"Bajaj Auto Limited
Q4 & FY 2024 Results Conference Call"
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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 day, and welcome to the Q4 and FY 2024 Results Conference Call of Bajaj Auto Limited. My name is Dorwin, and I will be your coordinator. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the initial remarks from the management. Should you need assistance during this conference, please signal an operator by pressing * and then 0 on your touch tone phone. Please note that this conference is being recorded.

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

Anand Newar: Thanks, Dorwin. Good evening, everyone, and thank you for joining us for the call today. Welcome to Bajaj Auto's Q4 and FY '24 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 the opening remarks from Rakesh on the business and operational performance for the quarter, and Dinesh will take you through our financial highlights. We will then open the forum for Q&A. Over to you, sir.

Rakesh Sharma: Thank you, Anand, and good evening, ladies, and gentlemen. Welcome to the call. Thank you all very much for coming. We hope to make it worth your time. I must begin by saying we are absolutely delighted to have established multiple records in FY '24 - highest ever revenue, highest ever EBITDA and PAT, highest-ever free cash flow, highest spare revenue, highest Pulsar volumes, highest 3-wheeler volumes and highest-ever KTM volumes in India. Another notable achievement, which I must mention was the world-class TPM award from the Japanese Institute, JIPM. We are the first Indian company and the 31st company in the world to receive this graded award.

Now Q4, though it was not a record quarter, but it was the second-best quarter of a record year with 24% growth in volumes, 29% in revenue and 34% in EBITDA, just missing the INR2,000 crores PAT milestone by a small margin. All this delivered with a muted export performance makes it quite satisfying.

Going forward, our stance remains to drive hard on top line growth without diluting our best-in-class profitability. We believe that the environment offers us such an opportunity, but it is a complex situation. On the positive side, we expect the domestic industry to grow at a good rate of 7% to 8% per annum with the upper half of the demand pyramid growing significantly faster. Consumer optimism is improving, reflected in loan tenures and financing penetration. Overseas, except for a few markets, the recovery in most has commenced. Growing penetration of EVs is opening up a new segment for us. The cost environment is benign, and the gentle devaluation of the Indian rupee is helpful for our exports. However, currencies in emerging markets remain fragile. In large markets for us, like Nigeria and Bangladesh, there has been runaway inflation and customers have to come to terms with that.

Domestic policy changes may impact the development of EVs and then there are the geopolitical issues, which affect both markets and supply chains. It is difficult to anticipate the precise shape, timing, and location of opportunities. Hence, our approach is to focus on our positioning, preparedness, and response. Indeed, our architecture of independent SBUs, distinct brands and an array of over 60 models gives us a broad interface with the market while retaining focus through SBUs. Hence, we believe we are well poised to leverage the opportunities and keep growing faster than the industry as was achieved in FY '24. Now let us examine our preparedness SBU wise.

Exports business unit. The macroeconomic and the geopolitical issues continue to be a challenge, though the number of markets severely affected has been reducing. We have divided the overseas markets into three sets: Stressed markets, these are now Nigeria, Bangladesh, Kenya, Egypt, and Argentina; second, the recovering markets, which are mostly the balance markets; and thirdly, the new markets, which is a group of new territories and new segments in existing markets where we are going to enter or have recently entered.

For our FY '25 planning, we have taken a very cautious view of the stressed markets, an aggressive approach in the recovering market and a strong launch in the new markets and new segments. While it is difficult to precisely estimate prospects of the stress countries, in the recovering market, most countries are doing better, particularly in LatAm and ASEAN. This powered performance in second half and quarter 4 were mostly through a 26% growth in our Pulsar brand. We will continue to build on this in FY '25 too.

Turning to new markets. The new plant in Brazil will start production by June, allowing us to service the pent-up demand and rapidly scale up the network. In this quarter, we will expand our presence in Europe. We are also delighted that the Egyptian government has formally recognized the category of quadricycles for public transportation, and we will commence the first exports of Qute to Egypt within this month. As you know, the 3-wheeler format is banned in Egypt in 2022. So, the recognition of Qute opens a potentially large segment, which we will steadily develop. On this basis despite a cautious view of this market, we expect FY '25 to be better than FY '24 volume and much better in revenue terms.

Domestic motorcycle business unit. In quarter 4, our retails grew at twice the rate of others, and in the 125cc plus segment, our retail grew 4x than others. 75% of our business comes from the 125cc plus segment, while for the industry, the ratio is 52%, up marginally from 49% in FY '23. Consequently, our market share in the upper half stands at 27%, a gain of 5% and just 2 percentage points away from leadership. At the start of the year, we were 10% points behind the leader. So, we've closed the gap by 8 percentage points. This is the outcome of a slew of well-targeted new launches, nine of them in FY '24, spanning the 125cc to 250cc class, which means we have a proposition for all segments of customers - commuter-oriented, style inspired, or high performance led customers across all demographics.

Pulsar has now become a INR10,000 crores brand. Further 6 models will be launched in H1 of FY '25, beginning with the biggest Pulsar in early May, ensuring that we set a relentless pace and are always top of mind of the customer. We will also take aim at the mileage conscious commuter by launching the world's first CNG bike, which will half the commuting expenses of the common man. Besides fuel economy, the bike will have a standout style, best-in-class comfort, and a dual fuel capability with both CNG and petrol fuel options on the same vehicle.

The mileage conscious customer is spread across the 100cc to 125cc commuter segment and is well over 600,000 units per month. Over 60% of this is covered by the CNG infrastructure, hence, the opportunity is exciting. With this, we would have a position in all the motorcycle segment, setting us up to continue to grow faster than the industry.

