



August 14, 2024

Online intimation/submission

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001
Security Code: 505200

The Secretary
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No.C/1,
G Block, Bandra Kurla Complex, Bandra (E)
Mumbai-400 051
Symbol: EICHERMOT

Subject: Regulation 30 of the SEBI (LODR) Regulations, 2015 – Transcript of conference call

Dear Sir/Madam,

Further to our letter dated August 1, 2024 intimating the schedule of the conference call held on Thursday, August 8, 2024, please find attached transcript of the aforesaid conference call, held *inter-alia* to discuss financial results for the first quarter ended June 30, 2024, pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015. The same is also available on the website of the Company www.eichermotors.com.

The conference call started after the conclusion of the Board meeting of the Company.

You are requested to take the same on your records.

Thanking you,
For **Eicher Motors Limited**

Atul Sharma
Company Secretary

Encl.: As above



“Eicher Motors Limited
Q1 & FY25 Earnings Conference Call”

August 08, 2024



MANAGEMENT: **MR. SIDDHARTHA LAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – EICHER MOTORS LIMITED**
MR. B GOVINDARAJAN – CHIEF EXECUTIVE OFFICER - ROYAL ENFIELD
MS. VIDHYA SRINIVASAN – CHIEF FINANCIAL OFFICER – EICHER MOTORS LIMITED
MR. VINOD AGRAWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, VE COMMERCIAL VEHICLES LTD

Basudeb Banerjee:

Welcome to Q1 FY '25 Post Result Conference Call of Eicher Motors. Thanks to the management for giving us the opportunity to host the call. We have with us the senior management represented by Mr. Vinod Aggarwal, MD and CEO of VECV; Mr. B. Govindarajan, CEO of Royal Enfield; Ms. Vidhya Srinivasan, Chief Financial Officer at Eicher Motors Limited and the rest of Investor Relations team.

So without wasting any time over to the senior management for their initial comments.

B. Govindarajan:

Hello, everyone. Welcome to the Eicher Motors Limited earnings call for the quarter ended June 30, 2024. Being slightly under the weather, Siddhartha was not able to join the call today. So I will begin with the broad-level EML summary before getting into the updates for Royal Enfield.

After an excellent FY 23-24, we have begun this financial year in a very strong note. We have registered our highest ever quarterly revenue, EBITDA and profit after tax and marked a significant milestone both at Royal Enfield and VE commercial vehicles, which we will go through in a while.

Last week, we released our annual integrated report for EML for FY 23-24. We hope all of you have had a chance to go through it. In addition to the performance and highlights, the report captures our ESG vision and our consistent work and efforts towards achieving it. This year, we have also published the Royal Enfield Sustainability Journal, showcasing a selection of stories from our sustainability journey across our social mission programs and green business operations.

Now coming to the consolidated financial first quarter FY 24-25. Our revenue, EML clocked its highest ever quarterly revenue at ₹4,393 crores, marking a growth of 10.2% over ₹3,986 crores from Q1 of last year. Our EBITDA was at ₹1,165 crores, once again our highest ever quarterly earnings, up by 14.1% from ₹1,021 crores in Q1 last year. EBITDA margin for the quarter stood at 26.5% as against 25.6% last year. PAT at ₹1,101 crores, which includes ₹175 crores of EML share of profit from VECV, up by 20% from ₹918 crores in Q1 last year.

Now I will first talk all through the business highlights for Royal Enfield before I hand over to Mr. Vinod Aggarwal for updates from VECV. As far as Royal Enfield is concerned, after registering a stellar performance in FY24, we have had a good start to FY 24-25. To begin with, let's look at the performance for this quarter.

Our total sales stood at about 2,27,736 motorcycles in this quarter as against 2,25,368 in Q1 FY24. In India, we sold 2,04,686 units in Q1. The retail continues to grow in April to July 2024 for Royal Enfield over last year in the domestic market, despite the dampened consumer sentiments, owing to extreme weather and general elections. Also, we completed the transition to auto replenishment model during this quarter. This helps us to enhance the motorcycle availability to the end consumer, while at the same time, lowering the inventory build-up at the dealership, which we'll also discuss.

In the international markets, our volumes stood at 23,050 units, marking a growth of 26% over last year. Our retail volumes have increased steadily in these markets. Amidst an uncertain macro backdrop, we steadily improved our position in key international markets over the last one year and maintained our market share and position in these markets.

We are now among the top four midweight motorcycle brands in many countries around the world, such as U.K., Italy, Thailand, New Zealand, South Korea, Australia and Continental Europe. We launched the Super Meteor and Himalayan 450 in several international markets now, and these models have garnered excellent response from all our consumers.

Last month, we also launched the Guerrilla 450, our premium Roadster on the Sherpa 450 platform. We had our first global media ride and launch at Barcelona amidst global press and experts. The motorcycle marks a bold evolution in our roadster line-up, designed and developed alongside the Himalayan, our adventure tourer on Sherpa 450 platform, the Guerrilla is an absolutely gorgeous motorcycle. It is unique in design and mechanically characterful. We have had great feedback from World Press and from riding communities across the globe. We've continued to bring engaging rides and events for our community. We have also opened registrations for Motoverse 2024 and have already received thousands of registrations from our communities across the globe.

