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Edited Transcript of ASHOKLEY.NSE earnings conference call or presentation 18-Jul-18 5:00am GMT

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Chennai Jul 19, 2018 (Thomson StreetEvents) -- Edited Transcript of Ashok Leyland Ltd earnings conference call or presentation Wednesday, July 18, 2018 at 5:00:00am GMT Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst

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Good morning, ladies and gentlemen. Welcome to the Ashok Leyland Q1 FY '19 Earnings Conference Call hosted by Motilal Oswal S ecurities. (Operator Instructions) Please note that this conference is being recorded.

I'll now hand the conference over to Mr. Jinesh Gandhi from Motilal Oswal Securities. Thank you, and over to you, sir.

Jinesh K. Gandhi. Motilal Oswal Securities Limited, Research Division - SVP of Equity Research [2]

Thank you, Lizette. Good morning, everyone. On behalf of Motilal Oswal Securities, I would like to welcome you all to 1Q FY ' 19 Post Results Conference Call of Ashok Leyland. Ashok Leyland is represented by Mr. Gopal Mahadevan, President and Chief Financial Officer; and Mr. K.M. Balaji, Vice President, Corporate Finance.

I'd like to thank the management for taking time out for the call. We'll start the session with the opening comments now by Mr. Gopal. I'll now hand over the call to Mr. Mahadevan.

Yes. Good morning, everyone. Thank you very much for being on this call, and thank you very much for the interest in Ashok Le yland. I'll quickly summarize the financial performance and hand it over to because I'm sure there's a lot of questions on the new axle announcement, and I would want to have that discussion and whatever -- and answers to whatever questions that you have.

So overall, the industry has grown very smartly at about 84% to 89,027 units. Of course, this has been on a low base of last year. But even having said that, even with that low base, I think the industry growth that has happened has been pretty -- very, very satisfying.

Ashok Leyland has also grown a tad lower than the industry but has grown judiciously if I may use that term, because, as you know, we were very clear that we would not want to get into unprofitable deals. It is not that we don't want to grow. Let me assure you that the medium-term strategy of the company is -- and the goal is to grow at the same rate if not faster than the market. But you are going to see quarters where, sometimes if we don't participate in the market because of heavy discounting, it's because we also want to ensure that we maintain cash flows and profitability.

So we have also shown a pretty healthy growth of 60% over same quarter last year. Our revenues have grown at 47% to INR 6,250 crores and our PAT has grown at 233% to INR 370 crores, and our EBITDA

has been 10.4%.
Just wanted to share with you that this is the 13th quarter out of the 14 sequential quarters where we have had double -digit EBITDA. The cash on the balance sheet, net cash is INR 1,165 crores, so we

continue to be cash positive, as you know, as we move.

Other than that, I think we have been -- we raised prices in 1st of April, possibly the only player to do that because raw material prices are increasing. We have also tried to astutely change the mix of the

vehicles to ensure that our profitability is maintained.

And our overheads cost continue to be in control. This is something that we have been doing continuously. Invariably, everybo dy has a question as to how much more can you squeeze out of this? Well, the thing is that things can only get better so we have to be good at this. I mean, and we are getting better and better at this. And we need to do that.

So I'm going to leave with this brief introduction. And of course, we have had this new axle norm being announced by the government a couple of days ago. So I'm going to — there are, I think, positives, negatives and neutral aspects also to these norms, which we can discuss about in the call going forward.

So it's back to you, Jinesh.

Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Ashwani Kumar from Reliance Mutual Fund.

Ashwani Kumar, [2]

See, I have 2 questions, basically. One, is there a new truck required for this which is — which will conform to these new conditions of load conditions — axle load conditions? That's one. Second, you have, let's say, in terms of your end usage, is, let's say, nearly 200 types of end customers used trucks, let's say ranging from engine oil tankers to cement players, coal players, water transportation companies and many other end users. Some of these are volume-led kind of thing in tractor trailers, for example, the trailers, the steel company use it and also the tire companies or, for example, the [tool] companies. So there is one issue of dimension. And second issue is offload. So one is the physical volume where, even if there is a 20% load there unless and until you really modify the vehicle, you can't load extra because it is a volume constraint thing. So what part of the industry actually gets — what proportion of the total population are out of these 200 types? How many of them actually get impacted by this regulation? That's one. And what is this concept of new trucks which is required for this specific thing? These are the 2 questions which I have.

Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [3]

