"Bajaj Auto Limited
Q4 & FY2022 Earnings Conference Call"

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Moderator: Good morning ladies and gentlemen and welcome to the Bajaj Auto's conference call to discuss the Q4 and FY2022 financial results. We have with us Mr. Rakesh Sharma, Executive Director, Mr. Dinesh Thapar, Chief Financial Officer and Mr. Anand Newar, Divisional Manager, Investor Relations. My name is Rutuja 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to the management for their opening remarks. Thank you and over to you!

Rakesh Sharma: Good morning ladies and gentlemen. This is Rakesh Sharma here. Thank you for taking the time to join us for the call today. We announced our Q4 and annual results last evening. I am sure by now you would have gone through the details and may have questions. After brief opening remarks we can move to the Q&A, but foremost let me introduce our Chief Financial Officer, Dinesh Thapar. Many of you may already know of him or know him. Dinesh has joined us from Reliance Retail where he was the Group CFO, prior to that Dinesh spent a couple of decades with Hindustan Unilever Limited where he held a range of leadership roles across corporate finance, business finance, investor relations, supply chain and even in managing JVs. We are really delighted that Dinesh has come on board Bajaj Auto's top team and I am sure you all will enjoy your engagement with Dinesh.

Dinesh Thapar: Thank you Rakesh. Good morning everyone and it is an absolute pleasure to be here on the first earnings call. I have been into the business now for about six weeks and really coming on board and I look forward to engaging with you offline in the months ahead. Thanks and absolutely look forward. Thanks Rakesh back to you.

Rakesh Sharma: So let me begin with the highlights of Q4 performance. Since we have regular interactions every quarter, I am refraining from going into a commentary of the full year and pressing to remain with recent most events. Overall performance in Q4 was a reasonably strong one, given the backdrop of weak domestic demand, rising cost and supply chain dislocations. Amidst this, we reported our second highest quarterly as well as annual profit. I would like to attribute this to the inherently robust business structure of Bajaj Auto, which is a business trend across segments like entry level commuters, CNG three wheelers, KTM high-end bike, and across geographies, you know India and of course overseas and all the emerging regions of the world. So, this structure is risk mitigating, it ensures resilience and supports us to ride out volatility. Now let me talk about each of the business units.

Exports remained strong and steady almost each month of FY2022. The volume performance was over 200,000 units delivering an all time annual record of 2.5 million units export as well as revenue of just over $2 billion. I would like to call out a few other highlights which are leading indicators of continued performance at this level. We grew our market share by about 2% point in the whole year in all the regions LATAM, Africa, South Asia and Middle East and ASEAN. All witnessed a 2% point improvement in market share. Over 80%, in fact close to 85%, of our revenue continues to come from markets where we are holding number one or number two positions. This is a very important point because it is a leading indicator about how we will be able to continue to harvest the post-pandemic return in each of these markets. The share of our sports brands Pulsar and Dominar has continued to increase quarter-on-quarter and is at its highest now. We have a large order book for Dominar from LATAM, Europe and Asia and with Dominar, we are securing leadership positions in the quarter-litre class in many countries. This was instrumental in strengthening the prestige of the Bajaj corporate brand and bodes very well for our channel partners. I must add here the supply chain issues in Q4 compromised the performance even in exports; otherwise it should have been better by at least 5% or so.

In motorcycle business in domestic the overall demand situation remained weak. At the VAHAN, the estimated decline in registrations of motorcycles was 12% for the industry over Q4 of last year and this decline was visible across all segments. In fact, FY2022 has been the lowest year for the two wheeler industry in a decade and for sure this is signaling two things. The two wheeler customer representing the relatively weaker section of the society has not recovered from the economic hardships and the cost increases on account of inputs and other regulatory requirements continued to retard the demand recovery. Bajaj Auto, however, fared slightly better than industry and declined less than the industry decline resulting in gain in retail market share from 18% in FY2021 to about 20% in FY2022 and these numbers I am quoting from VAHAN registrations. We can confirm there are new product introductions which I have been talking about in the previous quarter have been very well accepted. The Pulsar 250 Twins the N and S have had an outstanding reception enabling us to gain share in the subsegment and indeed in expanding the segment itself. With the CT 110 we made a play for improving the quality of our portfolio in the entry commuter segment and this is showing very good resilience despite price increases. It has forged a unique position based on its style and design. This has boosted our profitability in that segment. In the middle segment, the NS125 which is the most expensive 125cc in its segment, almost 22% more expensive than the average 125cc bike, it is doing extremely well. Today, it is 45% of our 125cc portfolio with big thumbs up from a youthful buyer. Almost 60% of its buyers are below 25 years of age. I would also like to call out in the motorcycle business unit - the completion of a two-year project with our dealership which is put in place a robust system of measuring customer experience and using dynamic feedback to improve it in the moment as well as structurally. Over 1,000 dealerships of motorcycles and KTM have been covered by the NPS system and these have done a lot to improve the customer experience at our showrooms and service centers. We will be building on this initiative in the months to come to redefine our processes and indeed to lift our culture in the showrooms and service centers and make it more customer friendly.

