 500 numbers next fiscal.

Basudev Banerjee: Sir that is what I wanted to know assuming geopolitical scenarios remains the same and improve so you are confident of doing 500 around?

Jitendra V Adhia: More than 500 is possible.

Basudev Banerjee: That is great Sir. Second question Sir in this quarterly numbers if I see your realization has increased sequentially and in turn your gross margins have also improved significantly sequentially, which has resulted in the strong EBTIDA margins so if you can highlight on that aspect?

Jitendra V Adhia: In the beginning of the fiscal there was a set of emission norm from BS-III to BS-IV one of the factors, which as contributed for higher realization per vehicle.

Basudev Banerjee: So realization has already jumped in June quarter so I am asking?

Jitendra V Adhia: Quarter and then subsequently it is because of improvisation in sales composition because we have four different families, which we manufacture. One is our front engine, other is rear engine, third is a small vehicle, alternative fuel and diesel as well and fourth family, which has recently born that is electric vehicle. Sir it would not be possible for me to give you the exact realization per family product. We can definitely have a concall separately.

Basudev Banerjee: Sir the gross margin that is also purely because of mix?

Jitendra V Adhia: Gross margin there are two different reasons. One definitely there was this better sales realization has contributed and the other there were certain economization and negotiation we did with our vendors.

Basudev Banerjee: And anything to do with strong export mix?

Jitendra V Adhia: Sir not that significant. There is no incremental benefit out of that export.

Basudev Banerjee: Thanks.

Moderator: Thank you. We will take the next question from the line of Omkar Kulkarni an Individual Investor. Please go ahead.

Omkar Kulkarni: My question was you have been guiding for this double-digit kind of growth from last one, one and a half years, you have been delivering on that front given only four months left for this financial year so you are still guiding for the same growth so how is it possible to deliver that growth?

Jitendra V Adhia: If you look at last fiscal from November onwards there was a very low base because of demonetization. Presently my monthly rate even after the drop has remained above 3200, 3400 so arithmetically if you will compute it surely by end of the year we will be able to post double-digit growth.

Omkar Kulkarni: So that will require around 15% to 20% growth for the next four months right?

Jitendra V Adhia: That is what I am trying to tell you. Sir if you will please visit our monthly numbers last year from November to March because of demonetization, it was not only for Atul but everyone has delivered a very low base.

Omkar Kulkarni: Another question is you have mentioned that you are doing something on the inventory part?

Jitendra V Adhia: I am sorry can you speak little loudly Sir?

Omkar Kulkarni: In one interview you said that you are doing something on the inventory side in terms of your dealers network so what was that about that will increase?

Jitendra V Adhia: I said that we are controlling inventories at dealer end so that now in the next phase it will definitely deliver a positive performance.

Omkar Kulkarni: What can we expected from the export front say in the next two years Sir how much will be the contribution in percentage wise?

Jitendra V Adhia: It would be surely about 10% Sir.

Omkar Kulkarni: How much it would contribute to the overall revenue like 20% ?

Jitendra V Adhia: That is what I am trying to tell you. Total operating revenue will improve by at least by more than 10%.

Omkar Kulkarni: Thank you.

Moderator: Thank you. Next question is from the line of Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Thanks for taking my question. Congrats for the good set of numbers. Sir my first question is related with the last two to three year's monthly performance of most of three-wheeler companies. They have witnessed a strong growth on the back of abolition of permits in Maharashtra but Atul has not participated at all so what is the reason for the underperformance, it is the absence of the gasoline product in the portfolio or anything else?

Jitendra V Adhia: Absolutely Mr. Abhishek. We are quite keen to participate in Maharashtra market and in particular Mumbai market. This alternative fuel, which was introduced in FY2016 was definitely getting consolidated in close by market and it was known to everyone that in FY2017 there will be a set of norms from BS-III to BS-IV so we were waiting for products to get established into the market and now we are getting gradually into all the baskets. So possibly from this fiscal or next fiscal you will find Atul in Maharashtra as well.

Abhishek Jain: So gasoline product is not available in Maharashtra and that was the reason of the underperformance of that?