Thank you, [Ashwani.] I think it's a very, very good question and that gives me an opportunity to clarify. I'm going to go a little broad-based and also clarify so that the same questions don't come up again and again. Wonderful question from your side. You see, I'm going to just step back and tell you that, yes, this is -- the new norms have -- axle norms have come in, and it could have been better if the government had actually consulted the industry for the launch date of these norms. Because then you've had a glide part and a plan to kind of comply with these norms. By the way, these norms are one of the highest in the world. If not the highest, and we are even higher than the U.S. as far as the weight -- axle weights are concerned now, which is -- I mean, the GVWs are concerned now. Why the government has chosen to do this level of weight is not clear because the road conditions, while they're getting better, are not as good as what we are in the rest. My answer is going to be slightly longer because I thought this is not just a question that I want to answer for Mr. Ashwani Kumar but for the larger set of investors who are also there on the call. So this is one part. The second part is, so there are 3 aspects to his whole thing that I want to touch upon. One is applicability. The second one is impact. The third one is read iness. The -- as far as applicability is concerned, whether it's going to be prospective or retrospective. If it is prospective, things are better for the industry as well as in terms of the country also because we can get the vehicles ready. Of course, we have no - not much time because they are already applicable. But these have to be approved, and then the vehicles will get rolled out. If it is retro spective, frankly, somebody has bought a tipper -- I mean, somebody has bought a vehicle from me just about 2 days ago. We can't say that, "No excuse me, now you got a 20 tonner, now you can actually go and load 24 tonnes." I mean, it's not as simple as that because while that is overloading, which is happening, India is predominately still an overload market -- [wide] market. Everybody talks about greater load, it is not happening everywhere. Yes, so this is to be done very judiciously. But if it is done retrospectively, one of the most important things that we have to be very careful about is the impact it will have on safety. Because suddenly, you're opening the [gate bars] and people will start further doing -- overloads where it is not applicable -- I mean, where it is not safe. There is volume. There is weight. There is impact. There is center of gravity. It is a whole bunch of stuff that is there in a vehicle that we have to look at before we start overloading. So the vehicles have to be engineered according to the spec. Now hopefully, these are not going to be applicable retrospectively, but we'll have to wait and watch. Now the second one is impact. You had rightfully said, Mr. Ashwani Kumar, is that the impact is the way to look at it, and if I were to cut this industry very broadly, that is tippers, then there is ICV. Then you have got bulkers -- cement bulkers, oil tankers, scooter carriers, car carriers and a lot of other applications which are volume-based. Merely tippers and ICV segment alone will account for roughly about 45% of the total -- nearly 45% of the total industry volume for the first quarter itself. And if we were to add that the scooter, car carriers and bulkers, et cetera, I think another 10% will go. So you have a situation where 50% to maybe 60% of the volume will not get impacted because of the new regulation. And secondly, in tippers which is almost heavily overloaded, if the government is going to say that "No, I'm going to increase the axle load norms but what I'm — GVW norms, but I am also going to ensure that I monitor it very strictly," then actually we can see the possibility of tipper demand actually going up. Because if they're going to be extremely strict, then the tipper guys would have to buy more tippers, right? So I -- that's what I said. This is -- not all of this is absolutely gray, and there's a lot of panic. I don't think there is any necessary for panic. I will also come to the panic piece of it, not because I'm in the truck industry but because I -- we have seen the commercial vehicle industry over the last few years and how things have panned out. The last aspect of it is readine ss, which you asked. Yes, is this a new truck? It's not a new truck, but is it the same truck as an old truck? It's not so. For example, predominant part of the industry actually works on a tire which is call ed a [stem] R20. But that's not going to work under the new norms. So we have to have higher tires, where we -- what is called 11r20 that is tires which are called as 295 sizes, they may be tubeless if you were to go for heavier weight a pplications. The tire industry also has to be ready, right? So I actually see multiple tires being -- various types of tires being fitted on the same vehicle to have various GVWs. Secondly, there are things that we may have to change depending on, again, like [this is one call] I can't give a breakdown, but we also kind of reviewed, there'll be impact on steering. There'll be impact on transmission. There could be impact on chassis. So we may have to put additional [switches] for instance. So the vehicle will be different. Is it totally different? It's not totally different. But modifications will take time. It is not only for us. It is for everybody else. And then after that, we have to get the CMVR approvals. That will take about 3 to 4 weeks. So the government, while it has announced it, has announced it immediately is surprising because there is a process that has to be followed. If you want to deliver vehicles which are going to be compliant to the new GVW norms and which are going to be safe. Now coming to the panic bit of it. The panic bit of it, I'm saying that see this -- we have the same kind of panic and I'm not -- I appreciate the concern that investors and analysts are showing because, obviously, they would like to know what -- to bring a certain amount of certainty to something that has kind of shaken the [port] over the last couple of days. So -- but if you look at the BS III to BS IV, when it happened, it happened in exactly 48 to 72 hours. Well, there was a short-term impact, but things stabilized immediately. Similarly, when GST happened, people were very concerned that this is going to increase productivity by 15% so that the truck demand will come down by 15% because of GST demand. At that point in time, I remember sharing my views, and I'm not -- I mean, I was right, not out of pure wisdom but logic more than anything else, was because I said that if there's anything that's going to be more productive, you actually would see more investment coming, and then that's w hat happened. And the industry, which was a negative in September last year, grew to a 14% positive for the full year. Now here of course, this year, we have started with a huge 84% positive. But yes, if this is something that could have been done better, certainly, it could have been

done more conservatively. It could have been more planned. The impact could have been looked at, and then sectors could have been addressed. But well, it has happened. So at the moment, all I would say is the reaction that we're having from various constituents is possibly a little too -- more worried than we should be worried about. At the same time, I'm not saying things are all hunky-dory, but I think there are both positives and negatives that will come out of it provided the government is going to enforce the norms pretty clearly. I -- it is a long winding answer, but I thought I'll give a larger answer for