Commercial vehicles, the 3-wheeler BU maintained its rock-solid performance with an overall market share of 78% in FY '24, up 5% from FY '23.The recovery in this sector is now almost complete in most regions, and we will witness organic growth here onwards, largely led by the expansion of the CNG network. However, while we will hold market share in the ICE segment, growth will be driven by EV autos, particularly in markets where ICE autos are restricted. This is almost 45% of the industry, and it is currently served by the e-ricks and presents fresh new opportunity for growth.

Our EV 3-wheelers have been very well accepted and are now available in 60 cities, giving us a market share of 30% in such addressed markets. We will rapidly scale up EV presence across the country. And as we do so, we will focus harder on the restricted market, cannibalizing the end-of-life e-ricks and the evidence of this cannibalization has been studied and experienced by us in the last few months. In quarter one, we will more than double our presence adding one store for EV auto, every two days. The advancing CNG network, our solid presence in it, combined with the scale-up in EVs, particularly in markets not available to us thus far should drive handsome growth in our 3-wheeler SBU.

Chetak business unit. Chetak did well to close the year with the number three position, up from number six or seven at the start of the year in a fiercely competitive environment. The growth of EV should continue, perhaps at lower rates despite the changes in the subsidy regime, mainly by continuing to cannibalize the ICE scooter. This again is a new opportunity for Bajaj. We have undertaken a rapid expansion of the network, building on product acceptance and a strong pull from our existing dealers in other BUs.

The 200 stores will be increased to 600 within the first half, giving us an outstanding depth and coverage. Upgrade of Chetak in quarter 4 and the impending launch of a new Chetak in quarter 1 should ensure that our sales continue to grow every quarter, though April, we see a dip in the industry due to advancements made in March. Robust supply chain and R&D work has ensured that we don't need to be swimming at the deep end of the red ocean and the drag of a growing 2-wheeler EV business on corporate margins has been significantly mitigated. We are continually investing in cutting-edge technical capability, Chetak Technology Limited, a 100% subsidiary, will now be singularly led by this mission. The business teams are also being expanded.

Pro-Biking business unit. This BU houses 2 brands, actually 3, KTM, Husqvarna and Triumph. KTM and Triumph, each have a dedicated network of sales and service. KTM had its highest ever year, as I mentioned. The new gen KTM and the recently introduced Husqvarna range should help us build on this best-ever year. In FY '25, we will introduce the big bikes of KTM in select cities and invest behind the fundamental development of the sports category in close partnership with teams of KTM, Austria.

In the Triumph business, we have 3 key initiatives, scale up the domestic network to 150 stores within the first half, develop the brand and offer a top-class differentiated experience and support Triumph U.K. to successfully expand business in overseas markets. We have exported over 19,000 bikes to 57 countries and commenced retail in 50 of them. The initial reports are promising, and we see a good upside in exports. We are anticipating expansion of the portfolio in H2, which combined with network as well as brand development should steadily drive up the volumes and win share.

Finally, our captive finance company, BACL commenced operations and have started to build its book since 1st Jan, and we'll continue to expand its territory coverage through FY '25. In summary, this is the year we really scale up while holding leadership shares in existing segments and markets. I hope you have some appreciation of our preparedness and positioning to realize the opportunities before us. And I hope I've been able to convey the basis of our optimism and excitement for FY '25.

Thank you very much. And now let me hand it over to our CFO, Dinesh Thapar.

Dinesh Thapar: Thank you, Rakesh. Good evening, everyone. As always, thank you for joining us for this call. Given that we've reported both quarterly and annual financial results this time around, let me start with the commentary on the quarter and then round up what has truly been a landmark here for the business.

Starting on the quarter. On domestic markets, you just heard Rakesh say that the industry has continued to see growth across businesses, although a bit lower than the buoyancy of the previous quarter, which had an upbeat festive season. And when I say growth, here I am essentially referring to a comparison versus same time last year because compared to the previous quarter, it is expectedly lower given the seasonality then. The motorcycles industry as has been the case for some time now, was led by the low double-digit growth in the 125cc plus segment, whilst M1, M2 was at a muted low single-digit growth. And as for us, we delivered another share gain performance growing well ahead of market yet again, but more particularly on the 125cc segment where we have registered growth rate that was 4x versus the rest of the industry, consistent story that you have now heard from us for many quarters.

The electric scooters industry hit its peak in March given the impending transition from FAME-II to the EMPS Scheme effective April 1, that was announced through the quarter. And for only the second time the month saw a breach of the 1 lakh units per month. The last time this happened was in May, again triggered then by the subsidy change. And what was a highly competitive market context in the quarter, as indeed for the most part of the year, with many moving parts on execution. Chetak delivered its highest quarterly numbers of nearly 40,000 units with significant share gain, moved from 5% same time last year to 13% as it currently stands during this time. And to put this in perspective, this time's quarterly number of about 40,000 Chetak's was more than the electric scooters that we sold in all of financial year '23, a testament to the steady progress that we've made over the last year on electric mobility.

The 3-wheeler industry saw modest growth compared to the previous quarters. With the e-auto, as we see at the L5 as the industry palms grows, the contribution to the industry now beyond 10% for the first time. Here again, we've sustained the step-up sales trajectory of over 100,000 units for third successive time while expanding volume, market share and network presence on the electric front.

As for exports, the macroeconomic challenges processed across a range of our key countries with the Red Sea crisis issue - disrupting lead times and sharply insulating container freight rates. The industry continues to remain about 20%, 25% below its peak of the FY '22 year when the world was flushed with liquidity. And as for us, volume was flattish compared to the last quarter, but up 20% against the low that we had same time last year. That was the lowest that the export business had gone to, and therefore, on that low base, we have registered a 20% increase in volume this quarter compared to that quarter of the last year. The approximate $460 million of revenue that we've had on exports, therefore, grew double digit and further benefit from better realization and a richer mix, notably more sports and premium motorcycles and commercial vehicles.

