



Ref: ATULAUTO/SEs/InvestorConCall/15112016/Transcript

November 23, 2016

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 November 15, 2016**

We are attaching herewith the transcript of Investors Conference Call held on Tuesday, November 15, 2016 to discuss Q2 FY 2016-17 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

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**ATUL AUTO LIMITED**

(Corporate Identification Number: L54100GJ1986PLC016999)

Regd. Office & Factory: National Highway 8-B, Near Microwave Tower, Shapar (Veraval), Rajkot – 360024 (Gujarat)

Phone: 02827 666000 Fax: 02827 666029 Website: [www.atulauto.co.in](http://www.atulauto.co.in) E-Mail: [info@atulauto.co.in](mailto:info@atulauto.co.in)

## ATUL AUTO LIMITED

### Transcript – Investor Conference Call – 15.11.2016

- **Moderator**
- Ladies and gentlemen, good day and welcome to the Atul Auto Post Results Conference Call hosted by Prabhudas Lilladher Private Limited. 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. The duration of the conference will be upto 11:15. I now hand the conference over to Mr. Rohan Korde from Prabhudas Lilladher Private Limited. Thank you and over to you sir.
- **Mr. Rohan Korde – Prabhudas Lilladher**
- Thank you Stanford, we welcome the management of Atul Auto for the Post Q2 Results Conference Call. The management is represented by Mr. Jitendra Adhia, President Finance. I now hand over the floor to him for his opening remarks. Over to you sir.
- **Mr. Jitendra Adhia – President Finance**
- Thank you Rohan. A very good morning ladies and gentlemen. First of all I take this opportunity to wish you all a very Happy and Prosperous New Year on behalf of Atul Auto and welcome you all to abraise about performance and financial results for Q2 and first half of fiscal `17. Let us have a look on how the auto industry has performed before we move to performance of Atul Auto specifically. Thereafter we will have a two way interaction. Friends the overall auto industry has registered a positive growth of 11.89% for H1 of FY `17 as against 1.54% for H1 FY `16. Domestic industry we have done really well by capturing a growth of 16.33% against a flattish growth of 0.41% last year during the same period. But the export has registered negative growth by 10.68% against previous year's growth of 7.68%. The responsible segments for drop in exports growth were three wheelers and two wheelers.
- If we talk about three wheeler industry the overall volumes has declined for the quarter as well as for the first half compared to previous year corresponding period. For second quarter it is negative by 12.45% with a volume of 2,32,000 vehicles as against 2,65,000 vehicles last year. And for the first half it is negative by 12.61% with a volume of 4,38,000 vehicles as against 5,00,000 vehicles last year. However, between exports and domestic, in the domestic market it has registered a positive growth of 5.35% for second quarter of FY `17 and for first half of FY `17 it has grown by 13.39%. This year on account of good monsoon and positive economic environment it is expected that positive momentum of demand itself will continue during the rest part of the year as well. As I said earlier the international markets has degrowth and the coal for the quarter is 32.54% and 39.32% for first half. It looks difficult that it can turn out positive in the near future.
- Now we will move towards performance of Atul Auto and we are pleased to inform you that during the quarter we have sold 11,761 vehicles and clocked a turnover of Rs. 142.70 crores as against 7,606 vehicles with a turnover of Rs. 92.45 crores in Q1. Quarter On Quarter the growth has remained 55%. In comparative quarter last year we have sold 11,925 vehicles with a turnover of Rs. 141.80 crores. As far as first half of the current fiscal is concerned we have sold 19,367 vehicles as against 20,763 vehicles leading first half of the previous year. However, shortfall for the first half is barely 1,396 vehicles which will be covered very soon. August onwards things have started falling in place and it is as per our expectations. In the month of September we have created a new benchmark in terms of production and sales both, within the month of September I could utilise full capacity of the plant and have manufactured 5,100 vehicles. Whereas in terms of sales we could sell 4,666 vehicles.
- Now let us move to our performance, our finance performance, let me appraise you both the highlights and thereafter since the detailed result is available on the site we can have more time for our interactions. The Net Profit for the quarter has increased to Rs. 13,81,00,000 which is up by 175.65% on Quarter On

Quarter basis. And the profit ratio has remained 9.68%. EBITDA margins has remained 16.10% as against 15.73% in corresponding quarter of last fiscal. The current ratio has improved from 1.83 times to 2.13 times Quarter On Quarter basis. EPS for the quarter has remained Rs. 6.29 ps, we are happy to report that we have continued the trend to deliver the better operating efficiency Quarter To Quarter. The gross contribution has improved to 28% as compared to 27.03% for Q1 of FY `17. Our raw material conjunction ratio has improved by 97 basis points. Well, before I end my report I am excited to inform you that for the month of October we have created a new benchmark in terms of sales of vehicles. We have sold 5,037 vehicles which is highest ever in the history of the company for any single month. You maybe kindly aware that we owe number 2 positions for cargo vehicle sales in domestic market.

