

Q4 2018 Bajaj Auto Ltd Earnings Call

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Bajaj Auto Limited - President of Finance & CFO

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* Aditya Jhavar

Investec Bank plc, Research Division - Analyst

* Aryn Pirani

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* Ashish Nigam

Axis Capital Limited, Research Division - SVP of Automobiles

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Equirus Securities Private Limited, Research Division - Research Analyst

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* Kapil R. Singh

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Presentation

Operator [1]

Ladies and gentlemen, good day, and welcome to the Q4 FY '18 Results Call of Bajaj Auto Hosted by Emkay Global Financial Services. (Operator Instructions) Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Raghunandhan N.L. of Emkay Global. Thank you, and over to you, sir.

Raghunandhan N. L., Emkay Global Financial Services Ltd., Research Division - Senior Research Analyst [2]

Thank you, Janice. Good morning, everyone, and welcome to the Q4 FY '18 Bajaj Auto Conference Call.

I would like to welcome Mr. Kevin D'Sa, President, Finance, and thank him for giving us this opportunity.

As usual, we will directly start from the Q&A session. Over to you, Janice. Please open the floor for Q&A.

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Questions and Answers

Operator [1]

(Operator Instructions) We take the first question from the line of Ashutosh Tiwari from Equirus Securities.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst [2]

Sir, can you provide some color on the export markets, how they are doing right now in terms of the margin, what's our guidance for FY '19? April numbers are pretty good.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [3]

April -- exports are doing well, as you'd see with the oil price stabilizing, currency availability and Nigeria's doing very well. New products launched in the Philippines are doing very well. New nascent markets are doing well. So exports right now is looking very healthy. We don't have a target to share with you, but we would look at definitely a growth of about somewhere near the 1.9 million mark is what one would look at, at this stage. As you know that in April, we did approximately about 185,000 numbers. May is looking as encouraging. So right now, things are positive on the exports side.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst [4]

Okay. And the Nigeria and all, what's the run rate right now?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [5]

Run rate is in excess of 30,000 numbers.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst [6]

And then secondly, what's the (inaudible) rate that you realized in the last quarter, fourth quarter? And how is the -- going ahead, what kind of rate can we look at FY '19?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [7]

Well, the fourth quarter, we have got a rate of about 67.2. By and large, we should be -- we have covered as hedges for the next year as well as for '18, '19. Rates are confidential, but we will see an upside from the current rates.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst [8]

Okay. And then lastly, on the balance sheet, if you look at -- payroll numbers have gone up substantially by almost INR 1,000 crores from INR 2,200 crores to INR 3,200 crores. Similarly, when the receivable has gone up from INR 953 crores to INR 1,491 crores.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [9]

Right.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst [10]

What is going in are your other expense -- other -- that current debt for 2018 [is to go to 322 what is the big drop that happened over there?]

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [11]

No, if you see the total debt, as I recollect, it was approximately about INR 1,490 crores versus last year, at about INR 950 crores. A major increase would be about INR 150 crores coming on exports because exports is not a -- we -- while we talk in terms of a cash and carry, it's -- basically, it takes 15 days for us to negotiate the documents. So that's primarily INR 150 crores comes from the export side, INR 200 crores would be on the domestic debtors, and about INR 50 crores to INR 60 crores will be on the spare -- on the [spares]. So that accounts for the difference between INR 1,490 crores and the INR 950 crores. As you know, for us, as far as vendors are concerned, the payment term is based on 30 to 45 days. And hence, as production goes up, as production ramps up, I get the benefit of a negative working capital.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst [12]

Okay. But there's a substantial increase of almost INR 1,000 crores, which is obviously (inaudible).

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [13]

That, again, happened because you had the 1st of -- 31st of March as a holiday. So payment of a lot of about INR 300 crores, that happened on the 1st of April.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst
[14]

Okay, okay, okay. Got it. And the other current debt is?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [15]

Other current debt has come up, primarily has come down significantly because all my outstanding dues on the VAT and GST, et cetera, is coming to -- has been refunded back. So if you look at my cash and cash balance, it has jumped up to INR 15,500 crores because we have managed to collect approximately about INR 1,500 crores in the 6 months from September to March, which was the old VAT outstanding, the excess outstanding, et cetera. And we had got GST refunds as well.

Ashutosh Tiwari, Equirus Securities Private Limited, Research Division - Research Analyst
[16]

Okay. So -- and in terms of getting refunds and all, has this, under GST agreements, become better than earlier? How did this...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [17]

Well, we have been having our processes in place very much, so all our returns, everything has been filed in place. And therefore, for me, I had no problem in getting my GST refund from the government.