On commodities, the overall basket, let's say is by and large neutral - steel, aluminium, lead, and rubber were about flattish. Zinc and ABS saw some tightness, whereas the noble metals portfolio across all 3 rhodium, platinum & palladium and nickel were relatively soft. So therefore, on balance in net overall terms, I assumed the fourth quarter compared to the third quarter was flat from both a cost and therefore, resulting pricing perspective. And for currency, it was steady and largely range bound with the realization coming in at INR83 to $1 this time around compared to INR83.2 in the last quarter and INR81.5 same time last year.

So, bringing all of this together, the quarter closed with revenues of around INR11,500 odd crores, delivering a substantial 29% year-on-year increase. Within this, the domestic business registered its eighth successive quarter of double-digit growth, while exports this time around also reported double-digit growth on a soft comparator in the base period. This overall growth was led by the robust 24% increase in volumes and further aided by a richer mix of premium motorcycles and more commercial vehicles across both domestic and export markets as well as by a larger number of higher-priced Chetaks.

As for currency and pricing, they netted off each other to be flattish for the quarter compared to same time last year. Additionally, our spares business continued to grow bigger and bigger with each passing quarter, generating peak sales that crossed INR1,300 crores this quarter. EBITDA came in at INR2,307 crores, a very strong growth of 34% year-on-year with the enterprise margin holding steady at the 20% level.

Compared to the same period last year, margin was up 80 basis points, largely led by better realization on operating leverage which was partially offset by the investments that we have continued to make to competitively grow our electric scooters business, which, as you would have made out, was up 4x this quarter compared to the same time last year.

Sequentially, we are holding on to margins here, and that is quite notable. The favourable mix offset the operating deleverage since last quarter was the largest seasonal quarter, but importantly, cost savings on electric vehicles contained the incremental drag arising from a higher volume. We've been talking to you about a fair amount of work that has been in the pipeline on cost rationalizing and driving the economics of our electric scooters business, and that is now coming to fruition. And in many ways, the cost savings that we have seen in this quarter has contained the incremental drag arising from higher volumes.

Finally, we reported profit after tax of INR1,936 crores, which was up a significant 35% year-on-year. At the end of the quarter, I must say that it's been yet another solid show, and we are quite pleased at how we're dynamically managing the business, both for a competitive top line as well as for a sustained bottom line.

Coming to annual. Let me spend a couple of minutes to wrap up the year. And this was detailed in our press release, and I'm hoping most of you have had got a chance to see it. It's been a record year of performance. We have achieved new milestones across all financial metrics: Revenue, EBITDA, PAT, cash flow and capital productivity ratios of ROCE and RONW, they have been at their highest ever. Our revenue at nearly INR45,000 crores was up 23%, and this is notwithstanding the sluggish volumes arising out of the macroeconomic challenges across key export markets.

And here's where I want to emphasize the inherent resilience in our business model, where we have sizable businesses in both domestic and export that can make up for each other when one goes through rough weather. The fact that we have registered our biggest ever year, adding over INR8,000 crores of revenue with only domestic coming to the growth party reflects that resilience and action.

On domestic, pretty much every business, motorcycles, KTM, commercial vehicles and Chetak, they registered their lifetime high revenue and delivered share gain - every single one. In motorcycles, we emerge on a full year basis as the largest 125cc player, we remained decisively the largest 3-wheeler player and rose to the third largest electric scooter player in the latter part of the year. This should give you a sense of the business firing on all counts.

EBITDA at nearly INR9,000 crores was up 35% year-on-year on the back of very solid margin expansion of 180 basis points. At a full year margin of 19.7%, we have now added almost 400 basis points of margin in the last 2 years. But what is more noteworthy is that during this time, we have dynamically managed the business to both invest substantially behind the profit dilutive electric scooters business for their competitive growth and scale up while continuing to expand the overall enterprise margin substantially, both being done in tandem.

We closed the year with profit after tax at a new high of about INR7,500 crores, that was up a strong 33%. The emphasis on cash generation and high cash conversion, which is essentially profit to net cash, saw INR6,600 crores of free cash flow being added during the year. This was again at an all-time high and up 40% over the previous year. And this is after spending in the whereabouts of about INR700 crores or INR800 crores of gross capex that was primarily and strategically directed towards enhancing our capacity and capabilities in electric 2-wheelers, electric 3-wheelers, and premium motorcycles.

Our balance sheet continues to remain very strong with the year-end net surplus funds at over INR16,000 crores and this is even after a sizable payout to shareholders, which between the dividend in July and the recently concluded buyback was of an order of nearly INR9,000 crores. This healthy balance sheet provides the fuel for sufficient and competitive growth investments for the business, including funding the equity capitalization needs for our new financing subsidiary, Bajaj Auto Credit Limited, for which many of you may have picked up that the Board today has approved a further capital infusion of INR2,250 crores in a phased manner in addition to the INR600 crores that was committed earlier as part of the larger funding plan as this business scales up its presence across the country in the course of this year.

Finally, the Board earlier today recommended a final dividend of INR80 per share. This, along with the share buyback that we just concluded last month, will add up to almost INR7,200-odd crores of cash that we are paying out to shareholders relating to FY '24, which translates to an industry-leading payout of over 95% of our profit after tax. I'm sure you recognize that such healthy returns to shareholders underscores our commitment to delivering value to our shareholders and reflects importantly our confidence in the company's financial performance.

On that note, let me hand the session back to Anand, and we'll be happy to take your questions.