- Further I would like to inform you that as part of promoting green energy vehicles we are now ready with our electric three wheelers which will be available into the market from next quarter onwards. These vehicles will be introduced for both the applications that is passenger and cargo. Now I would like to open this floor for interaction. Thank you so much for your patient hearing.
- **Moderator**
- Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press “\*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue you may press “\*” and “2”. Participants are requested to use their handsets while asking a question.
- Ladies and gentlemen we will wait for a moment while the question queue assembles.
- We take our first question from the line of Mr. Ashutosh Tiwari from Equirus Securities. Please go ahead.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- Hello sir, congrats on good set of numbers considering the headwinds that we are seeing.
- **Mr. Jitendra Adhia – President Finance**
- Thank you so much Ashutosh.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- Sir, our gross margins expanded on QOQ basis versus first quarter I mean despite the fact that raw material prices were going up. Is that because we have taken the price increase or there is something else?
- **Mr. Jitendra Adhia – President Finance**
- As I said since the volume as of now is not that high that the fluctuation is going to hit my raw material cost very immediately. There are hike in certain commodity prices but we could definitely since our off take is regularly improving we could negotiate it with the vendors as well.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- Okay. So that’s giving you better margins.
- **Mr. Jitendra Adhia – President Finance**
- Better margins.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- And sir secondly was there any price increase recently or last 3-4 months?

- **Mr. Jitendra Adhia – President Finance**
- No, we have not taken any price hikes as of now.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- Okay, these receivable days have come down a bit from fourth quarter. Can we see a further reduction into that?
- **Mr. Jitendra Adhia – President Finance**
- Can you come again Ashutosh?
- **Mr. Ashutosh Tiwari - Equirus Securities**
- The debtor days that has come down a bit from fourth quarter, would we see further reduction into it going ahead as well?
- **Mr. Jitendra Adhia – President Finance**
- Let us see there are few things which were unavoidable and the circumstances which are you know developing within the market as of now is not that favouring, we have to strategise it. Infact we were expecting it to reduce in some time but now under new circumstances let us see how it takes off.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- And this trade payables has also gone up so it is beneficial to us but why it has happened, I mean there is a good increase?
- **Mr. Jitendra Adhia – President Finance**
- We had to negotiate it with the vendors and wherever there is a possibility we definitely take the advantage of credit purchases.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- And how do you see the impact of this currency demonetisation in the near term. Obviously longer terms are already....?
- **Mr. Jitendra Adhia – President Finance**
- It is a bit premature Ashutosh how it is going to impact the business because we are also trying to sense it. Although we are into the micro commercial vehicle segment where the enduser is dependent on finance, retail finance largely. So how this NBFC is going to put up their view, it is largely dependent on their view than what we strategise.
- **Mr. Ashutosh Tiwari - Equirus Securities**
- And on the export side I think maybe roughly one year back there was some issue in Bangladesh over the banning of three wheelers imports. How is that basically, it was ban on the highways I think. So how is it standing now, is it lifted or how do you see exports going ahead?
- **Mr. Jitendra Adhia – President Finance**
- You are asking two different questions, in terms of export sales now we are going to have, it is consistently you know a month over month good numbers. Although still these numbers are insignificant but what we have done since these large markets are under trouble we started looking for small markets in

international business. And that has started giving us some results, let us see Bangladesh is yet to open up and Nigeria as all of us are well aware it is also doing well. So as of now our strategy is to just go and look for smaller market where we can have a consistent volume.

- **Mr. Ashutosh Tiwari - Equirus Securities**

- And sir lastly, for us Gujarat and North East are bigger markets in South. So are we seeing more revival happening in North and East in Gujarat in these kinds of markets, Western and all?

- **Mr. Jitendra Adhia – President Finance**

- Absolutely yes.

- **Mr. Ashutosh Tiwari - Equirus Securities**

- Okay sir, thanks a lot.

- **Mr. Jitendra Adhia – President Finance**

- Thank you Ashutosh.

- **Moderator**

- Thank you

- We take our next question from the line of Mr. Mayur Milak from Anand Rathi. Please go ahead.

- **Mr. Mayur Milak - Anand Rathi**

- Hi good morning.

- **Mr. Jitendra Adhia – President Finance**

- Good morning.

- **Mr. Mayur Milak - Anand Rathi**

- A couple of questions, one you were saying that the electric three wheeler would be ready and available from Q4 if I am reading it right?

- **Mr. Jitendra Adhia – President Finance**

- Yes sir.

- **Mr. Mayur Milak - Anand Rathi**

- So could you just tell us right now the petrol and CNG, now all the products are pan India?

- **Mr. Jitendra Adhia – President Finance**

- This alternative fuel three wheeler we expect that since BS4 norms are going to be applicable from 1<sup>st</sup> April, 2017. So we have introduced this alternative fuel three wheeler in limited pockets. And from FY `18 we will introduce this product across the network so that is the plan. About electric vehicles we have already offered few vehicles for market clinic and for regular sales it will be available from Q4.