For the CV business, the domestic three wheeler business continues to see improvement as economic activities returned to normalcy. In retail camps, we sold over 52,000 units in the quarter and an improvement of 15% over Q4 FY2021. This brings our retail market share close to 70% which is our highest ever. The overall leadership, we are now leaders in every segment in passenger and cargo, large format and small format, CNG and otherwise. The current cost economic for CNG versus diesel, the government focused on increasing the CNG penetration and by being highly preferred choice of CNG leads us to expect to outperform the industry through this natural transition. Our market share in the CNG segment inclusive of passenger and cargo is now 77%. The CNG segment itself has moved from 24% in the industry in FY2021 to 62% in Q4 FY2022. So, it just tells you which way the three wheeler industry is moving. Unflinching support of auto finance has been a key enabler for the outperformance of this business unit.

On electric two wheelers, we have sold over 3,300 units during the quarter and have an order book of over 15,000 units. We have also added another 12 cities during the quarter including cities like Delhi, Mumbai, Surat and thus bringing the overall count to 20 cities. I just want to take a moment and re-emphasize our near-term plans and the emphasis of these plans from EVs point of view of reprioritizing certainty and safety over speed. EV is a nascent segment, and we are keen to see the responsible development of this category. It is a great opportunity for Bajaj Auto at a global level and we are very optimistic about its growth. However, we believe we are in a built phase, which precedes the scale phase and in this built phase we have three objectives. Foremost build a dependable brand on the basis of product performance and customer experience inclusive of high quality service support. Build deep capabilities in R&D, manufacturing, supply chain and customer experience and finally build a portfolio of product across personal and business, low speed and high speed, two wheelers and three wheelers, fixed batteries and swappable battery system. So, we expect that in the next 18 months or so, we will give guided by building capability, which hopefully will keep us in good stead to scale up and aspire for leadership not just in India but globally. We will be launching our electric three wheelers in a limited way by the end of this quarter probably in June.

A word about our financial performance. It was a good quarter. We delivered an EBITDA of 17.5%. This is our calculations. The underlying I must call out is 16.8%, net of one time accruals like Maharashtra government incentive. Even then, this is 120 basis points higher than the EBITDA in Q3. There were multiple factors that drove this improvement. Foremost was the mix of the business unit in favor of export, the export constituted 60% of our volumes in Q4 compared to 55% in Q3 and as you know exports enjoy relatively better profitability and that is what has impacted the margin. Secondly superior performance of better margin products in the export portfolio as well as domestic and in net positive impact of price increases, which was slightly ahead of the material cost increase. As you would have noticed this has driven up the ASPs by about 7% between Q3 and Q4. ASPs in export business, motorcycle business actually increased by 11% and the price in the earlier point I made about was the increasing contribution of Pulsar and Dominar in the export portfolio. We have accounted towards the accrual of incentive receivable from State Government of Maharashtra under the Package Scheme of Incentive amounting to about Rs.31 Crores as part of the income for the year and Rs.315 Crores as an exceptional gain for income pertaining to previous years.

Just a word on the outlook for coming quarters. While in the immediate term driven by the marriage season in the north we think that it will add luster to the retail demand in April and May, but we would like to watch the months of June, July and August to fundamentally understand whether there is a genuine and structural turnaround of the two wheeler industry in play or not. We expect a shortfall of about 15% to 20% of our requirements on account of semiconductors, which will impact mostly the domestic business units and to a smaller extent the sports brand and international markets offshore. This is the result of some established vendors on whom we have single source dependancies. Our R&D teams have been developing alternative sources, however, the testing and validation actions required time. Therefore, this will lead to a temporary loss of market share, we think, in Q1 which we should hopefully recover rapidly in Q2 by which time our counter measures on broad basing the supply chains are expected to be in full play. On the cost side, we definitely see some headwinds. We think we may see about 3.5% increase on cost basically because of metals. As the demand environment remains fragile we will be observing it very carefully and we will be observing competition before we decide or move about recovery of the cost increases. However, on April 1, 2022 we have already taken a price increase of about 1.5% to 2% and the balance like I said, we will watch demand and competition before deciding on it.