Ashwani's question.	
Operator [4]	
The next question is from the line of Hitesh Goel from Kotak Securities.	
Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [5]	
Gopal, basically just touching on this point again. First, what I wanted to understand is that what is the actual in your vie w have you — do you have any data or sense on what is the actual overloading happening across India? And if you can break down across out north and west, what is the kind of overloading you see? Anecdot ally, I guess because [you've got your own] data. That is first. And secor also, when the government also come up with the regulation scrappage because year afterwards regulation like you said many trucks — old trucks may not be able to comply with the latest regulations will it also lead to a situation where they come with a scrappage policy in the next few months or in next 6 months?	
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [6]	
I don't know. I think the scrappage policy particularly is one supposed to happen in 2020, '21 That's what the government had announced. They would want to do it along with the introduction of BS V norms, and that would actually help the industry because, immediately after the BS VI prebuy that happens for BS IV when the norms are coming in, that year possibly, the introduction of scrappage w possibly see 200,000 to 300,000 vehicles coming into the demand market, which will help the industry. As far as the overloading norms in the country are concerned, it's very, very difficult to estimate because you know there are sectors, subsectors, and there is no official data available. But our guesstimate is the overloading starts anywhere between 20% to 40% here. So these norms are — they are kind of formalizing arrangements which are already there. So I don't think that there is going to be severe depletion because it's not like we are all a strict rated load country and everything is going as rated load and suddenly the load is getting increased. Everybody is reacting like that. It is not so.	vill e re
Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [7]	
And would it be fair to say that overloading is not like in North and West and in South. Is there regional disparity also in overload?	
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [8]	
Yes, I would believe so. That is what the industry pundits keep saying that in South, the rated load — the loads are more rated than towards overload, maybe 60:40 is the ratio of rated. Whereas, in the north, it is more towards the same ratios more towards overload. So of course, there was a lot of — there was again a lot of worry when UP and Rajasthan, the overload, the rated load norms were loosened a little bit. Again, at that point in time, not to sound defensive, you folks know it, if there is something that is — needs to be shared, we'll share. But at the same time, if we look at it, UP and Rajasthan volume and the impact of the rated load removal was not very significant on the overall volume of the country for t otal industry volume as well as for Ashok Leyland. Here, the norms I woul is that — are only going to — if what we hear and what the analysis that we have — and believe me, I've failed to mention the most important thing. This rated load — I mean, the revised GVW norms are based on a study of — that's what the government says, of 10,000 vehicles. And we have found that overload is predominantly there and that is how t hey have increased the norms by about 20%. So y are going to formalize a relationship which existed now, if that is the case. So that's why I'm again saying, if the government — and this government is known for strict implementation also. If there is st implementation on the overloads, I think net-net, it will be favorable for the industry.	ld sa re rou
Hitesh Goel, Kotak Securities Limited, Research Division - Associate Director & Automobile Analyst [9]	
Okay. Just a final question on this point, I just wanted to understand the investor concern also on the is it basically like Marutis and HULs, they have a specific requirement of trucks, right, in which the want [facility] to carry load. Does that change with this regulation, all the predefined specifications on the trucks that they can carry? So I would I would believe we will be looking at yes.	пеу
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [10]	
Marutis, Hondas and the other, that's what I mentioned. The car carriers, truck carriers, cement bulkers, oil tankers are all based on volume. So you can't have over-dimension. You can't have a truck a say I'll have over-dimensional cargo. In fact, the government has come back come heavily on over-dimensional cargo, and that is how the truck carriers and fleet the truck carriers I'm sorry, the some motorcycle carriers and car carriers had to reduce the volume of the entire cargo and reduce the number of vehicles that they can carry. So in our estimate at the moment, this is not going to im that. That's why I said, if you look at tipper, if you look at ICV, if you look at volume-based segments like bulkers cement bulkers or oil tankers or truck and I mean, 2-wheeler and car carriers, I don think that, that will form over 50% to 60% of the total industry volume. I don't think that the revised GVW norms are going to impact them at all.	 ipac
Operator [11]	
The next question from the line of Ruchit Mehta from SBI Mutual Funds.	
Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [12]	
Just extending this subject. Would you need to also upgrade some of the engine capacities, particularly at the higher end or wherever the maximum delta in the load weight has happened?	
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [13]	
I don't believe so. See, we may have to it may we may have to make some adjustments to torque, et cetera, if it goes really top of tops. But I think the predominant range is what our guys, when we had the discussion, was that the more than the engines, it is going to be the tires, and the tires, the drive train and the chassis that will be but not and the brakes also. Not the engine purely.	ve
Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [14]	
Okay. So from today onwards, right, I mean, logically, any buyer of a truck wouldn't want to buy any truck because effectivel y, in a few weeks or a few months' time, he would get a truck which maybe what about 5%, 10% extra cost but 25% higher payload. So do you see in our phase where you need to really sort of crank out a II the products as fast as possible with the new norms? And how fast car get the entire fleet [repromulgated] to the new standards?	
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [15]	
Well, I expect the following: I think short term, in a month or 2, I don't know whether it's a month or a month or 2 because we have to get clarity on the norms. The government is still not clear whether retrospective or prospective and exactly how the certification process is going to happen. You would see a certain style if I were an average fleet operator, I'll say, "No, let me not let me just hold a not buy the truck now." So you are going to see it. But whether that will happen, it whether it is going to happen in across, I have my doubts. So you actually what we'll see actually happening is the tippers may continue to grow. The tipper demand may not grow because it's an overload segment anyway. But there are certa in sectors like 3718 where things can slow down a bit before they get picked up again. So net-net, to answer your question, very simply, I would see some downside in the demand for the next 30 to 45 days. Once the CMVR approvals come and everything starts moving, Then after that, it becomes easier, yes.	and tha t
Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [16]	
Okay. But what is the time line for your promulgation? I mean, for you internally to get the product ready and then to give it to the area to [promulgate], I mean, from scratch, what is the time line? W are we looking at?	/hat
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [17]	
That's what I said. It will take about 3 to 4 weeks.	
Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [18]	
3 to 4 weeks. Okay.	
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [19]	
That is standard rate to timing of the approvals.	

Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [20]
Okay. And just one clarification. You mentioned a couple of times that you're not sure whether this is applicable retrospective or not, but there is sufficient social media posts, including from [what Koreans] are talking about that you know, they can't monitor this on the exiting fleet and why not let them also allow to have it be higher loading, so is that sufficient
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [21]
Can you repeat your question, Please? I'm sorry, I missed it.
Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [22]
I'm saying a couple of times you've mentioned on this call that you need clarity on whether these new norms are applicable re trospectively or not.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [23]
Yes.
Ruchit Mehta, SBI Funds Management Private Limited - Analyst & Fund Manager [24]
But since yesterday evening, there has been quite a few sort of posts on online or on the newspaper, et cetera, where (inaudi ble) has talked about that why not allow the existing street operators to also benefit from this? Is that sufficient enough clarity for you? Or are you still need an official notification on this matter?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [25]
You see there are 2 people who have to get clarity on the subject 2 sets of people. One is the existing fleet owner. The second one is the truck manufacturers. It is more important for the existing fleet operators because based on this, if they start doing overloading. And if there are either physical damages to the vehicle or there is safety issues or if there is if that (inaudible) is capped and there is a challenge, right? The second one is we can't go by newspaper press reports. So we will have to wait for a certain we need to have a clarity on this. Because if the existing fleet operators are going to be allowed to do it, I mean, existing not fleet operators, existing trucks can be allowed to get onto the revised axle norms, we really need to understand how are they going to get certified? Or are they not going to get certified? If they are not getting certified, why should new vehicles be certified? Then you don't require certified at all. It defeats the purpose of a certification, right? So we I really don't know. See, that's why I said, there are certain aspects of it where we are really not clear, how is this going to happen beca use the government which is the [bad guy]. That's why I've said if it had been consulted even if we had had a glide part to it, we could have clarity on this implementation, right? Otherwise, it is still possible that somebody will buy an old truck and then say that, "No, I'll load the 25% on it." That's also possible. So hopefully, the government sees. We are just hoping because initially what they said the government said is, it is only prospective, right? Now there has been newspaper reports with I would prudently wait for a circular from the government instead of relying on respective reports because they are not formal systems of communication.
Operator [26]
The next question is from the line of (inaudible)from Axis Mutual Funds.
Unidentified Analyst, [27]
Just wanted to ask if you read the notification, it says very clearly, that it is prospective, so there should not be any con fusion on it because the GVW has to be [lowest of] notified by the government or as declared by truck manufacturer, right?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [28]
Yes.
Unidentified Analyst, [29]
But it is certified. So from that perspectives, legally, very clear that it only prospective now. My question is that if you have to now start getting into new regime of new models, high-end GVW and you said that 3- to 4-week is required for designing the product.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [30]
Not designing, for approving the product.
Unidentified Analyst, [31]
Okay. How much time it will take for you to design the product and doing whatever minor verification you need to do?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [32]
It depends on — see that's why it's a very difficult process. Maybe it may take 2 weeks. It may take even 3, 4 weeks because it really depends on what is the impact that we're having on the tonnage in each of these axles. So there is — see the very large vehicles will take a little more time, whereas, the smaller vehicles, with the MDVs, will possibly be done faster. So I think we should expect that anywhere between 4 to 8 weeks is what will take for us to sort out. We have to of course, see that's why I'm saying, I have to look at tire vendors, they should be ready with the tires. So they are not — they are saying that they don't have the tires. So there is no point in putting the existing tires and also then changing the spec. Maybe the government may allow it. So we are still talking about an uncertain animal. There's no doubt about that.
Unidentified Analyst, [33]
Look, let's [find the] government are any other aspect. If as a manufacturer, now you want to say that, okay, we were selling a 16-tonner ora 37-tonner. Now let's say for example 16-tonner now becomes a 19-tonner. Then you need to design them officially, which can be certified with your standards as a 19-tonner vehicle. With everything being done, what would be the time line, when would you be ready for production, commercial production?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [34]
That's what I said, 4 to 8 weeks.
Unidentified Analyst, [35]
4 to 8 weeks. So it's certainly a short time. It's not a very long time to take? And how now in this situation you will do de mand?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [36]
No, that's what I'm saying. You are trying to bring in absolute certainty to an uncertain process because, if we say now that the existing tire sizes will be allowed for the higher thing. Because ultimately, we have to get the approval? No, my dear friend. So we will know only when we test the waters. So suppose that it is not happening, then it is not 4 to 8 weeks. I have to go back to tire manufacturer, they should have the molds for it. They should have the capacity for it. It's not an Ashok Leyland problem. It is an industry prob lem. Then maybe it may take 3 months also for a particular type. I don't know. So that is what I'm saying. See, it is just 48 hours since the notification has come. So in 48 hours, I can't really say that, no, in 4 weeks, I'll get it or in 8 weeks I'll get it. It's an assumption at the moment that between 4 to 8 weeks, we can close the matter for a predominant part of the vehicles.