Anand Newar: Thank you, Dinesh. With this, we can open the forum for the 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 Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hi team, congratulations on good set of numbers. I have two questions, 1 on EV and 1 on Egypt. Firstly, on EV, could you talk a little bit about what is the financial headwind from electric 2-wheelers in March quarter? And how do you see that playing out in financial year '25? And when can we expect a PLI sort of incentive for Bajaj? So that is my first question.

Rakesh Sharma: Are you meaning the headwind generated by a reduction in subsidy because I could not understand the question on financial headwind.

Binay Singh: Yes. So generally, we know that electric vehicle margins are lower than your blended margin. Also in the March quarter, we saw a lot of sales promotion, incentives, and all being given by players. So, if anything you would want to call out in terms of the margin headwind that is coming in from the electric 2-wheeler business?

Dinesh Thapar: Yes. So, Binay, three questions to respond to. I think first, let's get the simple one out of the way. On PLI, we are happy to report back that we have now received the PLI certificates for all five of our electric 3-wheeler models and very recently for both our Chetaks, right? So, we have the PLI certification from the testing agency in the bag as we speak and therefore, eligible going forward.

The second is in the transition. There is a transitional impact between FAME and EMPS because you're aware that the regulation prohibits subsidy of the FAME regime in EMPS. And so therefore, given the spread of inventory across the country, there was likely to be some inventory that spilled over from the FAME regime into the EMPS phase, which is applicable from 1st of April. At a company level, between our electric 2-wheelers and electric 3-wheelers, that number was contained to under 7,500 units. If you had to just cash that up for the subsidy impact, that would be a little under INR20 crores, which is fundamentally the subsidy component in the FAME regime that will not be available in the EMPS regime. That's the second.

The third, look, I mean, I think if you trace our margin evolution over the last 2 years, as Chetak has progressively scaled up from 3,000 units a month to almost between 12,000 to 14,000 units a month sustainably. You've still seen us continue to grow enterprise margin. The 400 basis points of EBITDA margin improvement that we've done from what was nearly 16% all the way up to 20% has come on the back of scaling up Chetak. And I think we weathered significant cost headwinds then with the course, lithium-ion pricing being high, early stages of design, and a lot of changes for the battery.

But I think there's a fair amount of work that is currently underway, which is bearing fruition and that's the reason why it hold it out in the quarter, as I spoke, that as we moved our volume between the last quarter and the current quarter to its historic highest 40,000 units, we've not seen an incremental drag coming out because by selling more Chetaks as incremental drag has been contained by the benefit of cost savings, which has now started to show up, rising out of all the R&D work that is done.

So, the message I want to leave with you is that we'll continue to dynamically manage margin across the portfolio as we have done for the last 2 years to continue to scale up Chetak and grow it competitively whilst looking to hold margin at the levels that where we currently are. That is our intention, as we've done it for the last 2 years.

Binay Singh: Thanks for this Dinesh. Good to know about the PLI also. Second is in Egypt. Earlier I recall, Egypt used to be a key market for 3-wheelers for Bajaj, company had a very strong distribution and spares services. The brand was well known. Could you remind us how big was the Egypt 3-wheeler export run rate? And could Qute given the fact that Bajaj brand is known in that market aspire for some similar kind of a run rate?

Rakesh Sharma: Our best year was like 6,000 units per month, but it has also gone up to peak levels of 9,000 units for a few months. We have 500,000 3-wheelers running on the streets of Egypt. When the exports got banned and our last shipment was in April '22, we have maintained largely our service network, our stores network on the basis of motorcycles and some very, very good effort by our partners over there.

Bajaj is a very strong brand, almost generic. And well, the intention of the government of Egypt is to progressively replace all 3-wheeler with quadricycles. So now how long will it take, will the country possess the capability to do so, etcetera, we'll see how it goes. But it is decisively opened the door for last mile 4-wheel mobility for us in Egypt.

Binay Singh: Great to hear that. Thanks team and best wishes for next year.

Moderator: Thank you. We have the next question from the line of Amyn Pirani from JPMorgan. Please go ahead.

Amyn Pirani: Hi, thanks for the opportunity. I just wanted to follow up on the Egypt question. While the government has accepted the quadricycle as the vehicle for imports. Is the currency situation in Egypt as bad as, say, in Nigeria and Argentina, like you mentioned? I'm just trying to understand how soon this can start because one issue was the ban, but the other issue was also the currency?

Rakesh Sharma: Yes, the currency situation is bad, but it is not as bad as in Argentina or Nigeria, particularly in the last few months, there has been an improvement in the availability of the currency because of the various aid packages, which Egypt has been receiving. But you're right, I mean it's not like we can start pumping out as many Qute as we want. Infact limiting factor will be the availability of the currency. But having said that, we are exporting about 250 units immediately within weeks of the approval, which requires even localization set up by our partner in Egypt. So, some on the basis of that.

Amyn Pirani: Understood. That’s great. And secondly, on the EV side, now that this year, we've seen a huge scale up on the Chetak EV and obviously, you have also launched various models at different price points. Just trying to understand from a customer point of view, can you give a broad breakup as to whether most of your customers are coming in at a certain price point, is price driving customer market share or more people are coming at the premium end. If you can give us some flavour as to who the customer is because you are seeing different approaches from different players. I just wanted to understand what the customer is really looking for?

Rakesh Sharma: Well, largely, I would say that the customer is looking for this reduction in the commuting transport bill. That is the single most important factor which is driving the adoption of EV. The leading scooter that is sold at around INR75,000 and the differential in electricity cost per kilometre versus petrol cost per kilometre. Our customers get the payback within 12 months if the product is what INR15,000 to INR20,000 more expensive. So, it makes eminent sense.

