Q3 2016 Bajaj Auto Ltd Earnings Call

Pune Feb 8, 2016 (Thomson Street Events) -- Edited Transcript of Bajaj Auto Ltd earnings conference call or presentation Monday, February 8, 2016 at 10:00:00am GMT

Corporate Participants

* Kevin D'Sa

Bajaj Auto Limited - President, Finance

Conference Call Participants

* Ashvin Shetty

Ambit Capital - Analyst

* Chirag Shah

Edelweiss - Analyst

* Viraj Kacharia

Security Investment Management - Analyst

* Ashish Nigam

Axis Capital - Analyst

* Kapil Singh

Nomura Securities - Analyst

* Ashutosh Tiwari

Equirus Securities - Analyst

* Jinesh Gandhi

Motilal Oswal - Analyst

* Pramod Amthe

CIMB - Analyst

* Aditya Makharia

JP Morgan - Analyst

* Sumanta Khan

ICICI Prudential - Analyst

* Hitesh Goel

Kotak Securities - Analyst

* Amyn Pirani

Deutsche Bank - Analyst

* Abhishek G

Reliance Securities - Analyst

* Pramod Kumar

Goldman Sachs - Analyst

* Binay Singh

Morgan Stanley - Analyst

* Lakshminarayanan

Catamaran - Analyst

* Dipen Sanghavi

Enam Asset Management - Analyst

* Mahantesh Marilinga

Finquest Securities - Analyst

===

Presentation

Operator [1]

Ladies and gentlemen, good day and welcome to the Bajaj Auto Q3 FY16 Earnings Conference Call, hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. (Operator Instructions) Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Ashvin Shetty from Ambit Capital. Thank you, and over to you, sir.

Ashvin Shetty, Ambit Capital - Analyst [2]

Thanks Daniel. Good afternoon, ladies and gentlemen. On behalf of Ambit Capital, I welcome you all to the 3Q FY16 results call of Bajaj Auto. The Company is today represented by its President, Finance, Mr. Kevin D'Sa. In the interest of the time, we'll directly start the Q&A.

So moderator, can you open the Q&A session.

===

Questions and Answers

Operator [1]

(Operator Instructions) Chirag Shah, Edelweiss.

Chirag Shah, Edelweiss - Analyst [2]

Sir, few housekeeping questions, first. In the other income, if you can share some flavor over there, there is a big jump over there. So in the investment income what does it comprise of?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [3]

Chirag, what you should look at, look at the full results. And if you see the other income, is made up of two items, that is for the March 31 -- December 31, 2015, the pure treasury income is INR83 crores, the others of INR115 crores includes the MTM gain of INR62 crores.

Now, when you come, there is a lot of confusion over there. Now if you look at December 31, 2014, investment income was INR57 crores as against INR83 crores. Others is INR38 crores, primarily because the treasury -- the MTM income has been netted off expenses, because for the nine months it's an expense. And in the quarter it was a INR78 crore plus. So if you actually, if you want to look at the comparison, you will see my other income should add back [INR79 crore], goes to the [INR95 crore]. So that will take it somewhere closer to about [INR180 crore] or so. And the same amount you should add back to the other expenses. So from an other income, my profit has not gone up because of other income. My profit has gone up purely on account of the operations, of my EBITDA margin improvement.

Chirag Shah, Edelweiss - Analyst [4]

Second sir, on the export front, if you can just give an update, the new geographies or new countries that we have added of late, say, in last 6 months to 12 months, which can compensate for this volatility and availability of dollar in some of the existing locations. So how should we (multiple speakers).

Kevin D'Sa, Bajaj Auto Limited - President, Finance [5]

I would say that the new markets that are coming in is giving us an incremental of about [8,000 to 9,000] numbers per month. What will happen is, and this I am talking of the ones that we have added up over the last eight months, nine months. However, there is no amount that can compensate as the growth potential that's coming in Nigeria. So whatever we are seeing today is of about 140,000, 145,000 numbers of two and three-wheelers exports that is taking place, is at least about 15,000 to 20,000 numbers could be incrementally higher, but for the dollar availability.

Chirag Shah, Edelweiss - Analyst [6]

So this 140,000, 145,000 would include this 8,000 to 9,000, right?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [7]

Definitely, definitely.

Chirag Shah, Edelweiss - Analyst [8]

And last thing was on Qute, any update over there in terms of --

----

Kevin D'Sa, Bajaj Auto Limited - President, Finance [9]

Qute is still -- like we said, exports have taken place, about 150 odd vehicles have been exported to Turkey, Nigeria etc. But as far as the domestic market is concerned, the Supreme Court hearing is still awaited and based on the decision, then we will have to see how things pan out.

Operator [10]

Viraj Kacharia, Security Investment Management.

Viraj Kacharia, Security Investment Management - Analyst [11]

Just had couple of questions on the export side. Sir, one is, first thing on the pricing environment, if you can just provide some color on the pricing environment in key export markets, how is it now? And has there been any further price adjustments in these export markets?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [12]

As far the export markets are concerned, there are two, three factors that we have to keep in mind. One is purely the situation of the currency devaluation that has taken place over there and what is the competitive reaction to that devaluation is one. The second is also we have to keep in mind the fact that the rupee also has devaluated. And third is the devaluation is not common across all the countries. So bearing this in mind, we have corrected prices in Nigeria, we have corrected prices in Colombia, we have corrected -- and all this has been effected and reflected in my December results.

Viraj Kacharia, Security Investment Management - Analyst [13]

That's fully reflected in December results, is the understanding right?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [14]

That's right.

Viraj Kacharia, Security Investment Management - Analyst [15]

And in percentage terms, what will be the price?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [16]

Now, that we don't share. But let me put it to you in another way, if INR66 is what I realize as an average for quarter three to the dollar, my estimate for quarter four will be approximately about INR67 to INR67.5, which means automatically it's about INR45 cores to INR50 crores, that's an incremental amount that will come in on account of exchange benefit to the Company in the current year, in the current quarter, but this of course will be on the reduced FOB price.

Viraj Kacharia, Security Investment Management - Analyst [17]

But generally, on the first part of a price investment, on the competition side, since in most of these markets there is no local manufacturing, has the price adjustment broadly been similar across players or -- ?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [18]

What I mean by this is, like I said that, the good part for us is what you have correctly mentioned, there is no domestic player. So for me it's more of a postponement of sales, rather than a loss of sale. Now when I talk in competitive pricing, I am talking in terms of my other competition, maybe it's from TVS or maybe it's from the Chinese. The issue all of us are facing is the same thing, the availability of dollars.