Earlier this week, we celebrated 20 incredible editions of pure motorcycling by flagging off our most iconic ride Himalayan Odyssey. For two decades, the Royal Enfield Himalayan Odyssey has been more than just a journey. It's been a symbol of adventure and relentless human spirit.

In keeping with our sharp focus on customer centricity, we introduced first-of-its-kind service for our customers, the borderless warranty

program backed by a network of over 3,000+ Royal Enfield authorized service touch points in 70+ countries, this program offers a number of services under warranty across anywhere in the world for our adventurous riders, ensuring convenience and peace of mind.

On our sustainability, social mission and CSR journey, we launched our first green pitstop, Camp Kharu in Ladakh managed by local women. Camp Kharu will help foster local entrepreneurship, environment, sustainability and promote intangible cultural heritage protection, all in a differentiated way. This is the first of many planned in the popular riding roads up in the hills.

On our environmental, social and governance ESG vision, we have made steadfast progress. Over the years, we made significant efforts to design and develop our motorcycles in concurrence with principles of circular economy. Our motorcycles are designed for more than 97.5% of recyclability and reusability and then activities intensely continuing.

Over the years, our plants now consume 36% of electricity from renewable sources and are net water positive to the tune of 2.6x. We are also committed to send no waste to landfills from any of our operations. Looking ahead, we have an exciting year full of new launches after the Guerrilla 450 launch. We are now excited about upcoming new classic launches. We are focused on maintaining this momentum and continuing to grow as per our business plan.

Now I will hand it over to Mr. Vinod Aggarwal to take you through the VECV performance and updates. Over to you, Vinod.

Vinod Aggarwal:

Thank you, Govind. Good evening, everyone. I am happy to inform that at VECV, we recorded our highest ever first quarter sales of 19,702 units in quarter one 2025 financial year. As you have seen, the Indian economy has remained resilient through this period of geopolitical turmoil, elections and monsoons, economic growth, including government investments in infrastructure spending is supporting VECV demand across all key sectors.

VECV continues to maintain its growth momentum in the CV industry with best ever first quarter milestones across all segments. Eicher heavy-duty trucks, we had the highest ever first quarter sales of 4,689 units as against 4,662 units last year first quarter and market share of 8.4% with Eicher brand. Light and medium-duty trucks, our first quarter sales of 7,842 units. Financial year 24 quarter one was 8,308 units, and we had the market share of 34%.

Bus division, we had the highest ever sales of 5,232 units in the first quarter. And financial year quarter one was 4,842 units. Exports in quarter one grew to 1,192 units, registering a robust growth of 57.5% over Q1 of financial year 24. We continue to launch new products and variants addressing market needs. Our small commercial vehicle program showcased at the Bharat Mobility in January is on track with pre-production vehicles undergoing customer trials in real world operations.

During the quarter, VECV also formed a joint venture with iTriangle Infotech, which is now called VE Connected Systems to develop and commercialize next generation surround services linked to the transportation business. This joint venture will leverage our industry first 100% connected vehicle ecosystem and serve as a development factory for segment-specific embedded and digital solutions to serve Eicher customers.

Now coming to VECV's financial performance. For the first quarter, we had the revenues of ₹5,070 crores against ₹4,980 crores last year quarter one. We had EBITDA of ₹384 crores as against ₹387.2 crores last year. Our EBITDA margin in quarter one is 7.7% against 7.9% last year. Our PAT for quarter one is ₹319 crores against ₹180.5 crores last year.

Our PAT has significantly increased because of the write back of deferred tax, because now we have opted for the new tax regime at 25% tax rate. Earlier, we were at 35% tax rate. So the excess tax, which was provided earlier under deferred tax, that has been reversed. Basically, we were continuing under higher tax regime, because we had the unutilized MAT credit. So that credit has been completed last year. That's why now we opted for the current tax regime of 25% tax. So due to that, our PAT for quarter one is much higher than quarter one PAT of last year.

So back to you, Govind.

Basudeb Banerjee:

Thanks, Vinod Sir. Can we start the Q&A session, Anubhav?

Vinod Aggarwal:

Yes, please.

Question-and-Answer Session

Basudeb Banerjee: Yeah. So participants kindly raise your hands to ask questions. So, first question is from Pramod Kumar. Pramod, please unmute yourself.

Pramod Kumar: Thanks a lot for the opportunity. So the first question is on the demand side. I think Govind and Siddhartha, would love to get your insights here. Because what we're seeing is in a very broad-based premiumisation trend across industries and sectors in India, for some reason, the premium motorcycle category as the way you define it, about 250 is not seeing much of a thrust as such, despite entry of Harley, Triumph and even some of your product action as well. So just want to understand, given your extensive customer engagement, what you do, the kind of interaction you guys have at the dealer level and the riding levels as well.

