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# EDITED TRANSCRIPT

BAJAJ-AUTO.NSE - Q2 2016 Bajaj Auto Ltd Earnings Call

EVENT DATE/TIME: OCTOBER 23, 2015 / 4:30AM GMT

## CORPORATE PARTICIPANTS

**Kevin D'Sa** *Bajaj Auto Ltd. - President (Finance)*

## CONFERENCE CALL PARTICIPANTS

**Operator**

**Binay Singh** *Morgan Stanley - Analyst*

**Raghunandhan** *Quant Capital - Analyst*

**Kapil Singh** *Nomura Securities - Analyst*

**Hitesh Goel** *Kotak Securities - Analyst*

**Ashutosh Tiwari** *Equirus Securities - Analyst*

**Jinesh Gandhi** *Motilal Oswal - Analyst*

**Amyn Pirani** *Deutsche Bank - Analyst*

**Kaushal Maroo** *Emkay Global - Analyst*

**Pramod Kumar** *Goldman Sachs - Analyst*

**Ashish Nigam** *Axis Capital - Analyst*

**Chirag Shah** *Edelweiss - Analyst*

**Pramod Amthe** *CIMB - Analyst*

**Sonal Gupta** *UBS Securities - Analyst*

**Govind Chellappa** *Jefferies - Analyst*

**Ambrish Mishra** *JM Financial - Analyst*

**Nikhil Deshpande** *Sharekhan - Analyst*

**Deep Shah** *SBI Capital - Analyst*

## PRESENTATION

**Operator**

Ladies and gentlemen, good day and welcome to the Bajaj Auto Q2 FY16 Earning Conference Call hosted by Morgan Stanley. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. (Operator Instructions) Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Binay Singh of Morgan Stanley. Thank you, and over to you, Mr. Singh.

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**Binay Singh** *- Morgan Stanley - Analyst*

Thank you, Karuna. Good morning everybody on behalf of Morgan Stanley. I welcome you to the earnings call of Bajaj Auto. From Bajaj, we have Mr. Kevin D'Sa, Chief Financial Officer. Thanks Kevin for joining us today. Given the paucity of time, I will request the operator to straightaway start with the Q&A.

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## QUESTIONS AND ANSWERS

**Operator**

Thank you very much, sir. Ladies and gentlemen we will now begin the question-and-answer session. (Operator Instructions) Raghunandhan, Quant Capital.

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**Raghunandhan** - *Quant Capital - Analyst*

Thank you, sir for the opportunity. Congratulations on a great set of numbers.

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**Raghunandhan** - *Quant Capital - Analyst*

Sir, can you please share the spare part revenues for the last year, sir, for the same quarter?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Spare part revenues for the last quarter -- last year for the same quarter was approximately about INR569 crores.

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**Raghunandhan** - *Quant Capital - Analyst*

And, sir, three wheeler permits have opened in Maharashtra and the quantity is like above 1 lakh permits. In which quarters do you see these panning out and how do you see it supporting our sales ahead, sir?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I would say that the 1.5 lakh, which is declared given the way the government performs and the red tape that is there, I think the benefits of this will come in in the latter part of the fourth quarter and more likely the full benefit will come into 2016, 2017.

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**Raghunandhan** - *Quant Capital - Analyst*

Okay. And, sir, like domestic three wheeler sales we had of 67,000 units, can you kindly break up into petrol, alternative fuel, diesel, small diesel?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

About 60% of that is in clean fuels.

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**Raghunandhan** - *Quant Capital - Analyst*

Okay. And diesel small and big, sir, would there be a big variance?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, in fact, in the diesel segment, in the large diesel segment, we have grown our market share and that has gone up a little better, but more or less, I would say that it is 60% that will go into the clean fuel, 40% the others. But as the permits come in the skew will go in favor of the clean fuel vehicles.

**Raghunandhan** - *Quant Capital - Analyst*

And sir the Qute quadricycle volumes and expectations ahead, can you throw some color there, sir?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It is not going to be significant at all for the year 2015, 2016 given the fact that the Supreme Court order is yet to be received and therefore I would say that it is more a 2016, 2017 story and will not have much impact on the top line, bottom line for the current year.

**Raghunandhan** - *Quant Capital - Analyst*

But exports have commenced, was it a sizable number, sir?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, not sizable, it's just right now, we have sent it across and this is on the basis of the order received. So naturally the feedback will come in and then fresh orders will be placed.

**Raghunandhan** - *Quant Capital - Analyst*

And what would be the realization there, sir?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Realization right now I won't be able to share with you.

**Raghunandhan** - *Quant Capital - Analyst*

Sir, lastly, Sri Lanka seems to have increased import duty on cars. Are we also impacted by this development?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, we are not impacted.

**Operator**

Kapil Singh, Nomura Securities.

**Kapil Singh** - *Nomura Securities - Analyst*

So, firstly, I wanted to check on the demand trends, especially in the domestic market festive season has commenced and if there is any variation you're seeing between rural and urban trends?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

The pattern of sales in the industry remains weak. So even before the festive seasons came in, we have seen the retail industry -- for the industry the retail being off by about 5% to 7%. Ganpati festival was weak and even the Dussehra when I am comparing the Navratri to Navratri sales, for motorcycles, the retails for the industry would be approximately negative 7% to 8%.

Coming to the breakup of that I think a major part of it is now coming on from the rural side. For us fortunately, it's the Pulsars and the new Avengers that are launched which is much more an urban situation. So we are not bearing the brunt of this entire thing. So hence, I would say that rural sales festive season is right now negative by about 7% to 8% for motorcycles. I won't comment on the scooter sales, because that is what I don't track.

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**Kapil Singh** - *Nomura Securities - Analyst*

Okay. And how should we expect this commodity benefit to flow through? I mean, what do you expect how the players would utilize this if the festive season does remain slow?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

See I have seen, for example, as far as the commodity price is concerned, one has seen the benefits flowing in quarter one and to somewhat lesser extent in quarter two. Quarter three and quarter four for us, I believe, will be benign. I don't see any further major benefit at all coming on commodity prices. If at all it may inch up a little bit in Q4. This is my view of the commodity prices for the industry.