And having said that, there are always in a market, some customers who will go for very premium end offering. We have to see and take some lessons from the ICE Scooter industry, which, as you know, is a very large industry and which is quite mature. About 85% of scooter industry is concentrated in the price band of INR75,000 to INR80,000.

So, you can see that this customer is largely economy led, and when it comes to electric, the customers have a natural tendency to expect digitization and slightly more modern features, etcetera. This is a general expectation. But I would say the key driver is reduction in the families transport bill.

Amyn Pirani: Ok. Great. Thank you.

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

Gunjan Prithyani: Hi, Thanks team for taking my question. I have just a follow-up on the EV side. You mentioned that we expect the penetration to inch-up despite subsidies going down, quite interesting to hear that from you. So, what is it that you're seeing really change in the marketplace? And what are we thinking in terms of the portfolio expansion, capacity ramp-up as we get into the fiscal '25?

Rakesh Sharma: Gunjan, like I said, the key reason is still the savings in the monthly commuting bill of a family. for example, if a commuter rides 40 kilometres a day, for 25 days, they will end up saving INR1,500 to INR1,800, which translates to INR18,000 to INR20,000 per annum. And that is the sort of difference which is there between a good standard EV and ICE scooter.

And also there is a switch in the customer ever since with petrol cost INR100, this freedom of their budget from the rise and fall of the petrol prices has actually made the customer very, very open to adoption of EV. They may not adopt it because it still feels scared about the range, or that there is too much of a premiumization, but I cannot think of a customer, who is considering the purchase of the scooter and is not considering EV. He may reject the option, but it has now become very firmly in the consideration set of a scooter buyer. It's not like that in all classes of motorcycle.

What I'm saying that till the time this payback economics is in favour, the adoption of EVs will continue. And the other subsidy point to this is that, to some extent, the prices have reduced due to lower cell cost and giving the OEMs a little bit more room to price is better. But largely, I would say our expectation is that the consumer wants EV, and we just have to see how much of a premium the consumer will pay based on the payback.

Gunjan Prithyani: And what are we doing on the portfolio side in terms of what price points, capacity ramp up milestone, anything that you can sort of share?

Rakesh Sharma: See we have upgraded our range in quarter 4 with displays and tech pack, offers, etcetera, which gives much better services. As we go forward in this quarter, we will add another Chetak, perhaps two in the next few months to the portfolio, which will give us a larger play across the mass segment. It will be better priced. And hopefully, it will give us far more traction. And as we go into medium term, the market will also grow and will offer us opportunities of segmentation. And there is a very deep study going on to see how we can continually keep the product pipeline buzzing.

So immediately, of course, one and then another one. Medium term, lots of options are there. Capacity is not an issue. We have flexible manufacturing capacity, and we can turn our plant very quickly towards Chetak from other lines. So that is really not a limiting factor for us.

Gunjan Prithyani: Okay. And the second question, sir, I had was on the CNG side. Now the proposition does sounds very, very exciting. And you sort of put forward, 60% is the market sizing. And within that, we have 60% CNG distribution is what you sort of spoke about. But there's also another apprehension with CNG that typically comes around safety. So, when we are looking at the product launch now, is there anything that you can share what does the product hold? And anything that you can give us on the product specifications?

Rakesh Sharma: See, Gunjan, the safety thing is actually quite misinformed because forget motorcycles, we have been running CNG 3-wheeler for years, in many countries around the world. We have an 88% share in India. And we have got enormous expertise in this area. None of our customers have had this safety issue.

Sometimes I feel it is deliberately propagated by people who don't have CNG options. I've not come across this issue even in 4-wheelers where people like Maruti and Tata's have been running this CNG-based vehicles for a long time. And if I go beyond this, there are many aftermarket fitments which are taking place. So, see customers are very familiar with the CNG And they're very comfortable and there is a very sound CMVR regulation on safety and all other aspects, testing protocols are there. And we have to pass through those norms, which we have done. We have done previously for 3-wheelers.

So, it is really not a big concern. Yet there may be some little bit of perception, management of which we may have to do. But I think it is a little bit motivated. I don't see the ordinary customer has got that issue. Otherwise, the aftermarket for CNG won't be driving.

Gunjan Prithyani: Got it. That’s good to hear. Thank you so much.

Moderator: Thank you. The next question comes from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: Hi, good evening and thank you for taking my question. My first question is on the commodity costs. You had given us some clarity in the prepared remarks on the way commodity costs move in the previous quarter. I think with some of the geopolitical tensions for the past 3 weeks, we have seen increases in certain metal prices. So, I just want to understand how you're observing that? And if there's any forward commentary you would like to share on the metal cost side?

Dinesh Thapar: Yes, Chandru, thanks for that question. You're right. I think even before the current challenges that we've seen on the geopolitical side; we were seeing a slight step up on the trend line for both, let me say, aluminium and copper. I'd say on balance for the rest of the commodity lines, it's about flattish, steel holding out. But yes, aluminium and copper have moved up. We need to wait and see how some of the other inputs respond to what has been happening in the last couple of weeks. But those are 2 that we've called out.

We've anticipated that for the quarter, and we've taken slight pricing from the start of this quarter as well, to be able to cushion that impact across parts of the business. It's very marginal, but these are very early days to tell how the rest of the quarter might play out. We put our eye set but let me leave you with a thought saying it's not across all lines. It's most notably on aluminium and copper.

Chandramouli Muthiah: Got it. That's helpful. And second question is a follow-up on the comments you made on PLI product certification. I think a couple of your electric 2-wheelers are now certified. So, going forward, as the PLI incentives start to get paid out to you, is that an environment in which you would be profitable on the electric 2-wheeler business? I just want to understand the profitability of the electric 2-wheeler business, including PLI.