So if you can just help us understand what explains this phenomenon? Is it just affordability, which is kind of really broken here? Or are we seeing downtrading? Or if you can just help, what are your findings when you go check in the market as to what's happening? So that's the first question. Sorry for the long one.

B. Govindarajan: I was expecting that to be the first question, Pramod. Let me just give you the context of the whole thing. India business, what is happening as of now. Currently, the two-wheeler industry and the commuter segments are seeing some very good catch up compared to the COVID time level, because that's what was not catching up. Now it is catching up. We could see it.

In fact, I was just going through the data, to put that straight, we have surpassed the pre-COVID levels in FY 24 itself. While many of the segments are just seeing the growth from the base, which they are catching up. Middleweight, what is happening, the middleweight the entire motorcycle, which has seen only almost about 4 - 4.5 percentage of growth over the first quarter of FY 24.

If I have to say there's so much action, which was there in that middleweight, so many new entrants, a lot of store additions, a lot many actions which were there. In our understanding, it's a period of the whole confusion settling, sometimes the deferment can take place, because there is a bombardment of so much of information, which comes in about as an alternative. But currently, whatever is the claim, which was there I can tell you, I think Royal Enfield was able to do a very good retail. In fact, we are at a low-single-digit in retail during this window. So that's a positive sign, which we are seeing.

When the market is growing, when your retail is better, there is also on the wholesale, probably we could have done more, but we also took a conscious decision because we went in for an auto replenishment model. So the right product at the right location. So we have to do a consolidation of that. And we also have something which is going to happen, very exciting and classic. So the inventory build should not take place in those areas. We were also cautious about it.

As I mentioned, the whole middleweight motorcycle as of now, has to pick the pace with respect to the rest of the motorcycle, which I see with all our actions, which are coming up and the too much of a noise which was there is slightly settling down. Very positive, it will start picking up in a few months' time, Pramod.

Pramod Kumar: So would we still kind of aspire to have a high single-digit growth for the said category as a whole for the year?

B. Govindarajan: I think, yes, directionally, because premiumisation is continuing. And so that's the -- there is no indicator which shows that this will not grow. I'm confident that it is going to actually grow. And our new products, as I mentioned, because the market also had to be grown, which we will be continuously working on. Our Classic, which is going to see a lot of actions where the focus is going to be. On Hunter, we are going to do a lot of brand building exercises. And on top of it, now we have launched the Guerrilla 450. It is just about a week, eight days old in the market, which is also getting a very good traction. That's why I see in the coming months, the growth pattern will be back.

Pramod Kumar: And Govind second question, leading into Guerrilla. So any plans for introducing Guerrilla as a trial product for a lot of your existing riding groups, what you have or which have many of them are voluntary, some of them are run by the dealers. Because there's one feedback which you get from dealers is that what helped RE connect to the customer back in the day during in say IT and other areas was the lending the bike for customers to ride for on experiential basis.

So is there a plan to introduce 450 to the existing customers and see how they respond to that product because that's a very big untapped customer base we have of several million of them, right? And is there a plan to kind of use this product to go back to them because this is something which can be used for commuting, this can be used for touring, has got all the performance is a world-class product in terms of specs. So any plans of rekindling that customer connect in terms of weekend riding and all of that? Are there any plans for that?

B. Govindarajan: Thanks. I mean I don't need to explain, I suppose. Obviously, community connect and making community to enjoy our motorcycles, we always try to find very innovative ways of reaching out to them and give them a frictionless experience of your pure motorcycling. And as you're also mentioning, one such action is also reaching out to them and trying to get them onto the saddle of Guerrilla and they will really enjoy the Sherpa platform's potential, which is there on a Roadster, which will actually help us to tap the market.

Pramod Kumar: And any booking numbers you're saying Govind on this or potential volumes, what you can do once ramp-up is done across domestic export?

B. Govindarajan: K platform as a whole, if I have to tell you Pramod, which is what, six months old, six months young baby, it is almost about 8,000 to 8,500 numbers per month is what we are tracking.

Pramod Kumar: This is just the Himalayan, right? Am I right?

B. Govindarajan: Because Guerrilla is on the ramp-up.

Pramod Kumar: So 8.5 is with Guerrilla, part of Guerrilla or it's excluding Guerrilla?

B. Govindarajan: Part of Guerrilla also.

Pramod Kumar: And if I were to push you on that, Govind, where would you think or at what level, if you don't hit what levels, will it kind of disappoint you?

B. Govindarajan: Look, I think if this question had been asked to us about a few years back, what would be the middleweight total number, and if I had said some numbers, I would have not been very happy because we always felt that the market can be grown.

Our fundamental belief is we can grow the market, and we feel here is -- it's a fantastic platform, which we have created. The first adventure tourer, which we have created, a category in almost about six months of its launch, we have crossed almost 32,000 motorcycle sales as of now, the Himalayan. And now Guerrilla also the same way which we are talking about. We do see there is a good potential for it, but we have to ramp up on the production, so that is also happening. And already we shipped almost 6,000 across India and internationally. The demand is high. It's on a positive note, Pramod.

Pramod Kumar: Thanks a lot. I'll come back in the queue. Thanks a lot.