Okay, okay. Now second question is -- maybe it's slightly weird and kind of not very sure how to answer it. But now in this new environment, how you will do demand forecasting? Because the inventory management will become -- let's say there are minor changes in the kind of vehicle that you want to produce. So which one to produce: 16-tonner, 19-tonner. Which model to produce? Would it be too difficult your inventory level will go up or...

Unidentified Analyst, [37]

Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [38]		
See, I'll tell you, it's not a weird question. It's a most practical and insightful question. We are — I'm sharing with you, so we are actually producing certain types of vehicles. We are not producing certain type of vehicles now, and we have to ensure that we are able to — we are — you know, we are able to — what should we say, ensure that inventory pileup does not happen because certain vehicles don't get picked up. So we have to look at multiple options when you are doing it, and demand forecasting will happen only from the ground like it happened so we'll — our guys will have to be staying closer to our dealers and with our fleet operators are — as we speak, we are getting in touch with larger fleet operators, getting their insights into this what they feel about it be cause they may have a completely different view on this entire modification, right? So I think a lot more clarity will come a week from now.		
Unidentified Analyst, [39]		
And sir, last thing from my side. If possible, is there an upgrade possible for, let's say, like minor changes from an existing 16-tonner to a 19-tonner?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [40]		
Can you repeat your question, please?		
Unidentified Analyst, [41]		
Is there any upgrade possible at factory level from, let's say, an existing model, which is a 16 tonner, which moves to 18-tonner or 19-tonner?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [42]		
Yes, an upgrade will happen. It's not that we're going to produce a new vehicle. See we'll have to look at wheel base. We'll have to look at the tire size. We'll have to look at the steering. We'll have to look at the chassis. If there is a switch required, then there's something [call it a switch] that we may have to put on the chass is.		
Operator [43]		
The next question is from the line of Prateek Poddar from ICICI Prudential.		
Prateek Poddar, [44]		
Just taking a bit from the axle load question. Two questions. One is, could you just talk a bit about the competitive intensi ty? And when I look numbers, I'm not sure, but there's some loss of market share for Ashok Leyland. So where is it where you draw the boundary line and you say because others can be irrational, where is it where you draw the boundary line, and say, you know what, now market share is more important to me than profitability? Is that something in your mind as of now? Could you just talk a bit about that?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [45]		
Yes, we are actually you are absolutely correct. We have to draw good we have to draw between cash flow, profitably and market share. So we have lost market share of about 4.5% in the current quarter. Our market share for truck and bus put together is about 30.2%. But what has happened is we have gained in the bus market share. We have gained by 4.3% of our market share, and trucks is 40.7%. And market share in truck was 28.8%. We are 5.6% lower than same quarter last year. But that reason was because the ma ke of it, the weight of truck is heavier on the overall mix. Having said that, you see the basic point comes like this. We will not do a deal where see, there is market share, there is revenue, there is profitability and then there is ROC and there is cash flows. What we will not do very clearly is we will not do a deal where I could do negative margin, first. I'm not going to sell anything below variable cost. It doesn't make sense, right? So that is something that we will not do sensing in the son variable cost to a standard level of gross margin, we take decisions based on the criticality of the customer and the volume. So I'm not going to chase the ones and twos with very, very low pricing. Doesn't make sense at all. You will only discount your way and set that new you will set that new hurdle lower hurdle rate for yourself as we move forward. So here, you have to and then a third thing is we don't do credit push. We have not pushed us talking to the channel. We possibly will not do it becau se, if we had pushed it, I could have gained some market share by selling more and do not bother about the retails. We have a close eye on the retails also. See, that has helped us in times of difficulty also. We look at it the whole BS III to BS IV. We got off with negligible impact because we had not pushed inventory into the channel. Now so if you ask me, are we not focused on market share? Of course we are focused on market share. Otherwise, how do you think as a company, were going to move fro		
Prateek Poddar, [46]		
Understood. So by the year-end, I mean, can we — or your intention would be to gain back some of this? I will say this quarter or whatever market share you are at, that would be the lowest, is that what		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [47]		
Let's hope so. I don't give out outlook, but let's hope so. Let me put it this way. Our interest is not — we don't have discussions saying, "Okay, let's look at profits, guys. Don't worry about the market share." No, no. We say, "Our market share is [big]. So how do we get this back? Oh, is what we have to do. Can we do this? Can we do this? Okay, we won't do this. And how do we gain the market share back?" So hopefully, you will see that our market share in the subsequent 8 to 9 months will actually [move upwards.]		
Operator [48]		
(Operator Instructions) Our next question is from the line of (inaudible) from Sundaram Mutual Fund.		
Unidentified Analyst, [49]		
Sir, in the LCV segment, more than the 6 to 7.5 tonne segment, will the device norms be applicable? Of course, this is a very small segment in the in the overall		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [50]		
I don't believe so. We are waiting for clarity on that. I don't believe so.		
Unidentified Analyst, [51]		
Okay, Okay, Sir. And in this quarter, are the LCV subsidiaries fully consolidated in the results? How is the EBITDA margin performance in the LCV business currently?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [52]		
Can you please repeat your question?		
Unidentified Analyst, [53]		
Sir, the LCV business [there will be some] joint ventures as well as (inaudible) some joint ventures. Are they fully consolid ated in this quarter?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [54]		
No, we don't publish consolidated results. The results are stand -alone.		

