Ladies and gentleman, good day and welcome to the Ashok Leyland's Q1 FY 2013 Earnings Conference Call hosted by Quant Broking Private Limited. As a reminder for the duration of this conference, all participant lines will be in a listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. I would like to hand the conference over to Mr. Basudeb Banerjee of Quant Broking. Thank you and over to you sir.

Basudeb Banerjee

Yeah. Thank you and good morning to everyone. We have with us Mr. K. Sridharan, CFO of Ashok Leyland Limited. We'll have a quick word from him on the Q1 FY 2013 result and then we'll open the floor for question-and-answers. Over to you sir.

Kesavan Sridharan

Good morning to all of you. Welcome to this conference call for our first Q1 – quarter one results. Let me take you quickly through the volume and the business outlook side before I get into the financials. As you all would have noticed earlier when the volume numbers were released, the total industry volume registered a significant drop of more than 12.5% in the medium and heavy-duty segment. The only saving grace in that is the bus segment, which grew by about 20%. Of that, the intermediate bus segment, which is between the 8 tonne – the 9 tonne to the 15 tonne that segment grew at a 42% level.

Overall the bus segment, every pocket of bus segment whether it is private sector pocket or the state transport chassis pocket all registered a positive growth. But overall, the total medium and heavy-duty vehicle market declined by about 12.5%. The other highlights of this is that the drop in the southern market was less than proportion to the all India level drop. In fact, against the 12.5% drop, south dropped only by about 4.5%. And very importantly, the bus segment grew by a significant growth in the southern sector.

And more importantly, we also had a lesser drop in multi-axle vehicles where our market share is quite strong. The multi-axle vehicle in south dropped only by about 8% while at the all India level it dropped by about 28%. So the winds were more in favor of Leyland in the first quarter, and are continuing from the fourth quarter of the last year and the south market revival enabled Leyland also to post a decent improvement in the market share.

On the overall industry growth before I get to the Leyland specific pocket. The freight rates, the freight rates are softening. The outlook is not that very conducive I must admit. And there has been a drop in the overall freight rates by about 10%. In fact the round trip, also registered, a number of round trips also registered a drop of about 10% to 15%.

There is a possibility of the total industry volume getting into a negative zone where we all believed that it would be in a positive zone with a single-digit growth until about a month back. I do expect that the positives that I see on some of the freight generating sectors for the cement and road sector activities should counter some of these downturns and enable the total industry volume to remain at about the flat rate, if not a marginal growth of say 1% to 2%.

Coming to the Leyland specific, as I said, thanks to the revival in the south market, we registered a sequential improvement in our market share. In Q1, our market share improved 26.2% from 25.7% in the quarter four. Even though last year full year ended at 23%, the quarter four registered a significant growth. This trend even in quarter one we are continuing.

We have done quite a few additions to the product range, and few more are also being planned to be launched in the coming months. We added about nine dealer points, where we could get the service connections done for our customers.

We also are achieving – we're also confident of introducing three more new product models, 10/2, the first rigid-axle vehicles with five-axles. Then the Jan Bus, which is the first front-end engine, low floor bus that we are hoping to launch. We are also coming up with 16-tonne haulage and tipper versions meeting the BS4 emission norm using our Neptune engine as the entry point for this new range of engines that we are developing. All these are expected to be launched in the course of the next six months.

We also plan to add quite a few dealership points in the north and the western regions. As I said, the current dealer centers where our customers get services done is somewhat closer to about 417 or so, and this is expected to increase substantially in the coming months.

On the export market, I must say that the outlook on the SAARC countries is not that bright even though Bangladesh is registering some amount of momentum. Sri Lankan market has registered a slow growth. There have been concerns about the economy's ability to support the imports while the duty imposed on other automobile vehicles did not affect our commercial vehicle pocket. Overall the economy's ability to buy and the purchasing power has come down significantly. So I don't expect the Sri Lankan market to perform the way it performed earlier.

But the offsetting factor has been that the African continent as well as the Middle East segments are registering a significant increase.

And we did increase exports by about 14% in the first quarter over the previous year, which has still registered more than 25% growth last year. And the share for the SAARC countries is less than 60% as against almost 75% it used to be in the past.

Coming to the engines pocket, we sold 4,312 engines in the Power Solution Business, which is a significantly higher number compared to the previous year's first quarter of 3,465, which meant a 24% increase over the previous year. Sequentially, also starting from the fourth quarter we have been registering significant growth particularly on the manufactured engines where my ability to provide more of Leyland manufactured engines significantly goes up with the demand in the domestic market for commercial vehicles slowing down. So we do expect that we would register a growth of at least about 30% over the previous year's total of 16,432 in the current financial year.

On the defense side, we registered a revenue of about Rs. 89 crores on sale of kits to the Vehicle Factory Jabalpur that presented about 806. And we have an order on hand of 2,300, which we received last year itself. And we do expect that we should be getting one more order hopefully by end of this year. So we should aim to do a normal run rate of about 2,800 to 3,000 vehicles that's in the current financial year.

On the spare parts, we registered a sale of Rs. 218 crores in the first quarter, which meant a 17% growth over the previous year's first quarter of Rs. 187 crores. And we do believe that the overall growth potential for spare parts momentum that will be maintained. And we expected to touch closer to Rs. 900 crores as against about Rs. 852 crores achieved in the previous year.

On the Dost vehicle, the light LCV that we launched, I am glad to say that we almost touched the last two quarters sale of the previous year and we reached 7,248 vehicles as against to 7,593 that we sold last year. The purchase for the last year was for a period of two full quarters also some, little bit on in September 2011.

But importantly the momentum is very clearly visible and we do expect that at this run rate we should be able to come closer to 32,000 if not more. And out of the 7,248 vehicles, we sold about 2,113 in Tamil Nadu and the balance 5,135 outside Tamil Nadu. The 5,135 would be represented, recorded as sale in our books also as purchase.

Coming to the pricing and the material cost side, I must admit that the levels of discounting has been increasing, while we do not get into and we do not yield to pressures like discounts of Rs. 1 lakh level and all. The average levels of discounts are significantly short-term by about Rs. 10,000 to Rs. 15,000 per vehicle and it hovers around Rs. 60,000 to Rs. 65,000 per vehicle now, which meant that you know the pricing action that we took in May was nullified. But the good news is that, whatever the pricing action that we secured in the last year of almost Rs. 54,000 increase per vehicle, we are able to realize those in the current context also.

On the material cost side, we do have pressures coming from steel. We need to give marginal increase of about Rs. 1,000 per metric tonne to Rs. 1,500 per metric ton. But beyond that, we don't expect any cost pressures to come from the commodity based increases. This increase even in this case of steel is more necessitated because of the exchange rate moving adversely against our imports.

The import prices are hovering well below \$600 per tonne and we're not able to encash the benefit of it given the high exchange rate, and hence the need for considering to some of these increases. And I do believe going forward, we should see some pressures on the commodity prices to ease. And I don't expect the metal cost to significantly go from the levels that we had actualized in the first quarter.