But as I am a market leader and I want to expand the market, I need to ensure that the market continues to sell our products. So, therefore, at the retail level, we have ensured that the price, despite the naira depreciation that's taken place, the vehicle is still reasonably affordable to the customer. So while we reduce the price in FOB terms, there is some sacrifice taken by the distributor or the dealer and some sacrifice is also taken by the customer. So because of this action, though my sales overall has come down, my market share in Nigeria has gone up to over 60%.

Viraj Kacharia, Security Investment Management - Analyst [19]

And sir, again, on the new export markets, the previous participant highlighted, there was also an article which said that you are planning to enter 12 new markets by FY16 end. So of these new markets and also -- which we have entered in last, say, last six to eight months, of these is there any large markets, which we -- expecting a big incremental volume, not just in the --?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [20]

No. The new markets that we're talking about right now will give us incremental numbers, but there are two zones that we have yet to tackle; one is Brazil and the second is Southeast Asia. So these are the two markets that will really have to contribute big time into our sales -- exponential growth in exports, which I believe will happen probably more likely in 2017, 2018 for the numbers to reflect.

Viraj Kacharia, Security Investment Management - Analyst [21]

But we haven't yet participated in any of those markets?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [22]

Marginal amount is there in Cambodia, we are not there in Brazil. Indonesia, as you know, we had gone in and come -- has not been successful and we are only present in Philippines.

Viraj Kacharia, Security Investment Management - Analyst [23]

On exports again, if we see our mix in the export motorcycle segment, the share of sub 125cc exports has been gradually reducing and the share of say 150cc and 150cc to 200cc motorcycles for Bajaj has been steadily increasing. So I mean, what has been driving this, I mean if you can just provide some color on it?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [24]

Basically I would put it as it's coming from the Pulsar family. So sequentially, if you see even in Pulsars, we did in the first quarter 62,000, whereas in this quarter three we've done about 76,000. My average for the previous year was somewhere near the 55,000 number mark.

Viraj Kacharia, Security Investment Management - Analyst [25]

Just last one. To which end markets are these to, I mean, if you can --?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [26]

It's Colombia and all of these markets. Pulsar and this thing is doing very well over there.

Operator [27]

Ashish Nigam, Axis Capital.

Ashish Nigam, Axis Capital - Analyst [28]

The Avengers touched pretty good 20,000 run rate, run rate as in just last month. Is there any order book number you can share?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [29]

No. In December we did [20,000], in January we actually build [28,000]. My estimate is definitely February and March we are ramping up capacity. So for this quarter I would estimate a number somewhere near about [82,000 and 90,000] number, more likely around 84,000, 85,000 numbers. Now the vehicle that is being sold today right now is only with the main dealers. It is yet to enter into the authorized service/sale centers in the tier-2 towns et cetera. So the potential is large. It's too early to take a call where it'll stabilize it with.

Now again if you see the Avenger breakup, almost 50% is coming from the 220cc and another 50% is coming from the Avenger 150cc. So the 150cc that has come in is approximately about 15,000 numbers a month, which is certainly not taking away market from the Pulsar. So this is incremental market share that's coming from competition or the market is expanding.

Now, what is very important for you all and everybody to understand is the fact that, yes, exports is facing headwinds. In exports, my markets are primarily Nigeria, et cetera, where 100% I acknowledge that the headwinds remain and it will be there for the next two months to three months. But if I talk of Bajaj Auto in totality and I'm talking at the EBITDA margins, I have been selling 11,000 Avengers per quarter in quarter two and before. In quarter four, I should be selling 90,000. So 11,000 going up to about, let's say not 90,000, let's put it 80,000. 11,000 going to 80,000 numbers, that incremental number of Avengers that we sell is going to do a lot to the bottom line and will more than compensate in terms of EBITDA percentage and EBITDA margins to the exports of Nigeria. Going forward, presuming the issue of the dollar availability happens and exports again pick up, I'll have the benefit of the Avengers, as well as the Boxers sold in Nigeria.

Ashish Nigam, Axis Capital - Analyst [30]

So this is -- any sense from your team, whom you'll are gaining market share from with this 80,000, 90,000 Avengers?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [31]

Like I say, I don't have an answer to that. But yes, about 10% of the total sales will have probably come from the Pulsar family, it will cannibalize some part of the Pulsar family. But I'm not sure to sort of commit to you on record to say, who is getting it. I am not sure. But like I said, the 150cc that is coming to us, while it's not coming from the Pulsar, it has to be from competition.

Ashish Nigam, Axis Capital - Analyst [32]

And this is substantially more profitable than the Pulsar for you?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [33]

Very much so, sir.

Ashish Nigam, Axis Capital - Analyst [34]

And any export (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [35]

And this is the reason why my EBITDA margins for the quarter three has maintained a 22% of quarter two, despite the fact that the exports have come off.

Ashish Nigam, Axis Capital - Analyst [36]

And any export plans for the Avenger?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [37]

As of now, we would like to meet the demands of the domestic play before we go into the export. So exports is, my colleague over there is very clearly and keenly waiting for the Avengers to be made available to him. But today is a capacity constraint. We are taking up the capacity to 30,000 by March. And we believe that, looking at the order book today, that itself will be utilized for the domestic market.

Ashish Nigam, Axis Capital - Analyst [38]

Also how you are your currency hedges for next year and your sort of minimum realization you expect for FY17?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [39]

My minimum realization for FY17 will be 67%.

Ashish Nigam, Axis Capital - Analyst [40]

67%, versus 66% this quarter and around 67% next quarter?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [41]

Correct. So when I say, minimum, I'm quite sure that 67% will be achieved. It will be -- a top up that most likely will come.

Ashish Nigam, Axis Capital - Analyst [42]

And any volume guidance you like to share, now that the FY16 is nearing an end?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [43]

Not yet.

Ashish Nigam, Axis Capital - Analyst [44]

Just lastly, just wanted to know your thoughts on how other income will trend with this IFRS coming in?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [45]

The major thing that happens when the IFRS comes in is the treatment of FMPs. So today in the books of account, we do not accrue any income on account of FMPs, because it is accounted only and when it is realized and sold -- I mean it matures. Under IFRS, you will get it on an accrual basis. So we have INR6,750 odd crores in FMPs and if I have a return of 8%, then INR6,750 crores (spoken in foreign language) 8% will come in in a normal basis every year, which is therefore, the other income on the treasury part will always be higher than what is there as we showed today.