Coming to the way industry is going to react in case of the sales not taking place, I think very clearly that it will not be an irrational sort of a situation because each of the competition has got its strength in a particular zone.

So, for example, Heros were extremely strong in what we call the M2 segment. Bajaj is extremely strong in what we would call the sports segment and on the M1 segment. And Honda is extremely strong in the M3 segment with the Shine. So each of the competition has got each of its strengths, et cetera. So I don't see any irrational behavior taking place by any of the other people to play in a segment where they are number two or number three.

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**Kapil Singh** - *Nomura Securities - Analyst*

Okay. And, Kevin, have we taken any pricing action in domestic or export?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Yes. As far as what you're seeing is by and large across the board barring the CT, we've taken up prices from about up for motorcycles and three wheelers by about INR500 to INR2,000 in the case of motorcycles and about INR2,000 odd in the case of three wheelers from 1st of September. This translates in a reasonable amount of approximately about INR8 crores realization every month, additional realization. This has been done from 1st of September.

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**Kapil Singh** - *Nomura Securities - Analyst*

Okay. And in the export markets?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Export market prices have been rationalized. When I am using the word rationalized, I mean there has been some -- the benefit of the exchange rate as you know, we have always factored it at INR64, we have got it at INR66. So we have rationalized the prices. In fact, when I mean -- like I repeat rationalized means reduced a little bit of prices across the board and some of the benefit has been passed on into the export market wherever required effective 1st of October.

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**Kapil Singh** - *Nomura Securities - Analyst*

Okay. So net-net we should still see some minor benefits of the price hike?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That's right. So if I combine the domestic and the export both put together net-net is going to be positive.

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**Operator**

Hitesh Goel, Kotak.

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**Hitesh Goel** - *Kotak Securities - Analyst*

Congratulations for a good set of numbers. Sir, I was looking at the export mix. There has been significant improvement in the Pulsar mix from first quarter to second quarter? Can you give us a sense on the markets how they performed, Africa, Latin America and South East Asia?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

By and large we have seen growth coming in from all zones, but country wise, if I take a breakup, then you will see that what is happening for me in the exports is while certain markets, let's say, Nigeria is flat, the new markets that we have gone into, for example, Guinea Conakry and all these other markets, that's increasing. Hence for me overall, in each of these zones that we break it up into say LatAm et cetera, one is seeing growth.

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**Hitesh Goel** - *Kotak Securities - Analyst*

So major growth has happened in LatAm, right, because Pulsar mix has gone up or there is something else which I'm missing here?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, what you're saying is right, but at the same time in Africa also that has gone up well.

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**Hitesh Goel** - *Kotak Securities - Analyst*

Why is that export realization on QonQ basis down if Latin America would have grown in the mix?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It's also because of the fact that as far as the realization is concerned, the three wheeler numbers would have come down a bit.

**Hitesh Goel** - *Kotak Securities - Analyst*

Okay. So three wheelers on a QonQ basis, yes, it's slightly low, so basically it's because of three wheeler?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That's right.

**Hitesh Goel** - *Kotak Securities - Analyst*

And, sir, finally, on the Avenger bikes, so basically, can you share some targets what you're looking at from the Avenger because you are launching three new Avengers now in the second half, so any color on that?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

My own call, like I said, we're finding whether I'm right or wrong, and will be decided sometime in February, we sell about 3,500 Avengers every month today. With this launch and with the prices being very attractive and which gives me the highest margins higher than the Pulsar, I would estimate this 3,500 numbers being closer to about 12,000 numbers by, say, February.

**Hitesh Goel** - *Kotak Securities - Analyst*

And are we using the KTM engine in the higher-end Avenger?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I'm not sure, very frankly, I'm not sure.

**Operator**

Ashutosh Tiwari, Equirus Securities.

**Ashutosh Tiwari** - *Equirus Securities - Analyst*

Sir, my first question is on three wheeler demand. I mean volumes in domestic market down by roughly 10% YoY. And in which segment you're seeing more decline, is it in the cleaner fuel or in the diesel fuel?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Basically the challenges is in the diesel fuel segment. But as far as the clean fuel vehicles are concerned, you have the permits coming up, and therefore to that extent I see a benefit coming in over there going forward. So if you see the diesel, the passenger segment, total in this has gone up from 50,000 to 67,000 as I mentioned.

My view is for Q3 and Q4, one would see a repeat of the 67,000 odd numbers in Q3. And like I mentioned in my earlier statement that with the benefit of this 1,50,000 coming from Maharashtra, I would see that benefit come in Q4. So we should be ending the year at about 260,000 three wheelers in the current year.

**Ashutosh Tiwari** - *Equirus Securities - Analyst*

260,000?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Around 260,000 and to this in the latter -- in the fourth quarter we'll just about start the launch of the goods carriers. Over and above the passenger segment, another 5,000 or 6,000 could be probably considered for the cargo segment, hence 260,000 to 270,000 is what we will end the year at.

**Ashutosh Tiwari** - *Equirus Securities - Analyst*

Okay. And sir, my second question is on, if we look at last two, three years, the launches that you have done like say Discover 100 which did initially very well, but we are seeing a sharp decline in the volumes in the current year. And again Discover 150 which did very well last year in the festive season, the volumes are down to roughly 1,500 odd levels on a monthly basis. So what's the reason behind this that we are not able to sustain the initial euphoria that we see in the case of our launches in the subsequent years?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I think this address -- the matter of the Discover has been very well decided, defined, explained, including my Q3, so I will not get into the Discover again. The fact is, yes, the Discover has not succeeded, period.

**Operator**

[Deep Shah], SBI Capital.

