



May 22, 2017

Ref: ATULAUTO/SEs/InvestorConCall/16052017/Transcript

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 May 16, 2017**

We are attaching herewith the transcript of Investors Conference Call held on Tuesday, May 16, 2017 to discuss audited financial results of Atul Auto Limited for the quarter and year ended on March 31, 2017.

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 – 16<sup>th</sup> May, 2017**

Moderator: Good morning ladies and gentlemen. I am Honeyla, moderator for the conference call. Welcome to results of Atul Auto Limited for quarter 4 FY17 conference call. We have with us today Mr. Jitendra Adhia representing the management of Atul Auto Limited. At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press \* and 1 on your telephone keypad. Please note this conference is recorded. I now would like to hand over the floor to Mr. Adhia. Over to you sir.

Jitendra Adhia: Thank you Honeyla. Good morning ladies and gentlemen. I would like to extend a very warm welcome to all of you at this concall. I do have pleasure in apprising you about our performance and financial results for quarter 4 as well as the year in complete. We shall start the proceedings with an overview of the performance of industry and comment on the performance of the company for the year ended recently. And subsequently we will be opening up this floor for question and answer session. However, well before we move ahead let me tell you this year was really exceptional, learning was much more than the experience, completely this year has remained eventful. Friends, for FY17 the overall auto industry has registered positive growth of 5.10%, domestic market has grown by 6.81%, whereas export has de grown by 4.50%. This year till H1 the performance of the industry was decent enough, however, during H2 demonetization has affected the domestic volume for couple of months. The volatility in economic scenario in export market, particularly in Africa, is one of the factors, which is responsible for de growth in export market as well. Among the various auto products, three-wheeler industry is a major impacted segment. This year three-wheeler industry has attained a negative growth of 17%, which was completely contradictory to the trend and research on sales predictions. Domestic industry was down by 4.93% whereas exports has substantially de grown by 33%. As far as quarter 4 is concerned, three-wheeler overall industry volume and domestic as well as export numbers is down by 24%.

Now let us switch to results of Atul Auto Limited. Apart from demonetization issue, another hit for Atul Auto was a wet debacle in Gujarat in the beginning of the year, which has affected sales of Atul Auto at large. For FY17 the company has sold 38,795 vehicles and achieved turnover of Rs.472 crores as against 43,893 vehicles and turnover of Rs.528 crores in FY16. There is a fall of 11.61% in unit sales and 10.57% in sales turnover. Domestic sales for the year has remained 36,507 vehicles as against 42,361 vehicles last year whereas in export market we have grown substantially, although the numbers are still insignificant, these numbers have grown from 1532 vehicles to 2,288 vehicles. Out of 38,795 vehicles, 20,418 were passenger vehicles and 18,377 were load carrier vehicles. In domestic market, our market share for cargo has remained 17% whereas overall passenger segment, our stake has remained 5%. Since the major challenges are over and it is expected that with implementation of GST overall economic scenario will be positive for the industry, at the same time with BS IV alternative fuel to be introduced across the network and launch of electric three-wheelers, we expect to be back on growth track in FY18. Another growth driver will be export volume for the company and this sector will lead the journey of continuing the growth momentum.

Friends, now let us turn to financial performance. The detailed results are already available on the site, but let me apprise you about a few highlights and then we will open this floor for question and answers. The net profit for the year has remained 7.90% as against 8.98% in FY16 on account of low scale of economy. It will be restored once we are back to normal volume. EBITDA is 13.21%; EPS for the year has remained Rs. 17.01,

which is down by Rs.4.59 compared to FY16. Raw material consumption has increased by 32 basis points on account of hike in commodity prices. We have continued our debt-free status; receivables which was one of our concern have reduced considerably compared to previous year. The composition of domestic and export sales is also improving and it is expected to improve further. Company has continued the practice of dividend payout of approximately 30% and the directors have proposed final dividend of Rs.1.50, thereby total dividend for the year has remained Rs.4.25 per share. Now I would like to open this floor for your question and answers.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and then 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. I also request the participants to ask one question in the initial round and may join the queue for more questions.