- **Mr. Mayur Milak - Anand Rathi**

- So basically we will have two products that still have to go PAN India. What is typically be our pricing difference between the two products, just ballpark thing?
- **Mr. Jitendra Adhia – President Finance**
- As far as alternative fuel three wheeler price is concerned, it is at par with all the peers, one. About electric three wheelers we are yet to disclose that price, possibly during Q4 when we will launch we will come out with the price.
- **Mr. Mayur Milak - Anand Rathi**
- Okay. And is there any kind of subsidy benefits from any of the government, state governments on using electric fuel at this point?
- **Mr. Jitendra Adhia – President Finance**
- No, as of now we don't have such kind of benefits available.
- **Mr. Mayur Milak - Anand Rathi**
- And on the costing side could you just highlight so I am just trying to understand this whole electric thing in a big way. So the costing side does it come cheaper as a technology or it is more expensive than your regular products?
- **Mr. Jitendra Adhia – President Finance**
- It is not entirely comparable with the existing three wheelers because the construction technology is little different for electric three wheelers. And if I have to tell you simple way, it is more simplified, a little easy technology compared to regular three wheelers.
- **Mr. Mayur Milak - Anand Rathi**
- All right. I will come back for more. Thank you.
- **Mr. Jitendra Adhia – President Finance**
- Thank you Mr. Mayur.
- **Moderator**
- Thank you
- We take our next question from the line of Mr. Abhishek Jain from HDFC Securities. Please go ahead.
- **Mr. Abhishek Jain - HDFC Securities**
- Hello sir, congrats for good set of numbers.
- **Mr. Jitendra Adhia – President Finance**
- Thank you Abhishek.
- **Mr. Abhishek Jain - HDFC Securities**
- Sir, what sort of incremental volume growth the company is looking for gasoline vehicle?
- **Mr. Jitendra Adhia – President Finance**

- It is difficult to tell you the exact numbers, as of now Mr. Abhishek but gradually we are expanding the availability of product across the network. Still we would like to call it as a sitting phase, we can discuss the numbers sometimes in next fiscal.

- **Mr. Abhishek Jain - HDFC Securities**

- Okay. Sir, Bajaj has entered into cargo segment through Maxima. So how this is impacting your markets here?

- **Mr. Jitendra Adhia – President Finance**

- As of now the segment, cargo segment we hold number 2 position Mr. Abhishek, definitely Bajaj is a strong competitor. But I suppose that still they are introducing their product, the competition may be a little stiff going forward. But we are more confident on the product offerings which we have offered and more than 2 lac references are already on the roll as far as Atul Auto vehicles are concerned.

- **Mr. Abhishek Jain - HDFC Securities**

- So what kind of volume growth you are targeting for the second half of FY `17?

- **Mr. Jitendra Adhia – President Finance**

- We expect that we will end up this fiscal with positive numbers, we are targeting atleast minimum double digit growth compared to last fiscal. So let us see how things are going to step up in the market because the external circumstances are obviously not under control of anyone. But as of now I am hopeful that we will end up this fiscal with positive numbers.

- **Mr. Abhishek Jain - HDFC Securities**

- So are you targeting a double digit growth in volume terms or the revenue terms?

- **Mr. Jitendra Adhia – President Finance**

- Obviously volume terms.

- **Mr. Abhishek Jain - HDFC Securities**

- Okay sir. Thanks sir.

- **Moderator**

- Thank you

- We take our next question from the line of Mr. Pavan Kumar from Unifi Capital. Please go ahead.

- **Mr. Pavan Kumar - Unifi Capital**

- Sir can you please throw some light on what is the existing market potential for the electric vehicles. Is there any kind of CAPEX we have to do for setting it up and how we are going to procure this particular raw materials? And is it different from the existing setup as such?

- **Mr. Jitendra Adhia – President Finance**

- Mr. Pavan, this authenticated statistics are not available about electric three wheelers but the market intelligence is such that it has got a potential of 8,000-10,000 vehicles per month. In terms of raw material procurement I suppose that since the technology is not that highly complicated all the materials are

available indigenously so the sources and vendors are already you know in line. And we expect that about the prices which will be normal prices available for Atul Auto Limited.

- **Mr. Pavan Kumar - Unifi Capital**

- So margins will you be able to maintain at a similar levels?

- **Mr. Jitendra Adhia – President Finance**

- Let us see Mr. Pavan we are yet to decide on pricing strategy.

- **Mr. Pavan Kumar - Unifi Capital**

- So 8,000-9,000 vehicles when we say it is potential for Atul Auto, right?

- **Mr. Jitendra Adhia – President Finance**

- This is the overall market size, annually this is close to 120,000 units market size.

- **Mr. Pavan Kumar - Unifi Capital**

- And secondly sir due to this demonetisation scheme so what is the kind of effect quantifiably that we can expect in the sense you were talking about double digit volume growth. But given the circumstances what would be the realistic picture that we can expect the company going forward?