Stand-alone? Okay. So how is the margin performance in the LCV business now, sir?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [56]
I think the LCV business has been doing very well. If you look at last year, the full year PAT, we have actually become PAT p ositive in the LCV business. Doing very, very well, the gross margins are even better than the MHCV business. I think this is the business which seems very, very positive for us, doing a great — it is in the smartest turnaround that we have seen, both — I would say LCV and HFL which the markets were worried about, are doing exceptionally well. Except for the last quarter, actually due to 5% EBITDA. I mean, last year, we had a 5% EBITDA, a far cry from the negative EBITDA that it was posting. So LCV business also has become completely profitable at PAT level, not just EBITDA.
Unidentified Analyst, [57]
Okay, okay. Sir, in terms of (inaudible) a very sharp increase in commodity prices. But if we see the gross margin performance has been very strong this quarter. So is there an element of mix in terms of maybe difference in spares this quarter if you can throw some light on that, sir?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [58]
I think our aftermarket and our aftermarket has been growing at nearly 28%, which is very good. I think last year, the full year was about 20%. But we have actually seen the aftermarket in the current quarter actually growing at about, I think about 28%-or-so. So it's been a good growth. Our exports are forming roughly about 9% of our revenues. That has posted again I think about nearly 24% growth in our revenues. And LCV, of course, had gained market share. It has moved from 15% to 16%, posted a 34% growth. What else did you ask for? So I think most of the business
Unidentified Analyst, [59]
(inaudible)
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [60]
Reasonably well.
Unidentified Analyst, [61]
Yes. So what would be the mix [difference] this quarter, sir, as a percentage of revenues?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [62]
Difference today. I mean, this quarter was not very high. It was hardly about 3% to 4%. Typically, it's about 6% to 7%.
Unidentified Analyst, [63]
Okay, okay, Okay. Sir, one last question if I may. Sir, are you
Operator [64]
Sorry to interrupt, Mr. (inaudible). Sir, may we request that you return to the question queue? The next question is from the line of Sonal Gupta from UBS Securities.
Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [65]
Just continuing with the theme. What was the share of domestic trucks and buses in revenues if you could give that for the quarter?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [66]
Domestic truck. See, we don't actually completely give a complete breakdown of seeing whether let me give this. Our truck revenues were roughly about 62% of our revenues. Bus was at 8% to at over 9% to 10%.
Sonal Gupta, UBS Investment Bank, Research Division - Director and Research Analyst [67]
Okay. And sir, just in terms of what is the CapEx that we expect for this year and next year, I mean, given
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [68]
Well, we'll — at the moment, we'll take it year by year. But I think this year, we possibly will go to a max of over INR 1,000 crores, pred ominately into LCV business, which I talked about earlier in the previous quarter also. Then, the second we have is in electric vehicles. The third one is what we have — we continue to invest in the modular vehicle program, which is very important. And then you have [residue] re CapEx also. We — I think our manufacturing will require a lot of debottlenecking, and so we are — we are doing on that residue CapEx also. So overall, I think it will be about INR 1,000 crores.
Operator [69]
The next question is from the line of (inaudible) from Axis Mutual Fund.
Unidentified Analyst, [70]
Sir, I have a question on your BS VI, which you have done recently [divert] you know. And you have a successful on BS IV with your EGR technology. So going forward, will you change the technology to SCR? Or will you remain on EGR and you work on it? And because of this, what do you see are prebuying and where you see the s crappage will come the sale will come to us because of scrappage?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [71]
Okay. You actually asked 2 questions. One is about BS VI strategy, second one is on scrappage. So let me answer. The BS VI, u Itimately, the level of NOx and emissions that we need to have for BS VI would require SCR technology. We can't do it with EGR alone. You're right, [you go] up to BS IV, we can do that. But at BS VI level, you would require selective catalytic reduction because what you require is, after the engine manifests, you would require a digital oxidation catalyst, then we have the other EATS boxes as we call it, exhaus t aftertreatment systems. And then, you have the selective catalytic reduction urea dosing that's required to ensure that the NOx emissions are significantly reduced. So we have our company called Albonai r from which we can sort the urea dosing systems and then we have tie-ups with other companies for the EATS, the exhaust aftertreatment system. So we are very much on track on the Euro VI.
Unidentified Analyst, [72]
And on the scrappage, sir?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [73]
Scrappage I think is expected on 2020/'21. That's what the government is saying. And that is a good timing because what happe ns is immediately after '19/'20, you're going to hopefully see a lot of prebuy for Euro VI. So when that prebuy happens, Euro then 2020/'21, will see a little bit of a reduction in demand because there'll be an exhaustion after the prebuy. At that point in time, if the scrappage policy has come, then that should introduce about 200,000 to 300,000 units into the market because the scrappage policy was made att ractive, will reduce demand from the market.
Unidentified Analyst, [74]
Sir, because of this BS VI, do you see a heavy prebuying or it will be a standard one, it's happening BS IV?

Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [75]		
I don't know, but I expect the prebuy to be quite heavy, because the vehicles will become costlier.		
Operator [76]		
The next question is from the line of Ashish Nigam from Axis Capital.		
Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [77]		
Just a clarification, Gopal. This INR 1,000 crore CapEx, is only CapEx or it's CapEx plus investments?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [78]		
I think it should be able to fit in into investments also. We'll have to see whether we will have to put some [restorative] investments in Optare because Optare, if you notice the Chairman's statement, is very important and is on the verge of a turnaround. See, I think we just wanted to take this. We've turned around a lot of bu sinesses. So that's important. Even as we grow market share over the last 4 years, 5 years, if you look at it, our market share has grown nearly about 10% over the last 6 years-or-so. Our network has grown from nearly 300 points of presence to nearly about [3,200] points of presence. We have launched a state-of-the-art product, and we have also kind of impaired a lot of investments that have walked out of certain things, acquired the LCV JV from Nissan, closed down the John Deere JV. Impaired Optare, but we are fixing Optare. We have much later felt — and which is now successfully turned around. So we're doing the same thing with top Optare. So Optare may require some funding. We are not too clear how much at the moment, but is it going to be huge money? I don't think so. Maybe about GB P 6 million, GBP 8 million. We expect that INR 1,000 cron will take care of that also. Other than that, we are not seeing any major funding [fusion] actually happening in the subsidia ries at all. In fact, we are also eagerly waiting for — of course, we'll have to wait for the timing of the HFL IPO, there's a price discovery. Because you do know that all investors know that [with HFL] shares are valued in the balance sheet at a significantly lower amount. HLFL. Sorry, no HFL. HLFL, my apologies. Leyland Finance.		
Ashish Nigam, Axis Capital Limited, Research Division - SVP of Automobiles [79]		
And this 200,000 to 300,000 trucks which come up on the scrappage, you are talking about 20 -year-old trucks or is it 15-year-old trucks? How are you seeing that?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [80]		
I'll tell you, beyond to be candid, beyond 15 years is not that much of data. Even between 10 and 15 it's not. So whether it is 15-or-so, I think that these numbers will stick, because I tell you that's what I said. If it is just scrappage, that won't help. The scrap the government has said I mean, it will help but what we will see actually is there is an incentive for scrappage with the government saying that they will give a debate on GST. They are also going to look at INR 100,000 or INR 150,000. At that point, someone would say, "Let me know now dump this old tuck and get a new one because it makes financial advantage for me." I listen to the way to tackle all this. I just put myself into somebody's position and say, "What would I do if I were to do that?" I would say, "Yes, I would sell my truck because I'm getting financial advantage out of this."		
Operator [81]		
The next question is from the line of Basudeb Banerjee from AMBIT Capital.		
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [82]		
So a few things. One in this quarter's numbers. If I see almost INR 928 crores of inventory reversal in the line item? Can yo u explain that, sir?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [83]		
INR 928 crores of?		
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [84]		
Inventory reduction?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [85]		
In this quarter?		
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [86]		
Yes.		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [87]		
There's no I don't know. Where is that		
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [88]		
In the expenses line item that you see, it's in the inventory.		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [89]		
Oh, you're talking about in material cost?		
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [90]		
Yes, sir.		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [91]		
So that is part of the material consumption because what had happened is you have the raw material purchased and the net chan ges in [WIP energy.] So that has come as part of the once again, I'll just get		
Unidentified Company Representative, [92]		
(inaudible) total all the 3 line items (inaudible).		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [93]		
I'm actually not clear about what you're meaning by inventory reduction, let me get		
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [94]		
Basically, the quantum		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [95]		

Yes, please?
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [96]
Basically, the quantum looks slightly on the higher side. And if one including that the raw mat total quantum looks on the lower side as [somebody also have?] So is anything special like a consumption old lower cost raw mat inventory on the higher side this quarter?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [97]
No, no. There are no that would that will come as a charge. So it is a normal consumption that is happened here and nothing major around that.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [98]
So taking forward that gross margin like in this quarter with raw mat spend for the overall industry moved up discounting -wise also more or less static for the industry. Mix-wise also nothing much of a change. So any specific reason why the gross margin showed up so much significantly and
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [99]
No, the gross margins hasn't gained because of the mix that has happened. You see from last year onwards, what has happened is, especially in the second half, that tipper volumes have started to go up right? The higher tonnage vehicles have started to go up.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [100]
Sir, if I look at sequentially, sir, because the whole higher tonnage product mix increase already was there for the second half of the year.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [101]
Yes.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [102]
So on a sequential basis, it has moved up significantly?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [103]
No, the other thing has been — there are 2 other reasons. One is also we have taken price revisions, right? So the impact of price revisions starts coming in, like for example, when I do a price revision in t month of January or a later part of it, the impact of the full price revisions start coming in the month of April, May, June. And similarly, we had another additional price revision happening in the month of April, 1st of April.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [104]
But your blended ASP on a sequential basis, in fact, is slightly lower. And you can mix your
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [105]
You can never do that. That's what I'm saying. Because what happens, as you see, there has also been a higher profitability on the LCV side. The LCV profitability has improved significantly.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [106]
Sure, sir. So like, now your LCV scale is almost what, 4-odd-thousand per month. At what level one can expect that your LCV margin will be better than your [restorative] LCV portfolio margin because it's also from [it's in our] operating leverage?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [107]
Can you just repeat your question again? Sorry, there was a line cut.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [108]
Sir, at present levels of scale of LCV at 4,000 per month, at what level of that run rate one can expect that the operating I everage will be good enough to make the LCV margin at par with this top portfolio or even better than that?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [109]
LCV margin is actually as good as the current portfolio margin. We have already accretive to the overall results.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [110]
At EBITDA level, it's at per month in with the rest of portfolio.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [111]
At EBITDA margin, we're almost close to that. That 4,500 levels will be even better than — it is because the truck side is small, the investments are also small. Even the investment that we've done on the LCV business is quite depreciated now, right?
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [112]
Yes.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [113]
And the gross margins or actually the gross margins are all variable or better than the heavy commercial vehicle. Yes, that's why I said, it's a very smart turnaround that has happened. And the cost itself has been even smaller operations slightly less smaller set of people. So why the revenues are, what, INR 2,000 crores, INR 2,500 crores per annum. There still the margins a re getting now better.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [114]
Sure, sir. And last question, like after Pantnagar addition, there hasn't been any major capacity addition. So where we'll be reaching almost to full utilizing in the LCV for [1 lakh 80 thousand] volume in the next 2 years' time. So when do we see the next greenfield MHCV capacity addition when can the CapEx start to
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [115]
I don't think we will have any large — I don't think we will have any large greenfield additions. I think that
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [116]
Because if are you saying that scrappage policy [to let] plus demand coming up from FY '21, then you might run short of capacity by then, sir?

Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [117]
No. But not in all segments. You see, for example, in my JV capacity, I don't see that's why I said this is a little more complex. Your question is interesting, but we are also looking at modular vehicle program that we are going to bring in commonality of parts, okay? The second thing is we were required, like for example, the re was a [paying] capacity that we needed to increase which we have done, right? And similarly, we may require something in rough machining which may be added. So we are continuously on debottlenecking plus we require facilities in [CAD] facility and bus body building, which we have done now. For example, the Andhra facility we are putting up a bus body building there. Bus assembly, not bus body building alone. Bus assembly facility there. So we will continue to debottleneck, but you're not going to see some single short of INR 3,000 crores of CapEx anywhere.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [118]
So theoretically for like [1 lakh 80] MHCV capacity, based on a debottleneck basis, how much one can assume that can move up potentially because of all these activities which you're taking?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [119]
I think we can go to about another 10% to 20% more, excluding LCV.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [120]
That is [2 20] without much of CapEx?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [121]
Yes. I'm saying without much significant chunky CapEx like 2,000 to 3,000.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [122]
Sure, sure. Yes, around INR 400 crores, INR 500 crores
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [123]
For a company of this size, I'm telling you, which is including new initiatives like LCV because you're now going to [the ref ab of]the growth is quite 7 years old. And then if you look at electric vehicle and al that, this size of CapEx is very, very normal, very, very tight.
Basudeb Banerjee, AMBIT Capital Private Limited, Research Division - Research Analyst & VP [124]
Surely, sir, the kind of working capital reduction and well free cash flow generation, INR 1,000 crores of CapEx per annum wo n't be that much impactful.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [125]
Yes, yes
Operator [126]
The next question is from the line of (inaudible) from Birla Mutual Fund.
Unidentified Analyst, [127]
My question was with respect to the product mix as you mentioned earlier.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [128]
Can you be a little louder?
Unidentified Analyst, [129]
Can you hear me now, sir?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [130]
Yes.
Unidentified Analyst, [131]
My question was more with respect to the product mix. As you see in the last 1, 1.5 years, you have seen the tonnage moving u p, which is earlier seen as visualizations going up. With this new norms coming up, especially with the overloading, do you think the demand would probably shift to the a lower tonnage vehicle?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [132]
The shift will be I'm sorry, but I'm not able to hear what you're saying. This shift will be to lower tonnage vehicles?
Unidentified Analyst, [133]
Yes, because now they're loading — they're tonner capacity has gone up by 20%, 25%, so rather than buying the 37-tonner, I would probably buy a 31-tonner. Do you see that kind of a shift in demand happening? So
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [134]
No, I don't think so.
Unidentified Analyst, [135]
(inaudible) may not get impacted, but on a tonnage-wise, it can come off?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [136]
I don't think so because, you see, what is going to happen is the, what shall we say? The India is an overloading country only at the moment. So people so what the government is saying is after examining 10,000 trucks after examining 10,000 trucks, what is happening is that the they defined that there is an overloading norm, which is which has to be recognized, which is what they have done. So a guy who will bring transporting with an overload will actually a guy who has, what shall we say, who has been transporting on overloading norm so he will only want to buy a truck which is going to transport that size of vehicle. He's is not going to I mean, that size of goods. He's not going to come down and say "No, let me buy a lower tonnage truck." You understand this? Somebody was carrying 100, and he was actually doing 120. Now what the norms are going to do, they're going to regulate 120, right? So he is not going to say, "No, let me go and buy 100 because the new norm is 120.' That is why I'm saying see the impact of this has been very, very it's been looked at as a big hit. I don't think so. It's like formalizing an informal arrangement which is already there.
Operator [137]

The next question is from the line of Kapil Singh from Nomura Securities.
Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [138]
I just wanted to know, has there been any discussion with the manufacturers that their trucks are capable of carrying 20%, 25 % higher loads because of the interview from the minister seemed to mention that?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [139]
No, I'm sorry, can you repeat your question again?
Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [140]
Has there been any discussion between the government and the manufacturer that the existing trucks are capable of carrying 20 % to 25% higher?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [141]
No, there has been no discussion. This is the news that has come up only yesterday. We'll have to see with the formal announc ement. In fact, this entire rollout is, that's why I mentioned at the beginning, if the rollout had been consulted and was conservatively done with the industry we could have had glide pass through it and e nsure a smooth transition, which unfortunately did not happen.
Kapil R. Singh, Nomura Securities Co. Ltd., Research Division - Auto Analyst [142]
But ultimately, this is going to include the payment implementation because how practically anybody is going to even if it was prospective, how practically anybody can identify that this is a truck manufacturer after 16th of July or before that?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [143]
I agree with you.
Operator [144]
We take the next question from the line of Aditya Ahluwalia from Invesco Hong Kong.
Aditya Ahluwalia, [145]
Just regarding the price hikes relating to commodity costs. Are we through with those? Or do we still look to take some more hikes to pass on the commodity cost increases?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [146]
See, if the commodity prices increase, then I think we will have to take hikes because there is no other choice. We'll have to look at how steel prices predominantly, the steel prices, so steel prices we'll have to see how it goes up or how it moves. See, there are some indications that we are getting from experts in the market that steel prices will come off a bit in the second half of the year. That's good news for the current industry.
Aditya Ahluwalia, [147]
Right. So whatever has happened has already been passed on?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [148]
Yes, yes. Predominantly.
Aditya Ahluwalia, [149]
Right. If you see some that are
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [150]
Yes, go ahead. Okay, go ahead, please. Sorry, go ahead.
Aditya Ahluwalia, [151]
No, no. I'm sorry, please continue on
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [152]
No, what I am saying is these are not actually a straight equation, where it says that my commodity has increased so I'll pass on X percent. What we try to do is actually see whether my net price realizations are improving month-on-month. And then I see what is a net cost impact per truck and see how the margins are getting impacted. The moment the margins are getting impacted, we start to raise prices.
Aditya Ahluwalia, [153]
Sounds good.
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [154]
Yes.
Aditya Ahluwalia, [155]
Yes. On that, if you see some slackening of demand in that people start waiting because of this regulation or for whatever re ason, do you see competitive intensity going up further? Or do you see pressure on margins because of the excess inventory (inaudible) with that?
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [156]
I think competitive strategy will continue to be competitive strategy irrespective of what they believe — I think, if somebody believes in pushing stock into the system or the heavy discounting, I think they will continue to do that. If somebody believes that they have to gain network and engage with the customer better or grow pro fitably, they will continue to do that. I don't think the new axle norms will do that. In fact, there's another theory that's going around. There are so many people now guessing, is if suppose the new norms are also applicable to old vehicles, then we are not even going to see a reduction in demand. The new — the vehicles will report even today if there is clarity and able to say no it is for existing vehicles also, then existing vehicles will be sold as such. See there are so many theories, but as is — we have to really wait on what's on the clarity because one thing that I'm very sure about is that the fear that all of us seem to be having about this is possibly not to the scale that it needs to be. That's my guess.
Aditya Ahluwalia, [157]
Sure, sure. I understand. You mentioned that in the implementation of the overloading is small (inaudible) when things will p robably even be better for the industry than they are right now? What do you think was stopping the implementation as of now? I mean, how can — if it was lack of infrastructure, I think that will still continue to remain. Certain roads did not have these automatic range system, that's

