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**THE WORLD'S
FAVOURITE
INDIAN**

23 July 2024

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

Subject: Transcript of Conference Call held in respect of the Company's Q1- FY25 results

Dear Sirs/Madam,

Please find enclosed the transcripts of the conference call held on 16 July 2024 in respect of the Company's Q1-FY25 results.

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

Kindly take this on record.

Thanking you,

Yours faithfully,

For Bajaj Auto Limited

Rajiv Gandhi
Company Secretary
A11263

Encl: as above



“Bajaj Auto Limited
Q1 FY '25 Results Conference Call”
July 16, 2024



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

Moderator: Ladies and gentlemen, good evening and welcome to the Q1 FY '25 Results Conference Call of Bajaj Auto Limited. My name is Sagar, and I will be your coordinator. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the initial remarks from the management. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Anand Newar: Thanks, Sagar. Good evening, everyone and welcome to Bajaj Auto's Q1 FY '25 Earnings Conference Call. On today's call, we have with us Mr. Rakesh Sharma, Executive Director; and Mr. Dinesh Thapar, Chief Financial Officer. We will begin our call with opening remarks from Rakesh for the business and operational performance for the quarter and Dinesh will take you through the financial highlights. We will then open the forum for the Q&A. Over to you, sir.

Rakesh Sharma: Thank you, Anand. Good evening, ladies, and gentlemen and welcome to the Q1 FY '25 Earnings Call. I thank you all very much for joining in. We hope to make it worth your time. I must begin by saying that it has been an outstanding quarter. And I think we beat the street estimates yet again, though by a small margin.

Revenue from operations grew by 16% to finish just under INR12,000 crores. Top line growth was evenly driven by both domestic and export sales and record-setting spare sales too. Spares now constitute 11% of our revenues. EBITDA at 20.2% cross INR2,400 crores, delivering a 24% growth. This is the third successive quarter of 20% plus EBITDA and that too, with a growing EV portfolio - 2-wheelers and 3-wheelers, which now stands at 14% of our overall revenue.

In our previous call, while we acknowledge the complexities and challenges in the environment, particularly in some overseas markets, we've also emphasized that despite all challenges, we see good opportunities for growth. Hence, our focus remains to drive top line growth while maintaining best-in-class profitability. The results of this quarter are an outcome of this strategy.

Going forward, we will continue the same path and create more platforms for growth. Platforms which connect us with opportunities in the market and can be scaled up. The alliance with Triumph to attack the middle weight segment in India and overseas, and the e-auto or the e-three-wheeler development to attract the restricted 3-wheeler markets are examples of new platform created last year. In recent months, we have brought to life 3 more such platforms. The CNG bike, the sub-1 lakh electric Chetak and the new plant in Manaus, Brazil. These will give us access to new business, and we will be talking about them later while covering the SBUs.

Export business unit. Overall, there is a small but steady revival in the overseas market and the number of countries which remain in stress conditions is also slowly reducing. Largely, it is Africa, which continues to underperform across almost all major markets, led by Nigeria. Though we are seeing currency stabilization for the last few weeks in Nigeria, the substantial devaluation-led inflation has seriously dented demand. Our benchmark motorcycle sales in

Nigeria of 50,000 per month has dropped down to under 5,000 in April, but has now recovered to 15,000 levels, still far from the 50,000 benchmark.

Compared to Q1 of previous year, we are down by about 40% in Africa, but up by 20% in Middle East and North Africa, up by 70% in Asia, led by Philippines and Nepal, and LATAM has delivered an outstanding performance with a 26% growth and reaching or crossing the benchmark of FY'23 levels. While in stressed markets, we continue to grow with the market, which is largely Africa. But in the recovering and growing market, we are significantly outperforming the industry and gaining share.

The new plant in Brazil commenced production in June, it has a single shift capacity of 20,000 units per annum, but that is scalable to 50,000 units per annum. This will make a quantum change to our capability to introduce new models and widen distribution. Traction for our Dominar brand has been excellent and in the medium term, we expect Brazil to be amongst our top 3 international markets. Exports of Qute to Egypt commenced in Q1 with shipments of 500 vehicles, which will soon be on their roads, opening yet again a new segment for us. On this basis, we expect Q2 to be better than Q1, and will continue to be on a growth path in the exports business unit.

Domestic motorcycle business unit, let me explain our performance in the 2 halves of the industry, the 125cc plus and the 100cc segment. The business maintained its strong position in the 125cc plus segment, which in the quarter became 51% of overall industry. Our growing market share of 25% in this top half is just about 2% short of leadership. With 75% of our sales coming from the top half, the impact on both top line and bottom line has been significant. The major contribution in the top half comes from the top half of the top half, which is the 150cc plus segment, where market shares advanced to a solid 40% driven by the substantial makeover of the Pulsar portfolio over last year. Capping it all with the launch of the biggest Pulsar NS400Z, which has been received very well as reflected in the bookings of almost 2,400 units. Deliveries have commenced. And I think last month, we have delivered about 1,000 units. Beginning last financial year, we introduced the N series targeting the sporty commuter, with a modern, easy to ride bike and then went on to strengthen the high-performance NS series. Together, the newly launched and renovated N and NS series in Pulsar account for 70% of our portfolio. This Pulsar portfolio gives us a great springboard for growth through increasing market share as well as by expanding the sports segment itself.