Ashish Nigam, Axis Capital - Analyst [46]

And this starts from first quarter of FY17?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [47]

2017.

Ashish Nigam, Axis Capital - Analyst [48]

Also anything on ForEx fluctuations, what happens with that, with IFRS?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [49]

ForEx thing that is there today, there are two elements; one is the intrinsic value, which goes straight to the reserves and to the balance sheet; and the second is the time value, which gets routed through the P&L. Hence you are seeing this movement in volatility in my P&L. Once IFRS comes in, both these items will go through an item called OCI, Other Comprehensive Income, which doesn't affect the P&L and the EPS. So that volatility is taken care of. And just for your information that when we publish the results in the first quarter of FY17, the corresponding figures under IFRS also will be published. So it would be like-to-like comparison.

Operator [50]

Kapil Singh, Nomura Securities.

Kapil Singh, Nomura Securities - Analyst [51]

Wanted to check, did we realize any commodity benefit during the quarter? And how do you see them moving ahead?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [52]

We did get benefits. The major part of the benefit came in quarter two -- quarter one, quarter two. And quarter three there was a further benefit that came in, in aluminum and steel, and I think the major part of the benefit is taken care of. Quarter four would still see some benefit. But as we go forward, I think with the scale coming in, the benefit of material cost will come in through volumes, which we can then work with the vendors and also various value adding proposals that are coming in.

Kapil Singh, Nomura Securities - Analyst [53]

So when we look at the results, obviously we don't understand the mix impact so well. So I mean, RM to sales has not really changed much from previous quarter. So is it because that mix has offset some of that for this quarter?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [54]

No, it's also because of the dollar realization, Kapil. (multiple speakers) There are three elements of that. One is the normal material reduction that has taken place in the per vehicle cost. The second is the increase on account of the Avenger that's come in. There's a higher realization and lower material cost per vehicle as a percentage. And third of course is the exchange rate benefit, because in the earlier quarter it must have caught at [about 65], in this quarter caught it on [66, 65.5] or so, is [66].

Kapil Singh, Nomura Securities - Analyst [55]

No. But what I was saying is that there is virtually no change is visible, because, otherwise it should have improved because of the factors we are talking about, right?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [56]

But there is also a question of the three-wheeler mix et cetera that's taking place.

Kapil Singh, Nomura Securities - Analyst [57]

Yes, that's what I was asking. So it's because of that then that we have not seen improvement.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [58]

That's right. So for example, in quarter two, the three-wheeler total, between domestic and exports, was 154,000 numbers. Whereas in quarter three, it's [124,000] number.

Kapil Singh, Nomura Securities - Analyst [59]

And how has the pricing changed after this quarter for the other segments, like, have we taken any (multiple speakers) within exports or dealers?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [60]

No increases.

Kapil Singh, Nomura Securities - Analyst [61]

No changes?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [62]

No changes.

Operator [63]

Rahil Shah, Equirus.

Ashutosh Tiwari, Equirus Securities - Analyst [64]

Hello, sir, Ashutosh here. Sir, what will be the impact of this MIP on steel, will that impact our raw material cost?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [65]

I'm not aware of what is the negotiation. I will only share with you that we take our steel prices and negotiate with the steel vendors -- suppliers on behalf of our vendors and the negotiation for the fourth quarter is already completed. So if at all there is an impact, it'll be seen only in the first quarter of FY17. But what is it really, the impact et cetera, we are not aware, because negotiations for the next year will start only around March end.

Ashutosh Tiwari, Equirus Securities - Analyst [66]

And normally what percentage of our cost is steel?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [67]

I have no figure to share with you in that basis, because steel [is the] major element across all products. But all I will tell you is that as far as our motorcycle is concerned, aluminum is a very bigger cost driver and when it comes to three-wheelers, steel is the bigger cost driver.

Ashutosh Tiwari, Equirus Securities - Analyst [68]

Sir my second question is, if I look at, you launched CT100-B at very aggressive pricing. So already we were -- CT 100 was priced INR35,000. So do we want to expand the customer base, or what was the logic behind this going aggressive?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [69]

Logic was definitely to expand the base, because if you see what happened with the launch of the CT 100, is the market expanded significantly over there and the market which was approximately up, about what I would call 24% of the market, has actually expanded to 34% of the market. The market was around 26%, it expanded to 34%. I stand corrected. My market share which was 26% has gone up to 34% and the overall market, which was 21%, has gone up to 24%. So for us the intention is very clearly to expand the market.

Ashutosh Tiwari, Equirus Securities - Analyst [70]

So you think because of this the guys who're buying moped, then they can shift to bikes, is that correct?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [71]

I don't know who is shifting. It is also the second-hand buyer who comes in, who finds this as an attractive price and that's how he moves in.

Operator [72]

Jinesh Gandhi, Motilal Oswal.

Jinesh Gandhi, Motilal Oswal - Analyst [73]

Kevin, just to clarify, you said the other income accounting is slightly different in this --

----

Kevin D'Sa, Bajaj Auto Limited - President, Finance [74]

The accounting is not different, Jinesh. What happens is, when you take other expenses, if it's cumulative up to nine months, is a loss, it's a debit, it's an expense. And in the third quarter, it's an income, it's a credit. Then I have to show it against the expense only, because the nine months this was -- cumulative nine months, after even adjusting the income for quarter three is an expense. Hence I had to do that. And that's why that's explained in the last page of my press -- of the results they've got in the Stock Exchange. There you see there is a figure called, net loss as other expenses and there's a bracket [INR78.99 crores].

Jinesh Gandhi, Motilal Oswal - Analyst [75]

So this INR62 crores which is there, that is part of other income or that also reflects in other expenses?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [76]

What is INR62 crores, now, where have you got INR62 crores from?

Jinesh Gandhi, Motilal Oswal - Analyst [77]

In your -- that table, in the notes there is this number.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [78]

I have -- in the other income, I have a figure of -- total I'll give you from the results, what you have is INR199.68 crores, correct, which is other income total. That breakup is INR83 crores of treasury and others is INR116 crores.

Jinesh Gandhi, Motilal Oswal - Analyst [79]

Yes, which is fair.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [80]

Of that INR116 crores, INR62 crores is MTM.

Jinesh Gandhi, Motilal Oswal - Analyst [81]

So that is in other income.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [82]

Right. Now I'm talking on terms of INR95 crores that is there, you please add back INR78 crores to that.