Operator [18]

We take the next question from the line of Pramod Kumar from Goldman Sachs.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [19]

Kevin, can you help us get a color on the industry demand scenario as you've seen the current [festive] season? And how are you looking at FY '19 as a year in the industry level? And any comments on Bajaj's performance in context of that?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [20]

So I would say that the [festive] season has been very healthy. As you've seen, the April numbers has grown by about 19% for the industry; and motorcycle industry, as such, we have grown by 24%. Currently, the outlook for the industry I feel it is positive, with the rural demand coming in with the growth of demand and because I think, if I recollect right, this is the first time after a long, long time that the motorcycles has grown higher than scooters. My estimate right now is, right, what I say is a personal what I would say is a personal estimate, not necessarily backed by any strong data that would suggest it. But I would say, on a whole year basis, we could see a growth rate of about 10% to 11% for motorcycles. This again backed up primarily because of the disturbance that took place in '17, '18 on account of the GST demonetization and the Bharat III, Bharat IV changes.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [21]

Okay. And any comments on your performance, Kevin?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [22]

If we take it on a month-on-month basis -- it's too early to take a call on an annual basis. So like I said in April, we have grown in domestic motorcycles by 24%. We definitely outpassed -- outperformed the growth in the industry gaining above the market share. May is also looking encouraging. So I think right now, my call is that as far as motorcycles is concerned, we'll be able to outperform the industry.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [23]

Outperform the industry. And the second question is on the brand specific on CT 100, and Pulsar, Kevin, as in we've done some pricing correction there. Pulsar, how are you seeing demand in terms of the ramp-up in terms of -- or rather, have you seen an increase for Pulsar in terms of the dealership? And consequently, is there a reasonable pickup in demand for these 2 brands in particular?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [24]

Sure. So 2 small points I'd like to highlight. In CT, yes, there has been a price correction; but there's no price correction in the Pulsar, and I'll explain that a little later. As far as CT is concerned, on the kickstart, we have had a price -- small price correction. But please also note that we had -- for all other products, we had taken up the prices on or around March 18. And again, we took up the price increase about a few days back; I think it was May 14. We've taken price increase across. Now as far as CT is concerned, the demand has been outstanding. Right now, we are rationing the production that is taking place; and hence, we cannot produce as much as what the market wants as of now. Then we've seen this in April, and we're seeing it as of today. As far as Pulsar is concerned, we do not drop the prices, but we introduced a new price, Pulsar 150 Twin Disc, at the existing price of INR 76,000 that we were selling the earlier Pulsar. And the Pulsar standard, which is selling at INR 76,000, has been dropped by about INR 2,000, INR 2,500. So there's more to make a place for the Pulsar Twin, that we have done that. Right now, again, in the Pulsar Twin Disc, we're having production constraints, and therefore, dealers are waiting for the production and the supply of Twin Disc. And therefore, we're seeing both these price actions giving us significant benefits in our overall sales.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [25]

Okay. And if I can -- can I ask one more question, Kevin?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [26]

Yes, please.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [27]

Yes. On the Euro 6 compliance, Kevin, there are varying numbers coming around on the fuel injection. But there's a -- what we hear from, generally, the industry is that as the volume opportunity is so large in India for fuel injection, the costing should be, ideally, much more lower than what is the current benchmark. So any color on that as to where do you think in your experience where is that..

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [28]

Right now, there's a lot of things happening over there in terms of costing, in terms of technology, in terms of options, so very difficult to put a concrete number on this transition.

Pramod Kumar, Goldman Sachs Group Inc., Research Division - Executive Director [29]

Okay. Even on the ABS, there is not much of clarity, Kevin?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [30]

Not much to share with you at this stage.

Operator [31]

We take the next question from the line of Jinesh Gandhi from Motilal Oswal Securities.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [32]

Kevin, my question pertains to the 3-wheeler demand in the domestic market. After the Maharashtra demand being largely met, what kind of growth are you looking for next year, FY '19, for 3-wheeler domestic?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [33]

Like I said there, Jinesh, we're not really putting figures right now in the near term because things are still unclear. But what is healthy is that the momentum that we saw in the 3-wheelers, where we ended the year at 325, which was again primarily driven by the Maharashtra permits. What we have seen right now is, basically, the -- when I talk of margins, it's primarily Mumbai permits. But the rest of Maharashtra has still got a lot of momentum left, and therefore, I would also say that we are seeing new permits coming out in the state of Telangana. We are seeing something coming up in Delhi. We are seeing permits coming out in Karnataka. And therefore, the pipeline as far as permits are concerned is reasonably healthy. Having said that, I would also like to share that our growth is coming also from the diesel segment. So for example, in the diesel segment itself, overall now we are having a market share of 34%. And I don't see any reason why we should not be sort of becoming the market leader by the end of the year in this segment. Within this, again, we look at the small diesel segment, we are a straight leader with 75%. The other part which is very healthy is the cargo vehicles segment that we have already sold all 22,000 last month, and we are averaging approximately close to 8,000 every quarter. So 3-wheeler for the whole year looks promising.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [34]

Okay, okay. So primarily, that is based on expectation of new permits in Telangana, Delhi and Karnataka and diesel segment continuing to...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [35]

And continuing of the existing permit-free zone in the rest of Maharashtra.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [36]

Right, right, right. Okay. And any other state which you believe can go -- become permit free in next few quarters apart from Maharashtra?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [37]

I don't know. I don't know. But let's say, for example, there are only now really 4 states that are having their volume: one is Karnataka; one is Telangana; Andhra the third; and the fourth is Delhi. This is the major ones. And of course, there's West Bengal on the other side there.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [38]

Right. And all these 4 markets are permit free right now?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [39]