**Deep Shah** - *SBI Capital - Analyst*

Thanks a lot for the opportunity. Good set of numbers. Sir, couple of questions. One is on the realizations front. I mean we have seen good growth in the realizations on year on year and the quarter on quarter. So how do you see is sustainability in that? And second would be on the inventory levels [in the system].

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

As far as the realization is concerned it's made up of two, three factors. One of course is the mix that has taken place and like I mentioned to you, as you go forward the mix will get richer with the Avenger being added up to the Pulsar.

Secondly, the Pulsar RS200 is doing extremely well and right now we have addressed only 60% of the market. So that will add. Thirdly, like I mentioned the three wheelers will continue to grow given the fact of the new permit that is coming in, so that is going to be a positive. Fourth is, I expect, spare parts to continue showing a 15% growth so that on an average realization per vehicle will increase. Fifth, as I mentioned, we've taken prices up by INR1,000 to INR2,000 on 1st of September. So while in quarter two it has been an average for one-third of the month for the next year -- quarter it will be higher.

And the last of course will be exchange rate. So in the exchange rate, the rupee exchange rate in the [fourth] quarter, we realized something like at about INR65 odd, and I estimate that the same realization will continue in the fourth quarter -- third quarter as well. So net-net, I would say that average realization for the Company should increase.

**Deep Shah** - *SBI Capital - Analyst*

And, sir, second is, what will be your inventory levels?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Inventory level right from the July 2014 is not more than 30 days.

**Deep Shah** - *SBI Capital - Analyst*

Just 30 days. Is it?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Yes.

**Deep Shah** - *SBI Capital - Analyst*

And, sir, just if I may squeeze in one question, what will be your CapEx plan for next --

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I beg a pardon.

**Deep Shah** - *SBI Capital - Analyst*

What will be our CapEx plans?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

CapEx plan as I've always said over the last two to three years since most of the investment is done by the vendors and us is only in the final assembly, our CapEx for all things support services, et cetera, R&D will be in the band of about INR300 crores to INR400 crores per annum.

**Operator**

Jinesh Gandhi, Motilal Oswal.

**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Kevin, couple of questions. First is on ForEx hedging for FY 2017, what's the status and what's the rate which we are getting?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

We have started taking ForEx covers again. I had taken a break in between when the volatility was high, but we are ensuring that at the minimum we are realizing INR66 to the dollar. So like I had mentioned also in the earlier statement and the earlier con calls, that by and large every year I realize approximately INR2 than the previous year.

So if you see FY 2015 on an average, we realized INR61.8. FY 2016 till today we have averaged approximately about at INR64 and odd. So it's not that we are banking on INR2 as a benefit, but historically and given the hedges that we are taking, we get approximately INR2 extra per dollar every year, which on a gross revenue basis translates to INR400 crores.

It doesn't mean that the INR400 crores comes to the Company, but it gives INR400 crores ability for the Company to play around and expand the market without hurting EBITDA of 27% odd on the export that we are currently enjoying.

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**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Right. And this entire hedging which you are doing still remains on range-forward basis?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It's all range forward.

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**Jinesh Gandhi** - *Motilal Oswal - Analyst*

And then this quarter you indicated commodity price benefit was marginal. Would it be about 30 basis points, 40 basis points or even lower than that?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I won't share that because I have not really computed that figure. The thing, Jinesh, is two things, since you have raised this point of range forwards and all that. Two things I'd like to highlight to all of you all, is today my P&L gets affected because of the time value of the MTM hedges, so it goes up and it goes down primarily on account of what the rupee rate is as of 30th of the end of the quarter.

So for this quarter, for example, the P&L had just about a INR7 crore gain that came in. As I increase my hedges this fluctuation in the P&L has happened. Now from 1st of April 2016, as you know, we will be moving into index. And therefore, all these fluctuations will not come to the P&L, but will be directly in the balance sheet. That's one positive.

The second positive is when you look at my results, you're looking at my treasury income without factoring a return on my FMPs.

So in my FMP as per the current accounting standard, I account the benefit only as and when it encashes. There is no accrual. So if I look at INR6,000 crores of FMP and a 9% return, about INR540 crores of income should really be purely on FMP which is not getting reflected in my accounts today. But when index comes in on 1st of April 2016 that also comes into play. So I get two benefits as I go into the next year. One is my other income will start showing the true picture because of the accrual basis of FMP accounting and the second is the fluctuations of these MTM losses that I'm taking in my books of account will disappear.

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**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Right, so that it will be much more relevant numbers that should be there?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Absolutely, absolutely.

**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Understood. And coming to -- you have indicated that exports we have partly passed on benefits of ForEx from October, but in 2Q, did we pass on any such benefits in exports?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Q2, no.

**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Okay. Understood. And, sir, lastly on RE 60 export strategy, I mean, considering that it has been a very big positive for us in terms of EU approval, what's our strategy in terms of leveraging RE 60 in export markets?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

See, right now it's a new category. It' a new vehicle, it's a new concept. So no one can take a call and say whether we're going to sell 15,000 a month or whether we're going to sell 1,000 a month.

**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Sure. What I meant was in the exports are we also looking at personal transportation segment or it's just it will be still --

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Personal transport, the vehicle of Qute that is coming is only for India. But there is no restriction whether it is personal transportation or whether it is for commercial use only and the market will decide.

**Jinesh Gandhi** - *Motilal Oswal - Analyst*

Understood. Okay, Kevin, thanks and all the best. I'll come back in queue.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you.

**Operator**

Amyn Pirani, Deutsche Bank.

**Amyn Pirani** - *Deutsche Bank - Analyst*

Sir, I just wanted to go back on the Avenger launches. So right now this month I think you're launching two variants of the Avenger or is there something else as well?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Two. And a third one comes in 30 days later.

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**Amyn Pirani** - *Deutsche Bank - Analyst*

Okay. And that's a 150 CC?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No comment.

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**Amyn Pirani** - *Deutsche Bank - Analyst*

Okay, but the current ones are 220, which is the existing -- broadly the existing size?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That's right.