Coming to the 100cc segment, which is the bottom half. You may have witnessed the game-changing initiative of Freedom 125, the world's first CNG bike launched to an absolutely breath-taking reception - not only the proposition of 50% savings of the fuel bill is very impactful, Freedom 125 styling, dual fuel capability, the range, ergonomics of the long seat and the comfortable ride due to the linked mono-suspension have all been highly appreciated. We are targeting the mileage conscious customer in the 100cc to 125cc segment. Of the approximately 1 million motorcycles sold per month in India, almost 75% are in this segment, the 100cc to 125cc segment and about 60% of the demand of these customers has access to CNG pumping station. Hence, our addressable market is about 450,000 to 500,000 customers per month. We

are targeting all these customers with the proposition of fuel economy, standout style, comfort, and assurance.

Our market share in the 100cc to 125cc segment is just 15%. So, we naturally see a good room for new business. We are doing a phased launch commencing with Maharashtra and Gujarat and then going on to Delhi and Kerala within quarter 2. A key enabling factor for the success of Freedom 125 will be the ease of CNG availability, and we are hoping that the CNG distribution companies will also take this opportunity to expand their business and facilitate the migration from petrol to CNG. This will be most helpful in upping the rate of adoption of Freedom 125. We are starting with a capacity of 10,000 units per month in quarter 2, but we have planned to take this capacity up to 40,000 per month by quarter 4. Obviously, with a bit of lead time, these capacities can be revised based on market response. It is early days, but I can tell you that the savings proposition, the style, the ride feels, and the comfort have all been very well received, and there is good reason to entertain the thought that Freedom could redefine the motorcycle industry.

Coming to commercial vehicles. The 3-wheeler business unit maintains its rock-solid performance with an overall market share of 78% in Q1. In E-autos too, our market share increased to 26%, up 9% from previous quarter. From presence in 70 locations, we have expanded to over 140 in quarter 1, which should set us up for over 50% growth quarter-on-quarter in the E segment. The advancing CNG infrastructure, a solid presence in it, combined with the scale-up in EVs, particularly in markets not available to us thus far, will continue to drive solid top line and bottom-line performance in our 3-wheeler SBU and consistently breach the 100,000 mark per quarter.

Chetak business unit: Chetak is now solidly in the number three position. Though in billing terms, we were at the number two spot in June. This was largely powered by the new Chetak 2901, launched at the price range of INR96,000 to INR1 lakh. This will enable two things. It helps us to attack the sub-1 lakh segment, which is almost 50% of the E 2-wheeler industry and will help us widen distribution. We were in 250 stores in June, should be in 500 by end July and almost 1,000 by September.

While our overall market share in Q1 was 12%, it should be noted that we were at 20% plus in the above 1 lakh segment and obviously almost nil in the sub-1 lakh segment. Hence, played the new segment, which is a sub 1 lakh segment and in new geographies, should combine and lift the Chetak business significantly. This will again add new business to Bajaj Auto. Continuing work at R&D and supply chain is ensuring that the cost profile has been constantly driven down month-on-month and our growth plans consider an acceptable level of cost being reached.

Pro-Biking, this BU houses two brands, KTM and Triumph, each with a dedicated network of sales and service. KTM contributes with its steady performance. The recently launched new Husqvarna have appealed to the aficionados and are getting very good reviews. In Q2, the BU will commence promotion of the big bike from KTM, and sales will commence from October, which should really strengthen the high-end, high-performance DNA of the KTM brand, casting a halo effect. An example is the recently concluded second KTM Cup, the largest One Make

Race. It reached an audience of 55 million with 900 KTM owners from 114 towns participating in it.

In the Triumph business, as you know, we have 3 initiatives: scale up the domestic network to 150 stores in H1, develop the brand and offer a top class differentiated experience as well as support to Triumph U.K. to successfully expand business in overseas markets. We are on track on all these. Triumph is now present in 100 locations, which allows us to undertake mass-level brand building initiatives for the brand. This is a very important initiative because as we expand, we are very conscious that sales will rise only once the Triumph brand gets to be better known and better experienced by the potential customers. Curated experiences like Bike Nights and Marquee Tours are steadily exposing the world of Triumph to bikers. This month, we actually completed a year of Triumph sales during which over 60,000 bikes have been sold in over 57 countries, bringing a revenue of INR1,200 crores to Bajaj Auto. The reception in both India and most overseas markets continues to be very promising and with several opportunities for expanding the range and going for a larger play of the middle weight segment.

Finally, a word on our captive finance company, BACL, which continues its rollout steadily with almost flawless execution. About 50% of the Bajaj Auto markets and stores have now been covered by BACL. We are on track to reach 100% by March '25.

In conclusion, all the BUs have momentum and building on last year's work, which created 2 new platforms for growth. This year, already, we have 3 more new platforms. So, we are looking at a good 5 to 6 new growth platforms. We are positive and optimistic on this basis about the forthcoming quarters.

Thank you for your attention. And with this, I hand over to Dinesh.

Dinesh Thapar:

Thank you, Rakesh. Good evening, everyone, and as always, thank you for joining us for this call. Let me say at the outset that we are rather pleased with our performance. We've delivered double-digit growth on all accounts across our domestic business as well as the exports business and on all dimensions of Revenue, EBITDA, and PAT - in fact, we've come very close to the all-time highs that we achieved in quarter 3 of the last financial year. If you could recall, that was the large quarter for the industry as indeed ourselves and is the best of quarters. While that was aided by the typical seasonal upswing, we're quite reassured by this current quarter where we've delivered nearly the same numbers in a quarter that does not have any of that advantage. And that's clearly best testament to the sustained momentum that the business is going through.

Now you've heard from Rakesh on the markets and the businesses, so to avoid duplicating that, let me get straight into dimensions that we've not covered. So let me start with giving you a sense on what's happened on commodities. So, on commodities, we saw a slight uptick on a few lines this time around. Aluminum, copper, rubber and noble metals like rhodium and platinum, were up. However, there was some relief as well, most notably from steel, but as much from nickel, lead and palladium. The continued effort on cost reduction on the electric portfolio along with the balance of the commodity basket meant that we were able to hold the material cost impact in overall terms to be neutral for this quarter.