Finally, the Board yesterday recommended a dividend of Rs.140 per share which amounts to about payout of Rs.4051 Crores and payout ratio of over 80% in line with our dividend policy of distributing up to 90% of the surplus. Thank you very much for listening in and now we can open the floor for Q&As.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Yes thanks a lot for the opportunity Rakesh and Dinesh and congratulations on excellent numbers and also welcome Dinesh to auto space and look forward to interacting with you. Rakesh, my first question is on the export outlook because it has been kind of more stable in terms of the volume trajectory off late though you have been talking about your retail being ahead of the market and they have also absorbed much price increases from the domestic consumers, so given that context and the growth what we have had this fiscal, how would you see export as a phase for FY2023 at the industry level vis-à-vis domestic demand. Also if you can provide some guidance on whether it can do a double digit growth again in FY2023 as a segment for the industry?

Rakesh Sharma: Hi Pramod, you meant double digit growth for the export business unit. Is that what your question was about for FY2023?

Pramod Kumar: Yes.

Rakesh Sharma: The outlook for the export is quite steady. We have been clocking over 200,000 units as you know and we expect to continue this. Now like I mentioned in the opening remarks our competitive position in all our market is fairly strong; out of the 70 markets or so I would say at least in 65 we have very, very leading position. We have dealerships, service centers, manufacturing, all that is very well in position and most of the markets we are doing pretty all right; all the regions are in the growth phase. There is a little bit of uncertainty about local currency movement vis-à-vis the dollar and till now it is not very alarming at an overall level. There are some hits and misses here and there, but apart from that we are seeing a steady business environment overseas and we feel that we should be able to get a disproportionate share of the market growth, which will mean that we continue to increase our market share and like I said the best thing is the performance of the Pulsar and Dominar. As the year rolls on, the new Pulsar will start to hit Latin America. We can already see our order book for Dominar. For example, we have already got an order book which we cannot service in the next couple of months. It is showing that the customer is really responding very well to upgrading to the 250 class. I am getting a bit of dejavu over here because a few years ago when we launched the Pulsar 200NS, we were worried that the people will upgrade from 150 to 200 or not, but we had an outstanding reception in

Latin America which sort of changed our fortunes in Latin America even for the quarter. I am seeing a same play in Dominar and subsequently hopefully with the Pulsar 250 and that bodes very well for our bottomline in the business unit also. The only issue which has to be really managed is the shortfall arising out of Egypt. As you know Egypt banned the three wheeler import but through our distribution partner have been in touch with the government there and supporting them. The government is trying to work out the solution which sort of takes care of the congestion issue which they have, the registration issue which they have, but still solve the problem of short distance mobility in interior villages. We are in very, very close and very good discussion, but you know these things take time. Egypt used to be a big market, so in the immediate we are facing a gap over there. But, I think in three months or so or three to six months, we will see a solution emerging and business also will return. So, apart from that everything else seems to be in good mix in export and we expect to deliver a double digit growth. Our five years objective, accounting five years from two years back, is to double the international business on the basis of largely deepening of the share in existing market and to some extent entering new markets like Brazil and Europe and little bit in ASEAN.

Pramod Kumar: Thanks Rakesh. Second question is on the profitability because at one end, we had one of the best ever mix because of international and domestic, we will be doing at the expense of lower margin category 100 cc domestic. So, with the marriage season going good and demand coming back to an extent for that category, you should ideally see some bit of normalization of your mix. Right? and then there is a commodity headwind and in that context just want to understand how do you see the domestic thing evolving with three wheelers coming back, but the intent is electric three wheelers which are taking more and more share and you are launching the EV electric which could have implications for your margin mix in that category and then there is a commodity overlay right which you kind of hinted too, so given this directionally how should one look at margins for the next fiscal? I do not want to compare to last quarter which is a pretty upbeat number. So, on a Y-o-Y basis how should one look at margin say for 2023 versus 2022 Rakesh?

