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THE WORLD'S FAVOURITE INDIAN

31 July 2023

To Corporate Relations Department **BSE Limited** 1st Floor, New Trading Ring Rotunda Building, P J Tower Dalal Street Mumbai 400 001	To Corporate Listing Department **National Stock Exchange of India Ltd.** Exchange Plaza, 5th Floor Plot No.C-1, G Block Bandra-Kurla Complex Bandra (East), Mumbai 400 051
BSE Code: 532977	**NSE Code: BAJAJ-AUTO**

Subject: Transcript of Conference Call held in respect of the Company's Q1-FY24 results

Dear Sir/Madam,

Please find enclosed the transcripts of the conference call held on 25 July 2023 in respect of the Company's Q1-FY24 results.

The transcript will also be hosted on the Company's website at https://www.bajajauto.com/investors/financial-and-operational-performance

Kindly take this on record.

Thanking you,

Yours faithfully,
For Bajaj Auto Limited

SRIDHAR JAYARAMAN
Digitally signed by SRIDHAR JAYARAMAN
Date: 2023.07.31 11:25:08 +05'30'

Dr. J Sridhar
Company Secretary

Encl: as above

"Bajaj Auto Limited
Q1 FY '24 Results Conference Call"
July 25, 2023

MANAGEMENT: **MR. RAKESH SHARMA – EXECUTIVE DIRECTOR – BAJAJ AUTO LIMITED**
MR. DINESH THAPAR – CHIEF FINANCIAL OFFICER – BAJAJ AUTO LIMITED
MR. ANAND NEWAR – HEAD, INVESTOR RELATIONS – BAJAJ AUTO LIMITED

Moderator: Ladies and gentlemen, good evening, and welcome to the Q1 FY 2024 Results Conference Call of Bajaj Auto Limited. My name is Lizann, and I will be your coordinator. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the initial remarks from the management. 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.

I now hand the conference over to Mr. Anand Newar, Head Investor Relations from Bajaj Auto Limited. Thank you, and over to you, sir.

Anand Newar: Thanks, Lizann. Good evening, everyone, and welcome to Bajaj Auto's Q1 FY '24 Earnings Conference Call. On today's call, we have with us Mr. Rakesh Sharma, Executive Director; and Mr. Dinesh Thapar, Chief Financial Officer. We will begin our call with opening remarks from Rakesh for the business and operational performance for the quarter, and Dinesh will take you through the financial highlights. We will then open the forum for the Q&A. Over to you, sir.

Rakesh Sharma: Thank you, Anand. Good evening, ladies, and gentlemen, and welcome to the discussion of the Q1 FY '24 results. We deeply appreciate your presence here this evening. Let's begin with an overview of our performance in Q1. We are very pleased to report a strong start to the fiscal year with new benchmarks on both financial outcomes and business operations. We have achieved an all-time high in revenue, domestic revenue, overall EBITDA, and PAT. This comes on the back of a record FY '23, which once again reflects the resilience and vitality of our business model and the portfolio.

Dinesh will take you through the details of the financial performance. So let me focus on the business unit performance. Let's start with the exports business unit. The downward trend in volumes that began in Q1 of the previous year appears to have come to a halt. We estimate that industry retails at the global level for our footprint for motorcycles in Q1 are about 2% over Q4, while our retail are 5% up over Q4. In our top 15 markets, accounting for almost 80% of our sales, Motorcycle industry retails grew by 4% compared to Q4, while our retail grew by 7%. Here, I must point out that exports of the premium brands, Pulsar and Dominar grew by over 40% sequentially. In CV too, the market has almost bottomed out, though Q1 retails still remain marginally lower than Q4 retails.

Similarly, the story on the forex availability is also improving, albeit gradually as the central banks have started making a slow shift from the extremely cautious stand, they had taken for almost 4 quarters now. The recovery over Q4 has been driven by Africa, whereas LATAM has held steady. South Asia and Middle East are improving, but mainly due to Bangladesh, they are still lower than Q4 in Q1. And ASEAN was considerably lower in Q1 compared to Q4 due to a temporary dislocation in the market. Hence, underlying recovery is still a mixed bag.

In Nigeria, the industry performance in Q1 was 34% better than Q4 and we were 41% better in terms of retail. However, the situation in Nigeria is still not fully settled as a slew of reforms in forex, removal of fuel subsidy etcetera, has not allowed the market to reach equilibrium. Inflation of 25% and fuel prices increases continue to exert pressure on local pricing and rider incomes. However, all the reforms are very good for longer-term stability and transparency, which will hopefully ensure an even stronger and sustainable revival in due course. Prefaced shortfalls in Philippines as the government has implemented new registration norms and processes which has impacted demand. This has been going on for the last 3, 4 months, but now adoption of the new process is in its last stages, which will hopefully allow retails to return to normalcy in a month or two.