On the Pantnagar production level, obviously, we had to turn down the overall production to align it to ensure that our vehicle stock carrying is at some manageable levels, which meant that, you know, I need to bring down my overall production in Pantnagar. But the benefit in Pantnagar we are now targeting to increase the local value addition there by at least another Rs. 10,000 partly through more sourcing from the local suppliers and also increasing the value addition within our factory.

We are now working on a project to get the fully built vehicle to be done in Pantnagar whereby getting the body, get the electrical bodies etcetera built inside the factory itself so which would enable us to get the full benefit of the fully built vehicle excise duty concession. Currently the concessions are around Rs. 60,000 per vehicle including the Rs. 20,000 that got benefited through the excise duty increase. And going forward, we should at least in the second half improve this benefit to about Rs. 70,000 if we succeed in our localization plan.

Coming to the operating cost, before that the margins part of it. Compared to the last year first quarter volumes, we had a marginal increase in the medium duty vehicle. But we had significant increase in other pockets including on Sunrise, where we had 7,248 vehicle sale which was not there in the first quarter of the previous year. All that meant that we could improve our margins by about Rs. 110 crores or so. Unfortunately that got eroded through the higher cost increases in the operating cost side. The predominant reason for the operating costs going up significantly is number one: The reason for the cost increases on account of the one-time charges. The one-time charges what I call as one-time charges is that the expenses may not recur again. All these increases are more peculiar to this particular first quarter. The first being the advertisement side, which we took in the brand ambassador Dhoni and we had that costs going up to almost Rs. 16 crores.

And we had also certain changes in the accounting policy that we did in the previous year. I think, you would have noticed when we released our first quarter results for the previous year, that the lease charges on the leasehold land, the amortization of the lease charges was changed from the 40 years to the actual lease period. And that gave a benefit – of a one-time benefit of about Rs. 9 crores to the P&L account. That is showing up as an adverse factor, which is basically a lower previous year first quarter figure. Similarly, we had such

accounting estimation fine-tuning in the warranty side where we moved from simple average to a moving 18-month warranty average. But also had difficulty last year's first quarter warranty cost for about Rs. 10 crores. So within the two, it's about Rs. 19 crore to Rs. 20 crore of base effect that is a one-time effect that comes in. So between this and one or two consultancy expenses that we have incurred, the cumulative effect of all these one-time is about Rs. 40 crores of increase between the first quarter of the previous year and the current first quarter.

We also had the Sunrise expenses; the Dost related expenses, operating cost expenses, which is more than Rs. 13 crores, which was not there in the previous year. Of course, we had the benefit of contribution coming from all the 7,248 vehicles.

We had an operating cost increase, which is actually the one, which we're working on to control. And that's the area where the full focus of the management is currently on, which constitute about Rs. 48 crores or so.

Finally, on the warranty side where the average levels of warranty costs have increased for us. So also the net under recovery in our annual maintenance contracts with big customers like DTC have costed us this Rs. 48 crores, which we are now working on to see how we can mitigate these costs. And in my view, going forward in about three months to six months timeframe, we should be able to nick this problem. We also had the charge of about Rs. 4 crores higher in power because of the higher tariff and higher levels of power cuts predominantly in Tamil Nadu.

The last but not least is ForEx losses, which in the current first quarter is around Rs. 7 crores as against the previous year first quarter was around Rs. 2 crores. In other words, there was a net increase in charges of about Rs. 5 crores. So between the one-time cost of Rs. 40 crores, the Sunrise expenses of Rs. 13 crores, the areas where we need to really control cost is about Rs. 48 crores and the 5 crore of ForEx losses again was beyond our control in many ways, all contributed to this Rs. 100 crores or so of increase in the first quarter.

Similarly, if you compare it with the fourth quarter versus the first quarter of the current year, in the man power side, we had to increase the incidence of cost goes up by about Rs. 21 crores predominantly because of the timing of certain expenditures like the leave travel concessions and educational allowances and so on which gets done only in the beginning of the year. That versus the previous year first quarter meant about Rs. 6 crores.

We also had a lower provision in the first quarter on account of the provision being made at a higher level in the first three quarters of the last year pertaining to gratuity, leave travel [indiscernible] (21:36) by the actual evaluation. So more of a base correction that got done in the first quarter, that was about Rs. 14 crores. So, all that meant that to the first quarter of the current year we just had a Rs. 14 crore – Rs. 21 crore increase.

But up against that the other operating costs registered a significant drop, almost Rs. 75 crores drop, coming primarily from the volume drop and also a lower level of research and development expenses. We also had a lower ForEx loss compared to the fourth quarter. In the fourth quarter, we had a ForEx loss of Rs. 15 crores charged as against the Rs. 7 crores charge what I mentioned earlier in the current first quarter.

Of course, offsetting that has been the higher power cuts and higher tariff cost that we have incurred in the first quarter of a current year. All that meant overall about Rs. 75 crore of saving in our operating cost.

Coming to the comparison between the first quarter of the current year and the previous year first quarter, particularly on the interest cost, I must say that the finance cost is more mainly due to very high level of working capital compared to the March-end our working capital had gone up to Rs. 750 crore – by Rs. 750 crores, again primarily due to higher level of finished vehicle. Finished vehicles at the end of June is well over 10,000 vehicles. And we also had new loans taken for our CapEx program. All that meant that the finance cost is higher.

On the working capital side, we're working on a feverish pitch to get the corrections done. In fact, we are aligning the July production to be significantly lowered to factor-in the need for liquidating some of the stocks. We have cut it by more than 25% and ensured that the finished vehicle levels would come down to about 6,000 to 7,000 vehicles from the 10,000 number. And we also expect the production inventory also to come down by – at least by about Rs. 100 crores.

On the CapEx side, we incurred Rs. 160 crores CapEx in the first quarter, predominantly in our Uttarakhand plant as well as in our Ennore plant. In Ennore plant it is more for the Neptune engine manufacture part and to a very limited extent on the Dost vehicle in our Hosur 2 site. We have in our scope of work the manufacturing to be done there.

So all this Rs. 160 crore is predominantly towards the program expenditure. And against the plan of about Rs. 600 crores we had indicated earlier, we are also now tightening our belts and then bringing down the CapEx hopefully to about Rs. 450 crores. I'd be able to share more details on this maybe when I talk about the second quarter results. But definitely this CapEx would be going down.

On the investment side, I must say that our commitment to put the investments in the Nissan project stays, which is a Rs. 500 crore requirement, spread over a two year to three year period. And during the current year it could be at the level of about Rs. 250 crores or so. We've still not worked out the details of it. But in the first quarter we incurred only just about Rs. 10 crore of investments in the John Deere Construction Equipment JV.

The working capital side, as I mentioned, remained at Rs. 2,562 crores at the end of June 2012 as against the March level of Rs. 1,075

crores. The predominant increase primarily coming from the receivables pocket as well as the reduction in creditor levels et cetera. And as I said, the operating levels of working capital reduction that we should be aiming for – the average level of reduction that we should be aiming for is somewhat closer to about Rs. 750 crore, which we are hopeful of achieving it shortly.

On the overall debt position at the end of June 2012, we had a total debt of about Rs. 4,750 crore, comprising of Rs. 1,300 crore of short-term debt and the remaining about Rs. 3,450 crore of long-term debt. At the end of March, 2012 it was around Rs. 3,000 crore. It has moved up by about Rs. 450 crore finally due to a [indiscernible] (27:11) loan that we raised, non-convertible bond that we raised.

