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September 20, 2017

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 August 21, 2017

We are attaching herewith the transcript of Investors Conference Call held on Monday, August 21, 2017 to discuss Q1 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 – 21.08.2017

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY18 Results 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 participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. 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. Sachin Gupta of Emkay Global. Thank you and over to you, sir.

Sachin Gupta: Good morning, everyone. I would like to welcome the management and thank them for giving us the opportunity to host the call. I would now hand over the call to Mr. Adhia for his opening remarks. Over to you, sir.

J. V. Adhia: Thank you Mr. Sachin. Good morning, ladies and gentlemen. I would like to extend a very warm welcome to all of you at this concall. It is my pleasure in apprising you about our performance and financial results for quarter 1 of year 2018. We are able to put the right momentum for growth in start of FY18. Undoubtedly, the beginning for our financial year was bit challenging in terms of implementation of GST as lots of anxiety was prevailing across the market. It was also coupled with improving BS-III inventory to BS-IV. However, I am happy to share with you that we were able to deliver as per expectations of various stake holders and we could overcome those challenges. Now, let me brief you about the industry performance and then we will discuss company's specific highlights.

Friends for over all auto industry, beginning of the year has remained good with growth of 7%, domestic market has grown by 6%, whereas the export market has grown by 14%. In the domestic market, this growth was limited to passenger vehicle and 2 wheelers only. Commercial vehicles that is M&HCV, LCVs and micro LCVs including 3-wheeler industry, it has de-grown. Overall 3-wheeler industry has declined by 8.90%, out of which domestic industry has fallen by almost 25%. But export has grown by same number that is 25%. We have once again outperformed the industry, our overall sales have grown by 18% as against negative 8.90% in the industry volume. The domestic sale for the company has grew by 12% as against negative 25% in industry and in export market we grew by 1.57 times as against growth of 25% in the industry. This is how on both the front, we were able to deliver very good numbers which is higher than the industry performance.

During quarter 1, 2018, we have sold 8,974 vehicles as against 7,606 during quarter 1, 2017. In cargo segment, we were able to increase our sales by 23%, the numbers are 4,582 which has put us into number 2 position in this segment. Overall market share in cargo application has remained 17% for the company. In passenger segment, we have sold 4,392 vehicles were the growth is 13%. The domestic sales for the company has remained 8,109 units as against 7,270 units previous year same period and we were able to register the growth of 12%. In export

market, the numbers are 865 vehicles as against 336 last year same period. With implementation of GST, now we expect that overall economic scenario will be positive for the industry going forward and were export market has really its shown decent growth which is quite encouraging and we expect that with this we will be able to move with a better pace.

Now, let us move to our financial performance. Let me apprise you all few highlights and thereafter we will move to question and answer session. The detail result is available on the site, so will not invest any energy to read out that. For the quarter, the company's net profit has remained 781 lakhs which is up by 62% compared to last year similar period. The profitability has remained 6.06% as against 4.66% in quarter 1, FY17. EBITDA has improved to 9.78% which is up by 151 basis point. We were able to maintain our debt free status, the composition of domestic and export sales is improving and going forward it is expected to improve further. For quarter 1, we were able to regain that number 2 position in cargo segment. These are the few highlights and now I would like to open this floor for your questions and will be happy to answer all the questions from your side.

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

Basudev Banerjee: Few questions, one is like if I see from August, September typically those are the seasonally good months for your business. So, now after somehow stagnating around that 3,000 to 3,400 levels for few months, how do you see the overall volume panning out in coming months?

J. V. Adhia: I expect a decent growth Mr. Banerjee. If you recall, we in fact has picked up a very good momentum in last September, October and expected to move forward from that level. Unfortunately, there were couple of few challenges across the economy, but now I expect that everything is behind and going forward definitely we will be able to put a much decent number.

Basudev Banerjee: Sir, I am asking from that perspective itself because if I see last year, your August, September, October average monthly volume was 4,500. So, even to do a 10% growth you need to clock 5,000 per month. So, are you confident with that regards?

J. V. Adhia: Yes, Mr. Banerjee. barring there are few things that across Eastern side, there is a heavy rain and there are issues with flood, etc. So, if it is going to be there the numbers will be little here and there but overall, I expect that barring such few issues definitely we will be able to put good number.

Basudev Banerjee: So, broadly you are confident of 5,000 average volumes in coming months including exports?

J. V. Adhia: I hope so.

Basudev Banerjee: And how is the export market progressing because if I see for one of your competitor, TVS motors, their exports have also started recovering slowly from those low levels. So, how are

you progressing on the export front and how do we see annual export volume in next 1 or 2 years?