- **Mr. Jitendra Adhia – President Finance**

- We need to measure the impact, it is bit premature sir in the first week itself. So I would like to take couple of weeks first and then I think we will be able to understand how the market is going to take off. If we look at practically this vehicle is being used by, you know the people who are largely dependent NBFCs, retail finance availability. So logically there should not be any problem with the potential of three wheelers that is what I am looking towards it.

- **Mr. Pavan Kumar - Unifi Capital**

- So still can we, remaining part of the year can we still hope for some kind of 5-10% growth in the vehicles?

- **Mr. Jitendra Adhia – President Finance**

- Yes sir. I am quite confident that we will end up the year because if you look at the trends during September we have sold more than 4,500 vehicles and in the month of October we could clock the sale of 5,000 vehicles. So that has really increased our confidence.

- **Mr. Pavan Kumar - Unifi Capital**

- And lastly sir regarding the electric vehicles growth rate so why are we entering this segment in the sense since it looks to be a very small market. Are we expecting the market to grow very fast, what is it exactly? And who will be the competitors who are already there?

- **Mr. Jitendra Adhia – President Finance**

- Sir, if you look at it from commercial point of view it has got as I said a potential for say 120,000 units per annum. So it makes a sense for me because as of now if you take the case of my overall production last year it was 44,000 units. So it makes business sense for us to get into that market that is point number 1. It is going to add a product in my product basket and dealers will have some more scope of business.

- **Mr. Pavan Kumar - Unifi Capital**



- Any CAPEX for this sir? How much?
- **Mr. Jitendra Adhia – President Finance**
- A very small one because we have all infrastructural facilities available at existing location to invest a large amount of money to develop that vehicle.
- **Mr. Pavan Kumar - Unifi Capital**
- Can we say Rs. 5 crores?
- **Mr. Jitendra Adhia – President Finance**
- Well below that sir.
- **Mr. Pavan Kumar - Unifi Capital**
- I will get back in the queue, thanks.
- **Mr. Jitendra Adhia – President Finance**
- Thank you so much sir.
- **Moderator**
- Thank you.
- We take our next question from the line of Mr. Kaushik Dani from Karvy Stock Broking Limited. Please go ahead.
- **Mr. Rupin - Karvy Stock Broking Limited**
- Hi sir Rupin here, thanks for the opportunity. What would be the volume growth for if you just bifurcate in terms of states, Gujarat is currently contributing around 35% than Kerala and Assam combined 6%. So these details are mentioned in the Annual Reports. So if you can just give me the three markets contribution like around UP, Bihar, Maharashtra how this market is contributing and you are targeting double digit growth for second half FY `17. So what would be the key market that will contribute in double digit growth?
- **Mr. Jitendra Adhia – President Finance**
- Rupin, it is difficult for me just give you a statewise contribution but if we discuss as of now when the large potential as far as Atul Auto is concerned Western and Eastern market. We are equally growing in Northern market as well. And as of now the contribution is from all the directions. Apart from you know these three zones even in South now our network is setting up and we are having a consistent numbers from Karnataka as well as Kerala.
- **Mr. Rupin - Karvy Stock Broking Limited**
- And sir in last conference call you had mentioned that you are planning aggressively for expanding your dealership network. So what is your plan for West Bengal and Tamil Nadu?
- **Mr. Jitendra Adhia – President Finance**
- West Bengal and Tamil Nadu, we started approaching these states and sometimes after BS4 introduction we will go and expand this network.

- **Mr. Rupin - Karvy Stock Broking Limited**
- And sir if you just provide the specification of your electric vehicle versus competition. So how big is the opportunity so that we wanted to understand what is the competition?
- **Mr. Jitendra Adhia – President Finance**
- As of now there is no organise player available in this market Mr. Rupin. The potential as I said although these numbers are not authenticated the total potential is 120,000 units a year. So from Atul Auto's prospect it makes a business sense for us, even if we are able to gain just 10-20% market share out of this 120,000 units it is going to make a volume of around 20-25,000 units a year.
- **Mr. Rupin - Karvy Stock Broking Limited**
- Okay sir and receivable days are expected to increase or decrease if you can throw some light on that?
- **Mr. Jitendra Adhia – President Finance**
- Let us see now under this new circumstances how the liquidity moves within the market. We were expecting that it has to be get reduced but unfortunately this new developments, we will have to understand how things are going to step up into the market and then we will have to take a call. Although we have reduced outstanding days compared to March.
- **Mr. Rupin - Karvy Stock Broking Limited**
- And sir are we planning for extending some financial benefits to the dealers like earlier we had done that. And we are in a process of converting to cash and carry business so what is the status there?
- **Mr. Jitendra Adhia – President Finance**
- I couldn't get you Mr. Rupin.
- **Mr. Rupin - Karvy Stock Broking Limited**
- Sir, earlier we had extended the finance facility to the existing dealers and we were in process of converting that particular facility into cash and carry model. So what is the status there?
- **Mr. Jitendra Adhia – President Finance**
- Cash and carry model only Mr. Rupin but for selective dealers and for selective markets depending upon the performance of the dealer and track of the company and their financial behaviour. We take a call to extend their credit, it is not available for all the dealers.
- **Mr. Rupin - Karvy Stock Broking Limited**
- All right sir. All the best.
- **Mr. Jitendra Adhia – President Finance**
- Thank you so much Mr. Rupin.
- **Moderator**
- Thank you.
- We take our next question from the line of Mr. Kush Joshi from Kitara Capital. Please go ahead.