The first question comes from Mr. Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Hello sir. Sir, firstly we have seen a sharp increase in raw material cost in the quarter. Is there any discount related thing, a one off, basically in that?

Jitendra Adhia: No, there was no discount as far as raw material prices are concerned. In fact, there were a few price negotiations, which were going on and as you know, the commodity prices have gone up in last year, so you can consider it as a one off thing.

Ashutosh Tiwari: No, I am saying that is it higher because we offered discount to clear BS III inventory?

Jitendra Adhia: No, not at all. Not a single rupee has been offered as a discount.

Ashutosh Tiwari: Sir, secondly we are going to launch the electric three-wheeler from this quarter. So what is the update over there, are we on track for that?

Jitendra Adhia: Yes, we are perfectly on track. We have started dealing it through limited dealerships and the response is positive. The regular sales may start from this quarter itself.

Ashutosh Tiwari: And sir, which states we are targeting first for roll out?

Jitendra Adhia: Obviously, as of now, the market potential is high in north and eastern side.

Ashutosh Tiwari: Okay. So are we going to launch in all the states or we are going to be selective like what we did with the petrol and...

Jitendra Adhia: We generally have a soft launch all the time.

Ashutosh Tiwari: Okay, okay. And sir, other expenses and employee costs are also lower in the quarter. Any reason behind that? If you look at QOQ and YOY basis.

Jitendra Adhia: No, as I already apprised you Mr. Tiwari, that overall production volume was low, so there were, manpower has been arranged accordingly.

Ashutosh Tiwari: Okay, thank you.

Moderator: Thank you sir. The next question comes from Mr. Raghu Nandhan from Quant Capital. Please go ahead.

Raghu Nandhan: Thank you sir for the opportunity. Can you share details of growth in sales in the petrol CNG vehicles FY17 and expectations for FY18?

Jitendra Adhia: I won't be able to disclose the exact numbers, but it has improved substantially Mr. Raghu.

Raghu Nandhan: Understood sir. And how do you expect penetration to pan out this year...by end of this year last you had indicated we would be in a position to be there present in all the states in the country?

Jitendra Adhia: It was a deliberated decision last year when we introduced alternative fuel cylinders, because this BS IV using was expected from 1st April 2017, so we had introduced it in a limited pocket. Now, since the vehicle has complied with all the norms, it has really opens out the entire network for us. So by end of this year we will be introducing it across the network.

Raghu Nandhan: Understood, thank you. Sir, can you comment on what kind of support you are seeing from the central or the state government for the electric vehicle segment and how you will be in a position to take advantage of that, and how do you see that plan panning out? In the previous question you indicated that north and east would be the initial areas where you would focus upon. I think, last year Uttar Pradesh had one Rickshaw Yojana, so can you generally comment on how is the environment, how is the potential there in that market. Thank you.

Jitendra Adhia: Mr. Raghu, as of now, we would be definitely looking towards the potential without any aid from the government. We just wanted to see the product correctly. We would like to have the positive feedback from the customer. Wherever there will be any opportunity for wholesome sale or bulk sale through government agencies, we will be approaching the local governments wherever required. However, none of our strategy, as of now, is dependent upon the aid to be given by the government.

Raghu Nandhan: Understood sir. Just one last query. Can you comment on the dealership addition plans for FY18? Thank you.

Jitendra Adhia: Surely. We expect that with the positive scenario across the country, we may add approximately 15% to 20% dealers in our existing network. That turns out to be somewhere close to 230, 240 dealers, if everything goes good.

Raghu Nandhan: Understood sir. Thank you so much.

Jitendra Adhia: It is a pleasure Mr. Raghu.

Moderator: Thank you sir. The next question comes from Mr. Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Thanks for taking my question. Despite challenging macro environment, the export has gone up 15%, YOY, so what is the reason for significant growth in exports?

Jitendra Adhia: We started seeing it in FY15 and we were expecting that once the overall economic scenario will improve, we will be able to do the great numbers, although we could capture good growth in terms of percentile, but absolute volume is not that significant. So we have...

Abhishek Jain: Sir, which are the export markets?

Jitendra Adhia: Sorry?