J. V. Adhia: See, if you look at it I have grown by 1.57 times, I have already apprised you. Quarter-to-quarter if you compare it and the visibility is there, consistency is there, product is performing good. However, Atul Auto is the last entrant and we need to establish ourselves. So, that action will may come from next fiscal onwards. But in this current fiscal, we are quite confident that we will be able to deliver good numbers compared to previous year.

Basudev Banerjee: So, any like full year target volume figure there?

J. V. Adhia: I am really sorry Mr. Banerjee, will not be able to give you the exact numbers. What I can tell you is, it will be definitely better than the last year.

Basudev Banerjee: And better than the present monthly volume levels also down the line?

J. V. Adhia: I expect so, because now the market is definitely reviving in few of the countries.

Basudev Banerjee: And any new markets you are now entering or you are first consolidating in the existing target markets?

J. V. Adhia: Not now, as of now we are addressing to Africa as a continent and Latin American countries.

Basudev Banerjee: And how is the progress in your domestic petrol portfolio happening now?

J. V. Adhia: It is improving with five states we have captured and by end of the year we will be available across the network.

Basudev Banerjee: Five states you are supplying petrol as of now?

J. V. Adhia: Yes.

Basudev Banerjee: And what is the monthly run rate as of now?

J. V. Adhia: Sir, sorry we do not just give monthly run rate.

Basudev Banerjee: Or quarterly or annual petrol domestic volume?

J. V. Adhia: we do not give segment wise number.

Basudev Banerjee: One last thing like with your existing capacity utilization still giving scope of decent growths even for may be 2 years from these levels. Is your Ahmedabad CAPEX still on schedule or is it getting delayed?

J. V. Adhia: As of now we have decided that we will take a call in H2, once we have that visibility to utilize the existing plants capacity we may take a call that plant may take 18 months for roll out commercial production. So, may take a call in H2.

Basudev Banerjee: So, what has been the CAPEX already done for that plant and how much is spending?

J. V. Adhia: See, approximately 45 crores.

Basudev Banerjee: Is done already?

J. V. Adhia: Yes.

Basudev Banerjee: And how much is spending for the project?

J. V. Adhia: 100 crores.

Basudev Banerjee: But that will not be accounted in this year, if you do not go ahead in the second half meeting as you discuss.

J. V. Adhia: May be, yes.

Basudev Banerjee: So anyhow that was the 100 crores is the pending amount.

J. V. Adhia: Yes, sir.

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

Jinesh Joshi: Is the BS-III inventory still lying with the company or have we offloaded in the market after recalibrating the engine?

J. V. Adhia: See, as of now we do not have any inventory of BS-III vehicles. There are few vehicles in the market which are yet to be upgraded but that inventory is very small one.

Jinesh Joshi: And in the last call you mentioned that we plan to increase the number of dealers by 15% to 20% in FY18. So, what is the progress on that if you can share?

J. V. Adhia: See, as of now the tally has remained same, although we have replaced few non-performing dealers. We expect that by end of the year we will be able to increase our strength of dealers.

Jinesh Joshi: And one last question on the alternative fuel engine front, I mean we have HT approvals in five states and we plan to do a PAN India roll out by FY18. So, are we confident of getting approvals from all the states within the next 9 months?

J. V. Adhia: Mr. Joshi, one of the prime requirements is to have our vehicle homologated through ARAI, which is already done. Now securing the state approval will be not as difficult as getting the

vehicle homologated from ARAI. So, that is why I am quite confident that by end of the year we will be available across the network.

Jinesh Joshi: Sir, one last bit, our key export markets are LATAM and Africa. So do these regions import only from India or they import from other countries too?

J. V. Adhia: They import from China as well.

Jinesh Joshi: So, what is the share of India imports in their overall scheme of thing?

J. V. Adhia: Although there is no authenticated statistics available but other than India, the 3-wheeler market is somewhere close to 1 million units. Out of which 50% is being captured by Indian brands and balance 50% is obviously China.

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

Abhishek Jain: Sir, if we analyze the past 7 to 8 quarters 3-wheeler industry data, volume is on declined trend. And in passenger carrier segment, Ola and the Uber are eating out market share and carrier good segment basically mini trucks and pick-ups are getting more privilege over three-wheeler. So can you put some color on the outlook of 3 wheeler industry.

J. V. Adhia: See, first of all Ola and Uber these kind of transportation facilities are available for a very limited Urban segment in India and it would not be right to compare the growth of 3-wheeler industry with these kind of elements. Transportation is a basic requirement and we are quite aware that mass transportation system within the country is yet to get mature. And then this is most economic transportation mean available for the mass.