Jinesh Gandhi, Motilal Oswal - Analyst [83]

So that INR78 crores is sitting in other expense.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [84]

That's right. So basically you're talking of INR173 crores going up to INR199 crores.

Jinesh Gandhi, Motilal Oswal - Analyst [85]

And sir, secondly, with respect to USD-INR for FY17, this still remains largely range forward right or that we're not going for simple forwards?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [86]

No, primarily it's all range forward.

Jinesh Gandhi, Motilal Oswal - Analyst [87]

So that again, you're saying, minimum [INR67], which is similar to current -- slightly lower than the current spot rate.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [88]

Yes. I am taking an average for the year. So when I'm talking of [INR67], the lower FX has already pegged at -- not pegged at that level. So I am saying [INR67] is a minimum I'll realize. I'm not saying what I will actually realize.

Jinesh Gandhi, Motilal Oswal - Analyst [89]

And sir, last question on FMP, what would be our total investment? You said INR6,000 odd crores.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [90]

Around INR6,500 crores, as of now.

Operator [91]

Pramod Amthe, CIMB.

Pramod Amthe, CIMB - Analyst [92]

Two questions. One, the Bajaj V which you have launched, it seems to be again coming in even strong old 150cc. What's the thought on the same? And you are still vacant in the -- or absent in the 125cc in a big way.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [93]

Yes. The answer has always been what we have declared, is clearly to move customers which are in the 100cc segment dominated by, let's say, Hero Splendor, to move the customers down into what we call the M1 segment. We classify Hero's stronghold in the M2 segment, which is 100cc, with a price point to say INR45,000 to INR50,000. So the strategy has always been to move a customer down towards the 100cc segment and that's why we have succeeded with the CT and the Platina, or move them up to a better product and the better thing is the M3 segment.

So for us the "V" is one of the things, again differentiated product, is again at a new category that we'd like to create in the 150cc segment, because again the 125cc segment right now is crowded. Hence we have to be completely different from the rest and that's why we've moved into 150cc space with "V".

Pramod Amthe, CIMB - Analyst [94]

And is it fair to assume it'll stand there or it'll expand in terms of cc range?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [95]

No, it all depends right now on the acceptance of the product et cetera, and the call we will take only after six to eight months from now, because the product is yet to be launched. Initial feedback is extremely, extremely positive, we're getting a lot of positive news, nothing negative as of now, but it should translate into sales. So once we have a feel of the sales, once it's stabilized et cetera, then the further development of "V" et cetera will be taken at that time.

Pramod Amthe, CIMB - Analyst [96]

And wanted your thoughts on Honda Navi, which is trying to create a new segment?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [97]

No, I won't comment on that. I won't comment on that.

Operator [98]

Aditya Makharia, JP Morgan.

Aditya Makharia, JP Morgan - Analyst [99]

Just, Kevin, following up on the previous question, so in terms of the executive segment or what you call M2, right now other than the Discover we have a limited presence, am I correct?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [100]

That's right.

Aditya Makharia, JP Morgan - Analyst [101]

And there is -- at least over the next two quarters nothing which we intend to launch other than the "V"?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [102]

Correct. I'm talking in that segment. So you'll have Pulsars et cetera coming, that's a separate segment, but I am taking of the M segment, for the next three months there's no new product coming in, other than the "V".

Aditya Makharia, JP Morgan - Analyst [103]

And just, sorry for this again, but that INR78.99 crore, which you said of the last year December quarter, that was booked at in the other expenses?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [104]

Yes, that's MTM. I booked it in the other expenses again, Aditya, because what happens is, when you take the nine months, the cumulative amount of MTM was a debit. In the quarter, there was a credit of INR78 crores. So when I present the accounts, I had to net it out, because the nine months and the six months will not tally. You follow? So for a like-to-like comparison, the INR78 crores can be added up. When you're talking quarter-to-quarter, you please add the INR78 crores to my other income, but --

----

Aditya Makharia, JP Morgan - Analyst [105]

Okay. Other income?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [106]

Yes. Which is currently shown at INR95 crores, add INR78 crores over there, and take the other expenditure from INR367 crores up by INR78 crores. That's only the thing. So it's just basically the nine months has to be -- minus the six months is a quarter.

Operator [107]

Sumanta Khan, ICICI Prudential.

Sumanta Khan, ICICI Prudential - Analyst [108]

Just how has been spare sales for the first nine months, if you can even share a growth number"

Kevin D'Sa, Bajaj Auto Limited - President, Finance [109]

It has been grown by about 15% or so. So total spare part sales has been extremely healthy and that's a high profit margin business. So for me the spare parts growth would approximately -- to be exact would be, approximately about 11% is what we have seen a growth.

Sumanta Khan, ICICI Prudential - Analyst [110]

In nine months?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [111]

Yes, in nine months. This is domestic and export both put together.

Operator [112]

Hitesh Goel, Kotak Securities.

Hitesh Goel, Kotak Securities - Analyst [113]

Thanks Kevin and congratulation on a strong quarter. Just wanted to understand this dollar availability in Nigeria. So basically the dealers are purchasing the -- at what rate is the dealer getting the dollars at?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [114]

There is an official rate, there is the unofficial rate. For quite some time, the official rate was about NGN200, NGN220 but even at that time, the dealers were getting at NGN240. Now I don't have the latest number, but the official rate and the unofficial rate would be somewhere near about NGN270 or so.

Hitesh Goel, Kotak Securities - Analyst [115]

So basically the dealers are getting close to the actual rates at NGN270, NGN280?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [116]

There is no change. Even in the past, they were getting close to the actual, what shall I say, the unofficial rate.

Hitesh Goel, Kotak Securities - Analyst [117]

Yes. So what I'm trying to understand is the pricing has actually correlated to [NGN270]?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [118]

That's unofficial rate.

Hitesh Goel, Kotak Securities - Analyst [119]

At the unofficial rate, not at the official rate?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [120]

Yes, sir.

Hitesh Goel, Kotak Securities - Analyst [121]

So, basically, there is no change until unless the currency depreciates much more from here, so your pricing should not get impacted going forward?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [122]

That's right. Pricing is not an issue, Hitesh. Basically, the person is in a position to sell, get the naira, but he cannot convert the naira into a dollar, so the country has no dollars.

Hitesh Goel, Kotak Securities - Analyst [123]

So the dealer margins have got corrected there, because he's also taking some hit in Nigeria because of the currency issue?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [124]

Yes.

Hitesh Goel, Kotak Securities - Analyst [125]

So some pain he is taking and some --

Kevin D'Sa, Bajaj Auto Limited - President, Finance [126]

Some the customer, some Bajaj.