Rakesh Sharma: In your manner of asking your question you have answered it partly already because you are very right. It is a blended margin for Bajaj Auto. Let us look at the positive first. I think a continued story of growth in the export business unit and the improvement in the portfolio within the export business which I talked about so that is a positive thing. You rightly said the return of the three wheeler business – it is going from strength to strength because traffic is coming back and it is now almost normalcy at 92% to 95% and it will be over 100% in a few quarters and again here what is happening is that the mix is changing in favor of better margin products for us, so that is a very big thing. The arrival of the electric three wheelers was not as much of a play because our objective in FY2023 is a cautious introduction. The three wheeler is a commercial vehicle and we need to make sure that the customer and future customers are completely reassured about the vehicle as well as the support system surrounding the vehicle. So, we are now going to be making a big play. We are going to be launching the three wheeler in June in a couple of cities only and then observe for three months and then expand to 10, 15 in that manner pretty much similar to the play book which we deployed in Chetak, the brand of course got interrupted because of COVID. So, from a volumetric point of view, the e-three wheelers are not going to compromise the profitability of the three wheeler business because it is pretty small. The third thing which I would like to say is that our price increases in export business and to some extent in three wheelers and the sport brand has been ahead of competition and has been digested pretty well. You got to keep testing the optima between share, growth and profitability and I think one of the good gains from Q4 was we tested it. We were ahead of the cost increases through our price increases but we did not compromise market share overall. As you see, three wheeler market share has increased, if you see export market share has increased and we will continue in that direction. Now some of the downside, I agreed with you that arithmetically speaking the rise of the motorcycle business and that rate increasing; however, downward pressure on the overall blended margin. Secondly, definitely, at least, in the next few months, we can see that the cost increases are there. They are very real and like I said, we have only recovered let's say one-third of it. So, that will certainly be an issue to watch out for. I cannot tell you what the things are going to be on that because if indeed this sparkle of April and May and the return of demand continues and we sense that demand is recovering nicely in June and July, then it emboldens the industry to pass on the cost increases and increase price. If it does not, then one is a little bit more circumspect about price increases, but then, of course, for us there is just soft devaluation which is in place every quarter – 75 goes to 75.5 goes, and 75.5 is now going to 76.2 kind of a realization. So, that is mitigating this cost increase. So, I would say that we will take it quarter-by-quarter. There are positive but there are downward pressures and if by the end of the year we are able to hold down to this, it will be a very, very good performance but it will be challenging. I unfortunately cannot give you even a band at this point of time.

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

Binay Singh: Hi team. Congratulations for good earnings in this environment. Two, three questions. Firstly, Rakesh could you share a little bit more about your second strategy, what kind of realization on rupee dollar did you get in the March quarter and how did the currency impact during the coming year? Secondly among your export market we have seen challenging environment in countries like Sri Lanka and Nepal, could you share what percentage of its 200,000 monthly run rate is coming from these countries and that is it for now? Thanks.

Rakesh Sharma: Let me take your second question first. See Sri Lanka is in the news recently because of the protest, etc., spilling over on to the street. It has been facing a foreign exchange crisis for some time now and Sri Lankan government in response to that had banned the imports of auto products and the rest of other categories. So, actually in FY2022, our exports to Sri Lanka were very small. There was one tender for three wheelers for the police and then we had commenced the export of CT 100, which is very popular product in Sri Lanka on the basis of localization and this would be less than 1% of the overall. So, FY2023 does not really get affected because of Sri Lanka compared to FY2022. Secondly the second country which you had asked was Nepal. Nepal, we do again about 5000-5,500 units including three wheelers per month. We have got the number one position over there. So, you can calculate in the overall scheme of things it is not very big. So, I think that the Nepal issue will probably be over sooner than later. The season comes up around Dussehra time – so about a month or two before that, I definitely see the country opening up. On your foreign exchange bit, I think Dinesh will answer that.

Dinesh Thapar: So just Rakesh mentioned this in his prior comment so our realization for exports in Q4 four was at 75.5 clearly better off from Q3 which was just about a tad over 75. But the way rupee depreciation is happening we expect that the next quarter could land anywhere between 75.5 and 76 that is the current outlook as we have it.

Binay Singh: That is very helpful Dinesh and lastly could you comment a little bit about KTM, how was KTM profitability in this quarter?

Rakesh Sharma: See we do not get into segmented brand wise profitability as you know, but KTM in India and overseas enjoys better than average profitability.

Anand Newar: Binay, if I may interrupt over here. I think with the change in the structure now, we are holding shares into PMAG, which is a listed entity. So, the numbers are publically available and they can be directly sourced from there.

Rakesh Sharma: Sorry Binay. My comment was really on the KTM business within Bajaj Auto. I was not commenting on KTM AG and KTM business within Bajaj Auto which is export as well as domestic under the KTM and Husqvarna brand where overall profitability is superior, but we do not get into the details at that level.

Moderator: Thank you. The next question is from the line of Raghunandhan NL from Emkay Global. Please go ahead.

Raghunandhan NL: Thank you Sir and congratulations on good set of numbers and welcoming Dinesh Sir. Sir firstly on the Q4 results, the press release had mentioned deferral of raw material cost increase – can you quantify what was the positive impact in Q4 margin because of this deferral?