Basudeb Banerjee: Thanks, Pramod. The next question is from Chandramouli. Please unmute.

Chandramouli Muthiah: Hi, good evening and thank you for taking my questions. My first question is on the VECV PAT number that was discussed. You said that there is a write-back in the deferred tax, which I'm assuming is one-off. But going forward, would it mean that the tax rates on VECV will perpetually be assumed at 25% going forward versus historically, that was 35%. So is that sort of a structural 10% sort of Y-o-Y improvement in profit opportunity in VECV going forward?

Vinod Aggarwal: Yes.

Chandramouli Muthiah: Got it. That's helpful. My second question is related to Guerrilla capacity. So I think over the past couple of quarters, as the Himalayan has been getting introduced into more markets globally, you did mention that you had to keep upgrading production capacity on the Himalayan 450.

So just trying to understand when you are planning production capacity for the Guerrilla, which is slightly more affordable platform, I mean affordable price point on the same Himalayan platform, just trying to understand how you're thinking about production capacity in your current 1.2 million units annual capacity that you have just for these two parts?

B. Govindarajan: No. Overall capacity is 1.2 million Chandramouli, so 1.2 million to 1.3 million because capacity can be modularly increased. As far as the K Sherpa platform, 452cc engine platform. As I mentioned, we are almost clocking 8,000-plus units, and Guerrilla has just got launched. Whereas, in the international markets, it will get launched over the period of time. We are not a company wherein we will put the capital and then wait for it. We will always be looking at, and how they respond and how, do we actually enhance the capacity. But all the actions are there, and that's how it is slowly catching up.

I mean in case I have to tell you, even our 650cc platform from the time when we launched to now and the capacity unlock which has to happen, that also has been consistently happening, and we keep investing on debottlenecking the specific suppliers and ramp-up of production. So we will and we can comfortably supply the K platform also according to the market demand in the next one or two months' time.

Chandramouli Muthiah: Got it. That's helpful. And my last question is on exports. So this seems to be the first quarter of wholesale growth in exports over the

past five quarters. So would you say that the export markets are now turning a corner for us now that we are able to introduce more and more 450 and 650cc models in a broadening range of markets.

B. Govindarajan: Look, I think exports, even still I have to tell you, the sentiments are not the way we are expecting even in the international markets. But what has happened is last year, we had our inventory corrections and all those things which we have done up. And now as I mentioned last call also, we won't look at the wholesale as the primary key indicator for us. We'll always be looking at if there is retail traction. In Q1 FY '25, our retail sales have increased over Q1 FY '24, that's why our wholesale also has been becoming better.

I do see green shoots in the international markets. It's slightly opening up, but we are cautiously optimistic about the international growth, which is coming in time Chandramouli.

Chandramouli Muthiah: Got it. Thank you very much and all the best.

B. Govindarajan: Thank you.

Basudeb Banerjee: Thanks, next, we have a question from Arvind Sharma. Please unmute yourself Arvind.

Arvind Sharma: Yeah, Hi, Good evening Sir, I hope you can hear me. Thanks for taking my questions. First on the Classic since you said the 2024 Classic is coming. Could you share some highlights with us? Is it just cosmetic changes? Or what are the kind of changes that you expect on the new model version?

B. Govindarajan: Look, I think Classic for us, it's a very important product that has actually opened up for our own growth. We had a lot of love, consumers had a lot of love. It is really, really the product which changed the Royal Enfield in the global arena. That hasn't seen any major changes in the model since the launch of the Classic Rebound which we did in 2021, when we were doing the J platform transition.

For the Classic, the brand track study, which we normally do, it is showing it is quite strong across all pockets in India. So if I have to tell you, there are a lot many firms and clones trying to take a stab at it. The model is very resilient and continues to lead the segment. Now what we are looking at is, we are working on very exciting updates, collaborations. You will see all those things getting announced within a short span of time wherein you will see a Royal Enfield is now getting into the Classic in a very different note. So we'll wait for another week or so.

Arvind Sharma: Sure. Thank you. Second would be on the Hunter, had a good volume at first launch, but over the last few quarters, the volumes have kind of stabilised. You did allude to some action there as well. Will it be primarily marketing and pricing driven? Or in the Hunter also, are you planning some update to the product?

B. Govindarajan: Hunter, I think we all know it has created a big mark in the segment and made a very good foothold in the young first-time motorcycle buyers. That's what we were looking for. And the model has a very strong identity of its own, and it is not impacted by the motorcycles of any other brand.

The first time buyer market is a bit muted, as I was mentioning, and we are trying to improve the model's spontaneous awareness because we launched it in August '22. It's almost what? It's about 1.5 years old, a new brand. So there will be a lot of marketing activation activities, which we will see in time to come. But the good news is, and we are constantly working on the product also.

You will see something or the other which is happening even on the Hunter, what sort of a collaboration, which we are doing. In fact, we did a collaboration with Huemn. We did a collaboration with Spotify. And all those collaborations are also really, really helping because it's a brand building exercise, which we have to do to attract the younger consumers who have to come in. So the associations are also getting done in that way. So it is going to be more on brand building, market activation activities and getting the young consumers and first-time buyers to their customers. You will see those actions in the next few months, which are rolling out.