Operator [127]

Amyn Pirani, Deutsche Bank.

Amyn Pirani, Deutsche Bank - Analyst [128]

Just on this new Africa and the currency issue, so basically the currency has depreciated by something like 30%, 35% over the last one year and you did mention that some price correction has happened, but obviously the price correction by you and the dealers would have been much lower than the currency depreciation, but despite that retails have been strong. So just wanted to get a sense, so basically customers are willing to buy at a 10% to 20% premium compared to the prices, which are prevailing. So where is this trend coming from, is it just like low penetration?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [129]

(Multiple speakers) necessity sir. It is just like, for example, if you talk of the earlier days, petrol went up from INR60 to INR70, you still have to move and therefore you can all say, we'll save petrol et etcetera, but the petrol costs goes up, so same thing in the country. There is no alternate means of transportation for those people. And like I said that motorcycle over there is used as a taxi. So my competition, if at all, is coming from public transports and not from any other competition or any other means of transportation.

Amyn Pirani, Deutsche Bank - Analyst [130]

And have you seen any disproportionate impact between two-wheelers and three-wheelers or both are getting impacted equally?.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [131]

Like I said, it's the availability of the dollar that is impacting it, not anything on the retail side.

Amyn Pirani, Deutsche Bank - Analyst [132]

And sir, just to revisit the question on the minimum import price on steel, you did mention that the negotiation will come up later on, but in the past in your experience, generally, how much is passed on to you like -- just as a benchmark?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [133]

No, it's not the question of pass on. First of all, let's say everybody's talking of MIP, MIP et etcetera. Now one has to see the relevance of what is the MIP versus today's cost of what Tata's Steel or say JSW is selling, I don't know. Secondly, it is also a local demand factor that comes in, where you have a steady fixed order for which we need to have supply. Third is the Chinese imports, even say theoretically, I'm just making a theoretical question is, this is a bit of an anti-dumping story. Have I ever imported steel from China for my products? No. So this may be for the construction area, may be for something that I really don't know. So for me all I am saying is, my negotiations for the fourth quarter has already been completed and rate amendments et cetera, which is a reduction, has been given. Now, the next round with the MIP, maybe there will be some change in the budget, maybe something, duties will be increased, whatever it is, that will come up for us to discuss only in March, and that's when I can give you a firm answer, this is what's the impact.

Operator [134]

Abhishek G, Reliance Securities.

Abhishek G, Reliance Securities - Analyst [135]

Hi Kevin, just one strategic question. If we see last 14, 15 quarters, our volumes have been in the range of [1 million to 1.1 million] comparing few quarters, but our realizations have improved sharply and we have maintained margins in the range of 20%. So with new strategy in place that we have "V" in the market, Avenger in the [place] and the CT 100 at aggressive pricing, do we see that the current realization rate would be maintained or we see some downward revision in the realization?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [136]

I was on NDTV when I mentioned that all along at the start of the year I was always talking guardingly I've got 19% to 20% margins. And 20% is what we have achieved over the last four years or five years, I don't know how many quarters. But you see what has happened in quarter two is the margin went up to 22%. In quarter three, for example, exports came down, which is on a high-selling business et cetera, it came down for various external factors, but Avenger came up, my margin is 22%. Barring unforeseen circumstances, I don't see any reason why 22% should not be maintained at least for the next one or two quarters.

Abhishek G, Reliance Securities - Analyst [137]

No, no. I'm not talking about the realization -- sorry margins, I am talking about the realization, because --

----

Kevin D'Sa, Bajaj Auto Limited - President, Finance [138]

Realization, I never calculate the realization that way, because of so many things that each product is a different part. So for example -- if the rupee, for example, goes to INR67.5 or INR67.8, the realizations change on that basis, but logically the realization should go up from here, because of the Avenger, because of "V" and hopefully exports comes up back to normal from March or April.

Abhishek G, Reliance Securities - Analyst [139]

And second question is that, do you see any cannibalization between the "V" brand and the Pulsar brand in any circumstances?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [140]

We have not yet launched the "V", so we won't be able to comment on that.

Operator [141]

Mahantesh Marilinga, Finquest Securities.

Mahantesh Marilinga, Finquest Securities - Analyst [142]

Just wanted to get an idea on the product front. On the Bajaj "V", what is your the timeline sir, when are we planning to launch it?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [143]

By March.

Mahantesh Marilinga, Finquest Securities - Analyst [144]

And any volume provision that you've made internally?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [145]

Internally, as Rajiv has said that we have a capacity for 20,000 motorcycles initially and that will be ramped up depending on the demand.

Mahantesh Marilinga, Finquest Securities - Analyst [146]

And coming to the M2 segment, currently which are the products left there, because you have consumed couple of them, right?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [147]

We have only the Discover 125 currently in the M2 segment.

Mahantesh Marilinga, Finquest Securities - Analyst [148]

So only one product and in the M1 segment, the Platina and the Boxer twins?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [149]

CT.

Mahantesh Marilinga, Finquest Securities - Analyst [150]

CT twins. And you are planning to move up customer from M2 to M3 by launching the Bajaj "V", that's your strategy?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [151]

That's right.

Mahantesh Marilinga, Finquest Securities - Analyst [152]

Sir, also there was some news that Honda is now planning to re-launch its Unicorn 150, the old one, it was doing well. So don't you think it might cannibalize some Pulsar sales?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [153]

I understand it this way, the Unicom was launched earlier and then it was replaced by refreshed or upgraded Unicorn.

Mahantesh Marilinga, Finquest Securities - Analyst [154]

But the old one was still sold.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [155]

That's the question you have to ask Honda, no? What happened to the new Unicorn, is something that you ask Honda.

Mahantesh Marilinga, Finquest Securities - Analyst [156]

Actually they were disconnected the old one, now they are again re-launching it, that's why?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [157]

Correct. So my answer is very simple, if the old Unicorn did not do much to the Pulsar and they hence introduced the new Unicorn. If that also has not done better and they're going back to the old Unicorn, no?

Mahantesh Marilinga, Finquest Securities - Analyst [158]

Sir, and any timeline for other launches, sir?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [159]

No, nothing to share at this point.

Operator [160]

Pramod Kumar, Goldman Sachs.