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**Amyn Pirani** - *Deutsche Bank - Analyst*

Sir, just on the two wheeler exports, so the first half I mean broadly overall volume growth has been largely flat. So can you give us some indication as to, I mean, is it just Nigeria which is flattish and what is the outlook for Nigeria and even the other markets as we go into the next six to nine months?

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**Unidentified Company Representative**

Look at a little bit in the history, exports are flat primarily because quarter two last year we had that huge Sri Lanka order.

So I have always maintained the guidance of 2 million vehicles for export. First half I had done 1 million, and I'm saying second half, also 1 million should happen. That's it.

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**Amyn Pirani** - *Deutsche Bank - Analyst*

But country by country there is no particular country which is turning out to be weak or strong as such. I mean, you're saying basically trends are maintaining.

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**Unidentified Company Representative**

Trends are maintaining. And again we have de-risks. So for example, last year, if I'm just trying to put a figure to it, if I was selling 60,000 vehicles in Africa, Nigeria would be at 45,000. Currently in Africa I'm selling over 70,000 numbers, but Nigeria may have come down to 40,000. The new markets that have come in, that is adding to everything. So I would say logically I'm saying approximately about 7,000 to 8,000 vehicles every month getting added for the markets that we have seeded last year.

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**Amyn Pirani** - *Deutsche Bank - Analyst*

Fair enough. Understood. That's very helpful, sir. Thanks for the opportunity.

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**Operator**

Kaushal Maroo, Emkay Global.

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**Kaushal Maroo** - *Emkay Global - Analyst*

First question is, you see the success of the Gixxer, Apache, Unicorn, FZ, Royal Enfield, do you fear that the premium segment itself will become much more cluttered and will drive down margins in that segment?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Not really. In fact, for example, we are happy that the market is moving up. And if you look at it, if you take -- that's why we have started looking at the sports segment which is the Pulsar and then we are looking at the super sports segment. So the Pulsar with all the Gixxers and all the other vehicles that you have mentioned coming in, my market share is 43%, 44%.

Now I'm going to the super sports segment where I was earlier only with the KTM which was at market share of about 40% with the RS200 coming in, my market share has gone up to 68%. So for us, we are always at the top end of the market and we are very, very happy to get competition over there because that creates excitement and distracts the customer from the normal 100cc bike. As a part of the strategy we would love to see the 100cc fading away and the markets moving into the 125, 150 which is the dominance of the nucleus.

Now coming to margins, the customer who buys the vehicle at these price points is actually not looking at a price but he is looking at features, power, performance, et cetera. So today the feedback that we get from customers is for God's sake don't try to reduce anything just in order to reduce the price, but actually give me all these features and charge your price. So for a premium product, I don't see any margin pressures coming at all.

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**Kaushal Maroo** - *Emkay Global - Analyst*

Okay. And my second question is just to try and understand the economies of scale 20,000 units of Discover a month or 50,000 units of CT100 which gives you higher EBITDA margin?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It's not that way, you don't look at it that way. You see, let me -- we also are saying again and again, we do 65,000s of CT, Platina in a month. The EBITDA margin the way I calculate it per product for CT100 would be probably flat. But when I say 65,000 CT100 the rub-off effect on the utilization, the capacity, on the other thing, the operating leverage, look at my labor cost of Q4 versus Q1 and Q2 when CT has come into prime, that's the major difference that comes in.

Secondly, the fact is that what happened to the vendors, whether he make a CT gear or whether he makes a Pulsar gear, for him the cost is the same. It really gives the viability of the vendors, dealers and everything is really makes the entire chain very smooth. So in, say for example, in Q1 I sold the maximum number of CT and Platina and my margins went up from 19.8% in Q4 to 21%. So you have to look at the leverage that is there in the system that is taking place. Again, I will just answer your question further. You see by launching the CT100 and the Platina and then I'm just getting these numbers, people are missing the point that today my working capital is negative. I get a 45 days or 30 to 45 days credit term for my vendors, and it's cash and carry for the dealers. So for every CT100 and Platina I sell, my working capital goes extra negative. As we've been in Q4 and Q1 where almost INR100 crores because of the creditors.

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**Operator**

Pramod Kumar, Goldman Sachs.

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**Pramod Kumar** - *Goldman Sachs - Analyst*

And, Kevin, my first question pertains to the export three wheeler, you talked about domestic three wheelers being in the range of 260,000 to 270,000. How would one should look at the export three wheelers this year, Kevin?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Export three wheelers, I would look at overall situation of approximately about -- I would put it export three wheelers would be approximately about 325,000.

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**Pramod Kumar** - *Goldman Sachs - Analyst*

325,000?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Yes.

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**Pramod Kumar** - *Goldman Sachs - Analyst*

So I think three wheelers this year will be fairly good. And domestic how should one look at next year in terms of because it's going to be a big order which you said will run over like --.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

As I said, right now next year's figures we are yet to work out, it's too early to say it. I have to factor in the quadricycle next year, I have to factor in the RE 60 next year. So right now, we are not looking at any figures which I can share with you.

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**Pramod Kumar** - *Goldman Sachs - Analyst*

And moving to quadricycle, Kevin, just want to understand how does -- in domestic of course there will be -- it will be decided by permits and all that. So permit is for whether quadricycle at the state level remains in the permit category or in the non permit category. But in the export market there is no restriction of permits and non-permits, so in those markets how are you addressing it vis-a-vis three wheelers because --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Like I said it's too early to say, it's a new concept, it's a new product, no indications can be given in terms right now what is likely demand et cetera, it's just too premature.