Abhishek Jain: Which are the key export markets?

Jitendra Adhia: See, as of now, African countries and Latin American countries are the major destinations. Among these two major destinations, African countries are not just indicating any positive growth, but Latin American countries are one of the emerging markets where there is a large sales potential.

Abhishek Jain: Okay. And sir, what is your contribution of UP in overall sales and what kind of growth the company is looking from this state?

Jitendra Adhia: So, we don't share state-wise numbers basically?

Abhishek Jain: But what is the lumpsum numbers from UP basically because UP contributes around 7% of the total three-wheeler sales. So would like to know what is your contribution in...?

Jitendra Adhia: The entire northern region contributes decently in my sales composition. As I said, Mr. Abhishek we don't share the state-wise numbers.

Abhishek Jain: So what is the contribution from the northern region and western region?

Jitendra Adhia: Approximately 20%.

Abhishek Jain: 20%.

Jitendra Adhia: Yes.

Abhishek Jain: Okay sir, thank you.

Jitendra Adhia: It is a pleasure Mr. Abhishek ji.

Moderator: Thank you sir. We have the next question from Genish Joshi from Asit C. Mehta. Please go ahead.

Genish Joshi: Thanks for the opportunity sir. I just had one question. Basically were our dealers able to sell the entire BS III inventory before first of April 2017 or were there any sales return and if there was a sales return, does that inventory become redundant or it can be upgraded to BS IV and does it entail any switching cost, if you can just share?

Jitendra Adhia: Mr. Joshi, still few dealers are carrying BS III inventories. It will not be redundant. It is upgradable, so as and when dealers are going to return that sales, these vehicles can be upgraded.

Genish Joshi: So what is the count as of now, the total count of BS III inventory?

Jitendra Adhia: That is very insignificant Mr. Joshi, close to say around 2500, 3000 vehicles.

Genish Joshi: Okay and what will be the switching cost to upgrade it to BS IV?

Jitendra Adhia: We are working upon it, but there will not be any hit as far as company's balance sheet is concerned.

Genish Joshi: Okay. And what are the CAPEX plans for FY18, I mean, are we going to commit fresh money for expansion, considering that the utilization level is anywhere between 65% to 70% at this junction.

Jitendra Adhia: As of now, what we are looking at is, let us watch out how the market turns out end of H1 and then we will take a call, because one of the major thing, which is going to happen in this country, is implementation of GST. So, we will definitely watch out how the things are moving and then we may take a call in H2.

Genish Joshi: Okay, because earlier our CAPEX plan was such that it was divided equally between FY17 and FY18, but we haven't committed any fresh money towards the Ahmadabad expansion. Now in FY18 also if we are not committing any fresh money, that means the sales will get postponed to FY19 and '20. So I just wanted to know whether we are seeing any green shoots with respect to demand coming up, because we are launching three-wheelers in the electric space as well, plus we will be launching alternative fuel engine vehicles as well. So there are many things, which are lined up for FY18, so just wanted to know if any plan is there with respect to CAPEX commitment?

Jitendra Adhia: I agree Mr. Joshi. Let me first tell you, the existing plants as (not sure) lines where I can produce all types of vehicles, so we will definitely wait till the capacity utilization improves at existing plants, and as I say, if the things turns out to be positive, we will take a call in H2. As far as overall (not clear) concerned, we are intending to fund it through internal accrual only, company is enjoying cash surplus as well. So this call can be taken one month easily.

Genish Joshi: Okay sir, thanks a lot.

Jitendra Adhia: Pleasure Mr. Joshi.

Moderator: We have the next question from Pawan Kumar from Unified Capital. Please go ahead.

Pawan Kumar: Good morning sir. Actually I just wanted to understand, our trade receivables jumped from 12 crores, around 13 crores last year to 57 crores this year and what would be our receivable position as of now?

Jitendra Adhia: Mr. Pawan, the receivables has come down substantially.

Pawan Kumar: Okay. So what would it be right now sir? Around?

Jitendra Adhia: That is again in the range of 40 days.

Pawan Kumar: Okay. Why was this jumpstart? Because of BS III inventory being shifted to the dealers side in the last two or three days and then they selling off that particular inventory, what has happened exactly? Can you just give some light?

