November 3, 2026

Asst. Vice President, Listing Deptt.,
**National Stock Exchange of India Ltd.**
Exchange Plaza, Plot C-1, Block G,
Bandra Kurla Complex,
Bandra (E),
Mumbai - 400 051
Scrip Code: HEROMOTOCO

The Secretary,
**BSE Limited**
25th Floor,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 500182

**Subject: Transcript of the Earnings Call for the quarter ended September 30, 2026**

Dear Sir / Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find attached the transcript of the earnings conference call held on October 29, 2026, for the quarter ended on September 30, 2026.

Kindly take the above information on records.

Thanking You,

**For Hero MotoCorp Limited,**

Digitally signed by: PRABHAT SINGH
Date: 2026.11.03 13:28:25 +05'30'

**Prabhat Singh**
**Company Secretary & Compliance Officer**

Encl. as above

# “Hero MotoCorp Limited

# Q2 FY27 Earnings Conference Call”

# October 29, 2026

**MANAGEMENT:** **MR. HARSHAVARDHAN CHITALE – CHIEF EXECUTIVE OFFICER – HERO MOTOCORP LIMITED**
**MR. VIVEK ANAND – CHIEF FINANCIAL OFFICER – HERO MOTOCORP LIMITED**
**MR. ASHUTOSH VARMA – CHIEF BUSINESS OFFICER, INDIA BUSINESS UNIT – HERO MOTOCORP LIMITED**
**MS. KAUSALYA NANDAKUMAR – CHIEF BUSINESS OFFICER, EMERGING MOBILITY BUSINESS UNIT – HERO MOTOCORP LIMITED**
**MR. ANUJ DUA – CHIEF BUSINESS OFFICER, PREMIUM BUSINESS UNIT – HERO MOTOCORP LIMITED**
**MR. NITIN VAID – HEAD, INVESTOR RELATIONS – HERO MOTOCORP LIMITED**

**MODERATOR:** **MR. AMIT HIRANANDANI – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Hero MotoCorp Limited Q2 FY27 Earnings Conference Call, hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is now being recorded.

I now hand the conference over to Mr. Amit Hiranandani from the PhillipCapital India Private Limited. Thank you, and over to you, sir.

**Amit Hiranandani:** Thank you, and good morning, everyone. Welcome to the Q2 FY27 Post Results Conference Call of Hero MotoCorp. I would like to thank the management team of Hero MotoCorp for giving us the opportunity to host this call.

I will now hand over the call to Mr. Nitin Vaid, who recently joined as Head of Investor Relations team of Hero MotoCorp, to take this forward. Over to you, Nitin.

**Nitin Vaid:** Thank you, Amit, and it's an absolute pleasure to be hosting my first earnings call for Hero. Good morning, everyone, and welcome to the second quarter fiscal year ended March 31, 2027 Earnings Call. We put out a press release and an earnings presentation announcing the results yesterday. A copy of the press release and the earnings presentation is now available in the Investor Relations section of our website.

With us on the call today are Mr. Harshavardhan Chitale, our CEO; Mr. Vivek Anand, our CFO; Mr. Ashutosh Varma, Chief Business Officer- India Business Unit; Ms. Kausalya Nandakumar, Chief Business Officer- Emerging Mobility Business Unit; and Mr. Anuj Dua, Chief Business Officer- Premium Business Unit.

Please note that our safe harbor statements are contained within our presentation and other materials available on our website. These statements are important and integral to all our remarks.

We will begin the call with opening remarks from Harsh and Vivek followed by a Q&A session. And with that, let me hand over to Harsh.

**Harshavardhan Chitale:** Thank you, Nitin, and welcome to Hero MotoCorp. Good morning, everyone, and welcome to this earnings call. But before I begin with our prepared remarks on our business and financial highlights, I would like to wish you all and your families a very happy and prosperous Diwali in advance. And to those of you who are also celebrating Karva Chauth, best wishes on Karva Chauth.

We ended H1 FY27 with a strong revenue growth of 28% and profit after tax growth of 16% Y-o-Y. And Vivek will deep dive further into our financial performance for Q2 as well as H1 both standalone as well as consolidated entity.