Equally on pricing, it turned out to be a flat quarter in overall terms as some price increases that we were taking judiciously on the ICE portfolio offset the price reduction that we took on the electric portfolio to drive its competitive growth performance. The investment was made particularly to sustain the momentum and our plans for expansion in a situation where the subsidy which will come to the customer was reduced in the transition from FAME to EMPS. As for currency, it was steady and largely range bound with dollar realization at 83.4 this quarter compared to 83 in the previous one and 82.1 same time last year.

And so, if we bring all this together in terms of what you've heard on the various businesses as well as this context, the quarter closed with revenues of INR11,928 crores. We delivered 16% growth year-on-year on the back of robust vehicle sales and a record high spares revenue, which Rakesh just spoke about, the latter having crossed INR1,300 crores mark yet again. This robust growth of 16% year-on-year is largely contributed half a piece between volume-led expansion and favorable mix. So, a very marginal contribution coming in from realization. The rising proportion of sales of the higher-priced Chetak, electric 3-wheelers, Triumph in the domestic market and a richer sports-led mix in Latin American markets on exports are really the key drivers behind this mix improvement.

Within the overall revenue performance, the domestic business registered its ninth successive quarter of double-digit growth, a reflection of its continued momentum and resilience whereas exports at about \$460 million for the quarter. We reported double-digit growth yet again. You recall we had reported double-digit growth in exports, the last time around on a softer comparative. This time we registered double-digit growth of about 16% on the export's portfolio as well.

Underlying these numbers, and of particular note is our sure-footed progress on the electric portfolio. In FY '23, the annual revenue from our electric portfolio, which was essentially only Chetak back then was all of INR500 crores. In FY '24 with the scale up in volume of the Chetak and the launch of the electric 3-wheelers towards the middle of the year, we ended the year with 4x revenue of the previous one. So essentially, FY '24 was 4x of that of FY '23 on the electric portfolio. As it stands now, that run rate have stepped up even further as we expand both Chetak and the electric 3-wheelers and you will notice in the press release that we put out earlier today, we've shared with you a new data point. In this quarter, a sizable 14% of the domestic revenue has been contributed by the electric portfolio comprising both electric 3-wheeler and electric 2-wheelers. And many would say that we are just about getting started. Indeed, we are strongly committed to playing and investing for competitive growth in the space and expanding this business in multiples in the times ahead.

EBITDA came in at over INR2,400 crores, up a strong 24% year-on-year, while quarter PAT at INR1,988 crores was at striking distance on the INR2,000 crores milestone. Enterprise margin was maintained at the 20% levels yet again. And you will see in this a strong reflection of how we are managing the business dynamically for competitive volume growth and market share expansion, whilst delivering profit improvement in tandem.

At 20.2% the margin improvement of 130 basis points year-on-year was largely led by better realization and cost reduction. So, it had elements of better realization and cost reduction that went into it, which really more than offset the drag from the growing e-2-wheeler business, which continues to improve on its economics, but it's still some time away from adding to the bottom line. Sequentially, the margin has expanded by about 20 bps quarter-on-quarter, largely coming through from an uptick in dollar realization, while other pluses and minuses actually net out.

A quick word on cash. The business continues to remain on the trajectory of converting profits into cash and building substantial surplus funds to fuel future growth investments. Our surplus cash stood at about INR16,700 crores at the end of June, having added over INR1,750 crores of free cash in the first quarter. From the free cash flow generation, apart from discharging the buyback tax that we did at the start of this quarter, we also infused capital of INR505 crores into our wholly owned captive NBFC subsidiary, Bajaj Auto Credit, where, as you heard from Rakesh, we're making very good and steady progress on expanding its presence across the country with nearly half of the business already covered and the balance half planned to be done before the end of this financial year.

Our consolidated PAT was at INR1,942 crores compared to INR1,644 crores same time last year. The difference was the stand-alone results, which, of course, apart from making intercompany profit eliminations as per standard accounting policy is on account of making early investments ahead of the growth and buildup of scale on both BACL as well as for commissioning our manufacturing facility at the end of June in Manaus, Brazil and that really helps unlocking supply constraints for us to leverage a large attractive market opportunity. We are pleased with the prospects of both these businesses both BACL and Brazil and expect them to add to our financial results in the near term as scale builds.

Finally, as we look ahead to the next quarter, a few of our key priorities entail:

1. Sustaining the momentum on our domestic business, which essentially is about driving competitive growth and winning in the upcoming festive season,
2. Staying the course on recovering our exports volume and gradually inching them up,
3. Expanding our capacity capabilities and network for our new businesses and launches that we just heard Rakesh talk about – Freedom | NS-400 | Electric 2-wheelers | Electric 3-wheelers | Triumph,
4. Building and developing strategic growth enablers through our wholly owned subsidiaries, - Bajaj Auto Credit and Bajaj Brazil,
5. And lastly, of course, sustaining margins and managing the P&L dynamically given the context of rising commodity costs and potential investments that we will look to make behind building our new businesses and brands.

The current outlook for commodities suggests that we could be looking at inflation in costs across a number of lines in this current quarter. Although most pronounced within each of them is on aluminum and copper. And to partly mitigate the probable cost impact, that is looking to be anywhere in the range of 50 bps to 70 bps, we've taken around the pricing at the beginning of

this quarter, which covers about half of the estimated increase in commodity prices. Of course, it's still very early days in the quarter and this could change. And therefore, we are watching the space closely given the many moving parts and we'll decide the future course of action as the cost situation evolves.