Dinesh Thapar: I am not going to quantify the number but let us give you a directional sense of what we had said. We had anticipated that we are going to be getting some amount of cost inflation. What the team was able to do was on the negotiated part of the cost portfolio able to push that out into Q1. So, a lot of that inflation is what we are going to be seeing in Q1 as Rakesh has just mentioned**.** We think material inflation in Q1 as things currently stand could be in the range between 3.5% and 4%, but that is now with metals. The metals portfolio continues to inflate. You would be aware that on just some of the key materials that we have which is let us say steel and alloys that is currently seeing inflation of anywhere close to 10% to 15% already. We do not know where the quarter will end but 3.5% to 4% is what the impact looks like currently. At this point in time, it is trending to try and recover about anywhere between a third to a half of that in the pricing that we have taken in April, but we will wait and watch how the quarter plays out. But, to give you a sense – the last quarter did benefit from that. I think the pricing impact saw the benefit in Q1 was just about a percent.

Raghunandhan NL: Thank you Dinesh that was helpful. Rakesh Sir can you talk about the expectation of recovery in the student demand in FY2023. Would it be fair to say that student demand pre-COVID used to be as high as 10% to 15% of volume which had sustainably reduced in the last two years and this year, given the complete reopening of educational institution, this demand can come back strongly?

Rakesh Sharma: Yes. I think it is a fair expectation that on the basis of colleges opening up, all the segments open up; work from office starts to become a little bit more popular in the IT companies. On back of that certainly, there could be a positive play on that sub segment.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Hi sir, thanks for the opportunity. Could you talk about what were the spare parts and export revenue for the quarter and also, we have seen a dip in the employee cost on a q-o-q as well as y-o-y basis so some colour and outlook for next year for the same?

Rakesh Sharma: In fact, we have had very good performance by our domestic spare part business unit and the penetration percentage is now increasing quite smartly. Two years back, if you see it was 14% now it is about 18% and the spare parts profitability again is very high and we expect this 18% can probably be moving into the 20% zone. I think that this is fairly ahead of our competitors.

Dinesh Thapar: Okay so let me take the question on the employee benefit expenses, so just to put the numbers up. We were at 305 Crores this quarter. Last quarter was 339. You see us mentioned in the press notes that we have got a benefit of about 30 Crores. You would be aware that as a process one has to do actuarial valuation of the employee benefits at the end of every financial year through an independent actuary and that is what we have done as per existing practice. In doing that, we have got a benefit that is come out of valuation. You will be aware that when you do that valuation there are two factors which essentially drive the sensitivity of that liability calculation. One is the inflation rate taken or the escalation and the other is the interest rates and clearly that has been one of the factors which has led to the 30 Crores reduction relative to what we might have recognized in the preceding three quarters of financial year. So, essentially what we have done is to threw up that impact in Q4 as we have gone and done the exercise independently. So, that is the 30 Crores reduction that you are seeing in just a quarter to threw up for what we may have accrued in the previous quarters and because it has come in this quarter for the year we have adjusted in the current quarter's financial. But, on a year-on-year basis, I thought I heard you mention that employee benefits you have seen down – I am actually seeing numbers of close to 1358 Crores relative to 1285 in the previous financial year, so on a full year basis employee costs are still up.

Kapil Singh: Thanks for the detailed explanation. I also asked for the export revenue please if you can share that as well and spare part revenue number if it is available.

Anand Newar: Kapil, I can separately share that with you.

Kapil Singh: Sir, one question is on the mix that we see for the quarter. There is a significant drop in volumes for CT and Platina. So, is this conscious choice of allocation that we are doing because of the chip shortage and directionally when you look forward for the next one or two years will this segment be a focused segment for you because you have been very successful in premiumization as a strategy globally? So, I just wanted to know your thoughts on this.

Rakesh Sharma: For the first part of your question the answer is yes. Absolutely, we have prioritized the usage of chips towards higher profitability products, higher profitability geographies. So, we take a corporate look on all SKUs and all countries and India and then we prioritize for profitability. So, in that respect, yes Platina and CT have suffered a little bit more. I must point out that there are different sets of chips for different product classes, so it is not all very fungible but that would be looking into too much of details. Now our approach is really to participate in all the segments as you know, but to try and move up the customer to higher level products where we enjoy a better margin and then we have some scope for differentiation so therefore when it comes to the absolute entry level you would have seen that we have almost vacated the kick start segment and our whole effort which has been very successful has been to take up the kick start customer into Platina Electric Start. Then you would have noticed that we have launched the CT 110X which we are trying to differentiate on the basis of style and on the basis of durability. And again, if you see the pricing, if you compare the CT 100 pricing with the CT 110X pricing, you will see a bigger difference and again here the whole point is to upgrade the customer. Then in the 125 cc, you would have seen this NS125 even within the 125 cc segment we are trying to move the customers towards higher end of the 125, but at the same time we do see an opportunity at the entry point of 125 cc to upgrade the 100 cc customer there. Over a period of a time, you will see a play coming from Bajaj Auto. I cannot say precisely what it is and the timing of it, but certainly this upgrade strategy of taking 100 cc customer into 125 will be continuing to be played out and similarly you are seeing the same action taking place in the sports segment where the latest move is to take the customers up to the 250 cc class. So, that would be our approach to cover all segments, but within the segment move the customers to a higher priced variant and move the lower segment into the higher segment. Those are the twin forces. Our R&D is working on those twin vectors.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Hi Sir couple of questions from my side. One is with respect to the 31 Crores incentive which you had mentioned how much of that is pertaining to previous nine months of FY2022 and how much is fourth quarter and second question on the price hikes which you have taken in fourth quarter?