still continuing.		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [158]		
I frankly, do not know. I can make guesses, but I wouldn't want to make a guess, but I think the government has chosen that t his is the most opportune moment to announce and they have announce and they hav		
Aditya Ahluwalia, [159]		
No, I mean my point is that overloading beyond the point with the implementation of stricter enforcement is not as what people are making it sound to be (inaudible) period and now there will be stricter enforcement. How easy is the stricter enforcement is the question?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [160]		
t is not difficult, either. You see there are waves which will send stuff like that among which the entire industry is participating. I mean, the entire industry is not participating, the entire industry is going to — if instructions are given that they have to be implemented, they will be implemented. But there — I mean, it's about how intensely the limitation needs to be. It's not about how impractical it is. If they need to implement it and they say that they're going to fine heavily, then people will follow.		
Aditya Ahluwalia, [161]		
And just one [little thing]. The LCV structure which are not being which are not a part of the stand-alone will become a part of the stand-alone from the next quarter onwards, right?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [162]		
LCV, sorry, family?		
Aditya Ahluwalia, [163]		
LCV subsidiaries ALVL and some subsidiaries which will be not a part of		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [164]		
Yes, of the 3 LCV companies, yes I see.		
Aditya Ahluwalia, [165]		
Yes. They will come from next quarters onwards?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [166]		
No. The margin has to go through a process. We will complete it possibly by the third or fourth quarter.		
Aditya Ahluwalia, [167]		
Okay, so this year the impact won't be (inaudible)?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [168]		
No, this year, the multiple that we hopefully will with the new strategy approvals, we'll have the merged accounts.		
Operator [169]		
The next question is from the line of (inaudible) from CGS CIMB.		
Unidentified Analyst, [170]		
Coming back to the axle load situation		
Operator [171]		
Sorry to interrupt, Mr. (inaudible), can you speak a bit louder? We're not able to hear you.		
Unidentified Analyst, [172]		
Sure. Assuming that this axle loading's for new vehicles, do you think the winning strategy is how fast you introduce to maxi mize this axle load policy, or you feel it's one more variant available to the transport and to clear on it?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [173]		
No, it's not one more because if you have defined the axle load then all the vehicles that we produce in the next few months, will all have to subscribe to the new axle load requirements, no? We can't see that, they can buy vehicles, which are nonconformant, that we'll also have vehicles which are conformant.		
Unidentified Analyst, [174]		
No, I mean to say your existing models will continue, to have those as you were saying with some of the models where the entire loading is not fully exploited?		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [175]		
No, it is not that way. You see that's why it said all of these vehicles will have to now get the ARAI approval.		
Unidentified Analyst, [176]		
Right. So I already want to go to the fullest extent of the load.		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [177]		
Yes, so we have to. That is not about we going. We have to. If somebody's buying a 20-tonner, for example, or a 27-tonner and then they say that 27-tonner can now go for say 10% more, which means it will come to 30 tonner, the existing vehicle will have an ARAI approval for only 27 tonnes. So that has to be approved for 30 tonnes. Otherwise, you can't carry 30 tonnes.		
Unidentified Analyst, [178]		
So it has to be that how fast you come out with those new models and		
Gopal Mahadevan, Ashok Leyland Limited - President of Finance & CFO [179]		
Yes, yes. Absolutely. So we will do that as efficiently as anybody else.		

Unidentified Analyst, [180]		
Okay. And second, if the norms apply for the entire fleet on the	ne road, do you think any of your warranty provisions, which ar e built in, can drastically change?	
Gopal Mahadevan, Ashok Leyland Limited - President of Finar	nce & CFO [181]	
It will, so then we will have to look at it, that the warranty wil now, but the vehicle is to not to be used only for a particula	I be applicable only for the old norms. If we have given warranty as for stand-alone, I can't give warranty for a higher load also. It maybe legal ar application.	
Unidentified Analyst, [182]		
So, yes, it will be those		
Gopal Mahadevan, Ashok Leyland Limited - President of Finar	nce & CFO [183]	
We will continue with our existing norms.		
Operator [184]		
	the conference over to the management for their closing comments .	
Gopal Mahadevan, Ashok Leyland Limited - President of Finan	nce & CFO [185]	
I don't yes, so I think I would only add one thing. I think you have seen the performance of the company, and I think we have done be tter than what the circumstances required and been very happy with the performance of the company. The second thing is, with respect to I think the axle load where there seems to be a lot of concern, I don't think the concerns are, at the moment, required to be at or at least the concern seems to be quite significant without us understanding the impact of this. And as I see it, to conclude, I think the impact on nearly 50% to 60% of the existing volume of the industry will not will be very, very minimal like what I mentioned the tippers or the ICVs or the bulkers. On the rest of it, we'll have to figure out how the government is going to look at it. And even if we have to increase the load, I don't think that this is going to make a major dent into the overall volumes of the industry. In fact, at the moment, I would say that, while it's very, very difficult to forecast, if the government, I mean, if the GDP were to grow and the government were to continue making investments into infrastructure, I think the industry will grow at about 8% to 10%. Most importantly, what we must remember, which I think people are possibly need to be convinced about is that the market is already an overload market. So what we are doing is only formalizin g something which is there. And I'm not setting it. This is what the government has stated that they have looked at about 10,000 trucks and looked at the overloading pattern and decided that this is how it is to be formalized, so I don't see a demand for trucks coming off. So I just wanted to share this, I mean, leave are perspective with you, and I'm now handing it over back to Jinesh.		
Operator [186]		
Hello, Jinesh. Would like to add any closing comments?		
Jinesh K. Gandhi, Motilal Oswal Securities Limited, Research D	Division - SVP of Equity Research [187]	
I'd like to thank the management for taking time out, and tha	nks all the participants for attending this call. Thank you.	
Gopal Mahadevan, Ashok Leyland Limited - President of Finan	nce & CFO [188]	
Thank you very much.		
Operator [189]		

Thank you. Ladies and gentlemen, on behalf of Motilal Oswal Securities, that concludes today's conference. Thank you for join ing us, and you may now disconnect your lines. Thank you.