Arvind Sharma: Thanks, Govind. Just one more question, if I may, try my luck here. Apart from the product revamp in Classic, is there any other product that you plan to launch over the next, say, six months to a year? Any white space that you've identified and you want to fill that up?

B. Govindarajan: I'll come back to you, Arvind.

Arvind Sharma: Alright Sir. Thank you so much for taking the questions. That's all from my side.

Basudeb Banerjee: Thanks, Arvind. Next, we have a question from Gunjan. Please unmute yourself.

Gunjan Prithyani: Yeah, thanks for taking my question. I'm going to extend on the same topic which Arvind was getting into. In terms of a lot of actions, I

think what you spoke about Hunter and Classic is again, a lot of thought around brand building. I mean there's no doubt that this brand is very, very credible. And what you've done is it's difficult to replicate. But what I'm trying to get at is how do you get the customer to convert.

There is interest in the brand. So what is it beyond these refreshes that we're looking at over the next and my question is not six months - I'm just wondering from next two, three year perspective, how should the product portfolio change so that we can be very confident about double-digit growth?

B. Govindarajan:

Well, Gunjan, I think it's a very pertinent question for a brand which has got launched, where do we see how it is growing? Probably, I have to give it with an example. Any brand or any of the genre which we develop, let me take the Himalayan as an example. In 2014, when we launched, at that point of time, the category was not there. People are not able to relate to. And when we were doing it, we took almost just about sharing the number on the Himalayan sale, right, the Sherpa platform. It took 37 months for us to cross 30,000 numbers. We were building the brand, we were trying to see.

Now when we launched the new Himalayan, we crossed the 32,000 mark in flat six months. Now you can see it takes time to build the brand. But when you're building it, then what happens is the growth comes in at a disproportionate level. Hunter, as a product, we wanted to attract the young consumers and first time people who are not the Royal Enfield regular customers who are looking for the brand Royal Enfield in a different format. That's what we brought in Hunter. I think it has given us quite a good start and a sustenance.

Now what is more important is that when we do the brand track study in all those areas, in the rural market, still the brand salience is to be improved. So we have to do a lot many activities in the brand building. Second, in the urban market, what we are trying to do is now we are working with all the colleges and having a college connect to the young people. Thereby, they can get into the motorcycle, and there are different methodologies with which we are trying to work around to get the College Connect as a major program.

And the Hunter second tier is also going to be getting over. You will see the Hunter right across the country. So thereby, more attractions have to come in and the collaboration, which is required for the youngsters to relate to, that yes, I relate to the product. So it's a brand-building exercise one has to do.

But the belief is that this product, the way we wanted to land, has landed. It started getting us, the young consumers, first-time people. And that set is very huge. So let's continue our work in a sharper way, which eventually will get us a good number. That's the belief, and I think it is showing signs, Gunjan.

Gunjan Prithyani: That's quite helpful. I think Hunter clearly has a lot more potential. So we'll watch out for the scale up there. My second question was on the Guerrilla numbers that you mentioned and maybe I got them wrong, 8,000 - 8,500 for the Sherpa platform. Now this includes the Himalayan and a little bit of ramp up that you would have seen for Guerrilla. Is that understanding right? So my sense is 6,000 was the typical run rate that we were seeing for Himalayan. And incrementally, we are now in the ramp-up stage for Guerrilla. That's the way to think about it?

B. Govindarajan: Yes, you're right. And it is about a week to 10 days old in the market.

Gunjan Prithyani: Yes. Okay. Got it. And is there any insights to share as to how this product has landed or how you are trying to position this? Is it the mix of enquiries that you're seeing are people who are buying Royal Enfield for the first time? Or is it replacement, which is where this is landing more. So some thoughts on the positioning of the product from your perspective?

B. Govindarajan: It is a very early stage to say whether there are old timers, I mean, the existing consumers are upgrading or the new guys are coming in. But I can tell you, in the world when there are so many roadsters not having an identity, Guerrilla has brought in an identity for itself. And the start is very strong, and the reviews by all the people who rode the motorcycles, I'm sure you all would have seen it. It's all across the globe, it's very good. And it is on the Sherpa 450 potent platform. So it's a roadster and it's a take from Royal Enfield type of a roadster. You will see that positive trend, which is coming up in the Guerrilla, Gunjan.

Gunjan Prithyani: Okay, last question...

Basudeb Banerjee: Thanks, Gunjan. Please come back in the queue.

Gunjan Prithyani: No problem.

Basudeb Banerjee: So next, we have a question from Kapil Singh. Kapil, please unmute.