Pramod Kumar, Goldman Sachs - Analyst [161]

My first question pertains to your CT 100 and the CT100-B, because at one end you've been talking about your premium portfolio and higher ASPs, but at one end of the spectrum, you are going after, in a way, the cheapest bike in the market kind of positioning? And with CT100-B, with a differential pricing of like almost INR4,000, INR5,000 further cheaper than CT 100, I'm just wondering what is the kind of customer profile are we targeting with this particular user group? And how does generally that compare with your overall strategy of premium global motorcycle positioning? That would be my first question.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [162]

The answer to this is very simple, this is already there in the slides and the presentation that we made on December 17, is that the mass market, which is basically the M2 segment, we'll move those customers down to the M1 segment by offering products and expand the market. And the second is we will take the customer up to the M3 segment and the premium segment. So this is the strategy that has been there. And this strategy involved two elements, which we had displayed; one was the CT 100 and the Platina, and you can see the results, which I've already explained to you. The 21%, the market expanded to 24%. Our market share became 26% to 34%. The second part of the strategy was to play the premium game, where we introduced RS200, we introduced the AS family et etcetera, and now the Avenger, and what have you seen. The market share in the sports and super sports segment has gone up to 50%. Third part of the strategy, which you have said is now to go to the M3 segment and expand it and that's what the Bajaj "V" is -- we are talking about. So there is no disconnect compete anywhere in what we mentioned in December 17, 2014, and today.

Pramod Kumar, Goldman Sachs - Analyst [163]

No. But in that case, what is the customer -- what is the category share now you are expecting, from 21% to -- you took it up to 24%?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [164]

The answer is very simple, each customer knows what he wants from both and when he wants, a customer buys a CT 100, he is not a Pulsar customer. So there is a product for each set of customers. For example, the Bajaj "V" is product which I'm saying, there are 5 lakh customers sitting in the M2 segment, is not for the 5 lakh, maybe for 10% of that 5 lakhs would like to look at the "V".

Pramod Kumar, Goldman Sachs - Analyst [165]

No, the question -- the reason I'm asking is like, Platina volumes have got plummeted in the process, just by launching the electric start, which was not (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [166]

Why do you (multiple speakers) portfolio this -- how did my market share go up from 28% to 34%? If you take an individual product and say that plummeted et cetera, that's a completely misunderstanding of the presentation.

Pramod Kumar, Goldman Sachs - Analyst [167]

No. The reason I'm asking this Kevin is other (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [168]

Look at the market share of that, one product will cannibalize the other product, this is a value product. What is the net impact of M1 segment Pramod?

Pramod Kumar, Goldman Sachs - Analyst [169]

Agree. I agree to all of that because we've seen this (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [170]

Then why are you raising the point of plummeting et cetera, I've just not understood it?

Pramod Kumar, Goldman Sachs - Analyst [171]

No, because the Platina volumes have gone down, we have seen this with Discover as well (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [172]

What I am saying is look at (multiple speakers). No.

Pramod Kumar, Goldman Sachs - Analyst [173]

No. I agree Kevin, but what we generally understand from every other company is building a brand, there is a very long during process and residual values are very important.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [174]

Say for example the CT 100 has been launched and it's selling approximately about 50,000 numbers without a single [entitlement], that's the strength of the brand.

Pramod Kumar, Goldman Sachs - Analyst [175]

No, no, I agree. All I'm saying is, in the process, Platina volumes have taken a hit and the residual values of that brand are down, but with CT100-B, you will be probably cannibalizing heavily with CT100 itself, again in the process taking around the residual value. You have seen this earlier with Discover what has happened to the brand. So I'm just trying to understand, what is the thought process, because other companies are -- clearly say that launches don't matters so much, you will have to have -- build a brand over a period of time. We've seen Honda also not probably getting successful with numerous launches in the executive segment. I just want to understand the thought process, because on one end we have very strong (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [176]

Thought process, Pramod, is very clearly clarified and informed and there is no deviation at all from the thought process. After doing all these presentations if you are asking what is the thought process right now, it's quite embarrassing for me to give an answer now.

Pramod Kumar, Goldman Sachs - Analyst [177]

No, fair enough. But category share, where will you be looking at with this particular launch, from 24%?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [178]

As a market share, we would like to exit March at about 22%, that's the exit point.

Pramod Kumar, Goldman Sachs - Analyst [179]

And in terms of three-wheeler Kevin, how is the domestic permit scenario looking, because that can be a silver lining in a weak export market?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [180]

Domestic permits, I would estimate approximately about incremental 40,000 to 50,000 permits coming incremental for the year 2016-2017.

Pramod Kumar, Goldman Sachs - Analyst [181]

And for the remainder of the year, anything worthwhile?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [182]

No.

Pramod Kumar, Goldman Sachs - Analyst [183]

Not much?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [184]

Not much.

Operator [185]

Binay Singh, Morgan Stanley.

Binay Singh, Morgan Stanley - Analyst [186]

Actually my question slightly similar to the one that this earlier participant asked. When we look at CT 100, it's been -- it got launched last year in Feb and the product has done fairly well on a combined basis. So now the management is launching a cheaper variant of that by around INR4,000 or so. So I remember when CT 100 was launched, you have showed us that it will not have a major margin impact, which is what we saw. When you look at the CT100-B, do you think it can be like a big incremental volume driver, like CT 100, plus Platina, plus B?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [187]

No, no. See there are two things, Binay. One is in terms of the margins per se. It's too small a pie [to] effect my overall margins. One. Second is, you are going to produce a CTB, how much you produce is in your hands. So for us, the CTB is -- never advertises, there is a product or et cetera, but how much and what is the shift taking place that's for us to decide at that stage.

Binay Singh, Morgan Stanley - Analyst [188]

So it's not like sort of an aggressive one?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [189]

Not at all.

Binay Singh, Morgan Stanley - Analyst [190]

So, in that sense, when you look at FY17 volume growth in domestic motorcycle, because CT 100 is now completing almost a year, so based on (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [191]

Now let me put it this way to you. On a very rough basis, generally rough basis and I'm talking of just immediate first quarter, from an average of 150,000 that we're doing right now, I would like to look at a figure of 200,000 per month. I am not even talking of the second, third, fourth quarter et cetera. Where am I talking of this? I am talking of 75,000 coming from the same CT, Platina, CTB family, 80,000 or so coming from the Pulsar and

Avenger, which should not be a challenge, balance of about 35,000 to 40,000 coming from the mix of "V" and the existing Discover.