Apart from these, we are also watching out for the impact of inflation on demand in Kenya, Colombia, and Argentina, where the retails have been sluggish. While there are definitive improvements on both the forex side and the demand side, a few key markets are still not settled, as I mentioned. Hence, our outlook for Q2 remains cautiously optimistic. We believe we will see improvements in Q2 over Q1, but these will be incremental and not quantum shift yet.

A quick word on Brazil. As you know, we have incorporated Bajaj Brazil and commenced retails of three models under the Dominar banner in January this year. We started with building a top-class retail network in São Paulo City. And over there, Dominar 400 has got an outstanding reception capturing 15% share of retail in its class in São Paulo City, with a healthy order book of 2 months of retail.

Our expansion in retail have been constrained by supply for which we depend on contract manufacturing, a model adopted by most new entrants. We believe removal of the supply constraint is key to a high level of performance in this important market and taking note of this, the board has today approved the setting up of manufacturing unit by Bajaj Brazil in Manaus special economic zone. We expect this capacity to come on stream within 12 months' time.

Coming to the Domestic Motorcycles business unit. After the decline in April, the industry started to record growth at a retail level in May and June at about 4% to 5% levels, resulting in a Q1 retail growth of 2%. We expect the industry to continue to grow at 4% to 6% over the next few months. In this scenario, our retail growth in Q1 has been 19%, though I must add that it was helped by a base effect of low retail last year due to the chip led supply shortage faced by us. Irrespective, we have gained at least 2% market share in our key focus area of the top half of the industry, which is the 125cc plus segment.

This segment now accounts for almost 70% of our volume sales in Q1 and was 60% only in FY '23. Obviously, this has very positive implications for revenue and EBITDA. The performance has been driven by the Pulsar brand, which has once again delivered exceptional results crossing the milestone of over 4.2 lakh units in volumes, sold globally, generating revenues of over INR3,300 crores.

We will continue this approach of targeting subsegments in the top half of the industry with product-led intervention. The upgrading of the Pulsar NS series has had a very good impact and grown the sales of the NS series by 50% in Q1 with a very positive impact on revenue and EBITDA. You can expect further introductions in this segment in the top half in the next 3 months.

In the Intracity business unit comprising our CVs, our sales in Q1 of 32,000 units average per month surpassed the pre-COVID level of 30,000 units per month in FY '20. This is much ahead of the industry recovery, resulting in a Q1 market share of almost 80%. Our performance continues to be driven by the CNG segment, which is riding on the relentless expansion of the CNG network in India.

In quarter 1, we also introduced the electric 3-wheelers in both the passenger and cargo version in one city each. The response over the last 2 months from the field has been very positive with healthy bookings being garnered. Our approach is to watch the performance of the vehicles over the multiple use cases in the field and ensure we set a new benchmark in terms of reliability and performance before scaling up. Given the performance of the vehicles till now, we expect to start to scale up the business from September onwards in a phased manner, prioritizing large markets where ICE 3-wheelers are not permitted thereby adding new business to our portfolio.

On Chetak, this quarter was quite challenging for electric 2-wheelers with the government announcing a reduction in subsidies in May, effective 1st of June. This has resulted in a surge in May retails and a drop in June. The average sales of the industry in Q1 were at 72,000 units per month of high-speed vehicles, which was very similar to Q4 FY '23.

While the price increase has dampened the hugely attractive proposition of savings, the opex savings still has appeal, particularly for those customers who have a higher per day usage. We expect the industry to continue to grow on this basis, though at lower double-digit rates and not the triple-digit growth rates experienced earlier. And for this, we have really have to monitor July, August, and September.

We also expect further consolidation in the industry with the top 5, 6 players moving from just 50% levels in FY '23 to almost 80% levels this year, thereby offering a higher growth opportunity to these players despite the slower expansion of the category. We remain committed to our strategy of building capability by investing in R&D, manufacturing, building a differentiated brand and an exclusive sales and service network and dedicated manpower to deliver sustainable leadership.

We will increase the Chetak portfolio starting quarter 3. Our exclusive network is now present in the top 100 cities and will expand to 120 cities with 140 stores by end of Q2, covering almost 75% of the industry. The exclusive network, particularly in service has enabled us to give a superior ownership experience to the customer and forms a key part of the Chetak proposition, a classy, dependable, and hassle-free ownership experience. On this basis, we are aiming to improve month-on-month, and we will stay on course for scaling up and increasing market share.

The Pro-Biking business unit, which now has 3 brands, KTM, Husqvarna and Triumph. The KTM business continues to move up smartly with the higher-end adventure and RC range accounting for more and more of the total sales, thus ensuring a better level of revenue and margin. The 250cc plus range is being driven through product refreshment and a very differentiated riding program called Pro-XP, which is designed to be unique and thrilling. I invite the riders amongst you to come and experience it once, though it is not for the faint hearted, I must warn you. There's no leisurely chugging along. These are edge of the seat tours.