**Pramod Kumar** - *Goldman Sachs - Analyst*

No, but I'm trying to understand whether if there is overlap between three wheelers and quadricycle and customer moves to quadricycle, how does that play in terms of our profitability because given the fact that export margin is at 27%, it's safe to assume that three wheeler margins are in excess of 30%?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

There are two ways to answer that. One is is it going to be incremental or is it going to be [sufficient]. And the larger question is five years' data, six years' data is that three wheeler going to exist or not. So I think it's an early-mover advantage, we are moving into that direction. And it's only the market that will decide ultimately whether they coexist, whether it's a substitute, whether it's complementary, whether it's a substitution, that's only the market will decide, none of us will be able to take a call on that.

**Pramod Kumar** - *Goldman Sachs - Analyst*

Okay. But any regulatory thing which is coming up in Africa in terms of three wheelers or the vehicle categories getting redefined and safety enough, nothing in the near foreseeable future, it's more of a preventive strategy as in --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It's not a preventive strategy, it is what I'd say an initiative that is going positive starting from us. There is always a first mover advantage that we are famous for.

**Pramod Kumar** - *Goldman Sachs - Analyst*

Correct. And, Kevin, in terms of your domestic operations, which remains a cause of concern given the way volumes have moved, because if you look at last 10 years, our domestic two wheeler volumes have remained flat in absolute terms, and which is like quite a number because the industry has moved ahead and the cost dynamics for the dealers have changed significantly. So how should -- what is your thinking on --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I will repeat your question, are you talking about two wheelers or are you talking about motorcycles?

**Pramod Kumar** - *Goldman Sachs - Analyst*

I'm talking about two wheelers for you in which in your case it's only motorcycle.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

(multiple speakers) motorcycles.

**Pramod Kumar** - *Goldman Sachs - Analyst*

So, I am talking about your number, absolute motorcycle numbers for you as the company has remained flat. Yes, have remained flat or slightly come off in the last 10 years and domestic dealers definitely don't --.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

But let's also look at the industry.

**Pramod Kumar** - *Goldman Sachs - Analyst*

Yes, I agree. See, I'm not getting into --

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

What you have to look at, Pramod, is my market share in domestic. So let's not talk of absolute numbers, what's critical is look at my market share. My market share at 23% in the past has came down to 15%. If you allocate that further, you will see my market share as far as the Pulsar segment remained intact.

**Pramod Kumar** - *Goldman Sachs - Analyst*

43%, yes.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

The market share in the lower end segment of the M1 segment which was at about 22% has jumped up to 37%. As a result of which, my market share of 15% has now reached up close to 19%. Failure if at all I have repeated, has been the Discover which my market share was about 22%, 23% has come down to 8%, reflects my market share overall coming down.

So as I've explained in the press note you might have seen, the strategy of this Company is to build the M3 segment of which a product is being launched in quarter four, build a super-sport segment with the RS200 and therefore by March end exit point, I would expect our market share to be somewhere near 21%.

**Pramod Kumar** - *Goldman Sachs - Analyst*

Okay. And what I'm trying to understand is like from a dealer perspective, because --

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

From a dealer perspective, my dealers are absolutely -- not any issue with the CT100 and the Platina selling. There is no issue over there. You may check with competition and you can see the sleepless nights that the dealers are having with the overall inventory that they are holding.

**Pramod Kumar** - *Goldman Sachs - Analyst*

No, I can't dispute that. That in fact is a big worry.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That's all.

**Pramod Kumar** - *Goldman Sachs - Analyst*

But in terms of dealer retention for the future because as a category you're not participating in scooters which is expected to become like predominantly closer to a 50% mark for the longer term?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

[Respective] when we were selling a maximum of maybe about 200,000 plus motorcycles to today every year there has been a churn of approximately 4% to 5% of the dealerships.

**Pramod Kumar** - *Goldman Sachs - Analyst*

4% to 5%, that's the churn rate currently?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That's the churn currently wherein it is based on the fact of the dealer not performing for whatever reason and a new dealer gets appointed. So when we ask for that it doesn't mean that no dearth of applications coming in.

**Pramod Kumar** - *Goldman Sachs - Analyst*

Which is what I want to understand whether it is like is there an increasing concern on the domestic dealer viability and your ability to get -- retain and get new dealers?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I wish you whatsoever Pramod and I'm again repeating morale of the dealers from a year back and today, today is on a high.

**Pramod Kumar** - *Goldman Sachs - Analyst*

Yes, CT100 is actually definitely (multiple speakers).

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It is on a high, the Pulsar is on a high, the Avengers are coming in, morale of the dealers is on a high right now as compared to competition.

**Pramod Kumar** - *Goldman Sachs - Analyst*

So in a way no rethink on scooters as a strategy?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

There never is a rethink on that because we have always continuously mentioned the same.

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**Pramod Kumar** - *Goldman Sachs - Analyst*

Okay. No, because the dealers generally expect that you may do a scooter someday.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Dealers may want everything for the dealer is the trader in that sense, we are looking at the Company's interest.

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**Pramod Kumar** - *Goldman Sachs - Analyst*

Fair enough, Kevin. Thanks a lot and best of luck. Thank you.

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**Operator**

Ashish Nigam, Axis Capital.

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**Ashish Nigam** - *Axis Capital - Analyst*

Congrats on a good quarter.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you.

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**Ashish Nigam** - *Axis Capital - Analyst*

My question was on exports. The last time there was a fall in crude prices, the demand environment in some of the key export markets was impacted because, I guess that oil and commodity exporters. So this time around with the fall in crude and commodity prices, have you seen any impact in demand in these markets?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

See, Ashish, I'll explain to you there are three issues on the export side, and I'll take you back to October, November 2014. At that time the major crash took place in the oil. And that's where we definitely had an impact of one, which we are in a position to adjust because of the fact that like I said the rupee also at that particular point of time depreciated from INR61 in quarter one to INR62.8 in quarter two -- quarter three. So I can pass on and I can take care of that.

So just like the oil prices, commodity prices crashed in Nigeria where you're seeing a slowdown, a sudden slowdown. We have been on the site, got a realization from INR63.9 in quarter one to INR65.2 in quarter two, correct. So I'm in a position to pass on some part of this benefit to Nigeria to make the vehicle affordable and without sacrificing my margins. So the additional margin that I'm getting, I'm passing on to the customer and I can address that.