Jitendra V Adhia: However let me tell you Sir we are selling our diesel cargo in Mumbai market, diesel passenger is not permitted to sell in Maharashtra.

Abhishek Jain: In how many months you would be able to get the certificates from all states to sell your gasoline products and what are the key hurdles for that?

Jitendra V Adhia: There are no key hurdles. Our entire range has been homologated and certified by ARAI. Now as per CMVR rules we are supposed to obtain state transport approval and I expect that by end of this fiscal we will secure all the approvals.

Abhishek Jain: Earlier you were guiding that in second half of FY2018 you would be able to clear all these certifications, but it is delaying a lot, so what is the reason and what are the key hurdles actually?

Jitendra V Adhia: Mr. Abhishek there are few things, which cannot be discuss on public domain.

Abhishek Jain: Sir what is your capex plan for the FY2018, FY2019.

Jitendra V Adhia: Capex plan mostly it will be regular maintenance capex. As of now we will take a call for Greenfield expansion once we are able to utilize our capacity of existing location up to 75%, 80%.

Abhishek Jain: So it would be around 8 Crores to 10 Crores.

Jitendra V Adhia: Not 8 to 10 Crores. It will be less than that.

Abhishek Jain: Thank you.

Moderator: Thank you. Next question is from the line of Rohit Balakrishnan Individual Investor. Please go ahead.

Rohit Balakrishnan: Thank you for the opportunity. My first question was you mentioned recently that in Maharashtra diesel passenger is banned so in the overall context of what is happening in now the cities in India in terms of rising pollution so what is your overall outlook on diesel and given our focus on diesel how you view that?

Jitendra V Adhia: Sir let me just clarify even this diesel three-wheelers are BS-IV compliant vehicle, so in terms of creating pollution if at all it is creating it is as par with other automobile solutions so there are no such major differences one. Another one there are a certain cities where or you can say at a capital center of space where they have restricted this entry of passenger vehicles within the city; however, I expect that it will keep on growing at a moderate rate in rural parts.

Rohit Balakrishnan: So in Maharashtra the entire Maharashtra is diesel passenger banned or it is only in Mumbai?

Jitendra V Adhia: No it is for entire state Sir.

Rohit Balakrishnan: So similarly as the situation aggravates, I mean, would not you expect that the government either at central or at various state levels to sort of become more stringent?

Jitendra V Adhia: But as I said the logic could be it is creating a higher pollution but these vehicle are also BS-IV compliant vehicles, and there are certain infrastructural issues where government will take its own time for creating CNG or alternative fuel arrangement in semi-urban and rural area till then the economy is quite unbeatable.

Rohit Balakrishnan: Sir as we sort of now we transition from BS-III to BS-IV in the next one and a half years you have the transition or one and a half to two years you have transition to BS-VI so how do you view that how is our preparedness for that and for both diesel and other fuels?

Jitendra V Adhia: We source our diesel engine from Greaves where it has been assured by Greaves that they will be ready with the BS-VI solution well before the deadline. At the same time alternative fuels for alternative fuel three-wheeler we have our own engine and our technical team is quite confident that we will get it done before 2020.

Rohit Balakrishnan: Diesel you will source it from Greaves and I told you will do it on your own?

Jitendra V Adhia: Yes.

Rohit Balakrishnan: In terms of just again slightly macro question, your view in terms of because there are so many alternative fuels that now we are and electric is one clear thing that we keep hearing and reading about and you also have an e-vehicle, which are in your own portfolio how do you view in next three to four years how do you view the balance to auto as a category in India?

Jitendra V Adhia: First of all, we do confirm the potential high potential for e-vehicle in India that is point number one having said this there are certain commercial and technical issues, which I think in net base everybody needs to overcome. As of now the entire series of e-vehicle is based on lead acid battery. Now lead acid battery has got its own drawback in terms of charging time, in terms of lifespan of that particular technology so unless there is some feasibility for lithium ion battery, which can be fitted into three wheelers, it will keep on growing at a moderate rate post introduction of lithium ion battery definitely there will be a surge in demand and market will be more organized. Having said this apart from Atul there are certain other brands, which is also likely to come into the market going forward and by another three, five years, there will be a testing time for all the brands to get established into the market with their new range of products.