On Triumph, as you know, we've had an outstanding reception to the launch, the riding community of journalists and influencers have also given the Roadster Speed 400 a solid thumbs up. We have over 17,000 bookings as of this morning, just from 15 centres where we have dealerships, with dispatches commenced yesterday, and we expect to start making deliveries in a couple of days to the first customers. By the end of quarter 2, we should be in 44 towns from the current 17, I think, and with over 50 stores.

Production too, is being ramped up in a phased manner, and we hope to hit a rate of 5,000 per month within this quarter most likely in September. In October, we will commence exports. This adds an absolutely new and high-quality segment to both our business and also to Triumph's business as well.

Overall, Q2 and FY '24 holds out a lot of promise. The domestic motorcycle business should outpace the industry, particularly in the 125cc plus segment. The CV business is strongly resurgent, and exports are improving with every month and hopefully now every quarter. The new businesses of Chetak, Electric 3-wheelers and Triumph will be robustly developed to become future engines of growth. Despite the industry being lower due to seasonality, our endeavour in Q2 will be to deliver a similar performance, as we had delivered in Q1.

With this, let me hand over the call to Dinesh to take you through the financial performance.

Dinesh Thapar: Thank you, Rakesh. Good evening, everyone, and thank you for taking the time to join us on this call as we share with you our perspectives and further insight on our results for quarter 1. As usual, let me provide you with an overview of the operating context that underlines our results, which also serves as a reference point against which you see our financial performance.

Overall, let me start by saying, I think we've had a good quarter in the context of the operating environment. The commentary on markets though, not fundamentally different from what you've heard us speak about for some time now. You've just heard from Rakesh on exports. Looking at the totality of our countries, the markets seem to be bottoming out. But of course, a few pluses and minuses, as you would expect, when dealing with a broad range of geographies.

But at least the decline sequentially seems to be ending. The situation remains quite turbulent though, caused by a mix of macroeconomic challenges and geopolitical issues and the continued strain and dollar liquidity, by far being the most telling factor in terms of tightening our business. But of course, thanks to some decisive actions that we've taken for some time now on both arranging for foreign exchange as well as on the ground across the countries.

Directionally, our billing numbers have trended up. You would have noticed from data that you are privy to that we moved from 105,000 units in March to 118,000 in April, 126,000 in

May, and then ended the quarter with 140,000 in June. Overall, leading to the 12% increase in sales sequentially relative to the low of the last quarter that we had hit.

Retails for about 4 quarters now has continued to outstrip billing volumes yet again, which therefore has led to a depletion of inventory in our key markets, which is about 30%, if I were to compare current inventory levels relative to same time last year, 30%, 35% is what that number looks like. And therefore, offer substantial headroom for growth to build back inventory as we come out of this situation.

On the domestic front, you've just heard the motorcycle industry growth remained by and large, steady, bolstered by relatively buoyant marriage markets, and the continued momentum of the 125-plus cc segment, which has really been the driver for the industry for some time now as indeed us.

And I say we've had a good quarter because we have surpassed the market growth across both marriage and non-marriage markets. With the growth in the former, which is the marriage market almost being 2.5x, that of the latter. This results that we have had a share gain performance in the entirety, particularly led by the continued acceleration in our M3 and S1 shares.

And notably on brand Pulsar, it also continues to grow from strength to strength. It continues to deliver a strong run. And has now crossed 3.5 lakh units in a quarter for the very first time. There's only twice that, that number has happened, it reached 300,000 in recent times. One was in quarter 2 of last year when we were building back inventory and this time around when Pulsar has really crossed 3.5 lakhs in the quarter.

On commercial vehicles, we continue to lead the industry performance and volume recovery on 3-wheeler autos, we are at over 100% of the pre-COVID levels. We've had this now for a few quarters. You've heard us say that, and that continues to be the case compared to under 50% for the rest of the industry. And the result of which is that we now have our market share stopping the 80% mark.

Coming to commodities, really a story of 2 parts. The quarter started of with some level of inflation. We saw a slight uptick in steel, aluminium, copper, nickel, and platinum as we started the quarter, but then that reversed trend as the quarter passed on. And so, towards the end of the quarter, we are back to some level of stability. In fact, we now have commodities trending back to almost quarter 4 levels. As I see from here, therefore, the situation is looking relatively stable on the commodities front.