What I cannot address is if the country itself is having a shortage of foreign currency. That is the problem that many of us are facing. So it is not a situation at the grass root at the retail level that is an issue. The issues are the availability of dollars in that particular country, like, say, today Egypt is facing a little bit of that problem. Now again I'd say in all these cases it is a deferment of demand, it is not a cancellation of demand. In the fourth quarter last year because of that Egypt problem my sales were down of three wheelers et cetera. But the minute that problem got taken care of in April, May I sold over 16,000 three wheelers a month.

So these are the uncertainties for a global company to face. So you may see a little bit of volatility in the overall demand, but going forward, a year-on-year basis with the new countries being added, with this entire thing, I don't see any reason why a growth of 10% to 15% in numbers should not happen.

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**Ashish Nigam** - *Axis Capital - Analyst*

Okay. And plus in your case I mean if there is an impact in Egypt you all have gotten into new markets in Africa. So that's also (inaudible).

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That's right.

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**Ashish Nigam** - *Axis Capital - Analyst*

Okay. That's it from my side. Thank you.

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**Operator**

Chirag Shah, Edelweiss.

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**Chirag Shah** - *Edelweiss - Analyst*

Thanks for the opportunity. Kevin, one question, slightly longer term in that sense. We have been passing on the benefits on the currencies, which is a kind of an intermediate strategy because in the past you may not have [mentioned it] because the economics are going through a difficult time, that's why you're doing it or it's a conscious strategy that at 27%, 30% margins, we are happy and we'll try to be competitive and ensure that competition stays at bay? Over long term, how should one look at Bajaj Auto's strategy?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Bajaj Auto's strategy will always be that we will not get into profiteering. So if I'm getting a margin at 27%, Chirag, it is the result of, again a situation of an average that is coming up across all countries. So in three wheelers, for example, when there is no competition to -- this thing, when they are only competing in four wheelers we are quite comfortable with getting a 30% plus situation. In Pulsar where I'm competing with the Japanese, I will not sell my product at a discount to the Japanese. I will sell more features at the same price of the Japanese and given my cost of production my margins are at least 7% to 8% higher than what I get in a Pulsar in India. So to that strategy remains. My strategy will always be something that I will not buy market share.

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**Chirag Shah** - *Edelweiss - Analyst*

Okay. So what I'm trying to understand is that if at some point of time these economies will see revival in demand and you may not be required to pass on the benefits the way you did to support their market activities over there or is it a conscious strategy that for each model and each market whatever margins you are making today you're comfortable with that and you are not looking at taking it ahead. So even if there is efficiency gains or volume did benefit, forget about currency, you are inclined more to reinvest in the business?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I will always look at each of the businesses as an investment for the future. We are looking at it as -- wherever we're going to Africa, we are not going in as an East India Trading Company to just take money out. It's an investment for the future and therefore whatever pricing decisions, whatever pricing calls we take, we will take as a investment to make sure that the market expansion is taking place. So, let us say, I'm not pegged on to a particular profit percentage. I will look at market expansion, I will look at passing on benefits as an investment for the future and I would like to see the market expand in my market share these things continue to grow.

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**Chirag Shah** - *Edelweiss - Analyst*

Fair point. Kevin, second question was on Pulsars and Avengers, just wanted to -- even KTM for that matter, but wanted to understand why can't Bajaj Auto introduce 300cc offerings in Pulsar and Avenger brand. It's more to do with the price positioning you are aiming between Pulsar, Avenger and KTM, that is the hindrance or --?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, you see today for example the Avenger is because I would put it as the -- category of leisure has come in with Enfield and therefore, this market is expanding and therefore I feel that the Avenger will play a very good role in taking part of the pie. A 300cc or a 400cc bike being launched is capable, but the number you will get is only about 800 to 1,000 a month, it doesn't make sense.

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**Chirag Shah** - *Edelweiss - Analyst*

Okay. The same logic would also go for Pulsar in that sense?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

The Pulsar RS200 -- 220 for example, we'll be doing about 6,500 to 7000 numbers, but it is the super sports segment and therefore you're in a leadership. You can create, for example, for us to create a 400cc Pulsar is not an issue. But it's going to give you a 200 or 300 a month, it doesn't make sense.

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**Chirag Shah** - *Edelweiss - Analyst*

Fair point.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

But when the market matures, when the market goes into that scale of course we are ready for that.

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**Chirag Shah** - *Edelweiss - Analyst*

Okay. And on this launch of Qute in international markets, is there any thought process which geographies you are initially looking at?





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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Right now we have sent it to all the markets wherein the EU certification is holding which is about 16 countries.

**Chirag Shah** - *Edelweiss - Analyst*

Okay. And I presume we would be selling three wheelers in some of them or many of them?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Very few in these countries.

**Chirag Shah** - *Edelweiss - Analyst*

Very few in these countries?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Yes.

**Chirag Shah** - *Edelweiss - Analyst*

Fair point. This was helpful. Thank you very much.

**Operator**

Pramod Amthe, CIMB.

**Pramod Amthe** - *CIMB - Analyst*

Hi, Kevin. Congrats on good set of numbers.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you.

**Pramod Amthe** - *CIMB - Analyst*

Two questions, one what is giving you a confidence that Avengers will move from current level to almost like three times the sales?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Two things, one is the leisure segment itself is something that is growing and is very attractive. Second is the Avenger as a product from a quality point of view is very well accepted. And third is the pricing that is being offered, which is a significant gap between Royal Enfield and our price. The current Avenger is approximately about INR87,000, current Avenger, as compared to the Royal Enfield's figure of INR150,000.