- **Mr. Kush Joshi - Kitara Capital**
- Sir, congratulations for a good set of numbers.
- **Mr. Jitendra Adhia – President Finance**
- Thank you Kush.
- **Mr. Kush Joshi - Kitara Capital**
- I have a couple of questions, first the you have done 11,761 vehicles in this quarter so out of this how many is exports?
- **Mr. Jitendra Adhia – President Finance**
- As of now my exports is not that significant, export contributes hardly 3% to my revenue.
- **Mr. Kush Joshi - Kitara Capital**
- 3%?
- **Mr. Jitendra Adhia – President Finance**
- Yes sir.
- **Mr. Kush Joshi - Kitara Capital**
- Second question is that now we are reaching average sales in the range of 5,000 a month. So are we planning to aggressively expand our new facilities? What are the status there?
- **Mr. Jitendra Adhia – President Finance**
- As far as new expansion is concerned Kush bhai , we may start project work from next fiscal that is somewhere between March-April 2017.
- **Mr. Kush Joshi - Kitara Capital**
- That is commercial production?
- **Mr. Jitendra Adhia – President Finance**
- No sir, project work will start from March or April, commercial production may commence from next fiscal that is in FY `19.
- **Mr. Kush Joshi - Kitara Capital**
- Okay so that means April `18 or somewhere that time.
- **Mr. Jitendra Adhia – President Finance**
- Absolutely sir.
- **Mr. Kush Joshi - Kitara Capital**
- And now the electric vehicle which you have launched so as you mentioned the capacity, demand is something in the range of 8,000-10,000 potential. Is it coming from specific region or is it PAN India potential?

- **Mr. Jitendra Adhia – President Finance**
- As of now the larger potential lies in Eastern and Northern markets and as far as West and South is concerned electric three wheelers are not yet popular. But in Eastern side and in North market particularly in UP got larger potential.
- **Mr. Kush Joshi - Kitara Capital**
- Oh interesting. And whether this will enhance our export potential as well the launch of electric vehicles?
- **Mr. Jitendra Adhia – President Finance**
- As of now for exports we are you know focusing over alternative fuel three wheelers...
- **Mr. Kush Joshi - Kitara Capital**
- Not this.
- **Mr. Jitendra Adhia – President Finance**
- Not this.
- **Mr. Kush Joshi - Kitara Capital**
- Okay. Thank you sir and all the best.
- **Mr. Jitendra Adhia – President Finance**
- Thank you so much.
- **Moderator**
- Thank you.
- Ladies and gentlemen in order to ensure that the management is able to address questions from all participants in the conference please limit your questions to two per participant.
- We take our next question from the line of Mr. Prayesh Jain from IIFL Wealth. Please go ahead.
- **Mr. Prayesh Jain - IIFL Wealth**
- Hello, good morning sir.
- **Mr. Jitendra Adhia – President Finance**
- Very good morning Mr. Prayesh.
- **Mr. Prayesh Jain - IIFL Wealth**
- Sir, I wanted to understand how much volume you would have sold in the first half?
- **Mr. Jitendra Adhia – President Finance**
- In totality since we are into a seeding phase close to 3,000 vehicles are there in selected pockets.
- **Mr. Prayesh Jain - IIFL Wealth**

- And sir with regards to electric you are saying that you know there is a potential of 8,000-10,000 vehicles. But now we are already clocking a runrate of 5,000 units at production plus we are expecting growth from petrol and economic recovery and rural recovery diesel should also grow. So where do we have the capacity to serve this electric as well because you are saying that new capacity will come only in FY `19. So for next 1.5 years will it be the case that will the capacity starved?

- **Mr. Jitendra Adhia – President Finance**

- Now first of all Mr. Jain the beauty of this plant is that I can stretch manufacturing capacity to another 10-15% so this plant can really produce upto 70,000 units per annum, that is one. As I said sir for Greenfield expansion the preliminary job is over, we have already acquired land, land levelling and other required jobs are already done. And we intend to start putting up project from April `17 onwards, fine. So by the time we will get exhausted with the existing plant's capacity, the new facilities will be ready to take up the load.

- **Mr. Prayesh Jain - IIFL Wealth**

- And sir what is the impact of GST, you would have look at the rates so do you think it would be a major impact on the pricing of three wheelers?

- **Mr. Jitendra Adhia – President Finance**

- I don't think so however it will be not right as of now because since the complete information is not available on public domain. However we expect that there will be improvement in core structure. As far as the rates are concerned it is expected to be somewhere close to 28%. As of now the rates applicable in totality is 30-31%.