Now with that context, I think we've done a fairly good job in delivering our highest ever revenues, EBITDA, net profit for the quarter. Our revenue from operations hit an all-time high of INR10,310 crores, growing 16% quarter-on-quarter and 29% year-on-year. This mark of INR10,000 crores has been reached twice in recent times. The first time we did, it was in quarter 2 of last year when we were building back inventory into the pipeline after the shortage that was created in quarter 1 of last year when we hit a low on our volumes. And this is the second time that we've done it at INR10,310 crores. So really, a notable milestone in terms of this quarter's performance. The growth this time was underpinned by double-digit volume growth with the sustained buoyancy on the domestic front, cushioning the weak, albeit directionally improving exports performance.

Our domestic revenues registered its biggest ever quarter. This quarter domestic revenues have been at its highest. And we've maintained the double-digit growth trajectory yet again. All businesses have contributed to this. So, you just heard on motorcycles, we had a share gain performance. On commercial vehicles, we've consistently performed and continue to maintain that momentum on the 3-wheeler business and grown shares. And we've steadily scaled up our Chetak volumes, which is now up 2x over the last quarter.

I have previously mentioned this, and I'd like to keep emphasizing it that our results demonstrate the resilience and the strength of our operating model, given a unique mix of exports and domestic in the overall scheme. And that's the reason why despite exports being down almost 35% year-on-year, we're still able to register our highest ever top line growth. EBITDA came in at INR1,954 crores, registering a growth of 14% quarter-on-quarter and a very strong 51% year-on-year. Our margins closed at 19%, up 280 basis points year-on-year, driven by dynamic price and cost management, better foreign exchange realization and operating leverage as we've grown the business bigger.

You will see a slight dip in the margin quarter-on-quarter. We were at 19.3% last quarter, we're at 19.0% this time around. So, it might seem like it's a 30-bps drop. And that's really coming on the back of a blend, typical seasonal skew, that we have in this quarter for commuter motorcycles, especially led by the huge markets.

We took pricing of about a percentage point or thereabouts, in the course of this quarter. And that was really to cover an increase in costs coming on two accounts. One, the material cost inflation I mentioned to you on the metals complex as we started the quarter. And the other, which is what we would have spoken about in the past, which is essentially the cost impact arising out of the implementation of the OBD2A compliance on our bikes. And so therefore, price effectively covered all of the cost between the material inflation and the OBD2A impact, which I'd say was almost half a piece. Coming to currency, the rupee was fairly steady, range-bound through the quarter, our export realization of 82.1 this quarter relative to 81.5 in the last quarter. And 77.4 base period same time last year.

Volumes were up, so you would expect operating leverage to have kicked in. But that was offset by the negative mix that I just mentioned. Largely coming in from the typical and planned seasonal demand of commuter motorcycles in the marriage markets, specifically and in the growing scale of Chetak electric vehicles. However, having said this, in effect, the overall margin levels of 19%, give or take a few, as you've seen us, leaves us quite comfortable unless, of course, there are any VUCA events, we are quite comfortable with the margin situation as it currently stands.

Finally, we closed the quarter with a record net profit of INR1,665 crores and a cash surplus of over INR19,500 crores. Importantly, adding net free cash flows of about INR2,000 crores in the course of this quarter. And this cash balance provides us with sufficient capacity to grow our business, to make very competitive investments and offer attractive returns to our shareholders.

Now looking ahead, one expects the domestic business to continue to sustain its revenue momentum. Having said this, I want to draw your attention to a little bit of the skew that you will see in the base period. You will recall same time last year, in quarter 1, we hit our lowest volumes because we were faced with the semiconductor issue, we had depleted pipeline and we were working on alternate supply sources. Now those alternate supply sources, if you recall, came on stream, effectively end of May and June. And then July to September, is when we really filled back the pipeline. Our pipeline levels have dropped to almost 25 days at that point of time. And then we used the second quarter, which was July to September to really build back inventory across our dealerships. And therefore, that has led to a bit of a skew between quarter 1 and quarter 2.So, when I say that we will look to drive the continuity of our momentum on the domestic business, I'm talking about our retails because the reported growth, the headline growth from a billing perspective might be a bit impacted by the comparative which is skewed towards quarter 2 in the base quarter. But on balance, when you look at it half 1 this year, over half 1 last year, very clearly, we will look to be growing. It's just that you have this Q1 and Q2 interplay that will happen.

On exports, we continue to remain steadfast in building back volumes really making each quarter larger than the previous one. We're taking a range of interventions to manage the currency availability. But it could be some while before we restore back to the peak levels that you would have seen in FY '22. So really expect a gradual build back in export volume and not really a step jump or shift, given the larger macro challenges across those countries.

On Chetak, our objective is to stay competitive and continue our journey of network expansion, even as a new normal emerges in the industry, given the reset of the FAME subsidy that came into effect from 1st of June. We're planning to add many more outlet, cities, dealers and grow volumes. And we continue to stay very focused on supply chain and R&D initiatives to reduce the cost of sourcing of key components.