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**Pramod Amthe** - *CIMB - Analyst*

Okay. Isn't it a different strategy as compared to you being a first mover, here you are playing a me-too without much of a differentiator there?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, no, the Avenger looks and the Enfield looks is a complete different look here. Enfield is much more bulky, a much more higher seated, Avenger is different, but yes, the Avenger as a leisure category is certainly showing demand. So for example, the Avenger which is selling just about 2,000 odd vehicles, whereas Royal Enfield doing so very well 2,000 became 3,500 with no effort from our side. It is the market expansion that takes place in this segment and Avenger with its brand, with its looks and with the price that we have should give a significant hope for us to do the 10,000 plus number that I'm talking about.

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**Pramod Amthe** - *CIMB - Analyst*

Do you also need to create any excitement in terms of dealerships or post sales --?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Not necessary.

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**Pramod Amthe** - *CIMB - Analyst*

Okay. And the price hike, which you have taken in September in domestic market, is it to do with any of the success of your products or any cost pressures or you expect other --?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No cost pressures. We are very clearly saying that the products that we launch are good products and therefore they demand a price that is required. And we believe that the customers are willing to pay for it and therefore we have done it. So there's no cost pressure at all.

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**Pramod Amthe** - *CIMB - Analyst*

But do you think others to follow in terms of raising prices or you don't see?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

We don't look at what the others' actions are going to be.

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**Pramod Amthe** - *CIMB - Analyst*

And coming to Qute since you said that it is more like a preemptive strategy to move from three wheeler to a four wheeler in that sense, how are your backend capacities are situated or flexible --

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

All premature right now because we have a capacity of making 60,000 vehicles.

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**Pramod Amthe** - *CIMB - Analyst*

No, I'm saying between three and four wheelers how flexible they are?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

One of the major reasons for us in order to get the Qute out at a low price is because of the clear synergy and mix and match between the existing range of three wheelers.

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**Pramod Amthe** - *CIMB - Analyst*

Okay. And do you see a similar flexibility at the vendor end?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I believe so.

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**Pramod Amthe** - *CIMB - Analyst*

Thanks and all the best.

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**Operator**

Sonal Gupta, UBS Securities.

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**Sonal Gupta** - *UBS Securities - Analyst*

Congrats on a good set of numbers. Kevin, just could you break this spare part numbers into export and domestic?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Export and domestic is, as far as exports are concerned, it is approximately about INR154 crores.

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**Sonal Gupta** - *UBS Securities - Analyst*

And what was the number last year?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Last year was INR150 crores.

**Sonal Gupta** - *UBS Securities - Analyst*

Kevin, just, I mean -- how would -- I mean the spare part number is split between three wheelers and motorcycles, I mean is it 50%-50% or is it like most --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

It would be more 70%-30%.

**Sonal Gupta** - *UBS Securities - Analyst*

In favor of motorcycles?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Yes.

**Sonal Gupta** - *UBS Securities - Analyst*

Okay. And just on the CapEx numbers as well, I mean you've now -- I mean, earlier your CapEx numbers were much lower. Now you are saying INR300 crores to INR400 crores and you're still saying that this is primarily investing into final assembly capacity and right now you don't --

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

R&D, final assembly, support services everything.

**Sonal Gupta** - *UBS Securities - Analyst*

Okay, R&D.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Again I say when I'm talking of INR300 crores to INR400 crores I'm talking in terms of the budget, the cash flow may be lesser.

**Sonal Gupta** - *UBS Securities - Analyst*

Right. But in terms of R&D spending, I mean, largely you're expensing that, right? So that is anyway coming in the P&L.





THOMSON REUTERS

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Correct.

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**Sonal Gupta** - *UBS Securities - Analyst*

And just lastly, Kevin, on the -- I know you sort of slot it as different segments like Royal Enfield and the sports segment bikes. But I mean if you really look at it -- I mean, you have not lost market share with the Pulsars, but if you really look at it, I mean, you're not really seeing growth in that segment. And if you effectively take out Royal Enfield in the segment or the sports segment is shrinking. So any reason for that, I mean, that you can give?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No reasons, Sonal, it's just the same thing as I say entire motorcycle industry what is the reason why the industry is shrinking.

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**Sonal Gupta** - *UBS Securities - Analyst*

Okay. And just lastly, you said that 60% has been only addressed by RS200. So could you just explain that?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

In the sense that because there is a shortage of production right now, and we want to make sure that only goes at the dealerships wherever are there, so I think the 60% of the country is covered today.

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**Sonal Gupta** - *UBS Securities - Analyst*

Okay. And you're doing currently about 3,000 to 4,000 units a month?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

About 4,500 to 5,000.

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**Sonal Gupta** - *UBS Securities - Analyst*

4,500 to 5,000. Okay, great, Kevin. Thank you so much.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you so much.

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**Operator**

Govind Chellappa, Jefferies.

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**Govind Chellappa** - *Jefferies - Analyst*

Just a quick question from me. Are you seeing any impact of the taxi aggregators on three wheeler demand?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No.

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**Govind Chellappa** - *Jefferies - Analyst*

Either positive or negative. I mean, I hear some cities have moved to taxi aggregation even for auto rickshaws like Bangalore for example?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Yes, but I've not seen any change. I mean, there is not a single input that has come from any of the dealerships at anywhere that this is affecting sales.

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**Govind Chellappa** - *Jefferies - Analyst*

And is it something that you guys discuss internally as you need to do something to address this market?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

At this stage, for example, discussion is taking place, but I would still say that the impact of this is round the -- quite a way away, but initial discussions are taking place.

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**Govind Chellappa** - *Jefferies - Analyst*

Okay. And just a related one, I heard that Ola has started something for two wheeler taxis as well?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I am not aware of yet, I am now aware.

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**Operator**

Ambrish Mishra, JM Financial.

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**Ambrish Mishra** - *JM Financial - Analyst*

Congratulations on a great set of numbers.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you.