We also raised \$60 million of ECB during this period and these – some of these money or most of these monies are used to repay \$78 million of loan during the quarter ending June. We managed to ensure that the \$78 million gets paid even though at the current exchange rate would get completely covered by the natural hedge of the exports.

We had the exports uncovered position which we on a match-to-match basis recovered. And in fact I must mention that the first quarter results benefited by about Rs. 40 crores on account of the ForEx gain even though I mentioned Rs. 7 crore of exchange loss that is on the operating cost side. But on the revenue side we gained about Rs. 40 crores, thanks to the higher exchange rate. And in the process of the natural hedge we ensured that the loan got repaid at the rate which is almost equivalent to the rate at which the exports got covered.

Of course, I must admit that the exchange difference on the loan would get capitalized while the exchange difference on the revenue transactions will get booked in the P&L account. That takes me to the point that you know the cumulative exchange difference that we have capitalized during the first quarter is Rs. 186 crores.

Coming to the joint ventures that we have, I must say that you know the Dost vehicle continued to be well-reviewed in the market. In fact, one interesting point that I would like to share is that when we analyze the 7.5 tonne LCV category and if you look at it below 2 tonnes and above 2 tonnes. Below 2 tonnes TIV in the first quarter actually grew only by about 3%. Whereas the 2 tonnes to 3.5 tonne TIV grew by almost 90%, almost doubling. And this is in the pocket where Dost is operating and we've benefited by this significant growth.

We gained 21% market share. Glad to say that we are in number two position in this particular pocket and given the momentum of growth likely and also the increase in production and ramp-up that we are also planning we expect to maintain this lead position in the coming months.

As I mentioned earlier, the overall sale was 7,248 vehicles. We have cumulatively invested in this Rs. 315 crore, which is towards not only for the joint venture CapEx and also partly for the new project that – we are coming up within a place called Pillaipakkam, where the overall investment coming from Leyland would be around Rs. 500 crores.

On the John Deere, we have cumulatively invested Rs. 70 crores in this project and they sold 91 backhoe loaders in the first quarter. We do expect that the company to cash breakeven going forward, when they scale up the volumes to more than 2,500 or so which is expected to happen very shortly.

On the Alteams joint venture, we have cumulatively invested Rs. 40 crores. They sold about 1,071 tonnes of high pressure die castings partly to the auto sector of about almost 600 tonnes and to the telecom sector the balance. The telecom sector has not been performing well in the past. And we do hope that the times of revival happening in that pocket. And we do expect that the share of telecom in the Alteams business would grow in the coming months.

On the Hinduja Leyland Finance, we have so far invested through Leyland as well as through our investment companies Rs. 339 crores. The company has financed about 15,283 vehicles in the first quarter which covers not only commercial vehicles, but also two wheelers. Leyland vehicles financed in the first quarter was about 875 vehicles and the total stock on hand is -I don't know the stock on hand figure, but the total borrowings of this company is around Rs. 1,800 crores with an equity base of about Rs. 500 crores.

On the Optare the company sold about 181 buses in April to March period. Our total investment in this is around Rs. 83 crores. And this includes the £4 million that we invested in the last year to take our stake from 26% to 75.1% pocket. And having restructured the whole operations by shifting it out to one place Sherburn, we have been able to bring down the operating cost substantially and this will turn cash positive from the next quarter onwards.

This is in summary the major joint ventures as well as the financials for it. Now I leave the floor open for questions.

Q&A

Operator

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. [Operator Instructions] Our first question is from Vinay Sing of Morgan Stanley. Please go ahead.

<Q - Vinay Jaising>: Hello, sir. Thanks for this opportunity. Just some housekeeping numbers. You gave us the volume growth

in engines. Could you also share the revenue number in engines?

- < A Kesavan Sridharan>: The revenue numbers for engine is Rs. 79.75 crores.
- < Q Vinay Jaising>: Okay. Sir, what was the same number last year?
- <A Kesavan Sridharan>: Last year first quarter was Rs. 64.43 crores.
- <Q Vinay Jaising>: Okay.
- <A Kesavan Sridharan>: And the fourth quarter was Rs. 109.46 crore.
- <Q Vinay Jaising>: Okay. Thanks. And sir, what was the production level at Pantnagar? You mentioned it has gone down. How much did it drop to?
- <A Kesavan Sridharan>: It went closer to about 2,000 vehicles in June, and we do expect that in August and September it will bounce back to the 4,000-vehicle level. In July it will remain again on a subdued level because of the severe cuts we have imposed in our overall production plan. But August and September it should rewind back to 4,000 vehicles per month.
- <Q Vinay Jaising>: Right. So, we did around 10,000 in fourth quarter in Pantnagar, so this quarter would be around 5,000, 6,000.
- <A Kesavan Sridharan>: Yes.
- <Q Vinay Jaising>: And sir, what can we expect on a full year run rate from Pantnagar then?
- < A Kesavan Sridharan>: Pantnagar should the full year should be somewhere closer to about should be how much it'd be closer to about 28,000 or 30,000.
- <Q Vinay Jaising>: Great. And then just last question on the environment, like you mentioned that freight rates have softened. Is it happening like has it happened even in the last 15-20 days data because railway freight went up around a month back so even post that you continue to see this trend of road freight.
- < A Kesavan Sridharan>: I'm going by more by the press reports that come out of it. I haven't had any interaction with the operators let's say, but I would believe that this is more of the very recent inputs.
- < Q Vinay Jaising>: Okay, great. Thanks of lot. Sir I'll revert with further questions. Thanks.
- <A Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Atul Singh of Nomura. Please go ahead. **Q - Kapil Singh>**: Hello, sir this is Kapil. Just wanted to check the average selling price that you have for MHCVs.

How that change between fourth quarter of last year and first quarter of this year if you strip out – net of discounts, would it have gone up?<A - Kesavan Sridharan>: Actually between the fourth quarter and the first quarter marginally it has gone up.<Q - Kapil Singh>: Okay. Because sir.<A - Kesavan Sridharan>: It was because of the mix.<Q - Kapil Singh>: Okay. Yeah, because the raw material to sales we have seen coming off sharply so is it just

because of the mix that this is happening because the contribution from other segments - non-cyclical segments is higher so we are looking at a lower RM to sales or should we look at, you know, around 73% kind of RM to sales for the full year?

<A - Kesavan Sridharan>: The RM to sale this thing need to be looked at about 73%.<Q - Kapil Singh>: Okay. So you will maintain this kind of number for full year?<A - Kesavan Sridharan>: Yeah.<Q - Kapil Singh>: Okay. Because this is a big improvement from fourth quarter level so just want to understand that

you know what has been the major driver of this? <A - Kesavan Sridharan>: Partly the – there is a mix part of it. And I must say that the cumulative effect of the price increases that have happened in the fourth quarter, as I mentioned, I have not realized only the price increases in the first quarter. But we are realizing the price increases that we effected in the previous year, more importantly in the fourth quarter. So that's a major contributor. And cost increases have not been of that order.