On 3-wheelers, you will see us grow the business on the EV portion as you just heard Rakesh talk about in a very calibrated manner, but a strong focus on product performance, reliability, and durability. And we are investing very substantially by the way behind our EV 3-wheelers. We are building a new facility to manufacture these electric 3-wheelers in our site in Waluj, Aurangabad.

And this, along with the other investments that we are making on the EV 2-wheeler side, which is essentially dies and moulds to support new products in the pipeline and innovation, will essentially see us spend anywhere between INR400 crores to INR500 crores on EV-related capex in the course of this year.

On Triumph, there's enough buzz and excitement already that you've heard from the media and the enthusiasts. So, I'll keep that real brief and say that it's about action time for us to convert the bookings into real delivery as product starts flowing into our dealerships, starting now itself.

Finally, the core metals basket from a margin perspective, the core metals basket appears to be relatively stable. I just made the point that as we progress through the quarter, we saw commodity levels come back to Q4 levels. So, I think we're relatively well placed on that. And we'd look to sustain our profitability, whilst dynamically managing the growth agenda that you just heard Rakesh and myself talk to you about.

Before I hand the session back, let me summarize by saying that we're quite pleased with our performance this quarter. It has been a record performance across both top line and bottom line, notwithstanding a challenging economic and external operating environment. And this has been supported by strong competitive positions across our businesses, and that's something that we hope to continue in the quarter ahead.

With that, let me hand the session back to Anand. Anand over to you.

Anand Newar: Thank you, Dinesh. Lizann with this, we can open the forum for the Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin 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 handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Thanks for the detailed commentary on the demand outlook across segments. Sir, my first question is on the gross margin side. So, if you see on a quarter-on-quarter basis, the margins have come off by about 200 bps. So, if you can first sort of help us understand the impact from various segments, like you said there was one negative mix impact and commodity cost as well, so if you can break it up into the similar segments which has led to this impact?

And second is on the price hikes, any price hikes you have taken in the current quarter, in Q2 after the first quarter, which maybe should help the margins going ahead?

Dinesh Thapar: I did make a mention that the dilution that you're seeing in gross margin and consequently in the overall EBITDA that you talked about of 30 basis points. So, let's just break it up in the elements. Now I made a mention that last quarter, essentially quarter 1, we took pricing of about 1%. That covered in entirety, the material cost inflation that we saw in the early part of the quarter. As well as the OBD2A impact as vehicles were made compliant through that regulation.

So, price versus cost was really managed on that front. I'd say on currency, I made a mention 82.1 this quarter versus 81.5 last quarter. So, on balance, it's not a very significant factor impacting margin one way or the other. And then it really came down to operating leverage offsetting mix. Mix was really pulled down as is typical, because we're talking sequential quarter over here.

We're not talking year-on-year. So, if were talking year-on-year, then you're fundamentally seeing 280 basis points improvement because same time last year, you would have also been faced with the marriage market context that was skewed towards commuter motorcycles.

But because you're talking Q4 to Q1, there is a relative skew towards commuter motorcycles driven by the marriage season, along with augmented volumes on Chetak, and a slight mix impact on the export of premium motorcycles has led to the adverse gross margin. But like I said, as we move forward, because you don't have the seasonality of that marriage context, I don't really see significant concern from a margin standpoint because commodities, as they stand, are relatively stable as indeed the currency as well.

Siddhartha Bera: And price hikes if you have taken any, after the first quarter?

Dinesh Thapar: Well, I'd say very insignificant. I can't recall anything which is of a material impact at the moment. We may have done a correction in some states, slightly more to just correct price value equation, but nothing of significant note or material note. At least what I want you to register is given the commodity cost context at the moment, we're not seeing the pressing need for us to take pricing to cover commodity cost inflation, not at this point of time.

Siddhartha Bera: And sir, export markets like you have said, you have made several interventions to sort of manage the demand. So, any price corrections did we do? Or it's largely entirely on the currency improvement and other factors and not much on the pricing side?

Rakesh Sharma: See, our approach is that we cannot deal with the macroeconomics of currency devaluation through change in FOB pricing. Because that just doesn't work out. So, if there have been any pricing changes, they've been more in response to a competitive situation or an opportunity to improve rather than to the macroeconomic condition. So, we will continue with that approach.

Siddhartha Bera: Sir, last question on the Triumph side. So, you said that we plan to expand from 17 to maybe 50 locations in the next few months. Possible to highlight what percentage of the addressable market is this covering? And how the ramp-up will happen after that?

Rakesh Sharma: By end of this year, we will be covering almost about 60% of the addressable market through at least one store in the location. At this point of time, we are making the plans as we go along basis each quarter. So, we've got a line of sight for end of the year. In another 3 months, we'll have a rolling plan which sort of addresses the quarter 1 of next year. So, at this point of time, our planning horizon is really for FY '24 only for which I gave you the numbers.