With this, let me hand the session back to Anand to open it up for Q&A.

Anand Newar:

Thank you. With this, we can open the forum for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question, may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh:

Thank you. Good evening and congratulations to the management for continued strong performance. I first had a question on electric 2-wheelers. I noticed that Chetak volumes have been ramping up quite fast. And one could say that pricing has become more affordable and that has helped, but competitors have also reduced pricing and some of them actually selling lower than your pricing. And yet, Chetak has been gaining share. So, if you could help us understand what has been going right? And do you think there is potential to further rise up in the leader board to potentially number two position sometime this year with the new affordable model or any volume aspirations by the end of the year that you would like to share?

Rakesh Sharma:

Thanks, Kapil. The rise in Chetak market shares and volume, which you are seeing, which over the last 12 months has been pretty impressive, is a combination of the fact that you also mentioned that we trimmed the prices and we have also expanded the network. We started with 40, 50 stores only and we were hobbled on the supply chain side, and this I'm talking about the closing quarters of the previous financial year, which is financial year '23. Once supply chain assurance was there, then we started to improve distribution, then we started to also invest a little bit behind communication, and all that sort of went into the rise of market share.

I think what the premium customers are appreciating is the build quality, the reliability, and the styling of Chetak. And also, the fact that it is the only one which has got a metal body and an onboard charger. These are some of the differentiating factors which Chetak has which is setting us up for growth there.

And like you have rightly pointed out, a lot of action was initiated at the sub-INR1 lakh pricing level, between INR75,000 to INR1 lakh. This also has mopped up business from some of the smaller players, which had entered earlier, which accounted to 45%, 50% of the business, which has now shrunk to only 15% or so.

And now with the arrival of the 2901, essentially with the same robustness, reliability, and styling, which is slightly defeatured for the saving in costs and attacking sub ₹1 lakh segment.

So, with that, we get a very good geographic play and a segmental play. And certainly, our next stop is the number 2 position. And after that, we will see how to move towards leadership.

Kapil Singh:

Sure, sir. And if you could also comment on the profitability of electric vehicles, two-wheelers. I think we have already talked about three-wheelers. So, on two-wheelers because we have seen significant pricing change and maybe costs have also changed. And if you could also talk about how much PLI we are accruing? So, this is one part.

The other part is we have also launched CNG technology here. So, do you think that in certain cases, CNG may be more viable, for example, in motorcycles than the electric vehicles or maybe you think CNG is viable in scooters as well? What is the product pipeline on CNG? Will you gauge performance and then look at more products or there are already more products in the pipeline?

Rakesh Sharma:

So, our analysis was that the CNG would appeal to the longer distance rider, which when I'm saying longer distance, it is people who will ride 30 kilometres plus per day. If you see, there has been a little bit of stagnation in the growth of the electric two-wheeler segment because it is largely sort of addressing the short distance commuter. The longer distance commuter is shying away from it, the inter-town travel and all that. And therefore, we see CNG as a better fit in the motorcycle format, which allows the rider to ride very long distances. And for electric, we are still seeing range anxiety, charging, etc remain issues and barriers to growth. That fits in better in the scooter format, which is generally multiuse, convenient use and shorter distance riding. So, these are the format.

But I must tell you that from the early indications we got, there are some scooter customers also who have considered the CNG bike. When we have put out these three models, obviously, we have designed them based on our platform. And this platform can spawn on both sides, on the higher end side and the lower end side, newer variants beyond these three. And we will, of course, see which the right time is to introduce those. So yes, Freedom is actually a portfolio brand. It's not just a product brand.

Dinesh Thapar:

Okay. Coming to your question on profitability, not very different position from what we outlined in the last quarter. So let me get the electric three-wheelers out of the way, no different from what we've told you in the past. It continues to be profitable at a margin level parity with ICE three wheelers after considering the PLI benefit. And so, to that extent, very profitable. I'll comment on PLI accruals in just a bit.

On the electric two wheelers, of course, it continues to be a drag, as you would expect. But I think what is now working for us is that the cost reduction efforts that had been mounted and the program that had been mounted for some time now has started to deliver. And so, in many ways, the expansion of Chetak that is now happening is not coming in at an incremental drag. The drag that has been there in the base continues to stay. And so, a lot of the cost reduction effort is going behind funding for lower pricing and for potentially lower price mix, right. So, no additional drag coming in from Chetak expansion nor from the price drop that we may have taken to remain competitive in the market. But the larger drag and the fact that it is not yet

profitable and will still take some time is no different from what we may have outlined the last time around.

In terms of PLI, yes, we have accrued PLI for this quarter. We are accruing for it. You know that the cash cycle might play out much later. The SOP and claims submission are still in the works. And so therefore, claims have not been submitted yet. We will get to know that as the authorities' book that out in the future but recognizing that we now have a certified vehicle by the testing agency, which is what I had mentioned the last time around on the seven vehicles that we have in the electric portfolio, two of which are Chetak and rest are electric three-wheelers. We now have certified DVA's that are certified and signed off by testing agency, which essentially makes us eligible for PLI. And so therefore, to that extent, we have accrued for PLI in our financials for the quarter.

At the moment, the new introduction of the Chetak, which is the 2901, which Rakesh just spoke about, the DVA certification with the testing agency is currently underway, and we expect that to come in any time soon.

Kapil Singh: Sure, sir. Possible to quantify the PLI amount you have accrued?

Dinesh Thapar: Well, Kapil, as I mentioned to you, it is 13% of the sales as per the PLI feasibility. So that's really the level at which we recognize it.