There is only 4 -- and I don't see a permit-free situation coming in, in this place, and especially in Delhi, when the congestion, et cetera, are coming in. So it will be a controlled distribution of permits in Delhi. But Karnataka and all that, I don't see any reason why permits should continue.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [40]

Okay, okay. Understood. Secondly, with respect to the price increases, which you had taken in March 18 and May 18, can you indicate what kind of price increases we've taken?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [41]

About 1%, 1.5%. What happened is in March, when we did take up the prices of the motorcycles; and then for the 3-wheelers, we have taken up the prices on 1st of April, this was on the assumption of certain steel and aluminum cost increase that would happen. Our steel and aluminum had really shot up. And then there's a bit of oil prices going up. Freight rates have gone up, especially outward freight rates for the vehicles. Aluminum has gone up. Plastics has gone up. We have seen paints going up, tires going up. So there's a complete commodity price increase that has happened, and therefore, we took another price increase on May 14.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [42]

Right, right. And this covers the commodity price inflation [witnessed] so far? Or will -- we might have to take another price increase?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [43]

Right now, I think they are covered. There is no plans for the near term unless again, with the oil still going higher, there's another need. But I think at least for the next 2 to 3 months, we are well covered.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [44]

Understood, understood. And lastly, in terms of our CapEx, so what kind of investments are we planning this year? And are we now thinking to...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [45]

Again, keeping in mind the R&D expense, balancing equipment, toolings, et cetera, it's the same INR 250 crores to INR 300 crores plan that we had talked about.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [46]

Okay. We don't need -- we don't see need of adding new capacities?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [47]

As again we say that the peak requirement always comes in, in the festive season, so at that particular point of time, we can always [pre-form] a bit of production and stock with the dealerships. So at least for the next 3 to 6 months, we'll be looking at the demand situation in the industry. There is no immediate plan for the expansion.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [48]

Okay. And what would be our current capacities -- principal capacities in both motorcycles and 3-wheelers?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [49]

It's approximately about 6.6 million.

Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [50]

Both put together?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [51]

Both put together, yes.

Operator [52]

We take the next question from the line of Aryn Pirani from Deutsche Bank.

Aryn Pirani, Deutsche Bank AG, Research Division - Research Analyst [53]

Sir, just on this capacity question again, within that, can you tell me what is 3-wheelers? Or is it fungible?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [54]

No, 3-wheelers will be approximately about 7 lakh 20,000.

Aryn Pirani, Deutsche Bank AG, Research Division - Research Analyst [55]

7 lakh 20,000?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [56]

Yes.

Aryn Pirani, Deutsche Bank AG, Research Division - Research Analyst [57]

Okay, okay, okay. And given that exports are growing, and domestic also looks good, even there, you don't feel any reason to expand?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [58]

No. In fact, what happened was we did -- when the exports are growing, and the domestic are also growing, especially Maharashtra [and the Bombay] permit, we actually deferred a little bit of export orders, and we balanced the 2. Now we're in a position to take care of both the orders. And therefore, I would say that on a steady state, we should be able to do about 60,000, 65,000 numbers every month between domestic and exports. So that's what the capacity is.

Amin Pirani, Deutsche Bank AG, Research Division - Research Analyst [59]

Okay, understood. And sir, just on the pricing front in the industry, obviously, you did take some correction on the Pulsar standard [dimension] to make way for the new Pulsar.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [60]

Yes.

Amin Pirani, Deutsche Bank AG, Research Division - Research Analyst [61]

In general, I mean, are you seeing the pricing environment becoming tougher in the industry? Or you feel that industry is going to pass on the commodity costs over the next few quarters as well?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [62]

I would go by the history of what we have seen in the last 6, 9 months when price has gone up. And whether it's Hero, whether it is Honda, whether it is TVS or whether it's Bajaj, we have passed on the price. So for example, the May 14 price increase that we took was post the increase that Hero has taken up and Honda has taken up, which they took I think on or around April, May. Because the cost increase are a common approach, you see, whether it is Bajaj or TVS or Hero or Honda, by and large, the steel, everything is from the same sources, everything is there, so therefore, that could happen for the entire automobile industry. So whether it's the car industry, it is BMW, it's Tata Steel, it's the same setup, people that are supplying us.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [63]

So margins should more or less remain in the current range, that would be the right thing to say?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [64]

No, I won't say that. You see, what happens is when I talk of a cost increase, I don't take the profit on the cost increase also. That's one part.

Amyn Pirani, Deutsche Bank AG, Research Division - Research Analyst [65]

On an absolute basis, it should be okay?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [66]

Absolute basis, it should be same. Secondly, also understand that like -- and I'm addressing the margin question upfront, is you're seeing the domestic -- the 3 business verticals of that of ours, which are primarily domestic motorcycles, then the exports, and there is 3-wheelers. Now margins of the exports and the 3-wheelers are ahead of 20%. Domestic motorcycles is lower than 20%. Now when the growth in the domestic motorcycle exceeds the growth in exports and 3-wheelers, automatically, the weighted average margins will come up a bit. But after profit, I'm very confident about growing significantly.