Siddhartha Bera: Got it sir. Thankyou.

Moderator: The next question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Rakesh and Dinesh, congratulations on a great launch and a good set of business. My first question pertains to the Triumph launch. You guys have been showing the booking numbers and they look encouraging. But what I was looking for was more colour on the customer profile, what you're attracting, just to ensure that it's not kind of cannibalizing your existing

KTM portfolio or the Dominar portfolio, if you can share some colour on the kind of customers you're getting? Or how would you describe them? And how much could be the risk of cannibalization within your own portfolio?

Rakesh Sharma: I must, at the outset, confess, that we have not done a deep dive into the analysis of these bookings which we have received. But basis the qualitative inputs which we have received through sample discussions is that this is an absolutely new set of customers. They are not really from the heartland of, let's say, the Pulsar communities, majority of them are coming from the heartland of the 250 to 500cc segment aspirants.

Pramod Kumar: And Rakesh, forgive me if you already shared this in the opening comments, we've been shuffling between two calls, actually. So, if you can just help us understand any quantitative timeline on the ramp-up as to by when do you expect to hit milestones like, say, 5,000 units? Or any timeline you have with you on the production side.

Rakesh Sharma: You mean to say for Triumph?

Pramod Kumar: For Triumph, yes.

Rakesh Sharma: Yes, I've mentioned Pramod, but no worry. We are hoping that this quarter, most likely by September, we're aiming for 5,000 units. And exports get added on from October. And we will decide the ramp-up for October, November, December by next month. The plant capacity in Chakan-2, is about 25,000 units per month, which is fungible between KTM and Triumph.

And basis the kind of build-up which we are seeing, we will continue to add to the capacity. I just want to say that we are really not looking for a vertical take-off, either in network expansion, nor in plant capacities because our objective is to really put in place processes and capabilities, we deliver an outstanding build quality in the product, and we deliver an outstanding and differentiated customer experience because we see an opportunity in both these things.

I mean it's very easy to ramp up the plant capacity because we have 25,000 units per month capacity, ramping up the vendor, which is required. But we are sort of taking it in a very phased manner, both on setting up stores and increasing production.

Pramod Kumar: And Rakesh, so clearly, demand has surprised you on the upside and that's good to hear. And on the export side, can you just help us understand how big is the addressable market for a product like this? Because it would be interesting to know will the opportunity be bigger in the domestic market, or it could be equally big on the international side. And will the pricing strategy be led by Bajaj? Or how does that work?

Rakesh Sharma: In the international markets, the assessment of the opportunity is going to be done by Triumph. This is an absolutely new segment in most of these markets for Triumph and for Triumph dealers, internationally. In India, we have the benefit of this segment already existing. And of course, it is very visible. And it is perhaps the largest market in the world today. So, we will get to know about this market and our reach in this market internationally in due course of time.

Again, the whole idea is to start with some few sets of countries, and then we will ramp it up. So, we will build that as we go along because it requires a little bit of assessment. On the pricing front, the pricing is led by Triumph in their markets. And of course, there is a consultation, but really the lead person is Triumph like for Indian market, the lead is with us, of course, in consultation by Triumph.

Pramod Kumar: And on the electric 3-wheelers, we see that you already started dispatching some numbers in select states. So just if you can help us understand how the pricing is because I don't think there was any public press release of filing by you guys. So, can you just help us understand how are you to price that, the passenger, and the cargo variants? And what are the key specs?

And how is the customer response because what we are seeing is that your CNG 3-wheeler portfolio is also doing very, very well, right? So, I just wanted to understand how is the response to the electric 3-wheeler side and given your assessment so far, do you expect any rapid transition to electric 3-wheelers within your portfolio, or it's going to be more CNG led for the near to medium term?

Rakesh Sharma: We launched the passenger electric version in Agra, which is an important market for the passenger, and we launched the cargo version in Pune. And just to ensure that we capture all the use cases in the field, and we ensure that we deliver a very reliable and stable product when we scale up. We have received an outstanding response, particularly on the passenger side, which is the larger opportunity.

On the most important aspect, which is the range because the commercial driver, for him, range is very important because that's how they max their daily earnings. And it has exceeded expectations. We are very happy that we have not encountered any big issues in all the other parameters. There are certain niggling things here and there, which we have to fix.

We earlier had a plan that we'd probably keep it at a very low key for 3 to 6 months. But this has given us confidence that we can scale up earlier. So, we will start to scale up in a phased manner from September onwards itself, I think. We'll take the final call in August first week or something like that. And we will first attack the markets where ICE, including CNG is not permitted.

Out of 1,000 RTOs in India, about 300 have restrictions or partial restrictions. We will attack these 300, first. Because this gives us entry into a market where we don't have any access right now.