Kapil Singh: Thank you. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: Hi Team. Thanks for taking my question and thanks for the comprehensive remarks on all the businesses, it is pretty useful. I just wanted to touch base on the two new opportunities or platforms for growth that you spoke about. Particularly on three-wheelers, now is it possible to get a sense of what percentage of your domestic three-wheeler volumes are now electric? And also, when you talk about this 30% market share, what is the magnitude of market coverage that we have already in place so far with the distribution network?

And then extending a little bit further, just the business expansion on the electric three-wheeler side, the initial thought process is to target the markets where there are license restrictions and then go to markets where CNG is not an option. But is there something that we're looking to tap into the e-rickshaw market as well because that continues to become very sizable portion of the three-wheeler market in itself?

Rakesh Sharma: We said about 30,000, 33,000 three wheelers, out of which about 3,000 from the latest month are the electric three wheelers, so that is about 9%, 10% of our portfolio. Like I mentioned, we are now in about 140 towns. And this is giving us almost a 70% coverage of the e-auto market. Our priority was to go into markets where we could not have gone with the CNG three-wheeler or any other three-wheeler due to permits. And these were largely in the North, Uttar Pradesh and to some extent in the East. So, we prioritized our action over there. But we are very clear

that it is an all-India play. And we certainly don't want to lose or be a late entrant in any market just because we are selling a CNG three-wheeler there. So, there is no thinking like that.

When we had a supply chain build-up, we said that let's first attack the virgin markets and then come to an all-India play. But we are very clear that there is no reason for us to not put in an electric three-wheeler where a CNG three-wheeler is already planned. And one of the things which emboldens us which is what I mentioned a couple of quarters back that we are margin agnostic. So, if there is any cannibalization, it is not really detrimental to the company.

Having said that, I must also point out that the case for electric three-wheeler opposite the CNG three-wheeler is not so strong, whereas people migrate very fast from diesel three-wheeler to CNG three-wheeler. People are actually migrating from e-rick, which is far cheaper to an e-auto. That phenomena also we have noticed. And these e-ricks are largely there, as you know, in North and East. And as we have grown our share in some places in the North, we are reaching 60%, 70% shares already, that share is of the total market and it includes a lot of e-ricks, particularly end of life e-ricks within, let's say, two to three years.

So, if there is an e-rick owner who has been riding the lead asset e-rick for about two or three years is absolutely a hot target for us to convert all the way up into e-auto because they know the pattern of traffic. That is a source of income. They just want to move on from e-ricks to a more substantive format. So that is why I'm saying that the e-auto, even if we place it all India, actually gives us far better traction in those markets where CNG is not allowed and where e-ricks are already on the road.

Gunjan Prithyani:

Okay, got it. We don't see a case to have a product which is at a lower price point to accelerate this upgrade from e-rick to three-wheeler auto, maybe a limited range product because the range that we offer right now is quite good for an electric three-wheeler auto. But maybe for the e-rick category, does it need that sort of range and that may allow us to bring down the price point. So, is that something that, from a product expansion perspective, can be explored?

Rakesh Sharma:

Very much so. Actually, the strategic shift which we have made for some time now is to look at the market size through the lens of three-wheeler mobility. Earlier we used to be saying that we are in the auto business where we have 80% market share, but actually we don't have an 80% market share because 43% of the market today is e-rick. So, we have actually 80% of 50% or 60%. So, we are very conscious of that. And this 40% we feel frankly speaking is something which has just been allowed to mushroom. It is a substandard product. Today if we were to apply a PLI kind of a rigor to it, it will not pass DVA because a lot of it is imported.

But we are conscious that it is catering to a certain need of larger passenger carrying capacity over shorter distances. And development is very much in the cart. So, we know that we will have to extend our E-3-wheeler portfolio to address the needs of that segment also. And therefore in conclusion I would just say that we want to be a full range player in the full 3-wheeled market all fuel, all 3-wheeled.

Gunjan Prithyani:

Okay. My second question is on Triumph. Now both in domestic and export market the volumes are in the range of 2,500 to 3,000 for the last two, three months. So, I think 6,000 is where we

are averaging for the month. Now how should we think about the ramp-up here maybe if you can share a little bit colour on how the acceptance of the product has been in export markets because this is sort of a white space in export markets? How does that scale up overtime both domestic as well as export; total Triumph volume contribution that we are expecting going ahead?

Rakesh Sharma:

So, the first phase in the exports market which is of course almost entirely managed by Triumph UK was done with the objective of pipelining. There was very long pipeline with product being placed in 57 countries and each having its own homologation and specific requirements. So, the whole thing was to just place the product and fill the pipeline. That phase is over. And of course, retail has commenced in most of these places. And the reports which we have got from Triumph UK is that it has met with a very good reception and a much better reception in geographies like UK, continent Europe and Brexit and decent reception in places like North America and ASEAN, but now they are pausing and looking at the flow of the retail level and keeping the next phase just adequately stocked up. The retail chains are adequately stocked up. Once the retail flows are better understood, I think we will see again an uptick in exports, but this is that phase where retail patterns are being observed which hopefully in a couple of months' time should get to be quite known.

In domestic, we are at about 2,000-unit level per month as we know over the last two, three months. There has been a substantial expansion of stores which has taken place, which has taken our stores from 40 to 100 in the last couple of months. In these new markets the challenge and the task before us is to really build local awareness. The kind of awareness, which is there for Triumph in, let's say, metro like Bangalore or Pune or Hyderabad is vastly different from what it is there in a, let's say, a Coimbatore or in a Dehradun kind of a place. And therefore, now the challenge is shifted to building local awareness of what the Triumph heritage is. What are the products the modern classics as we are calling them and what it means to be part of the Triumph world in terms of the ride experiences etc and now we have embarked upon in all these places and hopefully over the next three to six months I think we will come to some decent levels of awareness which will then allow the sales through these newer stores and geographies to rise up and start to become significant.