Aryn Pirani, Deutsche Bank AG, Research Division - Research Analyst [67]

Okay, okay. And sir, just lastly, can you share the spare parts growth or revenue number for the quarter and for the full year?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [68]

Spare parts, we did about INR 706 crores for quarter 4, of which INR 552 crores were the domestic, and INR 54 crores was the exports. And we see the growth coming in the range of about 10% to 12% year-on-year.

Aryn Pirani, Deutsche Bank AG, Research Division - Research Analyst [69]

This was for 4Q you are saying?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [70]

Q4, yes. And for the whole year, the spare parts was INR 2,763 crores.

Aryn Pirani, Deutsche Bank AG, Research Division - Research Analyst [71]

Okay, INR 2,700 crores. And this will be a growth of, sir, how much?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [72]

If it would be duly adjusted for GST, et cetera, it would be a growth of about 10%.

Amyr Pirani, Deutsche Bank AG, Research Division - Research Analyst [73]

10%. And we should see a similar number in the coming years?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [74]

Yes.

Operator [75]

We take the next question from the line of Kapil Singh from Nomura Securities.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [76]

Kevin, I wanted to check on exports. What kind of price increases are we taking there? And also, if you can comment a bit on competitive intensity in exports.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [77]

Export prices, I wouldn't like to comment there because it depends on zone to zone. On certain zones, we definitely had taken up the prices; on certain zones, we have maintained the prices. Now the exchange rate benefit that we will come -- that we will get will, to some extent, take care of the inflationary costs in these markets.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [78]

Understood, understood. And on the competition?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [79]

Competition is -- in certain markets, we are definitely seeing competition. But it's not so much so the thing is it is -- TVS is -- if I was to make a decision, it is the one that we would be watching out for in abroad.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [80]

Okay. Any particular markets or segments where you are seeing this?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [81]

Because we are both looking at the same markets. And primarily, I'm talking about Africa.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [82]

Okay. But it's both for 3-wheelers and 2-wheelers, or only in the case of 2-wheelers mainly?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [83]

No, 3-wheelers and 2-wheelers.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [84]

Okay. And what percentage of exports revenues are covered currently?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [85]

Confidential. But as a policy, we always have 80% of the exports covered; 20% is always kept as a natural hedge against imports.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [86]

Okay. And this is for the next financial year you are saying?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [87]

'18, '19 certainly.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [88]

Yes, okay, okay. Also wanted to check on other income. This quarter was slightly higher. So you mentioned that cash accruals have gone up. So what kind of yields are you looking at? And is this a normalized run rate now?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [89]

No. So other income has gone up because we got a benefit of the mark-to-market of about INR 70 crores. That's given. And this is primarily because in the last week of March, the government did make statements saying that they are going to do their borrowing in the latter half -- in the second half. As a result, yields at that period -- point of time in the last week of March came off a bit and gave me the benefit. But that gets reversed, and therefore, that fourth quarter yield that you are seeing is not going to happen for the going -- the coming 2 quarters.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [90]

Okay, okay, okay. Understood.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [91]

While I -- like I said in an earlier statement, INR 2,000 crores came in by additional cash, et cetera. Fourth quarter incremental of about INR 70 crores, INR 75 crores is coming purely on account of the sharp change in NTM, which was a positive, which has got reversed in quarter 1.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [92]

Understood, understood. And also wanted to check in terms of the domestic market, there is trade price competition in certain segments. So do you -- you have been talking about acquisition costs. So do you see that remaining high even in the current financial year?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [93]

I believe so. I believe so. So for example, a very simple situation. The CT price drop that we did, if that's not acquisition cost, what is it?

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [94]

No, I mean, is the competition also responding by offering some key...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [95]

These things are always happening either through a price because it will not be a permanent feature. It will always be to -- that, that is also something (inaudible). So right

now, in the managed markets, everybody is having a sale. But I think as you go forward, when you get into the festive season or when you get into the monsoon season, you will get these acquisition costs coming [that are part of the insurance offer] , et cetera. It will always be a part and parcel of the industry and the way this is going forward.

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [96]

Okay. Last question, I wanted to check on 3-wheelers. You mentioned that current -- we are already producing at current capacity kind of levels. So shouldn't we be looking at capacity expansion in this segment? Or you are not expecting growth here?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [97]

No, we'll be looking at, if all goes well, we will be seeing growth if you add the other commercial vehicles that will come into play. But we'd like to be guarded because when we talk of capacity expansion, it's not only at our end, but it's also the vendors' end. So we would rather be a little cautious in going ahead for that. But let me again...

Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [98]

Okay. But right now, there's no plan to expand capacity?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [99]

Again, as far as capacity expansion is concerned, it's not something that we require 6 months it is something where we can get the capacities up in about 3 months' time.

Operator [100]

We take the next question from the line of

Aditya Jhawar from Investec Capital.