- **Mr. Prayesh Jain - IIFL Wealth**

- Okay sir, there is a small benefit of around 3% which can be passed onto the customer?

- **Mr. Jitendra Adhia – President Finance**

- Let us see sir.

- **Mr. Prayesh Jain - IIFL Wealth**

- And just last final question....

- **Mr. Jitendra Adhia – President Finance**

- Clearly I am not the price leader.

- **Mr. Prayesh Jain - IIFL Wealth**

- Okay, here is the final question. You spoke about exports, you will see month on month growth although it's a very small number but you are saying that, you are focusing on small markets. Which are these markets?

- **Mr. Jitendra Adhia – President Finance**

- It is available of course in Africa other than Nigeria then the other continental Latin American countries.

- **Mr. Prayesh Jain - IIFL Wealth**

- Sir, would you be more specific in terms of country names?

- **Mr. Jitendra Adhia – President Finance**
- In Africa we have Malawi, we are D R Congo, few other countries, Sudan etc. and Mozambique as well.
- **Mr. Prayesh Jain - IIFL Wealth**
- All right sir. Thank you so much sir.
- **Moderator**
- Thank you.
- We take our next question from the line of Mr. Mahesh Bendre from Way2Wealth. Please go ahead.
- **Mr. Mahesh Bendre - Way2Wealth**
- Hi sir, thank you for the opportunity. Sorry to be harping on this point, you already explained two times...
- **Mr. Jitendra Adhia – President Finance**
- No problem.
- **Mr. Mahesh Bendre - Way2Wealth**
- This demonetisation thing everyone knows that there is a problem in short term that this capacity of currencies creating the problem. Eventually if that will get addressed over the next 3 months, do you see any long term impact on our industry and our company, maybe 6 months down the line?
- **Mr. Jitendra Adhia – President Finance**
- Mr. Mahesh, you know as I already explained my sales are largely dependent on you know the retail finance availability because the enduser which are buying this vehicle they generally borrow this loan from NBFCs and finance institutes. So, I expect that once this first phase is over then we will have some more clarity about the issue. So it will be little premature to have any speculation over the business as of now.
- **Mr. Mahesh Bendre - Way2Wealth**
- Is it possible to share what kind of proportion of our share vehicles have been financed by the financial institutions?
- **Mr. Jitendra Adhia – President Finance**
- That is a general trend before any commercial vehicle, 90% of the vehicles are being financed by NBFCs and financial institutions.
- **Mr. Mahesh Bendre - Way2Wealth**
- So that is the case with us also?
- **Mr. Jitendra Adhia – President Finance**
- Yes sir.
- **Mr. Mahesh Bendre - Way2Wealth**
- Okay sure. Thank you sir.

- **Mr. Jitendra Adhia – President Finance**
- Thank you Mr. Mahesh.
- **Moderator**
- Thank you.
- We take our next question from the line of Mr. Sunny Agrawal from Emkay Global. Please go ahead.
- **Mr. Sunny Agrawal - Emkay Global.**
- Thanks for the opportunity. Sir my question pertains to electric vehicles so basically 2-3 questions. First of all when is the commercial launch for this electric vehicle? My second question pertains to is it like a normal three wheeler financing from banks or through NBFCs? And my third question is whether we are also launching a cargo type electric vehicle? Thank you.
- **Mr. Jitendra Adhia – President Finance**
- As I already explained in my initial speech we will introduce this electric three wheeler for both the applications that is passenger as well as cargo. Secondly, the retail finance in terms of three wheelers it is available not only from NBFCs but it is available from public sector and private sector banks as well. Can you come with your first question once again, I am sorry?
- **Mr. Sunny Agrawal - Emkay Global.**
- My question was that when it will be commercially launched with full force?
- **Mr. Jitendra Adhia – President Finance**
- That is we expect that we will be able to do it in Q4 of this financial year. We have already offered few vehicles for market clinic, my manufacturing facilities are all set. Market clinic is over we will introduce this product.
- **Mr. Sunny Agrawal - Emkay Global.**
- And sir my last question on that, I believe there are lot of tax benefits offered by various state governments for this electric vehicle. And post GST how will that change and what will be the net impact of tax on electric vehicles?
- **Mr. Jitendra Adhia – President Finance**
- That we are yet to study, what all benefits will be available under GST for electric three wheelers as far as regular range of three wheelers is concerned. As of now it is being taxed at the rate of 30% and as per whatever information available in public domain we feel that the new rate would be somewhere close to 28%. So there will be a marginal benefit.
- **Mr. Sunny Agrawal - Emkay Global.**
- Okay, understood. Thank you sir. Thank you and all the best.
- **Mr. Jitendra Adhia – President Finance**
- Thank you.
- **Moderator**