- Kapil Singh:** Thank you sir for the opportunity. Just one question on, we saw a very good improvement in the average selling prices. So if you could share some colour there, was it driven purely by mix? Or you're seeing higher growth in spare parts and accessories? Some colour there? And also now that if you could also talk about the increase in pricing or commodity movement that you would have seen recently.
- B. Govindarajan:** Yes, Vidhya.
- Vidhya Srinivasan:** So Kapil, so I think as you rightly surmised, I think the growth in selling price is a function of two, three things. One is, of course, the product mix, because we have greater than 350cc that share is going up. And also, we've had an increase in the share of international markets, which also is kind of contributing. So it's a combination of these two factors, which is driving up ASP. We have not taken any price increases, as you know. As far as commodities are concerned, I think we've got an impact of about 0.6% as far as commodities are concerned. So that benefit is flowing through in the GC.
- Kapil Singh:** Great. And just on the spare parts and accessories, that is...
- Vidhya Srinivasan:** Yes. I think the share of spare parts and accessories are doing well continues to be trending at around 15%. So that also obviously, but not necessarily on an ASP level, but certainly it helps us from a GC standpoint.
- Kapil Singh:** Great. And the second or more broader question on the demand. There were some factors that you mentioned in the first quarter, like elections and heat waves that affected demand. So now that all of these factors are over, is there some kind of improvement in demand that you're noticing? And also, last time, we talked about double-digit growth for the middleweight segment. This time, we were talking about single-digits. So has there been some change in growth expectations?
- B. Govindarajan:** There's no change in the growth expectation per se. As I mentioned, the middleweight in the first quarter. You all know there are so much of noises and actions which are there. It's all settling down. And our new products like Guerrilla, which is going to hit the market now festive season is catching up. We are going to do a lot many work on Classic. We have a lot of brand building activities and market activation activities, which are picking up in Hunter and in Meteor and all the products are GT cup, which has happened, which has brought in quite a good eyeball and interest on the Continental GT. So all those, which tends to make me think and believe confidently that the

market is going to come back within a short time at a good growth rate.

Kapil Singh: Thank you so much. Have a good evening.

Basudeb Banerjee: Thanks, Kapil. Next, we have a question from Raghunandan. Please unmute yourself.

Raghunandhan NL: Good evening Sir. Thanks for the opportunity. Firstly, on the Bullet volumes, there has been some decline YTD. How do you see the improvement here in the future? New generation Bullet, how are people accepting the product? Are there any worries relating to higher pricing of the new generation, removal of kickstart or the design? Just trying to understand what is restricting the acceptance here?

B. Govindarajan: Raghu, for Bullet, when we launched, there were always these discussions, which would come and we launched. It really had a very good start, and it had a good acceptance of the new Bullet in South, East, Central, and West regions. There are a few regions, which used to be the bastion market for the Bullet. There, we saw a little bit of slowness in the growth of Bullet, because that's where the Bullet is very important also for us.

Then we did a deep dive and we understood that there is a product intervention, which is required for those sort of bastion markets, which we have already started working on, and it will all be there well before the festive season in those markets also. So you will see the Bullet also picking back to the growth, which we launched. But I must tell you, Bullet in the market, which was not doing well, especially in UP, Maharashtra, where we've really wanted to get acceptance. It has really increased and acceptance has been very good.

Raghunandhan NL: And on the exports outlook, which regions are currently doing well for you and which regions are yet to recover? And also, if you can remind the broad breakup of exports across Europe, North America, and Asia?

B. Govindarajan: In the international markets, especially LatAm is doing very well because our CKD plant is also fully in operation. And Europe started showing good signs. That's another one market. APAC is just picking up. Individual areas, we can send you the numbers, but our market share in those areas, as I mentioned, retails have been very good. It's in the high-single digits, and that is continuing.

And we are seeing a green shoot in the international markets. And also in the international market, I have to give you a bit more

understanding for everyone is what happens is, in fact, our Super Meteor, which we launched almost about a year back, we are just launching in a high number markets like Brazil and all, because it takes time for the homologation, different things which are there. We have to time the market. There is a riding season, non-riding season all together. So our products will be entering into those markets only from now on. So to that extent, the international market, I see the growth is going to be better in this year.

Raghunandhan NL: Thank you. To Vinod, if you can talk about the CV industry volume outlook, Q1 had some impact of elections. How are you seeing the demand for the rest of the year? And Eicher has been doing well on the market share part. How do you see the focus on market share gains and also your thoughts on the current level of discounts?

Vinod Aggarwal: As far as the commercial vehicle market is concerned, I think first quarter and first, you can say, July month and as well as this month also because of the monsoons, market is right now, not doing so well. Even in the first quarter, even though the growth looked good at 10% in the first quarter. But that also we have to see that. Last year in the first quarter, the numbers were very low; base was small, because we had just moved to OBD2, and there was a lot of preponement of sales to quarter four of you can say 22-23.

So due to that, the growth that you look at in quarter one also, I would not say a good growth. And July, of course, the market has dropped. However, going forward, we are very positive. The fundamental reasons are very clear that, firstly, the economy is expected to do well. We are still talking of 7% plus growth in the current year. And then huge money is allocated for capital projects, ₹11.11 lakh crores.

And we should also note that due to elections, nothing much has happened on the investments on the capital spends from the government. And of course, now it will also be a challenge that they will have to do this entire spend in the remaining part of the year. So therefore, still, nevertheless, the good spend will happen in the balance part of the year.