Aditya Jhawar, Investec Bank plc, Research Division - Analyst [101]

Kevin, just a quick update on the distribution channels. So what has been the dealer attrition in FY '18? And how has this number panned out during the last 2 to 3 years? And versus other players, if you can throw some light?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [102]

We have approximately about 650-odd dealers currently. Given the letters of intent issued out and the new dealerships appointed by 31st March, it would be somewhere near about 710 numbers. In addition to this, each of the dealers will probably have about 4 or 5 authorized sales centers, so we would be having approximately about 4,000 touch points. Now as far as attrition is concerned, what we normally do is, on an every year basis, on a running quarterly basis, we have a scorecard for each of the dealers comparing what is their market share with the market share of that state. And wherever there's the lag over there, we do spend a lot of time with them for improving with -- just telling them where they need to improve, et cetera, and we give them time. But after 6 to 9 months, if you see that there is no improvement, then it's a mutual discussion, where we have that we probably move them out, and someone else gets -- joins in. I would put it that every year, approximately, I would say that we'll have -- we part ways with about 15 or so dealers every year. But then this gets automatically compensated by new dealerships being appointed, so no city or state or place is vacated.

Aditya Jhawar, Investec Bank plc, Research Division - Analyst [103]

Okay, okay. Fair enough. Secondly, recently, one of your competitors has increased their dealer margins to support the additional working capital requirement. This was despite a relatively stronger volume growth in the domestic market. Any thoughts of increasing dealer compensation? Or have you -- when was the last time you have increased dealer margins?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [104]

No, dealer margins are by and large fixed as a formula of about 4.5% of the -- this acquisition cost of the vehicles. So that will remain constant for several years, and that is in line with the industry.

Aditya Jhawar, Investec Bank plc, Research Division - Analyst [105]

So any compensation for -- with regard to the relatively lower volume as compared to other players?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [106]

No, no, no, not at all, not at all.

Operator [107]

We take the next question from the line of Abhishek Jain from HDFC Securities.

Abhishek Kumar Jain, HDFC Securities Limited, Research Division - Research Analyst [108]

First, can you provide some color on the new launches, especially in the Discover? And what kind of volume the company is looking from Discover in FY '19?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [109]

Discover, we have launched Discover 110 and the Discover 125. Between the 2, we do approximately about 18,000 numbers a month as we are introducing a lot -- we will be putting a lot more effort in terms of brand, promotions, et cetera. And I think we would be happy if we are in a position to average about 25,000 numbers a month.

Abhishek Kumar Jain, HDFC Securities Limited, Research Division - Research Analyst
[110]

Okay. And sir, what kind of a margin the company is making from the Discover family?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [111]

That's confidential. We don't share that.

Abhishek Kumar Jain, HDFC Securities Limited, Research Division - Research Analyst
[112]

Okay. Sir, the company has done quite intensive volume growth in Pulsar, that is 13%. So what kind of growth we can assume in the next 1 or 2 years from this?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [113]

See, it's very subjective. Each one can have his view. But what I would only like to share with you is with this adjustment of the introduction of the Pulsar Twin Disc that has come in with the -- with [correction] in terms of the new products that come in, I think the Pulsar, from an average, the standard, the 150cc Pulsar, which we are doing approximately 35,000 and moved to 50,000. And like I mentioned in the opening remarks, there is a production constraint. So it looks like we're all set to get into the new year with an average sale of approximately about 60,000 to 65,000 normal Pulsar and then top it up with the other high-end Pulsar, which should be a very healthy 75,000-plus Pulsars.

Abhishek Kumar Jain, HDFC Securities Limited, Research Division - Research Analyst
[114]

So total volume we can assume around 65,000 to 70,000 per month on -- in FY '19, right?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [115]

Yes, please. Yes, please.

Abhishek Kumar Jain, HDFC Securities Limited, Research Division - Research Analyst [116]

Sir, can you give some sense on the Avenger's performance in FY '18 and going on?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [117]

Avenger in FY '18, we did an average of approximately about 8,000 numbers. We started [well] at about 15,000 numbers. In FY '18, in the Avengers, we ended the year at about -- total about 1 lakh 6,000 numbers. My estimate for the current year could be anywhere near about 110,000 to 120,000 numbers.

Operator [118]

We take the next question from the line of Chirag Shah from Edelweiss.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [119]

Kevin, on the commodity price, so basically, most of the costs, it is reasonably covered, including the conversion costs. Is this the right way of looking at it?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [120]

Covered for the quarter.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [121]

For the quarter.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [122]

Yes.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [123]

So incrementally, you are...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [124]

[Either] from how steel and aluminum is going to be in the next quarter. Oil is just going up. So along with oil, you'd get a freight increase. You know what the price of diesel is?

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [125]

Yes.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [126]

Just imagine the diesel price will -- costs going up at the cost almost INR 50 extras on account of diesel only for taking ride from here to Delhi.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [127]

Fair point, fair point. Second question, we're just trying -- looking at Pulsar and Apache, the #2 competitor, it seems to be gaining strength while your overall market share of the Pulsar is holding on. But now it's becoming a reasonably 2-strong-brand market. Does that, in a sense, increase the competitive risk for you because there is a stronger #2 brand? Where, generally, there are #2, #3 brands that are not strong, you tend to -- as a leader, you tend to enjoy more easily? Is it the right way of looking at it?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [128]

As far as the question if I were to be looking at it zone-wise, so for example, if I was to look at not just the sport segment, but if I were to look at, let's say, for example, the entire 150cc space because, many times, I do believe personally that the Pulsar 150 is also becoming more of a commuter bike, then it's not just Apache from [Hero] , but it's also Unicorn from Honda. When you really look at it, it is certain zones where Apache is doing well. But rest of the places, we are definitely far ahead of Apache. But again, competition is there. We have to take them seriously. And with all humility, I would say that we are reacting it in a very positive manner. And the Pulsar Twin Disc that we have introduced has actually, if you see the April numbers, addressed the issue of Apaches gaining these markets.