- < Q Kapil Singh>: Okay. And sir on the production now for Pantnagar you are expecting the production to remain same as last year so does that mean that overall volumes you are now expecting to remain flat for the year?
- < A Kesavan Sridharan>: I do expect that the overall volumes should register at least about 6% to 7% growth, but the specific models call that happen on what is being produced in Pantnagar, you need to factor into [indiscernible]

(39:08) our production plan there. That's not a full indicator of our total volumes. < Q - Kapil Singh>:

Okay, okay. All right. Thanks. I'll follow-up bit more questions later.

Operator

Thank you very much. Our next question is from Jamshed Dadabhoy of Citigroup. Please go ahead. **Q - Jamshed Dadabhoy>**: Yes. Just a housekeeping question. Could you give us a sense of, you mentioned the volumes of Dost that you all sell within Tamil Nadu? And in an earlier con call you had mentioned that you all get a

commission of about Rs. 10,000 to Rs. 18,000 per vehicle. Now, where is this booked and do you all book the materialcost also for these vehicles?<A - Kesavan Sridharan>: Yeah. We've been clarifying this point. Whatever is sold outside Tamil Nadu is actually purchased from the joint venture and booked under material cost and the sales revenue is booked in the sale revenue side.

- <**Q Jamshed Dadabhoy**>: No, sir. I am asking for within Tamil Nadu.<**A Kesavan Sridharan**>: Within Tamil Nadu, the spread, the marketing spread is booked under vehicle salerevenue.
- <**Q Jamshed Dadabhoy>**: So that's its only the marketing spread, right? There is no associated cost, right, I justwant to clarify that.<**A Kesavan Sridharan>**: Hello? I know I mentioned.<**Q Jamshed Dadabhoy>**: Hello?
- < A Kesavan Sridharan>: Hello?< Q Jamshed Dadabhoy>: Yes, sir, you kind of dropped off. I just want to clarify its only part of revenues there is no associated cost.
- <A Kesavan Sridharan>: It's only part of revenue and there are no associated cost in that.<Q Jamshed Dadabhoy>: Okay. And so on the CapEx.<A Kesavan Sridharan>: I must sorry, when I say, there is no associated cost, the overall marketing of the Dost is being done by Ashok Leyland, which is how we have this Rs.13 crores of operating cost coming in that I explained the variance between the first quarter of this year and the previous year. That's where your marketing expenses that would cover not only for sale in Tamil Nadu but also sale outside Tamil Nadu.
- <**Q Jamshed Dadabhoy**>: Okay. Fair enough. And so on the second and last question on the CapEx, you mentioned, you all have done Rs. 160 crores in the first quarter. What's the outlook for the full year?<**A Kesavan Sridharan**>: Full year, they should be as I mentioned, we are trying to prune it down from our earlierestimate of Rs. 600 crores to less than Rs. 450 crores.
- <Q Jamshed Dadabhoy>: Okay. And where will you all sort of cut back, sir?
- < A Kesavan Sridharan>: Primarily in it's too early for me to comment, but primarily it will be in some of the Pantnagar programs and also in the other non-program based CapEx; some part of it in the R&D side, some part of it in the strategic sourcing, and all pockets.
- <Q Jamshed Dadabhoy>: Okay. Thanks a lot, sir.
- <A Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Govind Chellappa of Jefferies. Please go ahead.

<Q - Govindarajan Chellappa>: Yeah, hi. Sir, you've given a sense of volumes of Dost. Can you also comment a bit on the financial performance? I have two questions on that subject. One, what was the contribution of the entire Sunrise project to our PBT as you report numbers? And if Dost weren't there would PBT have been higher or lower compared to what you've reported?

And second, can you just give us a sense of what kind of losses the JVs are making at this point in time?

And third, we haven't seen the consolidated accounts in your annual report either when do we expect some clarity on that? Thanks.

< A - Kesavan Sridharan>: The Dost per se, that product is contributing to the bottom line and certainly in the first quarter also, it would have contributed closer to about Rs. 14 crores to the bottom line. It will be very difficult for me to spell out clearly to say what will be the per vehicle level because there is a complex arrangement which goes, one, for the manufacturing pocket and other for the distribution side of it.

And third on the overall consolidation point, we are quite conscious of this. In fact, we also discussed in our board yesterday. We would be coming up with a plan, by which we should try and restructure all these various other companies, particularly the investment companies, two investment companies and aim for consolidated financials by year-end.

- <Q Govindarajan Chellappa>: So when you say Dost contributed Rs. 15 crores you are talking about the standalone accounts or.
- <A Kesavan Sridharan>: Standalone account, yeah.
- <**Q Govindarajan Chellappa>**: Okay. In a sense the profit of the Dost project are booked in the standalone account and losses sit in the JVs, is that the right way to look at it?
- < A Kesavan Sridharan>: No, no sorry that contribution is for Ashok Leyland, not for the standalone. For the standalone JV, I don't have differential of what losses they have made. It would still be incurring losses there.
- <**Q Govindarajan Chellappa>**: Because if I see your accounts in annual report last year, you made your share of loss in Ashok Leyland, Nissan vehicles was Rs. 17 crores.
- <A Kesavan Sridharan>: Yeah.
- <Q Govindarajan Chellappa>: Your share of loss in Powertrain was about Rs. 5 crores that. And since the volumes in the first quarter are similar to the last year, if we assume that you have a similar kind of loss, it looks like what you have reported in Ashok Leyland plus your share of profit or loss in the JV would still be negative?
- <A Kesavan Sridharan>: The share of loss in the JV won't move in the linear direction like the way you are saying because many of the cost are or should I say figure orientated. And it's very difficult for me to predict whether the share of losses that's reported in the last year would be same as the share of losses for the first quarter of the current year since I don't have the figures for the financials of the three months for the JV. But definitely, it's not in profits, it is in loss. And we do expect that may be a year from now, that JV also would start reporting profits.
- <Q Govindarajan Chellappa>: Okay.
- <A Kesavan Sridharan>: The combined effect of it, between our share of the -50% share of the losses and the standalone profits in Leyland's books part of it, I do hope that in FY 2013 it will be a positive factor.
- <Q Govindarajan Chellappa>: Just a small request from my side, if you could give a sense of financial performance of your JV, because I mean what we're seeing in the account is only the profit side. The losses sit in the JV, so that's not a right representation of your...
- < A Kesavan Sridharan>: Profits also we get reported in the accounts, in the year-end accounts part of it. I take your point that may be in the next quarter we try and share the information relating to some of the joint ventures and the losses in that.
- <Q Govindarajan Chellappa>: Sure, sure. Thanks sir. Thank you.
- <A Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Hitesh Goel of Kotak Institutional Equities. Please go ahead.

- <Q Hitesh Goel>: Thank you sir for taking my question. I just wanted to get a sense of the total investment made inthe JVs in first quarter FY13.<A Kesavan Sridharan>: I gave a cumulative investments there in each of the JVs in that.<Q Hitesh Goel>: Perhaps just...<A Kesavan Sridharan>: I'm totaling of all that. May be I can offline check with my colleague, [ph] Anil Sundaram (46:15) on that.
- <Q Hitesh Goel>: Okay, sir. And can you give the figure for Alteams again, just missed that figure, investment inAlteams.<A Kesavan Sridharan>: Yeah, Alteams, the investment is Rs. 40 crores committed.<Q Hitesh Goel>: Okay, sir. Thank you very much.<A Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Amin Virani of Deutsche Bank. Please go ahead.