Jitendra Adhia: Mr. Pawan, I think, let me first apprise you about the figure. The sales this year has come down from 76,35,00,000 to 47,77,00,000 as on March 31st. Subsequently, yes, wherever, there will be the need of holding the hand of the dealers and depending upon the comfort of the company and track of that particular dealer, we may extend them some extra (audio break) to overcome the particular situation. However, broadly for the next fiscal we expect that our trade receivables may remain in the range of say between 30 and 45 days.

Pawan Kumar: Okay. So, you are saying that receivables have already come down, right?

Jitendra Adhia: Yes Mr. Pawan.

Pawan Kumar: Okay, and sir about this BS III inventory clearing, so what are we going to do with this 2500 to 3000 vehicles further?

Jitendra Adhia: These vehicles will be upgraded by the company.

Pawan Kumar: Okay. And regarding e-rickshaw launch, so this particular month is going to be a seeding phase or how do we expect the sales number to pan out going forward?

Jitendra Adhia: Let me tell you, we have started billing it to the dealers, this has already initiated, and the seeding will be going on for this quarter as well as next quarter.

Pawan Kumar: And any kind of targets you have sir, on what you want to sell, what kind of market share you want to take in this space?

Jitendra Adhia: Mostly we will be discussing it during Q3 this year, because first two quarters we would like to just, you know, seed the product correctly. By the time we will be able to understand the overall economic scenario as well, and even today this electric three-wheeler market is completely unorganized. So we will be also learning it from the market and then we will plan out the numbers. But I can assure you that we will have a very decent stake in this market.

Pawan Kumar: Okay. And lastly sir, so we don't expect any further balance sheet hit because of BS III inventory, right? From what I understood from your comments?

Jitendra Adhia: Yes, your perception is very perfect Mr. Pawan.

Pawan Kumar: Okay sir, fine. I will just join back in the queue. Thanks.

Jitendra Adhia: Okay, thank you.

Moderator: Thank you sir. Sir we have the next question from Mr. Basudeb Banerjee from Antique Finance. Please go ahead.

Basudeb Banerjee: Thanks Adhia bhai for giving me the opportunity. Sir couple of questions. One is, if one sees crude to have stabilized at present levels for long and even last month export markets were at least in the two-wheeler space where your PS have started improving. Your three-wheeler exports were also around 280, which is like one of the best months. So, do you think that things are improving and this kind of run rate is sustainable or it is just a seasonal factor and one can see again low export numbers soon?

Jitendra Adhia: No Mr. Basu, I expect that we will be able to sustain and in fact I expect to improve it further, because in whatever markets we have seeded the vehicles, we are receiving a positive response from all the markets.

Basudeb Banerjee: Sure sir.

Jitendra Adhia: So I expect to see a substantial jump in overall export volume next year.

Basudeb Banerjee: Sure sir. And second thing sir, if I see your goods segment volume, largely stagnating with a monthly average of 1500 this fiscal, whereas if you see Bajaj Auto reentering the space from nowhere, now it is consistently clocking above 1500, so on a ballpark basis one can infer that it has taken away that incremental opportunity from you. I am not saying you are declining, but you could have grown much more if Bajaj was not there in this space again. So what's your comment on that space per se down the line?

Jitendra Adhia: (Not clear) CSR having, you know, very good brand equity is there, they enjoy very good network as well, but what I expect in totality, Mr. Basu, that this year our overall goods cargo segment is likely to attain a decent growth in the three-wheeler segment and I have versatile product range available with me. Apart from standard applications, we have almost 30 odd customized applications



available in our product basket, which is not available with any other manufacturers. On this ground I expect that we will be able to definitely improve upon our market share next year.

Basudeb Banerjee: Sure sir. And sir, last question...

Moderator: Sorry to interrupt Mr...

Basudeb Banerjee: Very, very small question, I won't take much time, but somebody asked in the call before, so as you said that in second half of next fiscal you will have a relook at the CAPEX strategy, because your volume is at present below 40000 and you have a capacity of 60000 from (not clear) itself. So, if you don't go aggressive on the Ahmadabad CAPEX, will it be right to assume again 8 to 10 crore maintenance CAPEX in FY18?