Operator [129]

We take the next question from the line of Suraj Chheda from India Infoline.

Joseph George, IIFL Research - Assistant VP [130]

This is Joseph from IIFL. I just had one question. So in the past, you've always mentioned that your hedges are in the form of range forwards, where your downside is protected, and if the rupee depreciates more than expectation, you still get part of the upside. Is there any change in that scenario?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [131]

No, same -- policy has remained the same.

Operator [132]

We take the next question from the line of Ashish Nigam from Axis Capital.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [133]

So just on -- so firstly, on the earlier question on 3-wheeler capacity, so this 60,000, 65,000 is -- how much on the Qute would be over and above this?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [134]

Qute would be approximately 60,000 per annum over and above this.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [135]

Okay, so an additional 5,000. And that's fungible between 3-wheeler and Qute?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [136]

Yes, yes, yes.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [137]

Okay, okay. Secondly, also on the Discover, I mean, we used to -- when a brand was doing very well, we were used to it doing 100,000 a month consistently. Now are we sort of just -- are we okay with this current run rate of 21,000 or we go higher (inaudible)?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [138]

We should be realistic, Ashish. We could be realistic in that sense with -- right now, again, we'll be just spending money on building up the brand, et cetera. We're getting into the choice of the customers. And therefore, ideally, I'd like a figure of almost about 40,000, or that figure. But right now, I'm saying that it'd be reasonable that 25,000 is a good number to achieve.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [139]

Okay. And the incremental growth globally in the industry which we're hoping for...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [140]

Yes.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [141]

The contributor of that would be the Discover?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [142]

I would say the major contributor in the near term will be the Pulsar and the CT.

Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [143]

Got it. Okay. Just lastly, on Triumph, if we can talk about that a little more and...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [144]

That is -- absolutely outside of my scope. It's completely from MD's office.

Operator [145]

We take the next question from the line of Sonal Gupta from UBS Securities.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [146]

Kevin, just to clarify, I mean, so 3-wheelers, there's no price increase in Q4?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [147]

No. It came in on 1st of April. And like I said, again, because of what we negotiated was higher than what we actually had anticipated, there was another one on May 14.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [148]

Even for 3-wheelers?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [149]

Even for 3-wheelers.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [150]

Okay. So -- and both these are about 1% price increase?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [151]

Yes.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [152]

Okay. And on the exports side, there were no increase in Q4 again, right?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [153]

No, I'm not saying that. I said that in Q4, there was a small -- on October also, there was a price, we had the full benefit in Q4. And in April, there was a price adjustment; in certain markets, we increased; certain markets, we've maintained.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [154]

Okay, Okay. Got you. And -- sure. And Kevin, just in terms of the products, any sense in terms of the product launches for this year? I mean, how do we see -- because, I mean,

clearly, the market share on the domestic side is lower than what you would like to have, so how are we looking to sort of boost that and improve that? So any price...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [155]

And the focus, I would say, that the company will be definitely putting would be on the Pulsar 150, where we'd like to expand the commuter sport segment. And that's by making the vehicle also attractive to the person who is a pure commuter, so therefore, the [existing] would be definitely to expand as a leader play the role of expanding that overall sport segment. And that's with the Pulsar Twin Disc and the Pulsar standard that we're talking about. And at the lower end, we'll probably get more of the secondhand guys then to expand that particular market over there and, to some extent, buying market share on the -- and on the -- in one segment at the lowest pricing.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [156]

Right. And anything on -- I mean, like you moved the Avenger 150 to -- now to Avenger 180. So I mean...

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [157]

Overall, I think the Avenger numbers will maintain, like I said earlier, as last year because I don't see significant growth coming in over there. It will more or less maintain because we started last year with a very high and then tapered off. This year, I believe it would be a balance of about 10,000 numbers every month.

Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [158]

Right. Okay, okay. And just lastly, anything on what will be the average sales and financing this year, for fiscal '18?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [159]

It would be approximately about 38% to 40%. I'm talking motorcycles. As far as 3-wheelers is concerned, it may be significantly higher. But all the rest is coming from the public sector banks and the NBFCs.

Operator [160]

We take the next question from the line of Jinal Sheth from Multi-Act.

Jinal Sheth, [161]

So I'm asking this question more from an investor perspective that if I look at the last 5 years on unit, we've been more sort of flattish.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [162]

Yes.