- <Q Srinivas Rao>: Yes, it's Srinivas here. Thank you very much. I just wanted to check on the cash flows for this quarter. I mean, broadly you have probably about Rs. 150 crores of cash from operations or the working capital has actually eaten into that? I just wanted to check on that because in net debt obviously I missed the number. But I think you said it's gone up by Rs. 450 crores this quarter?
- < A Kesavan Sridharan>: Yeah, Rs. 450 crore the total term loans have gone up.
- <Q Srinivas Rao>: So, sir your March ended debt is about Rs. 3,000 crores, so the June end debt is something around Rs. 4,500 crores, is that correct?
- <A Kesavan Sridharan>: Yeah. I did mention that there is about Rs. 1,300 crore of working capital debt that has gone up during this quarter, which is the main reason why the working capital has gone up, and I'm hoping about Rs. 750 crore of that would get corrected.
- <**Q Srinivas Rao>**: Okay. Fair enough, sir. And just wanted to check on the comment which you made on under recovery on the AMC and warranty. Is that a recurring expense for the next two, three quarters?
- < A Kesavan Sridharan>: Hopefully it should get arrested after the next quarter.
- < Q Srinivas Rao>: And sir, I mean is that to do with some, I mean, the particular line of models, because it would mean some kind of a product quality being not what you would have expected?
- < A Kesavan Sridharan>: It is something to do with the way the complaints are handled. Instead of replacing one small component, we'll try to replace the full subassembly there. Obviously we get hit by a higher cost so we're going deeper into how one could mitigate the expenses of replacement of parts by getting to the particular component of sales rather than completely changing the whole assembly part.
- <**Q Srinivas Rao>**: And sir, finally this particular thing I would imagine is more for your newer models which came over the last 1.5 years?
- < A Kesavan Sridharan>: Yes. It is more, I would say, of some of our other models which we have signed up an AMC with.
- <Q Srinivas Rao>: Okay. So, which are I believe the DTC contract were for the newer models of your buses and trucks, right?
- <A Kesavan Sridharan>: DTC that way you are right. The DTC [indiscernible] (48:56) equivalent bus that is in a way it's a new model pocket. But the problem there is more of the way we the duty cycle for this is completely different from the way we predicted what the duty cycle would be. And that's all meant that there is a fair amount of a burden on the company undertaking the maintenance work.
- <Q Srinivas Rao>: Understood sir. Thank you. It's helpful. Thank you, sir.

Thank you very much. Our next question is from Sahil Kedia of Barclays Securities. Please go ahead.

<Q - Sahil Kedia>: Sir, thank you for taking my question. I have two questions. Firstly, can you help us understand how much of your volumes are today fully-built and with Pantnagar ramping-up the fully-built components how do you expect this to change?

And secondly, sir you mentioned that you booked the, Dost revenues as part of – I mean Dost – you purchase the Dost from the JV, and it is booked as your stock adjustment in raw material, I mean as part of your raw material cost. Can you help us to understand in that light how come the raw material to cost ratio is falling? I mean one would imagine that you if there is a small – if there is a marketing margin that needs to be made, eventually the RMC to sales would rise. Can you just help us to understand little more clarity how this will work going forward as Dost ramps-up?

< A - Kesavan Sridharan>: The fully-built vehicle, in terms of the overall numbers translate to about 30% of our domestic truck volumes. And going forward I do expect that increasingly people will be going for fully-built vehicles.

On the reason for the margins, particularly the material cost would be lower in spite of the vehicles getting in from Sunrise is A) partly the benefit of the Pantnagar operation, which has significantly gone up by Rs. 20,000 in this year. And between the last year and first quarter and this year's first quarter there has been a significant increase in the Pantnagar contribution on that quarter. And added to that also is the full year effect of the last year's pricing action that has happened whereby cumulative effect of the pricing action has covered the cost increases that has happened in the past, only during the last fourth quarter cost. And hence the material cost reduction has been very pronounced in the first quarter. But I do admit going forward when the non-Tamil Nadu sales of Dost increases. Currently it is around 70% and we expect that it will go up to almost 75% to 80%. When that increases, we will have 0.5 to 1 percentile point

impact on the margin because of the high proportion of the purchase cost to the sale revenue that is booked on that.<Q - Sahil Kedia>:

Thanks for the clarification, sir. One last question, if I may. You mentioned that you expect Dost

JV to start to turnaround, so can you give us a sense in terms of at what levels of utilization would you be at abreakeven level either into a percentage terms or in volume – monthly volume numbers?<A - Kesavan Sridharan>: This is – I mean, I must clarify here as earlier Govind asked this question. Firstly, on

running this operations within Ashok Leyland part of it, it is profitable. As far as the joint venture per se is concerned, the viability of the profitability would come once it crosses about 50,000 vehicles. **Q - Sahil Kedia**>: 50,000 vehicle an annum, per annum right, sir? **A - Kesavan Sridharan**>: Yes. **Q - Sahil Kedia**>: All right sir. Thank you so much. **A - Kesavan Sridharan**>: Thank you.

Operator

Thank you very much. Our next question is from Jinesh Gandhi of Motilal Oswal Securities. Please go ahead.

<Q - Jinesh Gandhi>: Hi, sir. Just wanted to clarify on the steel price increase that you've take its Rs. 10,500 pertonne, is that correct?<A - Kesavan Sridharan>: Yeah.<Q - Jinesh Gandhi>: Okay. And sir secondly, your investment target for the year has been reduced to Rs. 250 crores

against Rs. 500 crores or that doesn't change?

<A - Kesavan Sridharan>: It should be – maybe I can't just exactly cover the Nissan alone. Maybe it will be somewhere closer to Rs. 300 crores or Rs. 350 crores as against my earlier Rs. 500 crores.<Q - Jinesh Gandhi>: Okay, okay. And sir, lastly with respect to, would you be able to share the amount of interest

capitalized during the quarter?<A - Kesavan Sridharan>: Interest capitalized during the quarter, maybe you can check with [ph]
Anil Sundaram

(53:46) offline. **Q - Jinesh Gandhi>**: Surely, I'll do that. Okay sir, thanks.

Operator

Thank you very much. Our next question is from Pramod Kumar of IDFC. Please go ahead.<**Q - Pramod Kumar>**: Yeah. Thanks a lot for the opportunity. Good afternoon sir. Sir, just wanted to check whatwould be the yearend target that what you would have in mind right now considering the changes what you're

expecting in working capital? Compared to the Rs. 3,000 crores debt at the beginning of this year, what would be thetarget debt you will be looking at and also you've scaled down the CapEx as well.<A - Kesavan Sridharan>: You mean the target cost.<Q - Pramod Kumar>: The target debt at the end of FY 2013.<A - Kesavan Sridharan>: Targeted debt.<Q - Pramod Kumar>: Yeah, targeted net debt.