Jitendra Adhia: That is not that high. The existing plant's maintenance CAPEX is well below 5 crores Mr. Basu.

Basudeb Banerjee: Okay, so it can be single digit CAPEX if you don't invest for Ahmadabad in FY18. Okay sir, thanks. That's all from my side.

Jitendra Adhia: It is a pleasure Mr. Basu.

Moderator: Thank you sir. Sir, we have the next question from Onkar Kulkarni, individual investor. Please go ahead.

Onkar Kulkarni: Yeah, hello sir.

Jitendra Adhia: Hi Mr. Kulkarni.

Onkar Kulkarni: My question was what kind of sustainable run rate in terms of growth rate you can achieve in next two, three years?

Jitendra Adhia: I always remain confident about achieving double digit growth and that could be sustained not only for two, three years, but next five years.

Onkar Kulkarni: You have been guiding this for last two years also Mr. Adhia.

Jitendra Adhia: Last year was exceptional, you can understand. There were certain external factors, which were beyond the control of any player.

Onkar Kulkarni: Yeah. But even if you look at the last...that happened in April of 2016, right, and if you look at your latest figures, they have increased 100%, but on a lower base, right?

Jitendra Adhia: I agree, I agree.

Onkar Kulkarni: That is around 2500 vehicles, but the earlier month it was 3300 vehicles, that is in March I am talking about. So, what explains this fall month-on-month?

Jitendra Adhia: See, if you look at historically, April always remained a very low month among all 12 months. So, even I agree with you that achieving 100% on a low basis is not that great thing. But we were able to put the company on a right track again and we need to wait for another two months, let the GST to be implemented, and thereafter the picture will be more clear.

Onkar Kulkarni: Okay. And in terms of exports, your contribution to overall sales, the export is contributing around 5% to 6%, right, currently, if you look at FY17?

Jitendra Adhia: Can you come again Mr. Kulkarni? I was unable to just understand your question.

Onkar Kulkarni: The total sales recorded by Atul Auto was around 38800 vehicles in FY17, right?

Jitendra Adhia: Right.

Onkar Kulkarni: Yeah. And the export contribution from that was 228 vehicles, right?

Jitendra Adhia: Right.

Onkar Kulkarni: That comes to around 5% to 6% of total sales, right?

Jitendra Adhia: Right.

Onkar Kulkarni: So what kind of share you can garner in next two to three years? In your overall sales from exports?

Jitendra Adhia: Composition will improve in medium term somewhere between 30% to 40%.

Onkar Kulkarni: Is that really achievable, in medium term you mean to say five years?

Jitendra Adhia: Somewhere between three and five years.

Onkar Kulkarni: Is that really achievable from 5% to 30% to 40%?

Jitendra Adhia: Mr. Kulkarni, let me tell you, again if we discard FY17, the overall volume in export industry is somewhere close to 4, 4-1/2 lakh units a year. Among that industry if I intend to have 40,000, 50,000 vehicles, going forward in next three to five years, that is quite achievable. And as per various research; which is published, export volume is likely to attain a better growth compared to domestic one. If I aim at a 40,000, 50,000 or say 75,000 volume in next three to five years, it is achievable, not that exaggerated.

Onkar Kulkarni: Okay, one last question...

Moderator: I am sorry to interrupt sir, Mr. Kulkarni, could you please join the queue for more questions.

Onkar Kulkarni: Yeah, sure, thank you.

Moderator: Thank you so much sir. Sir, right now we have the next question from Dikshit Joshi, White Stone Financial Advisors. Please go ahead.

Dikshit Joshi: Hello. Good afternoon sir. Just one broad question, let's say about for a three to four years or five years you... so in cities like say Ahmadabad or Surat, in which the standard of living has been increasing, so we are seeing that even the local people and the tourists are preferring more of an Uber or Ola kind of things, so do you foresee any risk in the passenger segment of the three-wheeler in these developed cities?