Moderator: Thank you. We will take the next question from the line of Sakshi Mahant from India Nivesh. Please go ahead.

Sakshi Mahant: The question is you have launched electric three-wheeler. Now I wanted to know in which all states has it been successfully launched? What is the percentage of contribution of it to your total revenue?

Jitendra V Adhia: See as of now this product we have introduced in Gujarat and Bihar. Apart from Gujarat and Bihar there are few numbers, which has been delivered in state of Maharashtra and Karnataka as well but all those are in a very introductory phase. We expect that it will take another two to three months for introducing this vehicle across the network.

Sakshi Mahant: What is the percentage contribution of it to our total revenue currently?

Jitendra V Adhia: As of now Madam, it is not that significant.

Sakshi Mahant: What is your outlook going forward?

Jitendra V Adhia: Outlook, I expect that the market will improve in next fiscal. We are also working upon improvised version of e-vehicle and that can be introduced sometimes in second or third quarter next year.

Sakshi Mahant: Thank you so much.

Moderator: Thank you. We take the next question from the line of Anup Kulkarni from Pine Bridge. Please go ahead.

Anup Kulkarni: Two questions, first is there is a significant jump in receivables so is there any particular reason for this?

Jitendra V Adhia: There were no particular reasons; however, let me tell you there were certain issues with liquidity and retail finance available, not only for our brand but overall financing industry were just correcting itself. We started controlling it and as one of the measures, which has been taken in month of October there was a sales dip in our primary numbers.

Anup Kulkarni: Sir secondly after this BS-IV implementation is there any significant price difference between our product and the product of the market leader?

Jitendra V Adhia: Sorry I could not get?

Anup Kulkarni: We would have taken price increases because of new technology so now is our product at par with product pricing of the market leader?

Jitendra V Adhia: Absolutely. It was earlier also it was at par with the peers and at present also it is at par with the peers.

Anup Kulkarni: Thanks a lot. That is it from my side.

Moderator: Thank you. We take the next question from the line of Rakesh Roy from Asit C Mehta. Please go ahead.

Rakesh Roy: Good morning Sir. Sir my first question is regarding your margin front. This year your EBITDA margin will increase by 140 basis points on year-on-year basis can this margins sustain over the years?

Jitendra V Adhia: I expect so, Mr. Rakesh that we will be able to definitely not only to sustain but we will keep on improving our margin quarter-over-quarter.

Rakesh Roy: Sir my next question in October month your sales numbers come down?

Jitendra V Adhia: I am unable to understand your question. Can you speak little slowly so that I can understand your question?

Rakesh Roy: In October you sales numbers come down on year-on-year basis?

Jitendra V Adhia: Yes right Sir.

Rakesh Roy: Sir how you look forward for like in November, December for next six months' time?

Jitendra V Adhia: We will definitely if you have seen the numbers of November we are back to positive mode and from a year onwards, I am quite confident that we will be able to deliver positive numbers month-over-month.

Rakesh Roy: Sir my last question in eastern states you will looking demand future demand from your vehicles sir three wheeler sir?

Jitendra V Adhia: Sir obviously as of now eastern state our emerging market for three-wheelers I do expect that these states are going to deliver better volumes. We are well set in those states and each of the states my product is in complete range has been introduced so going forward eastern state will contribute significantly in my sales composition.

Rakesh Roy: Sir and when people start processing this, any realization difference between eastern state or based on Gujarat any price realization difference with the per unit?

Jitendra V Adhia: Sorry if you can please speak little slowly I can understand you better.

Rakesh Roy: Sir my question is any price difference between eastern state and your western state?

Jitendra V Adhia: No Sir there is uniform pricing for each state except there will be a marginal difference for logistic and freight charges.

Rakesh Roy: Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Achala Kanitkar from Birla Sunlife Mutual Fund. Please go ahead.