- < A Kesavan Sridharan>: Yeah. The targeted debt, I must say should be about Rs. 600 crores more than the previous year.
- <Q Pramod Kumar>: So around Rs. 3,600 crores?
- <A Kesavan Sridharan>: That's right.
- <Q Pramod Kumar>: And one thing, which I wanted to get a clarity on was on the IndusInd Bank stake. As an analyst should I be looking at that stake as a long-term core holding or should it be seen as a stake, which is available for any requirement on the cash flow side wherein it can be sold and monetized? Or should it be seen as a long-term core investment for Ashok Leyland?
- <A Kesavan Sridharan>: You know in business, Pramod, no one can be so rigid on that. All I can only say is it's a strategic investment. Obviously, the group as a part of the group we would be holding that strategic stake. Obviously, when necessity comes, situations come, we have in the past also disposed of shares and booked profits. So I won't rule out those possibilities.

- <**Q Pramod Kumar>**: Okay. Fair enough. Fair enough. And lastly on the quarter, other income came to be pretty good considering what's happening with the debt profile. Just want to know, is there any ForEx item within that or it's purely recurring treasury income what we are looking at? And how would you see that going forward for the next three quarters?
- < A Kesavan Sridharan>: I am glad that you raised this. This is one thing on whatever is the interest income on some of the loans given to the associates, whatever that is to be done it used to be netted in the past against the interest cost.
- <Q Pramod Kumar>: Okay. Okay. Okay.
- < A Kesavan Sridharan>: About Rs. 4 crores to Rs. 5 crores or so. So that has been now classified as per the Revised Schedule VI classification as part and parcel of the other income
- <Q Pramod Kumar>: Okay, okay, okay, Fair enough. Fair enough. Thanks a lot sir and best of luck.
- <A Kesavan Sridharan>: Thank you.

Thank you very much. Our next question is from Mitul Shah of Karvy Stock Broking. Please go ahead.

<Q - Mitul Shah>: Good afternoon. So thanks for taking my question. I want some clarity on south improvement andvolume contribution of south in total volumes?<A - Kesavan Sridharan>: The south registered share of about 25%. It was around 19% in the third quarter improved.

Of course, there is overall drop, as I said, in the total industry volume and south also had a drop, but it is hovering around 25%.<Q

- Mitul Shah>: Sir, what was this number in Q1, 2012?<A Kesavan Sridharan>: Q1, 2012 was 24%.<Q Mitul Shah>: I'm sorry, industry wide south growth?<A Kesavan Sridharan>: Sorry?
- <Q Mitul Shah>: Sir, industry growth for the south region? Are we gaining market share in this?<A Kesavan Sridharan>: Yeah, yeah. The reason why what I mentioned to you are all of the total industry growthpart and we have been maintaining our market share in south.

<Q - Mitul Shah>: Okay, sir. Thanks. <A - Kesavan

Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Raghu Nandhan of Avendus Securities. Please go ahead.

<Q - Sri Raghu Nandhan>: Can you throw some light of the timeline of new launches, sir? And yesterday I thinkthere was something mentioned in the AGM about launching Evalia in September?<A - Kesavan Sridharan>: Yeah, could you please speak a bit louder, please?<Q - Sri Raghu Nandhan>: Hello, am I audible, sir?<A - Kesavan Sridharan>: Yeah.<Q - Sri Raghu Nandhan>: I just wanted to know on – more on timeline of new launches?<A - Kesavan Sridharan>: Timeline of new launches will be between October to December.<Q - Sri Raghu Nandhan>: Okay. And the engine sales volumes for first quarter, I missed out the number, sir?<A - Kesavan Sridharan>: Engine sales for first quarter is 4,312 numbers.<Q - Sri Raghu Nandhan>: Okay, sir. And sir, just lastly, when you say about volume growth of 6% to 7%, that

would be for domestic MHCVs for Ashok Leyland, correct sir?<A - Kesavan Sridharan>: Absolutely.<Q - Sri Raghu Nandhan>: Okay, thank you...<A - Kesavan Sridharan>: Excluding those.<Q - Sri Raghu Nandhan>: Yes, sir. Yes, sir, of course. And it does not include even the exports, right?<A - Kesavan Sridharan>: That – sorry, I must correct myself. The growth of 10% or 8% I'm talking of domestic and

exports put together. Domestic could register about 5% to 6% and exports about 17%.<Q - Sri Raghu

Nandhan>: Okay. Thank you very much, sir.

Operator

Thank you very much. Our next question is from Mahantesh Sabarad of Fortune Equity. Please go ahead.

- <**Q Mahantesh Sabarad>**: Good afternoon, sir. Thanks for taking my question. I wanted to know what is your outstanding ECB as of now? I've listened into your call and you mentioned repayment of some \$78 million of ECB whereas you've drawn down a fresh loan of \$60 million, did I hear correctly?
- < A Kesavan Sridharan>: Yeah, absolutely correctly. And we should be around \$320 million.
- <Q Mahantesh Sabarad>: And sir, what is the repayment now due for this current year or how is the maturity profile of those \$320 million in short?
- < A Kesavan Sridharan>: The major part of the repayment has happened in the current year. The next repayment of closer to the same about \$70 million will happen in June 2013.
- <Q Mahantesh Sabarad>: June 2013, okay. And what is the average cost for all these ECB borrowings and have you taken any swaps or interest rate swap?
- < A Kesavan Sridharan>: We have all swapped it into firm fixed interest rates and it's below 5%.
- <Q Mahantesh Sabarad>: But your exposure on the principal amount remains, right sir?
- <A Kesavan Sridharan>: That's right.
- < Q Mahantesh Sabarad>: And that gets capitalized into your asset block?
- < A Kesavan Sridharan>: Yes. But we ensure that the, as I was explaining on the natural hedge, we try and cover the exports at the same rate at which we repay the loans.
- < Q Mahantesh Sabarad>: Right, sir. So your debt to equity ratio right now would be over 1.2 as of end June if I calculate correctly sir, is that...
- <A Kesavan Sridharan>: That's right.
- < Q Mahantesh Sabarad>: Becoming a worry now, sir?
- <A Kesavan Sridharan>: Sorry.
- < Q Mahantesh Sabarad>: Is that becoming a worry for you to raise additional debt because you still have CapEx program left to be done?
- <A Kesavan Sridharan>: Honestly, if you ask me the reason for this higher level is only because of the high level of working capital and if you we believe that we should be able to reduce our working capital by about Rs. 750 crores. And if that happens I shouldn't have any problem on my rating there, because my working capital loan should come down by that amount.
- <Q Mahantesh Sabarad>: Right. On a different note, I wanted to know how within the company are you preparing for the new competition in the form of BharatBenz, and so what would your primary strategy be to tackle them? They are collocated near you, so does that mean your strength in south gets, let's say, compromised because of that or how should we read it? Hello. Hello.

Operator

Mr. Sridharan, are you connected? Participants please do not disconnect the line. There seems to be some – well, maybe the management has placed the call on mute. Please stay on the line. Participants, thank you so much for your patience. We have the line for Mr. Sridharan connected now. You may go ahead, sir.