Binay Singh, Morgan Stanley - Analyst [192]

But that seems a bit conservative, right?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [193]

But I'm saying that right now the "V" is yet to be launched, everything is yet to be launched, so I'm just saying that this is not an indicator. I've not even spoken about quarter two, quarter three, quarter four. So from an average of 150,000, going to 200,000 numbers per month should not be a challenge. One. It is on this belief only that I'm talking of my market share going up from the current 18%, 19% to an exit point of about 22% by March. Now, someone had asked me earlier, what is my figure for the next year and as I said, it is not available, it is not ready, it is yet to be prepared. But since the first quarter is just two months away and with the success of the Avenger, I'm saying very clearly that 200,000 was the average, 150,000 is very much there for everybody to see.

Binay Singh, Morgan Stanley - Analyst [194]

And secondly, Kevin, just on Nigeria, like every company is commenting that Nigeria retail remains very strong, could you quantify a little bit in terms of absolute growth rate when we say strong, is it 10%, is it (multiple speakers)?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [195]

See in December we did 60,000 retail, which is a record, but that's because of Christmas, et cetera over there, January, we would have done about 40,000, 44,000 numbers, which would be almost flat to what it was earlier.

Binay Singh, Morgan Stanley - Analyst [196]

Correct, because that's I was getting, because from my notes it seems that the retail in Nigeria is like some 3%, 4% only?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [197]

3%, 4% growth or flat, or what?

Binay Singh, Morgan Stanley - Analyst [198]

Meaning, from last year retail that we were doing (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [199]

Correct. So last year we're doing about 35,000, 40,000 numbers, in January, we've done about 40,000, 44,000 numbers. In December, we did a record 60,000 numbers. Now the market, per se, has shrunk. And, therefore, while doing 44,000, 45,000 numbers, my market share has gone up to 16% plus.

Binay Singh, Morgan Stanley - Analyst [200]

And like you in the previous call mentioned about 10% to 15% export volume guidance. I know it's very difficult to sort of project exports at this stage.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [201]

I have maintained that, at normal circumstances I'd say, like I've always mentioned to you and even I stand by my earlier statement, on a CAGR basis 12% to 15% growth is there. And that's why I said, don't ask me [quarter-over-quarter], year-over-year, there will be ups and downs. But on a three-year basis, I have no reservation in committing myself to saying that 12% to 15% growth in the exports is possible.

Operator [202]

Lakshminarayanan, Catamaran.

Lakshminarayanan, Catamaran - Analyst [203]

Sir, if I just understand the previous question, you are saying that the Nigeria for the last nine months, nine-months to nine-months the growth has been flat?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [204]

By and large, yes.

Lakshminarayanan, Catamaran - Analyst [205]

And the second question on CT 100 what has been the -- I just missed that also, what has been the sales per quarter of CT 100 family?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [206]

CT 100 for the quarter per se, just give me two minutes, CT 100 for the family, for the quarter has been at about 144,000 numbers.

Lakshminarayanan, Catamaran - Analyst [207]

And in the previous quarter?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [208]

The previous quarter is 140,000. First quarter was 174,000 and this 174,000 normally comes in, because April, March is marriage markets.

Lakshminarayanan, Catamaran - Analyst [209]

Sir the, last question related to Euro norms, so the euro norms (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [210]

Sorry sir, let me just intervene over here. And this is also to address the other question earlier, my Platina remains the same at 76,000 in quarter one, quarter two and quarter three.

Lakshminarayanan, Catamaran - Analyst [211]

Sir my last question is on the Euro norms, because just wanted to understand when the Euro norms go to Euro VI right, how does it, is it (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [212]

I won't take that. It's a bit of a technical question and I'm not too sure, whether these are mandatory for the two-wheelers or so. So I think I won't -- I prefer to abstain from answering that question.

Operator [213]

Sumanta Khan, ICICI Prudential.

Sumanta Khan, ICICI Prudential - Analyst [214]

No my question has been answered. Thanks a lot.

Operator [215]

Dipen Sanghavi, Enam Asset Management.

Dipen Sanghavi, Enam Asset Management - Analyst [216]

If you can just give me the absolute spare part revenues in Q3, domestic and exports combined?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [217]

Can you repeat the question please?

Dipen Sanghavi, Enam Asset Management - Analyst [218]

Absolute spare part revenues for Q3?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [219]

Spare part revenue for Q3 has been at about INR670 crores.

Dipen Sanghavi, Enam Asset Management - Analyst [220]

INR670 crores, which was about 15% growth over last quarter right?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [221]

11%.

Dipen Sanghavi, Enam Asset Management - Analyst [222]

Sorry, 11%. And YTD is about 15% growth?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [223]

YTD would be 12%. I did mention 15%, it's around 12%.

Dipen Sanghavi, Enam Asset Management - Analyst [224]

And secondly what would have been our exports in USD million for Q3?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [225]

For USD, I don't have that figure right away, can I take it offline?

Dipen Sanghavi, Enam Asset Management - Analyst [226]

Even an approximate figure will do. That's okay.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [227]

I'll take it offline please.

Dipen Sanghavi, Enam Asset Management - Analyst [228]

All right, no issues. Thank you.

Operator [229]

Jinesh Gandhi, Motilal Oswal.

Jinesh Gandhi, Motilal Oswal - Analyst [230]

Kevin, couple of questions. First, pertains to LatAm, where we have been doing very well. Can you indicate about what kind of growth we have seen in nine months and what would be sort of (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [231]

Individual country wise, we don't share.

Jinesh Gandhi, Motilal Oswal - Analyst [232]

But any sense on how share has increased, in terms of contribution for Bajaj from LatAm?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [233]

All I can say is that seeing the Pulsar growth, that's all come from LatAm, but individual country-wise et cetera, we don't share information.

Jinesh Gandhi, Motilal Oswal - Analyst [234]

And secondly, you indicated you have gained market share in Nigeria and it now stands at currently 60%. Any idea about how it was last year?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [235]

Last year, it had been hovering between 45% to 50%.

Jinesh Gandhi, Motilal Oswal - Analyst [236]

45% to 50%, it has gone up to 60%. And otherwise, on three-wheeler exports, just Nigeria where we are facing problems or --?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [237]

Nigeria and Egypt, major markets. So I would say between Nigeria and Egypt we would have been -- we are losing approximately about 8,000, 9,000 numbers per month.

Jinesh Gandhi, Motilal Oswal - Analyst [238]

Okay. 8,000 to 9,000 per month is what we use lose? Okay, Egypt also --

----

Kevin D'Sa, Bajaj Auto Limited - President, Finance [239]

Currency, pure availability.

Operator [240]

Kapil Singh, Nomura Securities.