Gunjan Prithyani:

Okay. I will join back the queue just one request if you can also share the your market contribution for the various export markets like you usually do for us to have a sense how big Nigeria is and what is Brazil as of now, this will allow us to think about growth across various markets then?

Anand Newar:

Gunjan, we will take it up after the call.

Gunjan Prithyani:

Okay. All right. Thank you so much.

Moderator:

Thank you. The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh:

Thanks for the opportunity. Could you share how do you account for PLI incentive like is it in revenue? Is it in cost? Is it in EBITDA?

Dinesh Thapar: Binay it's accrued for in revenue and by virtue of accruing for it in revenue it flows in through all the way into EBITDA as well.

Binay Singh: And this is the first quarter that you are accounting for PLI incentive?

Dinesh Thapar: Yes. Because if you recall the last time when I had mentioned that was when we just had received the certification from the testing agency for DVA. So, this is really the first quarter of accruing.

Binay Singh: If we just add up the information that you shared that 14% of revenues are electric and we understand all 3-wheel models and 2-wheels are eligible for PLI then broadly it sort of leads to almost a 70, 80 basis points of margin support coming from PLI incentive in this quarter. Is that a fair assessment versus last quarter?

Dinesh Thapar: It would be under 50 bps of contribution Binay.

Binay Singh: And I think that almost 60% of your domestic EV revenues will actually be from 3-wheeler. So, I think this is one like differentiation which is why EV is not becoming a drag so much to you versus your peers. Will that be a fair statement?

Dinesh Thapar: Sorry the line was slightly garbled Binay, but if your question saying that the presence of electric 3-wheelers will contain the drag on our results.

Binay Singh: Yes.

Dinesh Thapar: Yes. Absolutely.

Binay Singh: And lastly just any comment about industry volume growth and we've also seen Bajaj Auto losing some market shares. So, any comments on how you see industry volume growth shaping up and your market share within that? That's it from my side.

Rakesh Sharma: So, the industry outlook as we said we think it should be 6% to 8%. And the top half the 125cc plus segment will grow much faster. And I think we will grow faster than the industry in the top half. The bottom half as you can see over the next six months largely the big move over there is the Freedom 125 which will definitely add to the market share.

Your comment about market share - there is no loss of market share. The blip you may be seeing is when you compare Q1 to Q1 of this year. Q1 of last year was a bit of an unnatural thing because one of the major players had faced issues in transitioning to the OBD 2 and there was a big supply introduction in that quarter. And that has led to a very unnatural increase in market share for all the other players including us. That was a one-off thing. Those market shares got corrected in quarter 2 of last year. And since quarter 2 of last year, quarter 3, quarter 4 and now quarter 1 we've been chipping away at the top half and market share has actually been increasing.

There is a slight loss of market share in the bottom half, which was something expected. We have not participated in the sort of red ocean game which has been played in the mini season in the north, in the first quarter, particularly in April, May. And that has led to erosion of market

share at the very bottom end, at the entry-level product which we have as you know, is CT 100 and Platina 100.

Therefore, when you put these two together - a steady market share in the top half, but a slight erosion in the bottom half, you'll see some decimal points of market share being lost, but in the top half itself sequentially there is a market share improvement. This is based on VAHAN retail I might just clarify. We don't talk about billing market share. All my comments were based on data from VAHAH.

Binay Singh: Thanks for that team. Overall, very good performance.

Dinesh Thapar: Thanks Binay. My colleagues over here tell me that you asked about the contribution of the two electrics in the overall 14%, 60% of which comes from electric 2-wheelers and 40% in the quarter has come from electric 3-wheelers. The two put together therefore, add up to the 14%.

Binay Singh: Thanks team. That's very clear now. Thank you.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Thank you so much for the opportunity. Sir, firstly can you share the capex guidance for FY '25 and which areas of spend would be there sir?

Dinesh Thapar: Mumuksh, it is not very different from what I said in the past. It should be moderated between INR700 to INR800 crores. A large part of that will primarily go towards the commissioning of our new electric 3-wheeler facility in Waluj and other capabilities that we are building essentially for electric. That's the chunk of it but assume that it should be in the range of between INR700 crores to INR800 crores for the year.

Mumuksh Mandlesha: Got it, sir. And this quarter we've seen other expenses have grown strongly. Can you explain what could be the reason for the increase?

Dinesh Thapar: Yes. So, we are seeing a step-up between same time last year and now and that step-up is essentially driven by about three or four factors. The first is the heightened level of CSR spend this year compared to last year which one has to keep providing for in the quarterly results. The other is the step-up arising from variable costs and packing to reflect a step-up in the volume and activity levels that we have. The third is some costs that we are incurring now for extended warranty on our electric portfolio as that is now growing over same time last year. Those costs sit within the other expenses line.

Mumuksh Mandlesha: Noted sir. Lastly how are you seeing the partnership with Yulu? Currently, volumes are around 1,000 units per month. How do you see the potential hit from this segment in the EV.

Dinesh Thapar: Yes. So, I think the partnership you're aware that we have an equity ownership of a little under 19% with Yulu. Clearly, they're looking now to expand volume. So, what you've seen in this current quarter was essentially a little bit of stock adjustment that they were doing to really rebalance numbers across the cities that they are operating with. We expect those numbers to

step up in the current quarter from the early indications of plans they have given us. So very much committed to that business. And you're aware that the vehicles that we supply to them are essentially custom build, the platforms being built by us for that.

Mumuksh Mandlesha: Got it, sir. Thank you so much for the opportunity.

Moderator: Thank you. The next question is from the line of Raghunandhan NL from Nuvama Wealth Management. Please go ahead.