- < A Kesavan Sridharan>: Yeah. I don't know whether Mahantesh you were able to hear what I was saying about the competition?
- <Q Mahantesh Sabarad>: No, sir. If you can...
- < A Kesavan Sridharan>: Basically, as I said there are two aspects that I said, number one, we recognize the need for maintaining the cost competitiveness for the end-customer and consequently our focus would be to see how we can even hold on to our prices and offer Max in the marketplace for a value proposition.

Second, the network strength that we have, we would like to exploit it to the hilt. Not only the existing one, we are also planning to add a few more. And in that process the strengths of the channel partners would be a major factor in our competitive weapon.

And the last but not least, each quarter, each occasion we come up with the new products, like I am talking about the 10/2, rigid multi axle vehicle and also the Jan Bus, front-end low floor bus and so on. But I do believe that, we would not be left behind in terms of the product offerings to the market, which are more relevant for the domestic market.

So from all these fronts, we should be able to give a fight, but I do admit that there will be quite a bit of a pressure on margins, quite a bit of a pressure on various channel partners that we have and quite a lot of pressure on retaining balance within the company.

- < Q Mahantesh Sabarad>: When you give guidance for the volume just a while ago in response to a question by another participant, so are you factoring in any market share loss because of BharatBenz coming in?
- < A Kesavan Sridharan>: No, I am we are factoring only restoring our market share back to 25.7%. So if I factor the 25.7% of course currently it is at 26.2% in the first quarter, but I would like to believe that we should be able to sustain 25.7% market share, which we achieved about a year back.
- <Q Mahantesh Sabarad>: And that would give you volumes.
- < A Kesavan Sridharan>: Well, that would certainly take our domestic plus exports to cross 100,000 vehicle, even if the total industry volume had remained flat.
- <Q Mahantesh Sabarad>: Right, sir. I think that answers my question.
- <A Kesavan Sridharan>: Yeah.

Operator

Thank you very much. Our next question is from Kapil Singh of Nomura. It's a follow-up question. Please go ahead.

<Q - Kapil Singh>: Hi. Thanks. Sir, could you just share the number for those volumes for Tamil Nadu and outsideTamil Nadu?<A - Kesavan Sridharan>: I've shared that earlier, yes, of course.<Q - Kapil Singh>: I might have missed it, sorry.<A - Kesavan Sridharan>: Tamil Nadu is 2,113, and outside Tamil Nadu is 5,135.<Q - Kapil Singh>: Okay. And sir, can you also share the contract manufacturing income that you would have booked

during the quarter?

<A - Kesavan Sridharan>: This as I mentioned earlier I'm not able to do that. It's quite a complex formula that one has to work on.<Q - Kapil Singh>: So you report that number in the annual report as well right, the contract manufacturing income?<A - Kesavan Sridharan>: We report that as a part of this thing, it comes more like – I don't know, it comes under the

related party disclosures or so.<**Q - Kapil Singh>**: Sir, it comes in operating other income.<**A - Kesavan Sridharan>**: But it would be an amalgam of all. But at the moment I am compelled to keep it

confidential till we have sign off from our partner.<Q - Kapil Singh>: Okay.

Okay. Understood. All right. Thanks.<A - Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Mayur Milak of Dolat Capital. Please go ahead. <Q - Mayur

Milak>: Hello? Hello?

< A - Kesavan Sridharan>: Hello?

- <Q Mayur Milak>: Yeah, hi, sir. Just wanted to understand a question on the realization, could you just give us asense of what is your average realization on the M&HCV after discounts?<A Kesavan Sridharan>: The vehicle realization on a total pocket would be closer to Rs. 14 lakhs per vehicle.
- <Q Mayur Milak>: Rs. 14 lakhs. And what would this figure be for the previous quarter and 1Q FY 2012?<A Kesavan

Sridharan>: I don't have the figure readily for the previous quarter, but for Q1 at least it would bearound Rs. 13.5 lakhs.

<Q - Mayur Milak>: Rs. 13.5 lakhs?<A - Kesavan Sridharan>: Yes.<Q - Mayur Milak>: And on the Dost?<A - Kesavan

Sridharan>: Dost would be closer to about Rs. 4 lakhs.

Q - Mayur Milak>: Rs. 4 lakhs. So which means that because you sold,

obviously, because you sold higher quantity

of Dost, the overall blended realization have come up - have come off and typically going forward since we are anticipating a higher demand and volume for the Dost, do we expect this overall blended realization to actually taper-out furthermore?

- < A Kesavan Sridharan>: In a way the if you're talking of from a datum line, yes, the mix would change more infavor of the higher proportion of the Dost because the previous year figures don't have Dost. Revenue figures, previously year's started selling only in the second third quarter onwards. So to that extent, you're right.
- <Q Mayur Milak>: Right sir. And on the discount part, since you are saying that discounts have already gone high,do we expect this trend to continue because going forward post second quarter we there's already festive seasonwhere normally most of you guys end up on higher discounts. So do we expect this discount trend to continuethroughout because we're already anticipating a slowdown in the volumes?
- < A Kesavan Sridharan>: We do expect that the discount levels will be contained in the current levels and I don'tthink we ever practice this habit of giving higher discount during festival season, that's more maybe for the personalcars. On the commercial vehicle side, it is more I mean, I would say the discount levels will be at about the currentlevels.
- <Q Mayur Milak>: So we don't expect this even to come off?<A Kesavan

Sridharan>: I also don't expect this to come off.<**Q - Mayur Milak>**: Right, sir.

That would be all. Thank you. < A - Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Binay Singh of Morgan Stanley. Please go ahead.

- <Q Binay Singh>: Hello, sir. Sir just on the buses segment, we've been seeing very strong growth, could you throwsome light which segment is it coming from private or STUs?<A Kesavan Sridharan>: In the bus segment, it is coming more from the private sector.<Q Binay Singh>: So.
- <A Kesavan Sridharan>: And the ICVs are all private sector.
- <**Q Binay Singh>**: Okay. Okay. So on the like in the last quarter, we had seen almost a 60%, 70% jump in the STU demand. So is there any like is there any one-off in this quarter also, some state orders coming in, or something like that?
- : We haven't had that sort of a one-off type, but we do have order book position, which, at any point of time, hovers around 2,500 to 2,700 vehicles. Currently, also, we have about 2,700 vehicles orders from state transport undertakings. I mean, this is a I mean and I won't expect a major departure or a significant departure on the STU demand, maybe about 5% to -3% to 5% increase should be there between the last year and this year. But a significant jump would all happen in the ICV pocket as well as in the private passenger pocket.
- <**Q Binay Singh>**: Yeah, right. And sir, looking at Q1 volumes, are you planning to relook at your bus volume guidance for the full year? Like earlier, we were targeting something like 4% to 5% growth in the bus segment.
- <A Kesavan Sridharan>: I gave a guidance just now because I don't know whether we haven't done any formal review of the full numbers because it's too early for me to comment on a revised full year volume. But I do say that if the total industry volume were to remain flat, we should still be able to register about 7% to 8% growth in the M&HCV both domestic and exports put together, which would mean we should be crossing the 100,000 vehicle mark, and these all without counting the Dost vehicles in that industry.
- <Q Binay Singh>: I was more referring to the bus industry overall.
- < A Kesavan Sridharan>: The bus industry guidance may have to now go more in favor of coming closer to almost a double-digit now.
- <**Q Binay Singh>**: And, sir, just lastly one question, the contract manufacturing income that we show in operating revenues, this is for all the Dost produced by us or is it for the Dost, which is produced for Tamil Nadu consumption?