Jitendra Adhia: I completely agree Joshi ji that it is going to be altogether a new platform, but at the same time, apart from the class, which will be traveling through Uber, there will be a large mass who will look for economy in the transportation costs. That is point #1, point #2 with the development of metro rails or BRTS projects in various cities or smart cities, we need to have some small transportation for feeder routes. So, all these feeder routes as well as small distance travel, this three-wheelers are trendy and useful means. At the same time rural economy, where the infra is going to come up, one needs to have something to ply on it, and once again this three-wheelers always remain very handy and economical in terms of transportation costs.

Dikshit Joshi: Okay. Earlier we had a plan of Sri Lanka, so that is now off the table right now?

Jitendra Adhia: No, we have already given up as far as Sri Lanka project is concerned because we were not able to get the sanction as per our terms.

Dikshit Joshi: Okay, thank you. That's it from my side.

Jitendra Adhia: Pleasure Mr. Joshi.

Moderator: Thank you sir. The next question comes from Nirmal Bari from Shameeksha Capital. Please go ahead.

Nirmal Bari: Sir, thank you for taking my question. My first question is on the BS III inventory that we had 2500 to 3000 vehicles, what was the management thinking behind not offering discounts and pushing that inventory out? Secondly it has been, like, more than 45 days since the inventory has become redundant, so how long will it take before we get that inventory back and upgrade it?

Jitendra Adhia: Fine Mr. Nirmal, let me tell you, it was not possible for three-wheeler manufacturers to just sell out the inventories in two days' time, because the Supreme Court verdict had

come on 29th March 2017 at around 2 o'clock. Fine, so practically that was not feasible as well. And we intended to just honor the verdict of Supreme Court, so we thought that we will keep ourselves away from offering any undue discounts; that is point #1. Point #2, practically the buyer of three-wheeler comes from a low income group in the society, they need to jot down various documents for availing retail finance that is practically not possible to just submit to the finance company in two days' time. And lastly, about the time which we may take to upgrade this inventory, will be somewhere in the range of two to three months.

Nirmal Bari: Okay sir. And thanks. That's quite helpful.

Jitendra Adhia: Pleasure Mr. Nirmal.

Moderator: Thank you sir. Participants are requested to ask one question in the initial round and may join the queue for more questions. Sir, we have the next question from Nikunj Khanna from ASK Investments. Please go ahead.

Nikunj Khanna: Good morning sir.

Jitendra Adhia: Very good morning Mr. Nikunj.

Nikunj Khanna: So since we have done the soft launch of electric rickshaw in this quarter, I just wanted to know what would be the price at which we have launched e-rickshaw.

Jitendra Adhia: Can you come again, I think, there was some disturbance in your voice. Can you come again please?

Nikunj Khanna: Since we have soft launched the e-rickshaw in this quarter, just wanted to know the price at which we have done the soft launch?

Jitendra Adhia: The price is regular one. The on road price depending upon the distance is somewhere between 1,40,000 to 1,50,000 to the end user.

Nikunj Khanna: Okay. And also regarding the price hike, as we spoke last time that you told that 3000 to 4000 kind of price hike you need to take in order to combat the increase in raw material or due to the BS IV implementation. Any thoughts on that sir?

Jitendra Adhia: We have already revised our prices with launch of BS IV vehicles from 1st April.

Nikunj Khanna: So how much it would be?

Jitendra Adhia: It was a combination of everything, upgradation of BS III to BS IV; we have covered the price hike in commodity as well.

Nikunj Khanna: Sir, how much it would be sir?

Jitendra Adhia: The range is somewhere between 3% to 4%.

Nikunj Khanna: 3 to 4%. Okay, thank you sir.

Moderator: Thank you sir. The next question comes from Mr. Deepak Jain from Subkham Ventures. Please go ahead.

Deepak Jain: So, with this price hike, you expect the raw material to sales to normalize to the full year levels or last three quarters level?

Jitendra Adhia: See, as of now, these prices are stable. But as expected, it may go up by say few basis points in coming times.

Deepak Jain: Sorry, you are expecting further increase in raw materials?

Jitendra Adhia: I expect so. For full year there will be few basis points hike in commodity prices.