I think a couple of quarters back, you had mentioned that including PLI incentives, the electric 3-wheeler business could be almost as profitable as corporate margin. So, I just want to understand, including PLI incentives, how the electric 2-wheeler business might play.

Dinesh Thapar: Yes, Chandru. So, to reinforce the point we've got certified for all 5 models of our electric 3-wheeler that's on road and both the electric Chetak that's on road at the moment. So, we've got completeness of the portfolio. And that, of course, we will have to keep going through the process each time we put out new models as Rakesh just mentioned, so for the Chetak that's in the offering. We've obviously got work to start and there a lead time that has to be managed.

Will PLI in the case of the electric 2-wheeler lead to a unit-level profitability, the answer to that is no. Still some distance away. I think between a mix, it certainly helps address a large part of the drag. But I think with work that is happening on cost rationalization, and alternate sourcing, we're clearly bridging that gap. But to your point, not as yet. We've not quite bridged the gap even with the PLI in the bag.

On the electric 3-wheeler, I think we've said this and to reinforce with the PLI, we are definitely as profitable as the ICE 3-wheelers. And that's something we feel no change of position on that.

Chandramouli Muthiah: Got it. Very helpful. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar: Hi, Thanks for the opportunity and congrats on the good set of numbers for the year as well as for the quarter. Just wanted to understand the thought process on setting volumes of Triumph in domestic and overseas market and in the last quarter, 70% of the production is exported. So, is there a minimum commitment that we have given to Triumph UK and what would be this number going ahead of export as a percentage of total production?

Rakesh Sharma: No, Aditya. There is no commitment. There is a division of territories, largely overseas markets are managed by Triumph, except for Indian subcontinent and there are a few markets where Bajaj manages the Triumph brand. And the timing of the exports was driven by a launch calendar, which Triumph had as you can imagine, that they had called a complex situation of launching across 57 countries, etcetera. And there is homologation work to be done, etcetera. So, it was driven more by that.

And as we have got into that more, our first thing is to of course fill the pipeline because of the long lead times. And then after that, we see how the tales go. So, the further development of the Triumph business will take on both the fronts - what we call the Bajaj territories, which are largely India, Indian subcontinents and 1 or 2 markets here and there and the Triumph territory and we will try to maximize the business in both. And we are monitoring it separately like that. We exchange information on a monthly basis.

Aditya Jhawar: That's very good to hear. My second question is that based on the current rollout of Triumph in few cities and select dealerships, what are your thoughts on early responses, what are the customer profiles? What is the market share that you are seeking in some of the areas where the product or the distribution is launched? Or where there is an optimal distribution presence? And is there any order backlog that we would like to share - just only response on the product feedback and market share in individual pockets.

Rakesh Sharma: Yes. We, of course, got very detailed feedback. It is very important for people to understand that there is a monolithic segment in the 350cc, 400cc, which is all about a very classics type and sort of mediocre performance. There is another segment internationally, which has got a fair amount of recognition, which is a modern classic. A modern classic had style elements of a classic, but it combines performance, handling, and all that at a much superior level. Our approach was not do a me-too product when we are attacking this segment, but to build a modern classic subsegment. And that is what the first offerings are doing with the Speed 400cc and the Scrambler 400 X.

Of course, as things go forward, I'm not saying that we'll not have a pure classic in our arsenal, we will have that. Therefore, the task before the team is to not just build a network but also to develop the brand and start to own the concept of modern classic. In some of the markets, where this concept, for example, I would put some markets in the South, where the customer is more mature and sensitive to the modern classic proposition, we have seen market share in some months go even up to 20%, right. And in some markets, let's say, in some parts of the north, for example, the customer is very, very staunch about pure classic. And there, we have seen the market share are taking time to develop.

And by the way, just to knock off that sub question. We don't have any pending orders or anything. But now onwards, based on both network and the brand development we will see a month-on-month-on-month improvement in domestic sales. So, it's an own portfolio which will be built, which will offer multiple modern classics and some pure classics bikes over a period of time. So, this is not about 1 product and running with it and thinking that with 1 product, we will certainly gain leadership on the basis of opening new stores. No, it is not. For example, in the 125cc to 250cc segment, we have some 15 products, 15 models of Pulsar and combinedly they cover all the subsegments of the 125cc to the 250cc segment. And it's a similar approach, which we have undertaken.

Aditya Jhawar: Thanks a lot. All the best.

Moderator: Thank you. The next question comes from the line of Raghunandhan N. L. from Nuvama Institutional Equities. Please go ahead.

Raghunandhan N. L.: Congratulations sir, on the strong results. And thanks for the comprehensive opening remarks. Sir, firstly, financing business has been added to the segmental data. Can you indicate the focus areas, ramp-up targets, any colour you can indicate for next year? And also, if you can share the financing ratio for quarter Q4?

Rakesh Sharma: So, we have started to build the book from first of January, starting with some territories. Whichever territory we are entering, we are financing all the businesses, which is 2-wheelers, 3-wheelers, KTM, etcetera. We stand today at a coverage of about 35%. And progressively, we will, during the course of the year, increased it to 100%. There are times whether it is elections or whether it is peak season, where we may have to sort of hold the rollout and we'll see based on operational, how the operations are going. The idea is to conclude the year with 100% coverage of the country.

Dinesh Thapar: Raghu, your question on what the financing penetration in motorcycles was, that's about 75% comparable to last quarter. And in 3-wheelers, it is about 90%.

Raghunandhan N. L.: Got it, sir. And the share of Bajaj Finance would be around 43%, 44%.

Rakesh Sharma: That's about 70%. Bajaj Finance is almost 70% in motorcycles and 3-wheelers. So, 70% of 70% in 2-wheelers.