**Ambrish Mishra** - *JM Financial - Analyst*

Kevin, my question was related to the spare parts growth that we have been delivering and what we are expecting going forward. Given that the overall volume still remains weak for the new two wheeler sales, what really is driving this growth, I mean are we substituting --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

The basic thing that's happening is customers who are now become much more aware and are likely -- are going to the original workshop for repairs. And so hence you're seeing the parties willing to go to the workshop and pay more and hence the genuine spare parts are being consumed.

Secondly, the Company is taking far more action in terms of the distribution panel wherein we have actually now segregated two wheelers and three wheelers separately. So we are focusing much more on the spare parts activity in the Company. Third is, a lot of action is taking place by the Company by reading spurious sales that are taking place. So all these things put together is resulting in the spare parts growth going up. And I would say that the 15% growth in spare parts domestic is very much there for year on year. And as I said, in exports the potential is still more larger for growth.

**Ambrish Mishra** - *JM Financial - Analyst*

Okay. And, Kevin, let's say on a three-year basis, how has been the network base for us in terms of distribution, have you expanded, have you --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Spare parts or in vehicles?

**Ambrish Mishra** - *JM Financial - Analyst*

No, no, in dealership, after sales service network?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

After sales service network by and large is the same and the reason being basically the numbers are remaining the same.

**Ambrish Mishra** - *JM Financial - Analyst*

Got it. Okay. And sir -- Kevin, last question. On Avenger what is the waiting period as of now?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Zero.

**Ambrish Mishra** - *JM Financial - Analyst*

Okay. There is no waiting period as of now.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, there is no waiting for the Avenger as of now.

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**Ambrish Mishra** - *JM Financial - Analyst*

Okay. So this 3,500, 4000 going up to, let's say in excess of 10,000, 11,000 is purely based on the new model launches?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

The new model launches, yes.

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**Ambrish Mishra** - *JM Financial - Analyst*

Okay. Great. Kevin, thanks a lot. All the best.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I need to end with last two questions because I've got a meeting coming up now.

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**Operator**

Nikhil Deshpande, Sharekhan.

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**Nikhil Deshpande** - *Sharekhan - Analyst*

Thanks for taking my question. Sir with the launch of CT100, are you seeing more traction in say semi -- or semi urban areas or rural areas, is your mix shifting to that? And my second question would be with the quadricycle, what kind of indication are you getting from agencies about whether the same permit of three wheeler would --?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No idea. The second question I'll not address because there is no answer to that. As far as the first question is concerned, yes, we are seeing traction taking place from people from states which are much more price sensitive. So, for example, CT100 in states like say Chattisgarh, MP, Orissa, Rajasthan et cetera is doing very well because the price point is there.

And my own estimate and my own view is basically the market expansion that is taking place there which was earlier 22% the overall motorcycles segment has become 24%. I believe that market expansion is not because someone who was in the M2 segment has moved down to the M1 segment, but it's the new base of customers probably who were considering earlier a secondhand vehicle that has moved up.

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**Nikhil Deshpande** - *Sharekhan - Analyst*

Okay. So it's also -- this is your overall mix for Bajaj?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

(multiple speakers) approximately 26% has gone up to 37% is not in terms of cost, but what I would say competitive taking their single vehicle with Splendor. I think it's more the secondhand guy who has come in and expanded the market and has chosen CT100.

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**Nikhil Deshpande** - *Sharekhan - Analyst*

Okay, sir. Sir, and any status on the Supreme Court hearing, any dates you are -- do you have?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

I think it's end of November.

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**Nikhil Deshpande** - *Sharekhan - Analyst*

Okay. That's all. Thank you, sir.

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you. Last question, please.

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**Operator**

Chirag Shah, Edelweiss.

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**Chirag Shah** - *Edelweiss - Analyst*

Yes. Thanks for the opportunity again. Kevin, just a clarification on the commodity that you highlighted. So I presume even last quarter you've indicated that there's not much of a significant benefit and even now you are highlighting that not much of a benefit is likely to accrue?

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Correct.

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**Chirag Shah** - *Edelweiss - Analyst*

So commodity prices have actually moved down in the last six months also. So where do --

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**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

[We don't think] every quarter. So when we did in our 1st of April, the majority benefit of that already came in for quarter one.

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**Chirag Shah** - *Edelweiss - Analyst*

Okay. So that's --

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

We do it quarter wise, and so in quarter two the benefit was not much and therefore I am saying even in quarter three we have already negotiated our prices for quarter three and there is no further benefit of importance.

**Chirag Shah** - *Edelweiss - Analyst*

Okay, fair point. And just a clarification on this market expansion of entry category that you highlighted. So would it be right to assume that the customers who are buying the secondhand vehicle were earlier a Splendor consumer?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, I am only making a statement is a gut feel from my side, I'm not even making was he a Splendor customer earlier or not, I'm not making that statement. I'm actually saying that a Splendor customer -- new Splendor customer has not come to the CT100.

**Chirag Shah** - *Edelweiss - Analyst*

But the replaced -- the used vehicle market --?

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

That I don't know, see (multiple speakers).

**Chirag Shah** - *Edelweiss - Analyst*

You have not done, okay.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

No, no, I know my answers as a guess.

**Chirag Shah** - *Edelweiss - Analyst*

Fair point. This is helpful. Thank you. Thank you very much.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

My statement of this expansion of market is coming back to a statistics, but the M2 segment has not shrunk and the increment is coming from the lower end of the segment.

**Chirag Shah** - *Edelweiss - Analyst*

Yes. Thank you. Thank you, Kevin. Thank you very much.

**Operator**

Thank you. With this I now hand over the call back to Mr. Binay Singh for his closing comments. Over to you, sir.

**Binay Singh** - *Morgan Stanley - Analyst*

Thanks, Karuna. Thanks everybody for joining us today. Also thanks to Kevin for giving us the opportunity to host the call. Have a good weekend everybody.

**Kevin D'Sa** - *Bajaj Auto Ltd. - President (Finance)*

Thank you so much. Thank you.

**Operator**

Thank you very much, sir. Ladies and gentlemen, on behalf of Morgan Stanley that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.