Deepak Jain: Okay, so for FY18 full year compared to FY17, that's what you are saying, right?

Jitendra Adhia: Yes, that's right.

Deepak Jain: Okay. Thank you sir.

Moderator: Thank you sir. Sir, we have the next question from Mr. Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: Good morning sir. Thank you for the opportunity. Sir, with regard to the electric three-wheelers you are competing with sort of unorganized players who might be evading taxes, so in terms of pricing how...what would be the differential between us and these players, sir, and what would be the USP, how can we differentiate us as a product compared to them?

Jitendra Adhia: See, it will be really difficult for me to give any comments on price differentiation of unorganized player and Atul Auto that is point #1, because they throw away the product at any price. So, it would not be right comparison, if we go on comparison. About features, which we are offering is, apart from the standard quality, we do offer warranty and services to these customers. We are also making available finance for them. So this would be few additional features, which we will be offering along with the product.

Srinath Krishnan: Okay. So, as you rightly said, financing has been an issue for these e-rickshaws, so yours will be...you will be helping 100% share, is it sir?

Jitendra Adhia: Yes. We will definitely make it available for the end user. We have a tie up with various financiers and we will get into further MOUs with these financiers for getting finance for end user.

Srinath Krishnan: Right. Thanks sir.

Jitendra Adhia: Okay Mr. Srinath.

Moderator: Thank you sir. Sir, we have the next question from Sudhir Kedia from Mirae Assets. Please go ahead.

Sudhir Kedia: Good morning sir.

Jitendra Adhia: A very good morning Mr. Kedia.

Sudhir Kedia: And thanks for taking my question. Sir, I have two, three points. Sir, one, for FY18, what kind of volumes can we expect given the...how is the ground scenario on terms of demand?

Jitendra Adhia: Mr. Kedia, it is really difficult as of now, to predict full year, because we are expecting implementation of GST. However, internally we intend to discard last fiscal and we will consider FY16 as a benchmark. And I expect that we will be able to go back to normal growth momentum once again.

Sudhir Kedia: Month-on-month you are saying basically that on ground demand scenario is improving, right?

Jitendra Adhia: For April, let me tell you, it was a very normal one. Some kind of sense we may start getting from this month or post implementation of GST. But, as of now, the scenario demands curve is very cool and normal.

Sudhir Kedia: Okay, right. And sir, point #2 is related with BS III vehicles. You said that BS III vehicles inventory is about 2200 or so in the system currently, right?

Jitendra Adhia: Right.

Sudhir Kedia: And when this judgment of Supreme Court came, it was about 6600 right?

Jitendra Adhia: Right.

Sudhir Kedia: So we were able to sell off about 4400 odd units in two days. Is that the correct understanding?

Jitendra Adhia: There were...in this particular trade, generally, they had a booking...at dealer's end they had a booking and they were able to just catch hold of those customers. Now, let me correct your figures as well, because the day when we submitted the inventory, you can understand that this (not sure) are always very quick and that was a very closed figure, which generally dealers hold. On the day of

judgment the overall inventory was around 4500 vehicles, which was reduced to somewhere between 2500 to 3000 vehicles.

Sudhir Kedia: Okay, okay. So it was 4500 and not 6000 odd...

Jitendra Adhia: No, no, that was not...I think the statistics are right, but this figures were given well before 20th March.

Sudhir Kedia: Okay, okay. And what kind of expenditure did we incur to clear this inventory in two days? So we cleared about 1500 to 2000 vehicles in approximately two days, what kind of expenditure you had to incur for that?

Jitendra Adhia: It was.....there were no extra expenditure from company side, 1, dealers, which were holding a booking, they had really worked well into the market and they were able to just click with the other sectors, like, availing finance, registration, etc.

Sudhir Kedia: Okay, we did not incur any expenditure.

Jitendra Adhia: No, not at all, not a single rupee has been incurred in terms of discounting or doing any extra activities.

Moderator: Sir, sorry to interrupt sir.

Sudhir Kedia: Ma'am, I am continuing with the first question only.

Moderator: Okay, alright.

Sudhir Kedia: And what kind of expenditure we have to incur for this 2500 vehicles to convert them to BS IV compliant?