Achala Kanitkar: Good morning Sir. Sir just wanted to get a sense on as you have given outlook on the export side just wanted to know how do you see on the domestic side the demand coming around? My second question was on the other expenses. We have seen a significant change coming up from here so just wanted to know specific is that taken on that front and the sustainability of the same?

Jitendra V Adhia: Madam, I was able to understand your second question so I will reply that and then you need to repeat your first question but let me just reply the second question. The change in other expenses was on account of reduction in certain marketing expenditure, of all the expenses there was one half CSD expense the last year.

Achala Kanitkar: Sorry Sir.

Jitendra V Adhia: There was one half expense of CSD Canteen Stores Department last year.

Achala Kanitkar: Okay so overall this number sir going ahead sustain for us?

Jitendra V Adhia: Absolutely.

Achala Kanitkar: I wanted to get a more flavour on the domestic demand Sir?

Jitendra V Adhia: Madam if you have observed and as I appraised in Q2 demand have started improving, the sales in the domestic market has started improving. This is a positive sign according to me and I expect that going forward it will definitely take up well and next fiscal will be much better in terms of overall growth.

Achala Kanitkar: Thank you.

Moderator: Thank you. We will take the next question from the line of Nilesh Takkar from Intellective Capital. Please go ahead.

Nilesh Takkar: This is Nilesh here from Intellective Capital in Singapore. Quick question on your expansion that you had guided a few years ago in Ahmadabad facility any update on that?

Jitendra V Adhia: Mr. Nilesh, in fact we will take a call once we has that visibility to utilize approximately 75% to 80% utilization at existing location although there at Greenfield expansion majority of the primary work has been done, all government approvals have been secured, land leveling has been done and small building for R&D has been started; however, for commercial production, we may take a call once we have that visibility of better utilization at existing location.

Nilesh Takkar: Just a quick follow-up question on the electric vehicle, in terms of your R&D expenditure is it possible for you to share if there is any work happening on developing the electric engine for three-wheelers and potentially four-wheelers that you had guided earlier?

Jitendra V Adhia: See four-wheeler we have never guided Sir let me clarify that. For three-wheeler electric vehicles we do not need any engine. The major crucial components we are sourcing from dedicated vendors; however, there will be definitely a certain amount of R&D expenditures which is not that very significant, will be incurred on number one development of that particular vehicle, two creating manufacturing facility for that particular vehicle.

Nilesh Takkar: And will that be in Rajkot or Ahmedabad?

Jitendra V Adhia: Sir as of now we are manufacturing this current boarded at Rajkot. We expect that going forward improvised version will be manufactured at Ahmedabad.

Nilesh Takkar: All right. Thank you.

Moderator: Thank you. We take the next question from the line of Mayank Bansal from Individual Investor. Please go ahead.

Mayank Bansal: Good morning Sir. Sir I wanted to ask what is our market share in three-wheelers and what are the steps we are taking for future growth? What are the steps we are right now management is incurring to seeing the future growth? Thank you Sir.

Jitendra V Adhia: If you look by focused market addressable market for diesel three-wheeler segment where I am enjoying almost more than 15% market share number one, among the application for cargo three-wheelers we are placed number two enjoying 17% market share, overall if you just club all put together we are enjoying our domestic market share is somewhere close to 7%; however, we are now present in all locations, we have expansion, this is just a strategic information.

Mayank Bansal: Sir, if I am not wrong, right now we have 7% market share right?

Jitendra V Adhia: All put together.

Mayank Bansal: And what was this market share two years back?

Jitendra V Adhia: It was well below 5%.

Mayank Bansal: Okay and in future what do you see the potential, by how much time we can give this market share to like 11% or 12%?

Jitendra V Adhia: It will be definitely much better than that as well as Mr. Bansal. Let me tell you we have enough room available for expansion. We are manufacturer who has got a complete product range that is diesel, petrol, CNG, LPG and electric three-wheelers apart from regular application of cargo and passenger we have very huge fleet of customized three-wheeler application and surely apart from domestic market we have enough room to cover in export market as well.

Mayank Bansal: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Raghunandhan from Emkay Global. Please go ahead.