Dinesh Thapar: Hi Jinesh, to your question on the incentives, let me just take a minute and actually explain this for the benefit for everyone. This is the Package Scheme of Incentive that was announced by the Government of Maharashtra in 2007 to provide certain benefits to eligible entities who are making a certain investment and Bajaj Auto had made an investment in the

Waluj plant middle of Aurangabad. So, we have now received the eligibility certificate after much to and fro that happened with the authorities. This benefit is for vehicles that are manufactured in our Waluj plant and sold and registered within the state of Maharashtra. So, with the eligibility certificate now having come in we have accrued for this. We have done it in two parts – this benefit is available from 2015 and it runs for nine years up to 2024. So, it is going to be available until March 31, 2024. The accounting entries that we have parked this quarter will appear in two lines that is 30 Crores that will sit under other operating income which is for the current year. Of the 30 Crores, 8 Crores pertains to Q4 and 22 crores for the nine months preceding it. So that is 30 Crores which appears in the other operating income which pertains to the current year in question and there is 315 crores that we have accrued for prior periods which is for periods ranging from 2015 to FY2021. Like I mentioned, this incentive will be available for two more years up to March 31, 2024.

Jinesh Gandhi: Just one clarification, so the balance 22 Crores for nine months was also accounted in fourth quarter right or it was accounted in previous quarter?

Dinesh Thapar: Because we now have visibility to eligibility of it, we have accounted for accrual in Q4 of 30 crores of which 8 crores pertains to the quarter in question and 22 crores for the nine months prior to it.

Jinesh Gandhi: On the price increases taken on fourth quarter?

Dinesh Thapar: So, I just did mention Jinesh that the price increases that were taken in the fourth quarter were in the range of close to about a percent.

Jinesh Gandhi: Great. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani: Hi thanks for the opportunity. My question is actually on the domestic three wheelers. Rakesh you mentioned that these three wheeler EVs that you will be launching in June, it will be a limited launch initially. So, my question is, as we look at the next two to three years would it be fair to say that both CNG and EV could be eating into the share of diesel instead of really competing with each other? Or are there used cases, in your view, where EV could actually be more beneficial than CNG as well?

Rakesh Sharma: I did not get the last bit, used cases where?

Amyn Pirani: Where EV is more beneficial than CNG itself.

Dinesh Thapar: Yes. Initially CNG has obviously eaten into diesel and I gave you those numbers which show you the tremendous turnaround of the CNG based three wheelers and their component increasing in last year particularly in Q4. Now at this point of time given where the CNG prices are and given the electricity cost and the cost of EV three wheelers, we feel on total cost of ownership there is almost parity. However, we are expecting a major price increase in CNG in the coming month and at the same time this reduction in cell cost, which was being assumed by the industry over the last five years or so of a consistent decline in cell cost has not been experienced this year. In fact, costs are going back to almost 2019 level and therefore we do not see the electric three wheeler becoming cheaper from that point of view and therefore right now the cost of ownership is almost at parity assuming that both CNG and electric three wheeler prices rise. The penetration will now depend on how well we are able to reassure the commercial driver of range, resale value, and robustness of the product and that is what I was saying is that we want to take our time about it and go in a systematic way with this engagement. Also, I take a long shot view of things and we see that supply comes on stream for cell cost and the reduction in cell cost resume its downward journey then over a period of three to five years, I certainly think that the electric three wheelers will start to cannibalize CNG as well at some point of time. It is a very mature category, so I do not see used cases coming up. But I do see from our point of view the eclipsing of the e-rick. The e-rick, which is a substantial sub-segment in the prices, is almost like 40% to 50% is already in ramshackle lead acid based three wheelers which is very, very widely prevalent in particularly north India, east India. Definitely, I see as and when the e-auto based on lithium ion with much better sort of features and owners ride ability and all that, they will start to eclipse the e-rick because e-ricks are “a very jugaad solution” and so they will not be able to withstand a superior product. So, I actually see a big new segment opening up for the e-three wheelers, so it is not a new used case but it certainly is a new catchment area of an existing used case. You just have to see what is happening unfolding in China – where, in fact, at many places, the Chinese government has mandated that lead acid must move to lithium ion and therefore this whole sort of era of very tactical and very fixit product based on lead acid and very fragile frames and unsteady vehicles. You may have seen a lot of videos of these vehicles toppling over. I think in in due course of time, all that would move up to standard e–autos.