And then, of course, September onwards, there will be the festive season starting and replacement demand is expected to remain strong. So therefore, I'm very positive as far as the balance part of the year is concerned. Commercial vehicle industry should continue the growth. And even though the growth may not be very strong, because there are also a lot of structural changes happening. For example, in heavy-duty trucks a lot of migration is happening towards higher payload trucks. That also results in reducing the number of trucks.

But on the other hand, for all other fundamental factors which are in place, the industry should be doing well. Now as far as we are concerned, you have seen that we have been outpacing the market consistently. And even the month of July, also our light and medium duty truck market share was 38%. And in fact, we're consistently improving our market share and heavy-duty trucks also, we are continuously improving our market share.

Buses also, we are getting good growth. So therefore, I think we are expected to continue to do like that because one is that we are expanding our dealer network. We are opening more and more dealerships across the country, and that is also helping us to enter into the territories where we had been weak earlier. So therefore, that is also helping us.

And then, of course, we are also continuing to expand our product range. So we're getting into more and more applications and more and more segments. So therefore, we are expecting that we should do well. As far as the discounts are concerned, of course, there have been improvements. We have seen the results of the other companies. They have shown better margins. Even, in fact, our margins are still low. They are continuing to be almost at the same level as we were last year.

I think the reason is that my own belief is that when the heavy-duty trucks go up, the competition improved margin because they are making better money in heavy-duty trucks. So that is the reason. Otherwise, I think the discounts also should come down. So we are very positive that price management is going to play a very big role in the improvement of margins in the entire industry, and we are very optimistic.

- Raghunandhan:** Thanks for the comprehensive answer, wishing you all the best.
- Basudeb Banerjee:** Thanks, Raghu. Next, we have a question from Jinesh. Please unmute yourself.
- Jinesh Gandhi:** First, clarification on Guerrilla volume. So you said “we have shipped 6,000 units so far” - This is reflecting in July or this is starting from August?
- B. Govindarajan:** It will start reflecting, partial quantity in July, but it will start reflecting more in August.

Jinesh Gandhi: More in August. Got it. And you talked about auto replenishment model - shift to that. So can you talk about how it was earlier and what changes and did it have any influence in our wholesales in the recent months?

B. Govindarajan: Yes, Jinesh, I think you've got it. Auto replenishment is on a replenishment model. So earlier normally is almost about the forecast model. So there will be a dealer forecast. There will be a sales forecast and everything gets aggregated for an MRP run, and that's how we used to do the entire production. The production plan is against an indent. So now what we're doing is that all have to go away because no one knows exactly at what model is required at what point of time and the dealer profitability to be protected.

So what we have done is we have gone in for the theory of constraint-based replenishment model. That is what we implemented in spare parts as a business almost two years back, which has shown us extensive gain as a business to us and to the dealer partners also. So to that extent, it had some impact on the wholesale because we never wanted anything which is left on an indent based.

Otherwise, what will happen is the motorcycles have to be moved from one place to another place. So to avoid all those things when the replenishment model was being cut over as a system, we were also cautious about building the inventory there by the wholesale.

Jinesh Gandhi: Okay. And what kind of impact would it have on the recent one wholesales?

B. Govindarajan: Percentage term, I will come back to you because we are still assessing about the availability of the motorcycle at that place. And because the festive season is coming. As a result, there will be always a multiplier for festive on the inventory holding. We are just doing it. But the intervention which we have taken that inventory build should not happen. And we maintained our dealer inventory only within about two, three weeks. So we haven't increased, you would have seen in the channel check everywhere. We have actually looked at keeping the inventory in the check during this time.

Jinesh Gandhi: Got it. And Vidhya, you talked about 60 basis point benefit of commodity. This is on Y-o-Y basis or on a Q-o-Q basis?

Vidhya Srinivasan: Yeah, Y-o-Y basis.

Jinesh Gandhi: Q-o-Q, would it be largely stable or there would be some benefit on Q-o-Q as well?

- Vidhya Srinivasan:** I think largely stable, I would say.
- Jinesh Gandhi:** Okay. And you expect this to go up given commodity prices for some of the commodities have been changed?
- Vidhya Srinivasan:** I think it would take a braver person than me to predict commodity prices right now.
- B. Govindarajan:** I think aluminium is showing a bit of a pressure point. But what is happening is we have launched all the platforms. So the J platform, K platform, P platform, all those things which are launched. So the VAVE will start kicking in. So it will also help us over the period of time.
- Jinesh Gandhi:** Got it. And given we are looking at brand activation across models, should we expect a material increase in investment in marketing and branding going forward?
- B. Govindarajan:** Which is actually planned, Jinesh. So that's all planned in our P&L for the whole year. So you will see our investments, which will be there, but there will be an increased spend on the marketing and brand building to build strong awareness of the products which we talked about. That's also part of our rebalance, which we mentioned, the growth is the mindset with which the organisation has to go. And that's how we will see more activities, which will be taking place in time.
- Jinesh Gandhi:** Thanks and all the best.
- Basudeb Banerjee:** Thanks, Jinesh. Next, we have a question from Aryn. Please unmute yourself.
- Aryn Pirani:** Yes. I just wanted to go back to the Himalayan. While you are doing -- and this is more regarding the domestic market, you are doing close to 3,000 a month. If I see the new Himalayan is doing as much volumes as the older Himalayan was doing. So my question is, A, is this something that you were anticipating? Are there any reasons why despite a completely new Himalayan and a much improved product, the volumes are still flattish compared to the outgoing model?
- B. Govindarajan:** Aryn, the Himalayan as I mentioned, in the six months' time of our launch, we have almost crossed about 32,000, including domestic and international. In a new product like this, because it's a new platform for us, okay? When it is launched and the existing 411 which had been there in the market, people do get it, it's an evolution, but the market