Raghunandhan NL: Congratulations on strong results and on the CNG launch, wishing all the best there. Firstly, on the CNG side you indicated 60% coverage in the addressable market. Can you talk a little more on how well the coverage is or how deep the coverage is in rural and semi-urban areas. Also, when we do channel checks with dealers, they indicate that bookings have started coming in from customers and dealers are quoting 1 to 2 months kind of waiting period. If you can provide some colour on initial bookings, what is the customer mix and finally on CNG again, when should we expect the variants that is 100cc & 110cc motorcycle, how do you take it forward?

Rakesh Sharma: CNG is available at 335 towns out of the 500 top towns and these 335 towns account for 70% of the market. When we took 60%, we have bottom slice some of the towns where the density is very low. But the density numbers are really very varying depending on the town. It's very difficult for me to give you one number, which will help you appreciate what is the depth we are talking about. At one end, you have a city like Delhi, which has 550 petrol stations. But it has 250 only CNG stations. And another 400 or so shared with petrol. So, you can see that Delhi city has actually got a safe dedicated petrol, gasoline, diesel station. And then there are others where there is only one CNG station for the entire town. And then there are intermediate solutions also with the gas distribution companies like sending CNG tankers on regular intervals, which then goes and fills the tanks at remote locations and all that. So, it's a very complex thing.

The only thing I can tell you is that our initial meetings with the gas distribution companies have been very good, and they are very enthused that there is a new segment developing for them because it helps them push more throughput through their infrastructure and their whole performance depends on how much they can sweat their infrastructure because there's a big capex involved in putting up that infrastructure. So, the stance we are expecting as we speak is, we are having these local level meetings and we are optimistic that our customers will be given dedicated filling points even in gas stations, which are shared with petrol.

Raghunandhan NL: And on the bookings and customer mix?

Rakesh Sharma: So, the bookings right now about 4,200, I mean this is yesterday's figure. 90% of this has come from Maharashtra and Gujarat because we opened all India bookings just a couple of days back. So almost 80%, 90% of these bookings are Maharashtra and Gujarat. Most of these bookings are actually for the top end, which was the ₹1,10,000 LED headlamp disk, overwhelmingly for the top end. The dispatches are just about commenced. I think we dispatched just about 100 vehicles or so and the first retail happened a couple of days back.

The type of customers - we are still mining that data but from whatever early analysis we have, which we've done it is very difficult to establish a pattern because people from very different work like whether it is demographics or whether it is geography; and when I say geography I mean within Maharashtra, rural and urban, we have got a very broad spectrum of people who have come. So, it's very difficult to see the pattern but in a way, it is very good. It is showing that the appeal for the bike is cutting across several demographic and sociographic segments.

Raghunandhan NL: And when should we expect 100cc motorcycles with CNG?

Rakesh Sharma: Yes. Sorry, I was just saying that I already talked about that, this is a platform and is extendable on both directions. But exactly when we are going to introduce a variant, we will see. We will watch it. It's not a ground-up work, which will be required, it's a platform. And very quickly, we can respond if there is requirement emerging in the marketplace.

Raghunandhan NL: Thank you, sir. So, Dinesh, sir, if you can share on the E2 wheeler, how would the gross margin do currently including the PLI, considering the battery cost reduction and other cost reduction efforts you spoke about - would it have come to double digits now 10% to 15% gross margin?

Dinesh Thapar: At this point of time obviously, for competitive reasons, we're not going to be able to share with you the margin profile of the electric 2-wheelers. But let me reiterate what I just said. I said that Chetak is expanding. There is an inherent drag that it is loss-making at this point of time. Clearly, the falling prices has only had an even bigger challenge on the economics. But I think what has come to our rescue is the fact that the cost reduction work that have been put in place has now started to deliver. In the last 2 quarters whatever price drops we've had to take on whatever volume that we have expanded the incremental impact of that has been utilized by the cost reduction.

So, there is a drag because the overall proposition itself does not make margin compared to the enterprise margin at 20% but typically, with an expanding volume that strain on the enterprise margin should start to show up, but we've been able to contain that on the expansion volumes by virtue of the cost reduction. As far as the specifics of the margin profile, I won't be able to give you a specific count on that at the moment but to say that profitability is still a while away on the electric 2-wheeler.

Raghunandhan NL: Got it. Just lastly, some housekeeping. If you can share the electric 3-wheeler volume for the quarter, spares number in crores and the financing ratio?

Anand Newar: Yes. Raghu, we'll take these questions offline.

Raghunandhan NL: Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: Hi Sir, A quick question on Freedom 125. As you indicated that the addressable market is about 400,000 to 500,000 units per month. In that context the capacity which we are looking at by year-end of 30,000 is that quite low? Or this can be scaled on a very short notice.

Rakesh Sharma: Yes. So obviously before we ask different types of vendors and all that to put in the capex it is very important to get a good fix on the adoption rate. And the first step has gone off extremely well. We were confident of the proposition. But what we are very heartened about is also the styling, the ergonomics, and the comfort and all those things, the bi-fuel capability has been also extremely well appreciated.

Now we will see the pattern for Maharashtra and Gujarat. And we will start to take some view on future capacity. I guess if we have that kind of a runway of about 6 months or so, we will be able to substantially expand the capacity. The key factor over there really is the CNG tank, that is critical.

Jinesh Gandhi: Got it. And secondly on Triumph, if we look at the demand in the domestic market especially in markets where our product has been launched, I mean, since launch the product has been available are you seeing any trends in terms of how demand is shaping up, how enquiries have been doing in the markets where products have been available since day 1?