- Thank you.
- We take our next question from the line of Mr. Sidiq Shah from SBI Caps. Please go ahead.
- **Mr. Sardip - SBI Caps**
- This is Sardip from SBI Caps. Few questions, first is on other expenses, it seems a little bit on a higher side on Year On Year as well as Quarter On Quarter basis. So can you just explain us why?
- **Mr. Jitendra Adhia – President Finance**
- Will you come up later for having a detailed discussion because on this floor I won't be able to discuss this particular issue.
- **Mr. Sardip - SBI Caps**
- Sure. Second question is on the CAPEX, can you just highlight what has been the spend so far and what is the plan going ahead?
- **Mr. Jitendra Adhia – President Finance**
- Till now we have already incurred close to Rs. 50 crores for acquisition of land at Greenfield expansion and balance Rs. 100 crores is likely to be incurred in next two years.
- **Mr. Sardip - SBI Caps**
- So what was the plan for Financial Year `17?
- **Mr. Jitendra Adhia – President Finance**
- As of now we intend to do it through internal accrual only.
- **Mr. Sardip - SBI Caps**
- No, what I am asking is for the Financial Year `17 how much CAPEX that you have envisaged earlier?
- **Mr. Jitendra Adhia – President Finance**
- Financial Year `17 we may not be incurring large amount but for FY `18 you may expect that it will be somewhere close to Rs. 50 crores, it will be divided in two fiscals, FY `18 and FY `19.
- **Mr. Sardip - SBI Caps**
- And sir I wanted to understand little bit on R&D side, I mean what sort of expenses that, what sort of investments that you were incurring on R&D basically do develop new products? So one of them is technically the electric vehicle but going ahead do you see this proportion is increasing or how one should look at it?
- **Mr. Jitendra Adhia – President Finance**
- As far as our focus as of now is to have a decent market stake in three wheeler industry itself. All the products are already developed and it has been tested by the R&D team. Obviously, three wheeler technology is not that complicated so there is a consistent expense which is again not that very high, it is insignificant. But we have in-house R&D team and general expenditures are to upgrade the product and that maybe somewhere close to Rs. 4-5 crores a year.
- **Mr. Sardip - SBI Caps**



- But do you see that quantum getting increased over a period of time, let's say 3 years or 5 years down the line?
- **Mr. Jitendra Adhia – President Finance**
- That may increase, yes sir, why not.
- **Mr. Sardip - SBI Caps**
- Because what we are seeing is let say a product like Tata Zip may impact our three wheeler sales going ahead. So do you see this....?
- **Mr. Jitendra Adhia – President Finance**
- Right comparison, although once again to explain this thing it may take more time. So I request if you want to understand why this comparison is not right may I request you to just have a call sometime.
- **Mr. Sardip - SBI Caps**
- Sure sir. Okay, thanks.
- **Mr. Jitendra Adhia – President Finance**
- Thank you.
- **Moderator**
- Thank you.
- We take our next question from the line of Mr. Kaushal Jaitliya from Karvy Stock Brokers. Please go ahead.
- **Mr. Kaushal Jaitliya - Karvy Stock Brokers**
- Hello good morning sir. Thanks for the opportunity.
- **Mr. Jitendra Adhia – President Finance**
- Thank you Mr. Kaushal.
- **Mr. Kaushal Jaitliya - Karvy Stock Brokers**
- Sir, some of my questions have already got answered. Just wanted to understand...
- **Mr. Jitendra Adhia – President Finance**
- Mr. Kaushal may I request you to speak little loudly?
- **Mr. Kaushal Jaitliya - Karvy Stock Brokers**
- Yeah sir. Most of my questions already got answered, any reason for increase in other income sir?
- **Mr. Jitendra Adhia – President Finance**
- That is because of our investments, surplus investments whatever we are investing and there are certain technical service income.
- **Mr. Kaushal Jaitliya - Karvy Stock Brokers**

- Okay. Thanks sir.
- **Mr. Jitendra Adhia – President Finance**
- Thank you.
- **Moderator**
- Thank you.
- We take our next question, a follow-up question from the line of Mr. Pavan Kumar from Unifi Capital. Please go ahead.
- **Mr. Pavan Kumar - Unifi Capital**
- Sir, regarding other expenses I understand they are higher but is it a sustainable kind of figure that we should expect going forward or will it revert back to normal levels?
- **Mr. Jitendra Adhia – President Finance**
- It will revert back to normal levels.
- **Mr. Pavan Kumar - Unifi Capital**
- How many spot up?
- **Mr. Jitendra Adhia – President Finance**
- Let us see sir.
- **Mr. Pavan Kumar - Unifi Capital**
- And regarding your electric vehicles I just wanted to understand what kind of terrain are the places going to be launched? I think rural force will they be able to actually operate on? And what is the exact market targeting that we are trying to do in these particular vehicles? That is what kind of market we are targeting?
- **Mr. Jitendra Adhia – President Finance**
- First of all this electric three wheelers generally it has been replacing the cycle rickshawala, that is one. Second, these vehicles are useful for feeder route....
- **Mr. Pavan Kumar - Unifi Capital**
- For feeder?
- **Mr. Jitendra Adhia – President Finance**
- Feeder route, yes sir.
- **Mr. Pavan Kumar - Unifi Capital**
- So roads, wouldn't it be a problem for these kinds of vehicles from what I understand that they have very low clearances from the ground level, right?
- **Mr. Jitendra Adhia – President Finance**