Pramod Kumar: And on pricing, Rakesh, how are they priced compared to the CNG and other alternative fuel vehicles?

Rakesh Sharma: It's about INR3 lakh and INR2 lakh kind of a thing. INR3 lakh for the electric passenger and INR2 lakh for the CNG vehicle. This is ESRP post-FAME, so INR3.06 lakh ESRP post-FAME, and RE passenger is INR2.33 lakh.

Pramod Kumar: And last one on the margin trajectory. Now that exports have started to see some progress, led by Africa. and the fact that the model mix will have its own impact because of that. So how should, Dinesh, we look at profitability, which has been quite solid actually at these levels. So how should one look at profitability going forward for the company? And especially given that there will be EV volumes as well, which may not be that margin accretive or potentially negative margins. So how should one look at the profitability trajectory from here?

Dinesh Thapar: Yes, Pramod. So, let's look ahead. I think price versus cost, you just heard me mention that on the price versus cost equation, I think it's all right because commodity is not requiring us to look at pricing. Of course, we look at pricing, if at all, there are opportunities that come our way, given the competitive positioning.

But let me say price versus cost seems well balanced out at the moment. And then you got to look at the two other factors, which is essentially operating leverage. So as business builds back, as volumes grow and as revenues start to build back there is an element of operating leverage that will come in. But yes, there could be a potential drag on mix coming in from our stated ambition and aspiration to grow the EV Chetak.

And as exports and Boxers start to come back. So, there could be mix headwinds that we will see as we look forward. But we will also hope to see some amount of operating leverage that will come in, as business starts to build back. So, on balance, I'd say that the margin situation is something that we will need to continue to manage and look to delivering at these levels, whilst we navigate some amount of mix headwinds, but hoping that part of that gets managed through operating leverage, whilst we dynamically manage the price versus cost equation.

Pramod Kumar: Thanks Dinesh and Rakesh. Wish you all the best.

Moderator: The next question is from the line of Anjali from State Bank of India. Please go ahead.

Anjali: I'm Anjali from State Bank of India, congratulations on the excellent results. I just wanted to understand what the percentage of electric vehicle of the sales is at present. And what is the expected percentage company is looking –for the end of the year?

Dinesh Thapar: Anjali, to give you a sense, we currently have sold about 20,000 units of Chetak, and a few hundred of our electric 3-wheelers that we just launched. So, that's about 2% when you look at it in the context of about 1 million units that we sell per quarter, right? So current run rate is 2% electric vehicles, pretty much most of it, electric 2-wheelers, a few hundred like I said 3-wheelers.

Where do we expect to see it by the end of the year? Look, I think there's a significant reset that has happened on the FAME subsidy policy, effective 1st of June. We need to wait and see the new normal of this market and as it emerges. Had it not been for this, our internal aspiration would have been to try and get this to a milestone of about 10,000 units of Chetak per month. And then, of course, depending on the very encouraging response that we've received on the electric 3-wheeler to start looking to expand out, essentially quarter 3 onwards.

So anywhere between, let's say, 3% to 4% is what we would like to have seen it by the end of the year, doubling from the current 2%. But like I said, there is the new subsidy regime. There's a new normal that has to emerge. When you look at the EV market volumes from VAHAN, let's say, as an example, July run rates at the moment on EV 2-wheelers, looks very different from what it did in the pre-subsidy regime change. So, we need to wait and see how that plays out. But let me leave you with the thought –that it could be anywhere between 2% to 4%.

Anjali: Thankyou sir.

Moderator: The next question is from the line of Mitul Shah from DAM Capital. Please go ahead.

Mitul Shah: My question is on export side. On a medium- to longer-term perspective, so as we understand, there are lots of uncertainties in various markets. So next 2 or 3 quarters we may not see the peak level of volumes which we have seen in past few years. So, what is your understanding in terms of whether it will come back by end of this financial year or next year or it may be even like more than 2 years kind of a situation because of the lot of industry dynamics change in all those markets.

And second question, if you can give more details, whether it's a question related to the affordability for the consumer because of the price hike we have taken due to this material cost in last 1, 1.5 years, or it is a question of forex primarily. These are the two questions, sir.

Rakesh Sharma: So, like I mentioned in the opening remarks, that the recovery seems to be on its way now, when you look at the data, which we're suggesting that we have a growth in retail terms in quarter 1 over quarter 4.

So sequentially, we are seeing recovery. Qualitatively speaking also what we are getting to know from the market, that demand is coming back. Third point is that forex availability things like confirmation of letters of credit, etcetera, are also improved. But all this is happening at a gradual pace. It is not suddenly exploding, and we expect this gradual pace to continue. There's nothing to suggest that there will be a sudden jump in demand or in availability of foreign exchange.