Rakesh Sharma: Yes. In the markets, in the metros and Mini Metro, we are finding very good traction and very good post sales satisfaction etc. Because these people come with an understanding of the lineage of Triumph. And that has been very helpful. However, when we step out of the Mini Metro areas, the understanding of the Triumph brand and where this is coming from is rather limited, and that is the point I was making that it's almost like 2 very different worlds.

And the challenge now or not the challenge, but let's say the task now before the marketing team is to go through various devices, whether it is rides or digital or local activation to bring the brand to life. Now even in a Metro let's say, if you take a Bombay there is a very good brand awareness, but if you go to Thane or if you go on the other side to Virar, Borivali and the real suburb, the brand awareness - that awareness is there, but the detailed understanding of the brand that has to be brought to life.

Jinesh Gandhi: Got it. And Dinesh, on the staff cost side, we see a good increase on YoY and QoQ basis. Any one-off pay which will normalize, or this is a normal variable increase, which have happened.

Dinesh Thapar: No, I think the staff cost you will see is not very different quarter-on-quarter. So, the year-on-year is a reflection of fundamentally increments and additional staffing for capabilities that we are building within the business. So, nothing of a one-off that we need to call out.

Jinesh Gandhi: Got it. And lastly, what are the export revenues in the quarter?

Dinesh Thapar: \$460 million.

Jinesh Gandhi: Thanks a lot. All the best.

Dinesh Thapar: Thank you. Just before we take the next question, I know Raghu had asked the question on those 3. I just want to be sure that these data points are accessible to everyone. So, Raghu, we won't get you back on to the queue, but the 3 data points that you asked for, is the electric 3-wheeler volumes in this quarter are fundamentally about 9,350 odds. The spares revenue at the moment, is about INR1,350 crores, and the financing penetration for motorcycles was 75% and for 3-wheelers was 19%. We can get back to the question queue.

Moderator: Thank you. We'll take the last question from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Thanks for the opportunity. First, on the Freedom 125. Just wanted to understand the thinking here as to what the watch level hold ramp-up will be, which would kind of satisfy on the kind of success what you were looking for because it's indeed a big differentiator. I don't think any OEM is finding anything like this anytime soon. So, you really have a pretty good edge.

And as I said, CNG makes a lot of sense for most of the consumers, if not all. So, what kind of volumes, given the kind of innovation that you have put on the table would be sort of? If you can just help us understand, I'm not looking for near-term volumes once it got a year or so. Where do you think the demand will settle?

Rakesh Sharma: Like I said, our market share in the bottom half is 15%-odd. And we would definitely be looking at a very respectable market share. The market share in the top half is 25%. And if we can get to that level even in the bottom half. And when I'm saying bottom up, it could either be through upgrading them into the 125cc segment or just to be there. But if we can take that kind of a slice out of the bottom half and bring it up into the top half and therefore, climb to a market share of 40% to 50%, indicates a strong leadership in expanded top half. We would be very happy with that.

Pramod Kumar: Thanks for that Rakesh. And second question is on the premium category. Rakesh, we have seen that Triumph, and even Harley launches kind of not do as great as what anyone thought or their management thought? Even Royal Enfield volumes have not been that great in retail terms. So, for the last few months, it looks like the premium category is not doing as good as what one has seen in terms of broader trends of premiumization across most of the other automobile categories and even outside of autos. So, is there anything, which you say noticing there that despite the multiple launches from industry participants the category is not exactly kind of really benefiting to the premiumization trend, which is broadly seen across many parts of the economy. Any thoughts there?

Rakesh Sharma: Yes. Your observation is very correct. But we are finding that the premium category or, let's say, the middle weight 250cc to 500cc has been a bit lacklustre in performance and this is despite some of the launches by us and a couple of a few other people. So, there's been a lot of action, but a lot of it has been in the performance end of it. And I always find that the development of our category to a large extent, is dependent on a player who has got an overwhelming presence there.

And there was a time 3 years back when the pipeline was dry. And we were seeing a shrinkage of the category. But now certainly, you see that the sporty commuter 150cc to 250cc certainly started to pick up. Last month, our new N250 retailed more than 1,000 units. So, we are seeing clear traction over there. I guess there is a little bit of fatigue probably because of lack of action on the classic side, that's hopefully it will correct itself.

Pramod Kumar: And Rakesh is there a play off like the pricing also playing its part? What are you seeing 250cc-350cc kind of lose out to 125cc to an extent also? Of course, people have upgraded from 100cc, but similarly, are we seeing that some of the potential 350cc customers, 250cc plus customers are now kind of settling for a more attractive package or product in the 150cc to 250cc category? Are we seeing that bit of down trading to an extent because of the affordability or the price escalation what you've seen?

Rakesh Sharma: No, I won't say that. Within a brand, if there has been a lower-priced variant, which is almost very similar to the higher price variant, you might be seeing a certain migration. But for a migration to go from, let's say, 350cc or 400cc down to 160cc is a little bit difficult to imagine. It happens a little bit, but I don't think in a significant manner.

Pramod Kumar: No. That's very good to hear Rakesh, and thanks a lot, sir and wish you all the best thank you.

Rakesh Sharma: One thing I may add that the NS400, which was just launched has clocked almost 2,400 inquiries. So, it is probably the most successful initial launch at least. The Pulsar NS400, which we recently launched, it has done extremely well. We have to see how long the trend persists.

Pramod Kumar: Wish it continues, sir thanks a lot thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question. I would now like to hand the conference over to Mr. Anand Newar, Head of Investor Relations, for closing comments.

Anand Newar: Thank you, Sagar. Thank you, everyone, for joining the call. I'm open to taking questions 15 minutes from now. Thank you.

Moderator: On behalf of Bajaj Auto Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.