Raghunandhan: Thank you Sir for the opportunity. Sir first question was on the dealer network expansion what are our initiatives there and how can the network further expand and which would be the focused geographies?

Jitendra V Adhia: Mr. Raghu, as of now if I have to just clear the statistics, we have 200 primary-120 secondary dealers in our network. We expect that by end of the year, we will have some around close to 220 to 225 primary dealer and there will be definitely good numbers of subdealers for secondary dealers during the network. The major expansion in terms of network is expected net fiscal. This year as the beginning of the year, we took the target, but unfortunately we find that new investors are yet to come because of that there are various difference into the market firstly it was BS-III and BS-IV and then subsequently it was a GST implementation.

Raghunandhan: Sir the same question for the export market earlier we were present a couple of years ago we were present in eight countries now how many countries are we present and in the next two to three years or in the medium term how do you see that network improving?

Jitendra V Adhia: As of now we are available in 11 countries Mr. Raghu. I expect that in totality if we ignore the quantum there are 33 countries in world, which consumes three-wheeler in next five years I expected to be available in all the countries.

Raghunandhan: Sir on YTD basis how is the performance of the alternative fuel vehicles in terms of like if you can give any colour on what is the kind of growth they are witnessing or how do we expect the growth to pan out over the next one or two years for this segment?

Jitendra V Adhia: My visibility is increasing month-over-month one. I am introducing this product in various dealerships and receiving quite positive response, but having said this considering very large potential in this particular field, I expect that in another six months through 12 months time you will definitely find good number of Atul plying on the road.

Raghunandhan: Can you share any numbers as to how big is the segment for us correctly?

Jitendra V Adhia: Mr. Raghu we do not say numbers separately.

Raghunandhan: Sir any thoughts on the commodity inflation and price increase from our side to counter the same?

Jitendra V Adhia: No Mr. Raghu not as of now. There is I think smooth flow going on for commodity price as well as I do not expect there will be any price hike in the near future.

Raghunandhan: Thank you Sir. Thank you so much.

Moderator: Thank you. We take the next question from the line of Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Sir what is the difference between the realization and the margin of diesel powered vehicles and electric three-wheelers?

Jitendra V Adhia: Sir first of all both of these categories are not comparable. In terms of margin mostly which is at par; however, realization for electric vehicle is obviously less than diesel vehicles.

Abhishek Jain: It would be higher than the diesel vehicle?

Jitendra V Adhia: Less than diesel vehicle.

Abhishek Jain: Okay so how much it would be 5% to 10% kind of a difference would be there?

Jitendra V Adhia: In terms of realizations, substantially lower Sir. Electric vehicle is substantially lower.

Abhishek Jain: Okay Sir and what will be breakeven point for the electric three-wheelers business?

Jitendra V Adhia: Let me tell you, diesel 0.5 tonner on road it is available at Rs.210000 whereas electric three-wheelers is available at Rs.140000-Rs.150000.

Abhishek Jain: So I am asking about the breakeven points in EBITDA terms in the electric three-wheelers so how much production is required to get a positive EBITDA in electric three-wheelers?

Jitendra V Adhia: We will definitely disclose all these details once the product matures for the market.

Abhishek Jain: Okay I think the company has introduced the gasoline vehicles in four states in the last six to seven months so can you give some sense on the current dates so we can expect we can see the visibility of these product till coming year?

Jitendra V Adhia: We are not sharing family wise numbers; however, for your information I can tell you this particular alternative segment for Atul Auto is growing at decent range.

Abhishek Jain: Okay Sir. Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Kashyap Jhaveri from Individual Investor. Please go ahead.

Kashyap Jhaveri: Good morning Mr. Adhia. Congratulations for good numbers. I have about four or five questions. I joined the call little late so if there have been answered you can probably skip them. I will have at look at the transcript. The first question is can you explain the drop in October 17 volumes. There was a sudden drop so if you could explain that?

Jitendra V Adhia: We had initiated a small correction measure where we intend to control the dealers inventory and that was the reason there was a dip in number of sales.