will always be looking at initially how the product behaves. How is it getting accepted?

And consistently, the growth, as you're also mentioning reaching the older numbers. And now from there to go, initial consumers have to be very happy. That way this platform has got very good acceptance in the market.

The product got very good acceptance., and everybody could able to link and desire to ride the Himalayan at the Himalayas and it is catching up. It's a Bruce Lee in the adventure motorcycle category, which people are experiencing. So that's how the growth will take place. It's on the right track. Let me put it like that Aryn.

Aryn Pirani: Okay. Thank you. And just going back to the Hunter, I think you earlier in the call mentioned that you were getting a decent amount of first-time buyers. So I just wanted to clarify, when you say first-time buyer, are you saying like first-time two-wheeler buyer because...

B. Govindarajan: Yes.

Aryn Pirani: Okay. Because Hunter is still expensively priced. I mean it's cheaper than your Classic and Bullet, but it's still a very expensive product.

B. Govindarajan: Yeah, Aryn.

Aryn Pirani: Broadly, what proportion of Hunter would be -- I mean, first-time buyer, if you can give us a sense.

B. Govindarajan: First-time buyers, maybe about 13%. 12% - 13% roughly in the portfolio level, and Hunter may be slightly higher, maybe about 19 to 25 percentage level first-time buyers. But there are players who are actually looking at upgrading because they want to own a Royal Enfield, which is a cool brand to hang out with. And that way, it is really helping us to get the younger customers to our fold.

Aryn Pirani: Okay, that's helpful. Thank you.

B. Govindarajan: Thanks.

Basudeb Banerjee: Thanks, Aryn. Next, we have a question from Prashant.

Prashant Kothari: Just going back to the recent kind of volume trends. I kind of hear that maybe there is some confusion in the marketplace about different options that the customers have and if the volumes are low. But if I were to kind of think about what was happening in a similar time last

year when there were actually launches happening, a lot of around two new competitors coming in and that we launched even then our volumes were not kind of flat like what we have seen now. So I'm not able to fully appreciate the rationale that you are getting on these low volumes. If you can explain it.

And maybe the other reasons, other companies are talking about all reasons like elections and heat wave and whatnot, the other reasons for the lower offtake that you are seeing?

B. Govindarajan:

Prashant, I just have to give it in a slightly elaborate way. In the middle weight, if in case, it's normally we say what? Middleweight is at a particular price point, people have inclination to upgrade, inclination to buy because the price point is something there. If you actually look at who has gained, I don't think anyone has gained. So where are the customers?

So because we have 7.5 million unique customers who actually come and visit Royal Enfield website every month. So when we start looking at the leads and then trying to figure out even in all the markets we started looking at where exactly the consumer, why is it not getting converted?

And we go back and then start checking, everybody starts saying, "Yes, I consider it. But now I think I'm clear. I want to come back to Royal Enfield. So that's the confusion which I was talking about. Everybody was actually given a lot many options directly against Royal Enfield and all those things, that is I would say it's a deterrent in decision-making, and that is where we felt is a major issue there. It is subsiding, and that's how we are seeing walk-in inquiries going up.

Even though, I mean, I must tell you heat wave and elections has had its own impact. I'm not saying no to that. Our walk-in was lower during that particular point of time. But the conversion rate has gone up. That's why retail has been good. We have grown retail in a single digit. Primarily the conversion had been very good. So as I mentioned, the confusion in the consumer's mind. In the consumer's mind when the clarity is there for decision-making, especially for middleweight categories, it actually helps.

As that is settling down, it will help us to come back because whoever has climbed very high volume. No one was be able to actually garner volume and our retail has been very good.

Prashant Kothari:

Okay. All right. Thank you very much.

Basudeb Banerjee: Thanks. Due to time constraints, this was the last question. So over to BGR sir and Vinod sir for the last closing comments. Thanks.

B. Govindarajan: Vinod, anything from you?

Vinod Aggarwal: No, I think thank you very much.

B. Govindarajan: Thank you very much for taking time and attending our question-and-answer sessions also for this quarter one. All the best. I look forward to seeing you soon at the Motoverse.

Vinod Aggarwal: Thank you.

B. Govindarajan: Thank you.

Basudeb Banerjee: Thanks. We can close the call.