Jinal Sheth, [163]

If I'm more looking at the next 5 years, what would -- how would I be thinking about that broadly in terms of my key driver? And what should be my key focus, if you can just touch up on that a bit?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [164]

For us, I would put it, if you look at it from the last 4, 5 years, honestly, I'm saying that we made the mistake with the Discover, and that's the price we have paid. Otherwise, if the

Discover had gone right, we would not be in the position where we see ourselves today because the Discover was selling 75,000 numbers, and now we are selling, [our guess, we increase about 10,000.] So we have lost some market shares over that part. I would put it that from here going forward, as a part of the strategy, we will focus and continue to focus on the 125cc category and above, which is currently what I would say is the M3 segment and above. So therefore, what we would look at is expanding our market share profitably because this is where there is pricing power, people are willing to pay and is not so much of a commodity. In this entire desire to do that, we will have to look at new product launches coming in the M3 segment because we believe that, right now, no single product -- there's Splendor, and/or there is that one product selling 80,000, 90,000 numbers. So we will have multiple products, multiple brands coming in. But our focus will all be in the M3 and above segment whereas in the M1 segment, it will be more an affordable thing to expand the market and get the secondhand buyers coming in and making the vehicle much more affordable. So this would be the way I would look at it. Secondly, I would say that look at me as a global player; while domestic, yes, I've fallen in market share, that I would love to be somewhere near 24%. Our target rate would be to go up to about 20% hopefully by March and then get the scale to the 24%, 25%. Thirdly, it will be in the exports. So if I was to look at 5 years down the road, I don't see -- I mean, I would hope, let me honestly say, 5 years down the road, exports would be something at the 2.5 million mark, if not more. Domestic, we should outperform the industry. And therefore, I would say that this year, '18, '19, is the year when we see all sales cylinders firing, whether the domestic, whether it's the 3-wheelers, whether the exports. And therefore, you would see a significant amount of volume growth, top line growth happening in the current year.

Jinal Sheth, [165]

Okay. So just to add on to that, what I'm reading is that -- and what you guys have said in the past and where we stand today as on a domestic-export mix, should the export -- it will go up -- I mean, should we be higher than where we are today and significantly higher because we haven't really seen that shift -- mix change?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [166]

Let me put it this way, that if you saw the exports are -- we were doing 1.8 and consistently growing at 15%, and then we saw the oil and the currency problems coming, and we dropped down to about 1.6; this year, we ended at 1 point -- close to 1.7, and therefore, I would say that we are on our way at least to end this year at 1.9. And with this base, I would assume that a 10% to 12% growth in exports is doable on a 5-years' CAGR basis but maybe ups and downs a little bit in between. But domestic motorcycle, I think if the industry will be at 10%, we should be able to outperform the industry, and therefore, I don't know, maybe 14% or so is something that I would like to look at over a period of 5-years' CAGR.

Operator [167]

We take the next question from the line of Sahil Kedia from Merrill Lynch.

Sahil Kedia, BofA Merrill Lynch, Research Division - VP [168]

Sir, just one question. You've answered most of my questions. How is the customer acquisition cost looking in the industry at the moment? Because every one of your competitors is talking about trying to grow market share and get aggressive. We've seen even Honda becoming more aggressive in the recent months. So just wanted to get a sense of what's happening from a customer acquisition cost perspective.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [169]

Customer acquisition, I would put it that it will go up. And again, I'm repeating, customer acquisition comes in different forms. So one will come in certain way, but we have advertisement in TV, et cetera. A lot of it will be BTL activities. And the third could be basically dealer incentives and schemes that are given to the dealers [to passing it on,] so that all gets hidden everywhere, which, at the end of day, is like one of the speakers mentioned of the higher dealer margin. For me, it's on top of the -- why are you giving the dealer extra margin? So that he can spend that money and get that customer to walk in and put some local [ads in the system] . So I think that would always be a challenge right now. Material costs, whatever is there, the industry has shown it can be passed on. But then once you pass it on across the board, then you would claw back that money in certain production, certain industry, in order to acquire the customer.

Sahil Kedia, BofA Merrill Lynch, Research Division - VP [170]

So is it fair to say that this year, directionally, these costs will remain elevated?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [171]

In actuality yes, as a percentage, if your sales go up, then it gets averaged out because it gets the benefit [of our putting the leverage] .

Sahil Kedia, BofA Merrill Lynch, Research Division - VP [172]

Sure. And lastly, as we've spoken a lot about individual brands, but is there any plan of a new brand introduction, et cetera, in the motorcycle or in the commuter space at all? Any plans for that?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [173]

Right now, I won't be able to share anything on this topic.

Operator [174]

We take the next question from the line of Jigar Shah from Maybank.

Jigar Shah, Maybank Kim Eng Holdings Limited, Research Division - Head of Research of India [175]

My question pertains to if you can share with us a little bit more on KTM as well as Dominar for this year.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [176]

KTM, we have done approximately about 46,000 in the domestic market. And in the export market, we have done about 53,000 numbers. So that's very, very healthy. [We've put over a lot of] numbers. And I think going forward, because of the new launches that have been

planned and which have been doing well, we shall see about a 10% to 12% growth over these numbers.

Jigar Shah, Maybank Kim Eng Holdings Limited, Research Division - Head of Research of India [177]

And for Dominar?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [178]

Dominar is -- my estimate would be, for the whole year basis, somewhere near about 25,000 number.

Operator [179]

We take the next question from the line of Vaibhav Jain from Credit Suisse.