- < A Kesavan Sridharan>: For all the Dost produced by Ashok Leyland is for the JV, including the Tamil Nadu.
- <Q Binay Singh>: Okay, great. Thanks a lot, sir. That's it from my side.
- <A Kesavan Sridharan>: Yeah.

Thank you very much. Our next question is from Kaushal Maroo of Emkay Global. Please go ahead.

< O - Kaushal Maroo>: Hi, sir. I have a few questions on the LCVs. Geographically, in how many states have we launched.

Operator

Sorry to interrupt. Mr. Maroo, can you speak a bit louder? We cannot hear you clearly.

- <Q Kaushal Maroo>: My question is on the LCVs. Geographically, in how many states have we launched the Dost now?
- <A Kesavan Sridharan>: In seven states.
- <Q Kaushal Maroo>: Seven states. And our current capacities now, sir, and how the expansion plans on the capacity for the Dost?
- <A Kesavan Sridharan>: The capacity for contract manufacturing in Ashok Leyland is 55,000. The supply chain levels of supplying and the ramp-up that we are planning for, we are targeting to sell 32,000 Dost vehicles in the current financial year.
- <**Q Kaushal Maroo>**: Okay. So, full year, how your guidance on how much marketing expense do you see for the Dost, if you have any?<**A Kesavan Sridharan>**: We have no specific number that need to be share. But I would only say that it will be well contained within the overall money that we make out of the Dost.
- <Q Kaushal Maroo>: Okay. Sir, and the last question on the other vehicles from the joint venture, the PARTNERand the STILE, when do you expect to launch that?<A Kesavan Sridharan>: Very difficult for me to comment on this. It could be definitely by end of this calendar

year. But I would also double check with the joint venture on this.<Q - Kaushal Maroo>: Okay. Thanks a lot, sir.<A - Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Our next question is from Jinesh Gandhi of Motilal Oswal. Please go ahead.

<Q - Jinesh Gandhi>: Sir, just on this Nissan JV, would Evalia be launched by us, or it would be launched by Nissan

on its own?

- < A Kesavan Sridharan>: Sorry, which one?
- <Q Jinesh Gandhi>: The Evalia, the MPV of Nissan?
- <A Kesavan Sridharan>: Sorry, Jinesh. Your voice is getting not clear.
- <Q Jinesh Gandhi>: Sir, the Evalia MPV?
- <A Kesavan Sridharan>: That will be launched by the JV only.
- <Q Jinesh Gandhi>: By the JV only. Okay, because that would be Nissan badged passenger vehicle, right?
- <A Kesavan Sridharan>: Yeah.
- <Q Jinesh Gandhi>: Okay, okay, got it. Thanks, sir.

Thank you very much. Our next question is from Bharti Gupta of Sushil Finance. Please go ahead. **Q - Bharti Gupta>**: Good afternoon, sir. Thank you for taking my question. **A - Kesavan Sridharan>**: Yes. **Q - Bharti Gupta>**: I just have one question on the Pantnagar site. What is the current capacity of Pantnagar and

what is the current volume that we are doing, because I missed on that part?<A - Kesavan Sridharan>: The capacity in Pantnagar is 50,000 on a two shifts basis. And we have so far done about

7,500 in the first quarter. And while this month maybe a lower figure, maybe less than 2,000 vehicles. Going forward,we plan to get back to the 4,000 vehicles per month level.<**Q** - **Bharti Gupta>**: Okay. And, sir, I missed on your working capital figure for the current quarter – for the June end.

So what would be it?

- <A Kesavan Sridharan>: Around Rs. 2,562 crores.
- <**Q Bharti Gupta>**: And that is against Rs. 1,076 crores of March ending? Okay. So we are expecting a reduction of Rs. 700 crores to Rs. 750 crores in working capital from the June quarter level?
- <A Kesavan Sridharan>: That's right.
- <Q Bharti Gupta>: Okay. That's it from my end. Thank you.

Operator

Thank you very much. Our next question is from Ashutosh Tiwari of Equirus Securities. Please go ahead.

- <**Q Ashutosh Tiwari>**: Yes. Good afternoon, sir. Sir, I just wanted a sense on what is the kind of prices of LCV and MHCV? And what was the pricing trend in the last one year and how do we see this going on in the like six to 12 month period?
- <A Kesavan Sridharan>: The LCV pricing, you know, launched at Rs. 3.85 lakhs type, more than Rs. 15,000 increase has happened on that. Our reversions of the our Dost vehicle would be around Rs. 4.25 lakhs. On the M&HCV side, it's anywhere between the two-axle vehicles would be around, say, Rs. 12 lakhs moving up to Rs. 16 lakh Rs. 15 lakh Rs. 16 lakhs for some of the multi-axle vehicles, even some special ones would even go up to Rs. 18 lakhs.
- <Q Ashutosh Tiwari>: Thanks a lot, sir. And sir, I just wanted a general opinion on the freight and all basically, the freight in southern India particularly, since we see that for MSMEs there has been a lot of surge in power cost. And this might continue given the way the SEBs will continue to hike the power tariff. So this might probably would you see some pressure on other major fixed cost or other major variable cost in the P&L of the MSMEs?
- <A Kesavan Sridharan>: We don't expect any major pressures coming on. But I do agree that all of us, including the MSMEs have been hit by high power costs, particularly in Tamil Nadu site. And given the current market outlook, I don't expect any material cost increases to be sustained. Other than for some of the forging and casting pockets, which are very power intensive and would need some support. Other than that I don't expect any major pressures to come on the material cost side.
- <Q Ashutosh Tiwari>: All right. Thanks a lot, sir. That's it from my side.
- <A Kesavan Sridharan>: Thank you.

Operator

Thank you very much. Due to time constraints, we'll take our last question from Sabyasachi Paul of Jet Age Securities. Please go ahead.

- <Q Sabyasachi Paul>: Hello?
- <A Kesavan Sridharan>: Yeah.
- < Q Sabyasachi Paul>: Sir, could you just give a break up of whatever constitutes the other operating income line? I mean what heads would be there?
- < A Kesavan Sridharan>: The other operating income would be partly the service income that we get and also the contract

manufacturing income, and also the sales mark up that we get for sale outside Tamil Nadu – I mean, inside Tamil Nadu and so on.

<Q - Sabyasachi Paul>: Okay. Okay, thank you.

<A - Kesavan Sridharan>: Thank you.

Operator

Thank you very much. I would now like to hand the floor over to Mr. Basudeb Banerjee for closing comments.

Basudeb Banerjee

Yeah. Thanks, Mr. Sridharan, for giving us the opportunity to host the call and wishing you best of luck for the future quarters.

Kesavan Sridharan

Thank you. Thank you very much, Mr. Banerjee. Thank you.

Operator

Thank you very much. On behalf of Quant Broking Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.