- But sir the maximum speed this vehicle can acquire is 25 kilometers so I don't think road will be anymore an issue.
- **Mr. Pavan Kumar - Unifi Capital**
- And just for an idea sir? It's like if I charge a electric vehicle, for full charging how much distance can I go?
- **Mr. Jitendra Adhia – President Finance**
- 70-80 kilometers per charge.
- **Mr. Pavan Kumar - Unifi Capital**
- And there is going to be separate charging stations or something that are going to be made by Atul Auto or somebody else? How is it going to take place?
- **Mr. Jitendra Adhia – President Finance**
- No sir, they can just recharge it through a simple electric plug so we will not be offering this kind of facility as of now.
- **Mr. Pavan Kumar - Unifi Capital**
- But as of now are they any kind of, there are no norms applicable from the transport authorities regarding the launch of this, right?
- **Mr. Jitendra Adhia – President Finance**
- No, no, there are norms sir, the government has already introduced and like this regular three wheelers it has to pass through certain safety norms as well. And there are registration norms also available.
- **Mr. Pavan Kumar - Unifi Capital**
- Okay, we have obtained clearances from these...?
- **Mr. Jitendra Adhia – President Finance**
- We have already cleared it and we have obtained the certification.
- **Mr. Pavan Kumar - Unifi Capital**
- And who will be the competitors, only unorganised players that is what you are saying, no Bajaj or anybody major is there?
- **Mr. Jitendra Adhia – President Finance**
- No sir as of now it is all unorganised players.
- **Mr. Pavan Kumar - Unifi Capital**
- Right sir. Thanks, that's it from my side.
- **Moderator**
- Thank you.

- Ladies and gentlemen we take the last question which is from the line of Mr. Jinesh Joshi from Asit C. Mehta. Please go ahead.
- **Mr. Jinesh Joshi - Asit C. Mehta**
- Thanks for the opportunity sir. Just one follow-up on the electric vehicle thing. Do we require any date approval to launch an electric three wheeler because we are essentially looking out for Eastern and Northern regions. So any kind of approval required to launch over there?
- **Mr. Jitendra Adhia – President Finance**
- Absolutely yes. As I said like regular three wheelers we have to get the Overlocation Certificate, regularly for electric three wheelers there are certain norms prescribed by the government and we have already obtained that certification.
- **Mr. Jinesh Joshi - Asit C. Mehta**
- So from which all states have we approved the certifications?
- **Mr. Jitendra Adhia – President Finance**
- First of all the certification was available for vehicles and then we have to approach 8 State Transport Authorities. As of now Gujarat we have already obtained, we have some few vehicles in Rajasthan. Apart from Rajasthan, Assam is another state.
- **Mr. Jinesh Joshi - Asit C. Mehta**
- And sir with respect to pricing I understand that we haven't decided at what price levels will we launch these vehicles but you mentioned that the average runrate is about 8,000-10,000 vehicles per month. And there is no big competitive players in this particular space. So in the unorganised market what levels are these vehicles being sold right now, if you can just give us some sense on pricing?
- **Mr. Jitendra Adhia – President Finance**
- That is again very uncertain, as per market intelligence it is being sold somewhere between Rs. 80,000 to Rs. 1,50,000 at any cost.
- **Mr. Jinesh Joshi - Asit C. Mehta**
- So have we decided, I mean at what levels will....?
- **Mr. Jitendra Adhia – President Finance**
- That is yet to be decided
- **Mr. Jinesh Joshi - Asit C. Mehta**
- And sir just one last question. You mentioned that BS4 will be applicable from 1<sup>st</sup> April 2017. Sir, because of that will there be any recalibration in engines and if yes what kind of cost increase will we see because of this?
- **Mr. Jitendra Adhia – President Finance**
- Definitely, there will be certain upgradations in terms of engine there is no doubt about it. About cost escalation, our vendor is yet to clear that price.
- **Mr. Jinesh Joshi - Asit C. Mehta**

- But can you give a ballpark figure, I mean 3%, 4%...?
- **Mr. Jitendra Adhia – President Finance**
- Anywhere between 5-10% sir for engine cost.
- **Mr. Jinesh Joshi - Asit C. Mehta**
- Okay sir. Thank you so much. Thank you.
- **Moderator**
- Ladies and gentlemen as that was the last question I would now like to hand the conference to Mr. Rohan Korde from Prabhudas Lilladher for closing comments.
- **Mr. Rohan Korde – Prabhudas Lilladher**
- We thank the management and all the participants for attending the conference call. Thank you sir and all the best for the future.
- **Mr. Jitendra Adhia – President Finance**
- Thank you so much Mr. Rohan and wish you all the very best.
- **Moderator**
- Thank you very much.
- On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining....
- **END**