Kashyap Jhaveri: This would be like one time correction of wholesale inventory?

Jitendra V Adhia: Yes Sir.

Kashyap Jhaveri: Second question is on your realizations and the gross margins over the last about two to three quarters, we have seen about 7% increase in realizations and if look at your gross margin per vehicle in this quarter was roughly about Rs.37000-odd so is there any sort of strategy going into this and can this gross margins at Rs.37000-Rs.38000 be sustained per vehicle?

Jitendra V Adhia: I would like to answer in reverse order. Definitely Sir, we will be able to sustain with this margin that is what we expect and we will put in our best efforts to improve upon that but having said this the surge in realization is on account of fit of norms from BS-III to BS-IV.

Kashyap Jhaveri: Third question is on the manufacturing expenses, you mentioned that other expenses last year had one-half the GST impact so could you quantify that?

Jitendra V Adhia: It was around Rs.34 lakh Sir.

Moderator: Thank you. We will take the next question from the line of Omkar Kulkarni from Individual Investor. Please go ahead.

Omkar Kulkarni: What can be the next trigger of growth for your company Sir?

Jitendra V Adhia: Sir original expansion because in terms of creating the product range, we have a complete product ranges available in our product basket. What we need to do now is to have original expansion and adding the manufacturing capabilities.

Omkar Kulkarni: Because earlier your growth rates were around 15% to 20% so three to four years it has not been growing, so how can you make sure that it will again you can sustain this in coming years?

Jitendra V Adhia: That I what I said, I have enough room available for original expansion. You can imagine today I have 200 primary dealers in this stage generally dealers are accounted for one single district and in India we have more than 600 districts available so there is enough room available for me to appoint a new dealer and having deeper penetration. Apart from that the large volume of gasoline three-wheelers, which is consumed in overseas market I was not present at all in those markets. So with alternative fuel three-wheeler, I will be able to address those overseas markets as well. Lastly, there is some opportunity, which has recently emerged for all the brands that is for electric three-wheelers and we are one of the early bird who has introduced their electric three-wheeler so all these things put together I expect that we will be able to regain that growth momentum in next 1.5 years' time.

Omkar Kulkarni: Okay so can we expect better growth in say next two to three years as you mentioned?

Jitendra V Adhia: I look forward to subject to the things you know same would be. There are certain eternal factors, which you can understand is always beyond anybody's control.

Moderator: Thank you. We take the next question from the line of Rohit Balakrishnan from Individual Investor. Please go ahead.

Rohit Balakrishnan: Thanks for the opportunity again. Sir I just wanted to understand for your BS-VI alternative fuels you manufacture engines on your own, any reason why we do not buy from your other vendor that you buy for diesel?

Jitendra V Adhia: Sir as of now there is no dedicated vendor, which manufactures engine for gasoline three-wheeler so it has to be developed within the plant only.

Rohit Balakrishnan: For BS-VI because I think Greaves was saying that they are trying to develop something?

Jitendra V Adhia: Absolutely, we will explore that scope as well. If the particular products are going to satisfy my requirement we can surely explore that.

Rohit Balakrishnan: I think we already have it Sir so I am not sure?

Jitendra V Adhia: I do have that facility inside as well because as you have actually touched upon Greaves as of now is not opening any gasoline engine. Going forward if they are able to develop it and offer to us we know that our core competence is to manufacture and market three-wheelers not the engine.

Rohit Balakrishnan: Okay actually my understanding was that they have got engine, which is also into gasoline and CNG?

Jitendra V Adhia: No Sir. The engine, which they are having, will now be able to configure the requirements, which is being opened by peers or competitors.

Rohit Balakrishnan: Thank you Sir. That is all.

Moderator: Thank you. That was the last question. I now hand the floor over to the management for their closing comments.

Jitendra V Adhia: Thank you. We at the Atul Auto would like to thank all of you for sparing your valuable time for this concall. We would like to assure all the stakeholders for better future performance on all the fronts. Looking forward for your continued support. Thank you all once again and have a fantastic day ahead.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Service that concludes this conference. Thank you for joining us. You may now disconnect your lines.