Raghunandhan N. L.: Got it, sir. Sir, secondly, on the electric 3-wheeler space, you indicated 30% market share in cities where you are present. Can you indicate the volume in Q4. And also, how do you see the general acceptance for the product? And any thoughts on how fast you are seeing the penetration expand?

Rakesh Sharma: See I know that the March number was 3,400 units, we are just looking now the quarter 4 number for you. The March was a bit overstated because, as you know, a lot of the advancement to take from April into March due to the pending reduction of the FAME-II subsidies. So, in markets where we have spent 6 months, we find that we are reaching about 50% market share, rather quickly despite incumbents being there for a while. You will remember that this core journey has started for us largely in August only. So, wherever we have entered the market, like for 3 months, then we see that we have started touching about 30% market share.

The heartening thing which we find is those e-ricks because if I just take 3-wheeled mobility and for a minute, forget about autos and I think 3-wheeled e-ricks mobility, which is a cheaper option are almost half of this industry. And there is large part of North, Central and East, which have got almost complete domination by e-ricks. But even in those markets where we have entered with the e-auto, it's early days, but we find there people on the far middle of life of the e-ricks or end of life are very attracted towards the option of e-auto.

So that's why I said it presents a new opportunity for us because we just can't sell ICE 3-wheelers in these markets because there are no permits for ICE 3-wheelers in half of the country. And therefore, we are going to be pushing hard on e-autos and e-cargo. And by the way, the quarter 4 number was about 6,500 units.

Raghunandhan N. L.: And your thoughts on over the next 3 to 5 years, the e-auto penetration, how do you expect that to go for the industry?

Rakesh Sharma: I think the e-auto will progressively really cannibalize the e-ricks. It will destroy the petrol and diesel, but the jury is still out for CNG because of 2 reasons. One is that the differential with CNG, particularly when we take the capex cost in consideration. And the cost per kilometre is not significantly different. The CNG will move in some manners, but still there is a familiarity thing. There is no charging time. There is an availability which goes in favour of CNG and because it is only about 10% to 12% more expensive to run per kilometre than electric. There are still people who remain loyal to CNG. So, I feel for the e-ricks which are already on road, it's just a matter of people upgrading. I see that all the other formats, the petrol, diesel, etcetera, the migration will take place. Also, the government is sort of putting a lot of heads behind the expansion of the CNG network. So, over the medium term, I think both CNG and EV will coexist.

Raghunandhan N. L.: Thank you sir for the detailed answer. All the best to you.

Moderator: Thank you. The next question comes from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Thanks a lot for the opportunity. Congratulations on the excellent set of numbers. My first question, Rakesh and Dinesh is regarding the margin performance last year, we had a very strong margin performance on top of a very strong ASP expansion and volume growth. Out of the 230-bps margin expansion what you shared at the EBITDA level, if you could just help us understand the split, how much of that came from commodity and how much was from mix and how much was from operating leverage? And how do you see these elements, particularly mix going forward in FY '25? That would be my first question.

Dinesh Thapar: Pramod, you want to go ahead with both your questions, and we'll answer it. What's the other one?

Pramod Kumar: Yes. The second one is on Qute. I think it's an interesting development that you are exploring Egypt now and start of exports there. But I just wanted to add a question on the fundamentals of the product because we've been having this product for the last many years now, and the export around 4,000-odd units annually to various countries. So given that there is a new opportunity emerging in Egypt for quadricycles, will there be more efforts put on the product side because the product was kind of previewed in or went to market in 2016. So, what are the product plans there? Because it could also become an interesting opportunity in the Indian market as well as future regulations evolve on the safety. So, what is your thinking on the entire Qute platform going forward?

Rakesh Sharma: Yes, we are investing behind the Qute platform. When the BS-IV, BS-VI transitions took place, there was such a lot of work which was there in our R&D that we deprioritize Qute only because of the volumes, etcetera. But we are now looking at an upgrade, which will provide the customer with a tech condition in Qute. And we are already now got a CNG based Qute, and we will be working on an electric Qute as well. So, the portfolio is being invested.

Dinesh Thapar: So, Pramod, I'm going to take your question on how the margin has panned out. So, we've ended the year with 180 basis points of net margin improvement. Look, the improvements have come in from all three levers, which is price versus cost, there is the impact of the dollar realization, which has been better. And clearly, operating leverage by virtue of a larger revenue pool that we have. All three have contributed sizably to make up for the drag that we've had on Chetak. I don't want to go to the specifics of those numbers because we clearly manage these lines dynamically. But suffice to say that there's no single lever. It's all 3 - prices versus cost, operating leverage, and favourable mix on the ICE portfolio, and the dollar realization, which has offset the impact of growing Chetak portfolio.

Pramod Kumar: Excellent. And one clarification, did you comment on the 3-wheeler growth prospects for the industry level because we've had a spectacular year, 54% growth, industry has grown by 45% on a full year basis. So how do you see this and sitting on the new record, so how should one look at growth from FY '25 perspective on this base?

Dinesh Thapar: Yes, I mentioned that. What I said was that with recovery complete in most of the regions, now we will see organic growth only. We will not see 40%, 50% growth, but probably single digits in the ICE side. But there is a lot of growth prospects, particularly for us as we scale up e-auto in the restricted markets of the country, which is almost 50%.

Pramod Kumar: Excellent. Thanks a lot, and best of luck.

Moderator: Thank you. The next question is from the line of Arvind Sharma from Citi. Please go ahead.

Arvind Sharma: Good evening, sir. Thanks for taking my question. First question is on the EVs business, a little basic, but what are the costs and revenues that are reflected in the standalone results? Just to better understand the relationship between Chetak and Bajaj because the volumes also differ between Bajaj and Bajaj plus Chetak. So how are the EV revenues reflected in the stand-alone numbers? That would be the first question.