Abhishek Jain: But the volume is not increasing from last 7 to 8 quarters?

J. V. Adhia: Let me quickly tell you, if you analyze last year's industry till October the industry in the domestic front was really doing decent, it has grown by 12%. The fall was just because of demonetization. Again, that this year industry is going to bounce back and will definitely grow decent rate.

Abhishek Jain: So, what kind of the competition was facing from the mini cabs which is getting more privilege on the three wheelers carrier goods at this point of time?

J. V. Adhia: Now this story is quite old, Mr. Abhishek. The small micro commercial four-wheeler is also facing negative growth rate and very few brands are now available in the market let us see, going forward how it will take up. However, for three wheelers I can always tell you it is most economical in terms of carrying cargo per Kg, per Kilo meter because the acquisition cost is lower and the delinquency is lower.

Abhishek Jain: Sir, my next question is pertaining to the export which jumps significantly, so which are the key geographies which contributed the growth, any particular countries in Latin America or Africa?

J. V. Adhia: See, it is not country specific but we are available in three countries in Latin America and all three countries are doing decent for us also my numbers are not that significant but I expect that once the product is positioned well, we will definitely have a good volume now onwards.

Abhishek Jain: So, which are the three countries, can you name it?

J. V. Adhia: Sorry, we do not discuss these means sir, for that you can always have a separate call.

Abhishek Jain: Sir, my last question is how much contribution of rural India in overall sales?

J. V. Adhia: Sir, all dieselized vehicle that is being sold in rural market if you take a passenger application, right. So, close to an industry of 500,000 vehicles close to 2x is diesel passenger three wheelers. This is getting sold into the rural market.

Abhishek Jain: And in Atul, how much contribution comes from the rural market because you have a larger presence in rural areas rather than in urban?

J. V. Adhia: Almost 50%.

Abhishek Jain: Sir, how much pie the company is looking from the new permit which is going to issue in the Maharashtra, Delhi and other?

J. V. Adhia: I have a latest update that they are going to just end the permit regime and they are going to keep it free.

Abhishek Jain: So, how much incremental volume the company is looking from this progress?

J. V. Adhia: Sir, what overall growth I expect is minimum double digit by end of the year. We are yet to establish our alternative fuel three wheelers product into the market. We have entered to this product in 5 states where this product is really doing good.

Moderator: Thank you. Next question is from the line of Prayesh Jain from IIFL Wealth. Please go ahead.

Prayesh Jain: So, just a couple of questions. Frist of all, which are the five states that we have launched gasoline in?

J. V. Adhia: Gujarat, Rajasthan, Haryana, Punjab and Karnataka.

Prayesh Jain: It is not there in Maharashtra yet?

J. V. Adhia: We are not yet in Maharashtra, for passenger alternative fuel passenger three wheelers.

Prayesh Jain: And sir what is the status on e-rickshaws?

J. V. Adhia: It is, we have offered it to few selected dealers and till now we have a positive response. We have a repeat orders from those dealers as well. However, the numbers I expect that will start improving from this quarter onwards.

Prayesh Jain: Sir, could you provide some more details on the e-rickshaw in the sense of what is the pricing and what is the kind of mileage and all those stuff?

J. V. Adhia: Sorry sir, pricing we will not discuss. Mileage I can tell you on a single charge it can fly up to 80 kilo meters and the charging time is somewhere between 7 hours and 8 hours.

Prayesh Jain: And how big is the market?

J. V. Adhia: Unauthenticated figures are 120,000 a year, sir.

Moderator: Thank you. Next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Just couple of things. So, can you just update on e-rickshaw any sales number?

J. V. Adhia: Sorry, Mr. Doshi. The numbers one is not that significant. However, I expect that we will start having a good volume from this quarter onwards.

Dixit Doshi: And we launch in which states?

J. V. Adhia: Bihar and Gujarat.

Dixit Doshi: And just one more thing. On Ahmedabad expansion you mentioned that 100 crores is required another, so that will be how much capacity another 48,000?

J. V. Adhia: Another 60,000 units, sir.

Moderator: Thank you. We take the next question from the line of Basudev Banerjee from Antique Finance. Please go ahead.

Basudev Banerjee: Sir, just wanted to know what is the longevity life of an electric vehicle as of now as per your channel sales made by the unorganized markets compared to a normal ...

J. V. Adhia: If you take a life of battery it is around 10 months to 12 months. Rest everything is fresh components. So, I do not think there is any other maintenance or there is anything with which can restricted life.