And therefore, at its peak 2, 3 years ago, we were hitting a run rate of 200,000 units per month. We are today at 140,000 which will sort of grow in a gradual manner, and I cannot say the timeline when it will exactly reach 200,000. But I will just say one last thing on this is that in most of the markets, fundamental drivers of demand are intact. The demographics, the current penetration, which in many parts of Africa and Latin America is in single digits compared to triple digits in India. The urbanization, the construction of the road network and the gap between the requirements for mobility and what public transport is giving. So, when the macroeconomics allows, I think that we will see a period of big expansion. Now exactly when it will come, is very difficult to understand. We just want to be positioned to harness it when it really starts to move up.

In terms of the pricing, yes, inflation and local currency devaluation have increased the prices. And that is one of the things which has dampened demand. But over a period of time, we have seen like we've seen in India also, like demand takes a few quarters to start to come back. I mean we had an issue of COVID in the middle, but if you see that the prices in India has gone up by 35% to 40% over a period of 3 years. And then it gets digested, salaries get adjusted and then people start to accept the new pricing.

That process is also underway. A lot of the African markets are commercial. So, they have to adjust their ticket prices to their customers. And those customers have to accept it on the basis of their own income is increasing. So that process is on, and it takes a while. But I think it has happened before, and I think it will happen again.

Mitul Shah: Sir, lastly, among these three key geographies, one is Latin America, second one is Africa, Middle East and third one is ASEAN which part of this do you think to recover faster among all these three, and will come back soon?

Rakesh Sharma: The drop in Africa was sharper and the recovery when you compare purely on percentage terms, the recovery of Africa is higher. The drop in Latin America was lower, and therefore, the recovery is also smaller, like I said in the opening remarks, Q1 retails of the industry are very similar to Q4 retails in Latin America and Africa, they were 14% up this quarter compared to last quarter. Of course, they're still below the previous peaks.

And ASEAN, I think is a temporary dislocation. ASEAN, most of it is Philippines for us. ASEAN really didn't drop, it is only this registration process, which has changed things for the quarter, which has impacted the retails. But fundamentally, ASEAN did not drop. So, I expect another 1, 2 months, ASEAN led by Philippines will come back.

Mitul Shah: Thanks Sir.

Moderator: The next question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead.

Amit Hiranandani: Just a few questions, three questions from my side. So, sir, how many launches we are expecting from the Triumph side in the next 3 years? And how do you see the overall product mix for the company in the mid-term?

Rakesh Sharma: So, we've launched two models. And in the next 1 year or so, we will launch one or two more models, and we will continue with this pace. But of course, as you know, we have to keep adjusting this cycle to how the market is evolving. But you can assume that a model where its variant almost at the rate of one per annum will be added to the portfolio.

I have not understood what the nature of your specific query is when you ask for product mix, domestic motorcycles, if you just are inquiring about the motorcycle business, like I said, 70%

of our mix is now coming from 125cc plus. It was about 60%, 1 year back. It is 70% in quarter 1. And I think it will continue to increase over there.

Amit Hiranandani: Sir, basically, mix, I wanted to understand whether 3-wheeler domestic will increase or 3-wheeler export will increase that mix I'm basically looking for it?

Rakesh Sharma: In the overall scheme of things, as the export mix has reduced because of all the conditions which we have discussed. If you are particularly asking for 3-wheelers, domestic 3-wheeler has seen a strong resurgence and on the back of the industry recovering very well. And our market share going up progressively from 70% to the current 80%. So, the 3-wheeler in the portfolio has, of course, improved. And will continue to improve.

Amit Hiranandani: Sir, just last two questions. How much was the price reduction taken in the exports market? And lastly, if you can give us guidance on any new product launches, we are expecting in the motorcycle side?

Rakesh Sharma: There is no across-the-board price reduction taking place. In fact, there have been price increases in the last 6 months, we may have responded to some competitive manoeuvre in specific countries. But I wouldn't say that there has been a price reduction in export market. I just mentioned to another person in the forum that we have not used FOB pricing at least to deal with the devaluation.

And the motorcycle launches immediately we expect in the next 3, 4 months to add to the Pulsar portfolio by a couple of launches and that sort of will continue in Q4 as well.

Amit Hiranandani: Alright Sir, Thank you so much.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question. I now hand over the conference to Mr. Anand Newar for his closing comments.

Anand Newar: Thank you, Lizann. Thank you, everyone, for joining the call. There are few numbers that sort of get discussed every time after the call. So, I'm just reading them out for your information. The spares revenue was clocked somewhere north of INR1,200 crores split between domestic and exports in the ratio of 80:20 and with dollar exports in the north of about $400 million.

Thank you so much and thank you for attending the call.

Dinesh Thapar: Thank you. Have a good evening.

Rakesh Sharma: Thank you, everyone.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Bajaj Auto Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.