Vaibhav Jain, Crédit Suisse AG, Research Division - Research Analyst [180]

On the Dominar, theoretically, where do you think the volumes didn't reach the expectation? Is it because the category itself is kind of a cruiser category, and people are not willing to look at it as sports option? Or do you think something on the sports are better [already or something] that could work in the future?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [181]

No, I'm sure whether I can address this question because I don't have the knowledge to really analyze and dissect the reason for this. But all I can share with you is that the Dominar, which have been launched in Colombia, Peru and the other markets like Turkey, this has been very well received. But in India, where they should have -- our expectations

are too high compared to the M3 that's selling a lot, and why is the customer not buying, very frankly, I have no answer from my side. But I'm quite sure that my marketing and my colleagues in the sales will be able to address that.

Vaibhav Jain, Crédit Suisse AG, Research Division - Research Analyst [182]

Sure. On the CT 100, we've kind of seen a lot of numbers on the kind of pricing action, so I think one was very high, where we're talking about a 15% price cut. I'm assuming that would've been for a very small period. So what is the effective price cut that you've taken now on the CT 100, which is kind of an ongoing one?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [183]

CT 100, right now, we are looking at the price cut of approximately about 3,000 numbers, that's 3,000, 3,500, [which we have cost and customer] . So you remove the GST and the corresponding dealer margin, you'll knock out about 33% over there. But more importantly, that this is for the managed markets, and therefore, once the managed market gets over, one [has that we have to relook at the prices] .

Vaibhav Jain, Crédit Suisse AG, Research Division - Research Analyst [184]

Okay. And you have earlier kind of said that at the M3 level, there is barely any money made. So with this kind of a price cut, is it fair to assume that you're making a huge loss? And if yes, then what is the purpose of kind of running a product at a large loss?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [185]

No, it's not only in isolation [that we have the same.] So I would say that the overall level, we would be making a bit of a negative. The EBITDA would not be in the positive zone, will be in the negative zone. But this helped the entire -- all in the entire system, for example, the dealer, [while we did the] customer walk-ins, it is vendors that are paying it, the utilization of capacity, the overall lowering of fixed costs, operating leverage, other benefits do come in.

Operator [186]

We take the next question from the line of Chinmay Gandre from Future Generali.

Unidentified Analyst, [187]

Thank you, sir. My question has been answered.

Operator [188]

We take the next question from the line of (inaudible) from [NVS Broker.]

Unidentified Analyst, [189]

Sir, I just wanted to get an idea that -- I mean, you've very well explained that why the costs are going up. And our margins, I mean, you've explained that we should be expecting it to be stable. But are we expecting some sort of decline in the margins for the coming quarters? And how long can we expect that to sustain? And how long is the company expecting it to sustain?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [190]

No, like I said, I won't give any guidance on the margins, et cetera. But there are 2 things that go negative, which I like to share. One is, as you know, the commodity prices had gone up, and by and large, we have passed on the benefit of the commodity prices. But the profit on that doesn't get added on. That's one part. Secondly, as you see that the domestic motorcycle business grows, and the domestic motorcycle business gives a profit lower than what is there in exports and in 3-wheelers. So as the amount of domestic, [that the pie] increases the domestic share, to that extent, the margins will get affected. But I can rest

assured that you will see a very healthy top line growth and a very healthy EBITDA increase that will take place.

Operator [191]

We take the next question, which is the last question, from the line of Chirag Shah from Edelweiss.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [192]

Kevin, just on exports market, so if you can shed some light on the new markets contribution that you have targeted last 3 years, what is the kind of contribution they're doing on exports?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [193]

New markets are contributing close to about 14% of the total volumes and growing.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [194]

And growing, growing in terms of cap rate?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [195]

If I look at -- for example, in FY '17, it was 10%; in the current year, it is 14%, and this despite the fact that Nigeria has grown further. And my figure is the whole market.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [196]

Fair point. This was really helpful. And second question, in this expression of 1.9 million export number for FY '19, what kind of 3-wheelers you will be looking in that?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [197]

Like I said, 1.9 million is a figure that I'm quoting right now given the fact that we are there. Ideally, I would like to say that we should -- would love to see a 500,000 number every month -- every quarter.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [198]

Every quarter.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [199]

So we are no longer looking at annual numbers. We're looking at quarterly numbers and to see it because it's very difficult to just talk of annual with such a lot of uncertainty when you are talking of 70, 80 countries. So we are not narrowing ourselves and saying, every quarter, if we can do 500,000 numbers, that's great.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [200]

But which can grow faster? 3-wheeler versus 2-wheeler in exports, which could be a faster-growing product?

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [201]

That really lies equally among both.

Chirag Shah, Edelweiss Securities Ltd., Research Division - Research Analyst [202]

Okay. Okay, great. This is resolved.

Operator [203]

As that seems to be the last question, I would now like to hand the floor over to the management for their closing comments.

Kevin Pius D'Sa, Bajaj Auto Limited - President of Finance & CFO [204]

Thank you very much for all the interest, and I wish I have done justice to all your queries. Really appreciate the interest that all of you have shown for this. Thank you so much.

Operator [205]

Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may disconnect your lines now. Thank you