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 questions. Just two followups from my side firstly on the supply shortages that you all spoke about. Can you give some more colour on which models is this fall because my understanding was it was mostly for ABS models. Right? Above 125 cc. And just the related point if you can give us some sense of where is the channel inventory level now? Is it, you all are losing out on the retail demand in the market because of shortages?

Rakesh Sharma: So Gunjan, this is affecting all models. This is not about ABS. That period of shortages on the ABS side, we have faced and we have overcome by broadening our supplier base. So, we are not having that issue, but this is injection system, carburetors, so there are multiple chips and we are facing shortages across in entry level, sport brand and even in CNG three wheelers. The channel stocks at this point of time are dwindling as we speak. I do not see an issue in the motorcycle business in April, but I definitely see an issue in the retail level operation in the motorcycle business in May and June, but towards the end of June and July we should be able to resume the supplies based on development of other suppliers. In the three wheelers business we have a very, very strong position and what happens is that the lack of stock translates into an order book and it is just that there will be some irate customers who will now instead of getting the products off the shelf will be getting it in 30 days time or so, which is what the case is also in the electric two wheelers segment. So, certainly April we should tide over and May we see some issues in some of the more undifferentiated brands in motorcycle business in India.

Gunjan Prithyani: Got it. The second followup I have was on the export Sir, now I do understand there is a little bit of seasonality or let us say impact that we have seen in March quarter where volumes tend to be lower, but even if I look at versus last year there has clearly been decline, I am just trying to understand how should I read this? Is this only a supply related challenge and if you can just refresh us on the region wise mix which you used to give around Africa and LATAM given these are the only two markets which are growing. I think Middle East and South East has not been growing yet, so some color on that.

Rakesh Sharma: So the way I would like you to read this is there is a lot of base effect. I agree with you when you look at it as a purpose it does seem like that because last year and this for a good six months there was the release of the pent up demand and the other thing which was happening was that the transit times were increasing as a result of which there was a big increase in the uptake by the distributors because their stock levels had to be rebuilt and pent up demand was coming up and all that. The way we look at it and what gives us confidence is the retail level, which obviously does not get reported, but a retail performance across the board is I think highest ever. So, if you had asked me the same question last year our shipment were way ahead of retails last year because the stock had to be built up, transit times were increasing and that gave it a higher rate and that is why you are seeing some negatives and small positive, but if I compare retail to retail, which I do internally for all, we are having a very good movement. So, this will get ironed out I think in a few months time. I think you might see this till about August, you might see that either it will be slightly negative or slightly positive. In the retail level, it is a double digit growth, in fact not wrong I think January, February and March was our highest ever retail globally. It is running at that level and this comment is mostly on motorcycles. I have already talked about the issue of the gas in three wheelers from Egypt because it needs to do almost 6,000 units per month in Egypt and that is now zero. So apart from that one is seeing very good retail. In terms of the spread about 50% to 55% is Africa, about 20% is LATAM America, actually a tad below 20% and balance 22% to 25% is Middle East, Asia and ASEAN. Most of the countries, let us say, our top 20 countries and the regions all of them are now back to the pre-pandemic levels. Places like Africa have come back even better. They are doing much better than the pandemic level. LATAM is also doing well. I think only Philippines, Malaysia have still not reached the pre-pandemic level and of course Nepal and Sri Lanka for other reasons. I will say Nepal, Sri Lanka and Philippines still trading behind from pre-pandemic level. Other than that, almost all the countries and regions are back to their pre-pandemic levels.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity and congrats for a good set of numbers. Sir, my first question is a followup on shortage commentary that you would be able to procure 15% to 20% lesser than what you intend to. If I look at last whole year, how should we look at the volume build up for this year because last year itself we were having surplus challenges either ABS or both combined at some point of time. So our base is already suppressed. Can we expect a growth over the last year at least that kind of surprise for you or you see a double digit growth for the last year or even back to the shortages that you have indicated?