Jitendra Adhia: We are still working it out, but let me tell you, there will not be any cost, because these vehicles are already sold to the dealers and company will definitely upgrade these vehicles at a cost to be charged from the dealers.

Sudhir Kedia: Oh, that's interesting. And sir, regarding this electric vehicles, can you give us a sense in terms of what is the total number of vehicles that you sold in the country currently and who are the large players who are selling this inventory, who are selling these vehicles, I mean to say 10000 odd vehicles or so?

Jitendra Adhia: This is completely unorganized market sir. Majority of the volume is captured by the assemblers. And these are catered in the country, few are there in northern side, few are there in southern side as well.

Sudhir Kedia: So, if you can give us some sense of this market in terms of what's the size, how many units gets sold today, and...

Jitendra Adhia: About 10000 units a month sir.

Sudhir Kedia: And in terms of how the region wise location would be?

Jitendra Adhia: Lithium is little away sir.

Sudhir Kedia: No, I am not saying lithium, I am saying region sir, in terms of how much is getting sold in northern India and eastern India and how...if some numbers would be available with you?

Jitendra Adhia: No sir, that is not available. It is not available exactly.

Sudhir Kedia: And in terms of how many of these vehicles would be registered and unregistered, of these 10000, which is getting sold? Now, all the vehicles has to get registered compulsorily, right?

Jitendra Adhia: No statistics are available sir.

Sudhir Kedia: Because when we travel to some of these parts in NCR, all these vehicles have a number plate to it, right? So they have to be registered compulsorily.

Jitendra Adhia: That was imposed just a year back.

Sudhir Kedia: So today whatever is getting sold, everything is getting registered, is that a right understanding or some of this will be unregistered as well?

Jitendra Adhia: Very difficult to tell you anything on that particular subject sir.

Sudhir Kedia: Sir, but then how...if we have such a less understanding...

Jitendra Adhia: Can we do it on a one-to-one basis, you may call me tomorrow or day after that. If you are okay, because we need to attend to few more participants as well.

Sudhir Kedia: Sure, okay, thank you.

Jitendra Adhia: Really sorry, my friend.

Moderator: Thank you sir. And sir we have the last question for the day from Mr. Dhiral Shah from Asit Mehta. Please go ahead.

Dhiral Shah: Good morning sir and thank you for the opportunity.

Jitendra Adhia: Good morning.



Dhiral Shah: Sir, with GST to be implemented from 1st of July, so how much improvement is expected in volume growth because of this?

Jitendra Adhia: Volume growth is yet to be worked out, but what is expected is there will be definitely improvement in terms of tax rate where we will be benefited by few percentages. The major benefit is expected from improvement in cost structure as well. Now, volume growth is something what I can tell you based on various research, the industry is likely to grow somewhere between 6% to 8%.

Dhiral Shah: Okay, for FY18.

Jitendra Adhia: For FY18.

Dhiral Shah: Okay. And do you expect this overall export volume to grow in coming years?

Jitendra Adhia: Sorry, could you please come again?

Dhiral Shah: Sir, we saw the industry overall, you know, the export volume was around 33%, do you expect this export volume to grow in coming years?

Jitendra Adhia: Yes sir, because one of the major destinations is African countries and there once the economic scenario is up, we expect that we will be able to improve our number over there. Another emerging market is Latin countries and there we will be going in an aggressive manner.

Dhiral Shah: Okay sir, thank you. That's it from my side.

Jitendra Adhia: Thank you Mr. Shah.

Moderator: Thank you sir. And sir that would be the last question for the day. I now would like to hand over the floor to Mr. Adhia for closing comments. Over to you sir.

Jitendra Adhia: I would like to thank all the participants for sharing their valuable time. From Atul Auto I would like to assure you that last year was really disappointing for everyone. We expect that we will be able to just cover it up in this fiscal and we will be definitely delivering positive numbers. I would like to definitely come with next quarter results in July or August, till then thank you so much once again, all the participants.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good day everyone.

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Note: 1.This document has been edited to improve readability.  
2. Blanks in this transcript represent inaudible or incomprehensible words.