Basudev Banerjee: So, basically discussions with various e-rickshaw owners who have bought it from those local SMEs not from organized manufactures they are saying that life of the e-rickshaws have been much way lower than a typical Bajaj Petrol rear engine model. So, whatever the investments

they have put so they are very much worried about that and also the replacement of the batteries every year after 9 months to 10 months as you said the economic viability also is not that great for them. So, how do you see that getting improved down the line?

J. V. Adhia: Mr. Banerjee, I have a completely contradictory view. It is more viable and more economical in a sense that if you consider the payback period in a mature market where the transportation it is being used for a **(Inaudible) 24.21** right, the payback is hardly between 2 months and 3 months. Now, to replace the battery at end of its life, we need to have some kind of financial reengineering and we are working upon it. Having said this I am completely convinced with the economic viability of that products sir ...

Basudev Banerjee: No, basically they are not confident of the vehicle lasting for say 8 to 10 years or more with a typical Bajaj vehicle will last for or a TVS three-wheeler. But this SME e-rickshaws catching of rust and parts breaking away those kinds of things are pretty much common.

J. V. Adhia: Sir, those were the assemblers but now we expect that while we are giving a warranty of 2 years almost for this e-vehicle as well, I do not foresee there will be any issue with any other part. However, Mr. Banerjee the explanation could go longer for more than 10-15 minutes. If you do not mind we can always have a separate call on this.

Basudev Banerjee: Basically just wanted to know that the longevity of say Atul or Mahindra made e-rickshaw will be as good as a normal Bajaj three wheelers. So then the confidence of the buyers will be much better off.

J. V. Adhia: Sure, sir.

Basudev Banerjee: And any arrangement with respect to the battery replacement like it getting funded by financiers or anything like that which is possible?

J. V. Adhia: We are thus in discussions with some of the financiers and we have to have a finance engineering for this kind of vehicle.

Moderator: Thank you. We take the next question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sir, you mention that you are selling this, you are exporting into 3 countries Latin America. How many countries we export in Africa?

J. V. Adhia: Around 6 countries.

Ashutosh Tiwari: And will the growth over there will come from those six countries only or they have more markets where the good sizeable markets which are still left?

J. V. Adhia: Primary idea, Mr. Tiwari is to get settle with the existing distributors network and once we start having good numbers from existing distributors we will surely do further expansion.

Ashutosh Tiwari: And what about exports to Bangladesh, is that reviving or there is still some issue over there?

J. V. Adhia: Not yet, Mr. Tiwari. Still the market is having few issues.

Ashutosh Tiwari: And you mention that e-rickshaws have been launch in Bihar and Gujarat, how would be the roll out plan basically over next 2-3 quarters in terms of which states we plan to enter for e-rickshaws?

J. V. Adhia: We will be offering it to all the dealerships once we have the final pricing and strategy.

Ashutosh Tiwari: And by what time that clarity will come through.

J. V. Adhia: Another quarter or so.

Ashutosh Tiwari: And in this e-rickshaw that we are planning is motor in controllers saws in China only or that is Indian?

J. V. Adhia: It is completely indigenus product for us.

Moderator: Thank you. We take the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.

Prayesh Jain: Can you mention something about the capacity of manufacturing electric three vehicles, what kind of capacity do we have?

J. V. Adhia: My plant has got that fungible capacity. Need base, I can manufacture entire 60,000 e-vehicles.

Prayesh Jain: And in terms of batteries currently where are those being sourced from?

J. V. Adhia: Exide and Amaron.

Prayesh Jain: And in globally there are some methodologies and where in the batteries can be just replaced, like in the sense how quickly the time off like suppose our e-rickshaw operator can he replace a battery at his home and one of the sets is kept at home and is being charged and the second set is in the rickshaw. So, once he goes back home you can just replace the battery is that a technology which is available in this?

J. V. Adhia: See, recharging this battery I do not think it is cost for a very great innovation. However, commercially see this users or end users they are not quite capable to just invest for another set of battery Mr. Jain. That is the limiting factor else recharging or replacing those battery does not consume much of time as well.

Prayesh Jain: So, in terms of exports do we see any markets that where we can enter with this electric vehicle?

J. V. Adhia: As of now, no.

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

J. V. Adhia: I sincerely thank everyone for your valuable time to listen this concall. Definitely we are committed for better performance in quarter 2 onwards. We once again thank for all the supports and really thank you Mr. Sachin and Emkay for hosting this call. Thank you all.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services, we conclude today's conference. Thank you for joining us and you may now disconnect your lines.