Rakesh Sharma: So, let me summarize that for you by just commenting on each of the business units. Exports I have already told you I think Pramod has asked this question right in the beginning and Gunjan also asked this question just now on the back of our competitive positions, improvement in retail performance we definitely enter in to some new market, which we will continue to drive for a double digit growth in the export business unit and export business is about 50% to 60% depending on how the order is. So, that half of the business will grow very firmly on a double digit growth track. We have got three wheeler business most certainly on a growth track and lastly because again not just that the market is coming back, but the market share is at an all time high and as the market returns we are going to get 75% of that disproportionate share of that return because we are sitting on a 70% market share and I have told you about most of the returns of the market is in CNG where our market share is 77%. So very, very firmly on a good growth track. Domestic motorcycles business – this actually suffered a little bit more because we have prioritized this chip allocation towards the most profitable segment as a result of which they suffered more. But I think after Q1 we should be through with this chip shortage because some actions have been ongoing for the last six months to broad base our supply base. Having single client dependency over strategic choice is held up in very good state because it allowed us to develop innovative and proprietary solutions to things but the downside in our situation life has became that if there was a default then we suffer disproportionately and that is what has happened. But over the last six months we have broad base of supply and July onwards, we should be coming back to it. Now given the fact that we have got some really solid play in the sport segment and in the 125cc segment already out there in the market because Pulsar 250cc, etc., has been accepted very well and we have got a stream of products waiting for supply chain to stabilize, there are a stream of products with good pipeline, which is waiting for its launch and of course the 125cc continues to do well. A couple of launches here and there in the 125cc segment will also take place and I think you will definitely see a strong growth in the domestic motorcycle business as well. So apart from Q1 hiccup in the domestic side, I see all this falling in place very nicely. Someone has asked the spare parts question and this year we have grown by 25% in the domestic spare parts we are going to take further accelerate it. We have shifted our strategy in spare parts from being more distributor engaged to retailer engaged. There are a slew of digital initiatives, which allows us to engage with 25,000 retailers, of course, through distributors but these are the much better trust into expanding the spare parts penetration and we have sensed an opportunity here because of COVID. Some of the smaller manufactures of spare parts in Northern India have got weakened and this has opened up a nice opportunity in a very, very profitable business segment, so that is well we are going to look at very, very high growth in this year so when I put it all together the growth agenda is very much on. Watch this cost increase and inflation a bit carefully and make sure that the semiconductor bit is a history by July.

Chirag Shah: Thank you very much for your elaborate answer and just a followup Sir on the EV front also the two wheeler on the capex side we are doing around 800 to 1,000 units a month broadly. How should we see that part of ramp up? Are there any specific challenges on supply chain in that specific part of business because it is hindering our volume ramp up?

Rakesh Sharma: I will tell you. What is hindering us is the semiconductor shortage and the problem with this is that you can calculate yourself that there is a six to nine month waiting period. I think that is too much and I am very worried about annoying the customer. Now here we are trying to win the customers and we want people to fall in love with Chetak yet again and there we are in the first leg itself annoying the customer. They are telling, Sir please tell us the date when we will give and I feel very bad. I think it is very bad that we cannot promise the customer. She is saying that okay tell me a date by when you will give me – in two months time and we are not able to do that. I do not want our business and our brand to be in that position. So, we are not questioning, but I can tell you one thing that the end of this year our objective is to be the most preferred brand in 100 cities in electric scooters. Chetak must be one of the most preferred brands. Now people are not buying it because it is the most expensive, but when they set out to buy it must be in the consideration set. This is our objective and this is going to be achieved on the basis of carefully getting into these 100 cities and delivering a very good customer experience which is backed up by solid service. In this segment, to not have service when people are not very clear about what this product is, is not the right thing. We are putting in service network even before we are entering the town. So, I want to be led by that aspiration rather than by volume metric aspiration because on that I have not got any control. If we get the supply chain, we are going to max it. There is no hedging about it. We will max it. But, I cannot give you a number because I do not know the number but we are now going to spread the butter a little bit all over the country and make sure that we achieve that status in 100 cities.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference to Mr. Anand Newar for closing comments.

Anand Newar: I thank everyone for joining the call. I see quite a few messages. I will be taking calls after half an hour from now. On certain numbers that I have got asked on the messages I will just quickly run through them. The spare revenue is about Rs.980 Crores, the split is 80:20 between domestic and exports. Our export revenue is about $500 million translates into somewhere around Rs.4000 Crores and on the financing bit it is close to the same number that we have last time which is about 55% of our two wheelers are financed and most of it about 75% of it is financed through Bajaj Finance and just one more information our recording of this call will be put on our website either by today or max by tomorrow first half so you can probably get access to it and if you missed certain parts of this call you can really get an access to it tomorrow. That is all from my end. Thank you once again for joining.

Moderator: Thank you. On behalf of Bajaj Auto Limited that concludes this conference. Thank you for joining us and 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.