Kapil Singh, Nomura Securities - Analyst [241]

Hi, Kevin, just a small follow-up on Nigeria. We've a seen a strong market share gain, which also implies that market has seen a big drop. So just wanted to understand the landscape, like, who would be the players who are losing, is it the Chinese lower-end players who have lost out because of the price increase?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [242]

It's the Chinese.

Kapil Singh, Nomura Securities - Analyst [243]

And how does it impact them in slightly longer-term when the dollar availability improves? Is it -- do you feel that they would still be out of the market, because the prices have gone up and they are operating more in the price sensitive (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [244]

I think, in any case, what has happened is that, as you know, we were always offering our vehicles at a premium to the Chinese. And, therefore, for example, when it's the Chinese that are facing it, it's basically the smaller network of people who are not in a position to import the Chinese. In this period, we have been able to consolidate ourselves, so I believe personally and this issue is across all globes, is I think as far as the Chinese is concerned, the brand for motorcycles, it is losing steam. And, therefore, even when the currency availability improves, it will still, I would say, be advantage Bajaj.

Just one, the earlier query, a person had asked about the dollar realization in millions, it's $333 million for the quarter.

Operator [245]

Chirag Shah, Edelweiss.

Chirag Shah, Edelweiss - Analyst [246]

Kevin, first on "V" 150, given the modest target that you're going with around 20,000 units, is there a thought process of expanding the product portfolio in this scenario?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [247]

Chirag, let me be clear. I am not saying my aspiration will be much higher. It's like Eric Vas has said, and which I repeated just earlier, there are 5 lakh customers sitting down there, buying motorcycles in the M2, M3 category. I can even plan and target a 10% of that, that's 50,000 numbers.

Chirag Shah, Edelweiss - Analyst [248]

I was coming to that. So --

Kevin D'Sa, Bajaj Auto Limited - President, Finance [249]

I am saying 20,000 numbers is the near-term capacity plan that is there. Aspiration of the Company and all that is much higher than that. But it is too early to share, because the product is yet to be launched.

Chirag Shah, Edelweiss - Analyst [250]

So you are targeting aggressively to upgrade the customer with one -- what I read about or some queries were coming is [150cc] a statement product and then -- the current one and it would be further expanded as a product portfolio.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [251]

That is a new brand and therefore the opportunity to exploit the new brand is huge. Now I give you the same answers, Avenger. Two months back or three months back, if I'd made a statement that Avenger from 3,500 is going to 25,000 numbers, it would have made me ridiculous. So let the product get launched, let us get the feedback and then we -- both of us will be able to answer a fair estimate of what the potential is.

Chirag Shah, Edelweiss - Analyst [252]

And on the Nigeria front, what kind of transit inventory you would be having, because at some point of time --?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [253]

Below minimum.

Chirag Shah, Edelweiss - Analyst [254]

So -- but the dealers would run off stock at some point of time, is that already happened?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [255]

That's why I'm saying it's below minimum at the dealership end.

Chirag Shah, Edelweiss - Analyst [256]

And how would you define below minimum, a month inventory is what --?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [257]

It's about 45 days for transit [till] stocks last. And therefore, I would say that the dealer to get them from the time it leaves Bombay dock, should have at least about three months inventory. I would say that he has got about -- probably just about 1.5 or 2 months inventory at the most, including in transit.

Chirag Shah, Edelweiss - Analyst [258]

Okay. So dealer stock plus in transit, so whatever you have shipped, let me put it like that, is around one and a half to two months with them?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [259]

Two months, let's put it.

Chirag Shah, Edelweiss - Analyst [260]

And when you say two months it would be around 40 --

Kevin D'Sa, Bajaj Auto Limited - President, Finance [261]

Again let me repeat Chirag, it's not that the exports are not taking place, so the distributor, the dealer whatever funds he can lay his hands on, is selling it over here, sending it and we are shipping.

Chirag Shah, Edelweiss - Analyst [262]

No, I agree. I'm aware of that. I'm not trying to say that there is a problem with demand. I am just trying to understand the dollar availability issue, so there could be big spurt in sale that could happen suddenly, it could be volatile, in a way it could be (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [263]

It could be volatile, is what we saw in the fourth quarter and in the first quarter of the current year. So fourth quarter last year was affected by Egypt and the elections in Nigeria. And after that Chirag, you saw the spurt that took place in my first quarter results. But here the issue is basically oil prices, which no one is going to expect a sudden change over positive for the Nigeria in that market side, so it is going to be little more long drawn-out.

Operator [264]

Viraj Kacharia, Securities Investment Management.

Viraj Kacharia, Security Investment Management - Analyst [265]

Just had two questions. One was on the Pulsar side, if you see in the domestic market, despite of us launching three new products, the overall volume for Pulsar category as such, we haven't seen much growth in the first 9 to 10 months?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [266]

No if you see, you are talking about absolute numbers, but if you see the Pulsar and the sports segment, the sports segment has grown by 3%, Pulsar has grown by 11%.

Viraj Kacharia, Security Investment Management - Analyst [267]

So I mean we're also looking to launch a refresh versions on the 150cc, 180cc and possibly also the 200cc product. So is there any plan of upgrade launching (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [268]

Very much so. So that will all come out in FY17, very much so.

Viraj Kacharia, Security Investment Management - Analyst [269]

And also we had indicated something on the three-wheeler goods side, but that hasn't been launched yet, so --?

Kevin D'Sa, Bajaj Auto Limited - President, Finance [270]

So three-wheelers will have an initial sale that will start shortly. And, therefore, in the month of March, I would expect about 1,000 to 1,500 -- between today and March-end about 1,000 vehicles to 1,500 vehicles being put in the market. Too early to give you 2016-2017 numbers. But I would say that about 1,500 vehicles per month should be a steady state of sale of the cargo.

Viraj Kacharia, Security Investment Management - Analyst [271]

And primarily for the domestic market, or we're also looking (multiple speakers)

Kevin D'Sa, Bajaj Auto Limited - President, Finance [272]

Right now, for the domestic market, yes.

Operator [273]

Thank you. I would now like to hand the floor over to Mr. Ashvin for his closing comments. Over to you, sir.

Ashvin Shetty, Ambit Capital - Analyst [274]

Thank you. So, thank all the participants for joining the call. I would also thank the management for giving us the opportunity. Thank you and good-bye.

Kevin D'Sa, Bajaj Auto Limited - President, Finance [275]

Thank you everybody.

Operator [276]

Thank you very much members of the management. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference call. Thank you for joining in and you may now disconnect your lines.