Dinesh Thapar: Simply put, all of Chetak is recorded in Bajaj Auto itself at the moment.

Arvind Sharma: All right. So, it's as good as selling via Bajaj Auto.

Rakesh Sharma: Absolutely., It's not as good. We are selling Chetak through Bajaj Auto at the moment. So, the numbers are comparable and reflect the entire position of the business between both the ICE business and the EV business.

Arvind Sharma: Got it sir. Thank you so much. The second question, you did allude to the upcoming model launches, especially in Pulsar. If you could just give some more clarity in terms of timelines, the new upcoming Pulsar launches, sir?

Rakesh Sharma: Well, we just launched the new 250s earlier in this month. And we are going to be launching the biggest Pulsar ever next month. And then going forward, we will be addressing with some new products, the 125cc or the 150cc segments. So, there will be a lot of action in the first half itself. Because it has already started like I said, & it will continue in the first half.

Arvind Sharma: Got it sir. Thank you so much.

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

Amyn Pirani: Thanks for the opportunity again. My question was on your comment on the 2-wheeler or the Chetak unit profitability. So, since you mentioned that even after PLI, the Chetak could not be profitable on a unit level. So just trying to understand, what is the main constraint then? Is it basically scale or is it because you have tried to differentiate it and launch it through a separate channel, which adds some extra costs. So how should we think about, say, 3, 4, 5 years down the line, how should this profitability move.

Dinesh Thapar: No, it's not really network expansion, which is adding to it. And we know from Bajaj perspective, you know that it isn't fixed cost. Of course, there will be leverage benefits that will help unit economics as volumes grow. But the most fundamental piece is on price and where the price of the market has moved as indeed our own pricing. And clearly, net price reduction or price coming off to try to make it more affordable is, let me say, outrunning the work that is happening on cost reduction.

The cost reduction effort is currently underway. It's longer lead clearly given the technology that is at play. In the mid-time pricing at a table, if you just compare product pricing over the last 4 quarters, you will see how product pricing has come off. That is essentially front running the work that is happening on cost reduction, which would play out over a period of time. So even with the PLI, it bridges the gap, but it doesn't cover it entirely.

Amyn Pirani: Understood. So, assuming that the prices don't move from here on, your cost reduction could continue. And then there will be a point in time, maybe 4, 5, 6 quarters on the line where you could actually reach that. Is that a fair way to think about it?

Dinesh Thapar: It will get better. I mean you're absolutely right. But actually, that's the way we are thinking about it as well because we are already starting to see some benefit of cost reduction, which was the point I made in my commentary that despite the fact that across two quarters, we had significantly higher Chetak's. Incrementally, it did not add to a drag because the benefit of the cost reduction offset that drag on mix. But you're right, as cost reduction benefits start to play out over a period of time, unit level profitability should only get better assuming and the big assumption is that the price point remains where it is.

Amyn Pirani: Fair enough. Thanks for the clarification.

Moderator: Thank you. The next question is from the line of Pramod Amthe from InCred Equities. Please go ahead.

Pramod Amthe: Yes. Thanks for the opportunity. My question is regarding financing business, so if I heard you right, the penetration of the business into the Bajaj Auto 2-wheeler is already 70%. Is that fair?

Dinesh Thapar: That's right, Pramod. We said that the financing penetration for 2-wheelers are 75%.

Pramod Amthe: No, I was asking about this finance arm, Is the contribution of finance arm to the Bajaj volume is 75%?

Rakesh Sharma: No. We said about the penetration of Bajaj Finance Limited. That is what, the Bajaj Auto captive finance company is called BACL, Baja Auto Credit Limited. So, as you know, Bajaj Finance Limited is part of the group and has been financing our vehicles, they are at about 70% market share of retail financing of 2-wheelers.

Pramod Amthe: And the second related question is the infusion looks pretty large by standards considering the other capital arms. So, what's the plan of consuming this amount? And what market segments you plan to target in domestic or any export markets to be tapped here?

Dinesh Thapar: So, Pramod, the light is little garbled, but just to be sure that we've answered your question. The approval that we've got to infuse capital of INR2,250 crores at the moment, will happen in a phased manner as Bajaj Auto Credit starts to build its business across the country and finance the Bajaj Auto Group vehicles for both 2-wheelers and 3-wheelers, to recognize that this captive financing arm will do business only in India. There isn't an export like to it.

And so, the capital infusion that we've signed up and the Board has approved is essentially to happen over a phased period of time. As would be typical of any other auto financing entity, as it builds up the book across the country in the course of the financial year. So, it's a phased infusion, it doesn't happen once, but it happens over a period of time as the new capital financing entity, Bajaj Auto Credit Limited, as you just heard from Rakesh, rolls out across the country.

Pramod Amthe: Thanks for the detailed explanation. The second question is with regards to the EV business. Considering the technology & innovation, which Bajaj enjoys, for example, for CNG. How do you look at the LFP technology for 2-wheelers? And do you see that as technology an advantage you can bring on to the consumers might be in a couple of quarters down the line. Any thoughts on the field?

Rakesh Sharma: Absolutely. We see that technology as a very big lever for us to work. And I mean you would have seen evidence of that, whether it is adaptation of ABS 100cc bikes. For that matter, launching the first CNG-based bike. In fact, our belief in this lever is so strong that I mentioned that we are orienting Chetak Technology Limited to become the fountain head of creation for the Bajaj Auto, not just for EV, but also for non-EV products. So, they will be the creators and they will have a responsibility to master cutting-edge technologies and bring them to bear. That is the singular mission going forward.

Pramod Amthe: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question for today. On behalf of Bajaj Auto Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Rakesh Sharma: Thank you.

Dinesh Thapar: Thank you.