Let's begin with what we see happened in the industry as a whole. Q2 was another strong quarter for the 2-wheeler industry, with VAHAN retail growing by over 27%. ICE grew 23% and EV

at 82%. Growth continued to be broad based. And since this question gets asked often and it's very topical right now, we see growth both in urban and rural markets. And when I look at HMCL performance, actually our rural performance is equal or better than the urban performance last quarter as well as in this quarter, quarter to date. For H1 FY27, this industry growth translated also into strong retail growth of over 20% Y-o-Y. And for those of you who want to understand the impact of pent-up demand of GST, what was the impact of that, to take that impact away we also looked at what was the growth over a 2-year period. And over a 2-year period, it was an 11% CAGR, which shows that industry as a whole has a healthy growth momentum even after discounting the impact of a pent-up demand.

With the festive season underway, we do see demand fundamentals continue to hold up, and we expect the industry as a whole to deliver mid to high single-digit growth during the festival period, and we are seeing that already in the festival to-date performance.

Let's now move to Hero MotoCorp's operational performance. We continue to execute on our key pillars of our business strategy of expanding market share in fast-growing segments of the 2-wheeler industry. And I'm happy to report that with that execution, we gained market share in our ICE portfolio every month of the last quarter. So in all the 3 months, every month, we gained VAHAN share. Our ICE retails outpaced industry growth, recording a strong growth of 24% year-on-year during the quarter.

Now let me highlight some key drivers behind this performance. Scooter was a big contributor of this growth and scooter portfolio continued to gain traction with the fifth quarter of year-over-year expansion in our market share. In some of the key markets of South, for example, which is a big scooter market, our ICE scooter market share has now crossed 10% level, and we are scaling our products to other regions rapidly. Our ICE scooter dispatches have grown 34% year-on-year in quarter 2 and for the full half year, the disparate growth has been in excess of 50%.

If you look at how the business mix of scooters has grown over the last 2 years, for the corresponding quarters, when you compare them, our scooters and mix has now increased by 3 percentage points in our entire business mix.

Moving to 100cc motorcycles, and this is also a question we get quite often that you have a large exposure as a company to this category, how is this category doing? Is it underperforming versus the rest? In quarter 2, we see 10% growth in 100cc as a whole and in H1, we have seen 11% growth. So this category also continues to expand and contribute to our business performance. Splendor has grown at over 20%. And what's also interesting to note is Splendor's XTEC variant which is the premium variant of Splendor now contributes to over 25% of Splendor volumes.

Moving to our EV portfolio. Retail in our VIDA grew by 105% year-on-year and now we've gained 170 basis point market share in H1 of FY27. Earlier this fiscal, we had launched new variants of our VIDA, the VX2 Go 3.1 kilowatt and VX2 Plus 4.4 kilowatt and both of these products are bringing new set of customers in our dealerships.

We've also expanded our capacity to 30,000 units per month in September. And just to remind everyone, we were at 15,000 units a month at the end of last fiscal. So we've already doubled

the capacity and we are well on our way to take it to 45,000 units a month in quarter 4. And looking at the demand that we see, we have already started further expansion as well, which will take our capacity to over 80,000 units a month by quarter 2 of next financial year.

Our dealer inventory continues to be low we are working with a dealer stock of just about 1 day, which shows that actually, we are still capacity constrained, and there is a strong demand for our product even during this festival period.

Let's move to Parts business. Our Parts business recorded a revenue growth of 27% year-on-year during the quarter. So this is a second quarter in a row where we see growth in excess of 25%. And as you all know, this is a big contributor of our profitability. Growth was driven by increasing volumes in our EV portfolio for parts, Harley-Davidson portfolio for parts as well as accessories as well as parts and accessories performance also in our exports. Looking at this growth momentum in our parts and accessories business, we announced the greenfield expansion of our Global Parts Center 2.0, to cater to parts availability for both Indian and global markets. And we are investing over INR700 crores in setting up a complete new automated parts center and double our parts handling capacity from what it is right now.

Moving to Global business. This is one business where we did face some logistical challenges in some of our key markets. We have a very high exposure to one of the Latin American country, which unfortunately faced a devastating earthquake this quarter. And we did have issues in dispatches and custom clearance in that market. We also saw a demand slowdown in Bangladesh with sharp increase in fuel price due to the Gulf War that's ongoing. And both of them did impact our dispatch or a wholesale growth in exports. However, we are enthused by the fact our retails have grown by 19% during this period. So the retail momentum is strong. It's the logistic challenges that came in our way of dispatch growth. However, we are confident to move back to dispatch growth or a wholesale growth even in our exports in Q3.

Moving to our premium portfolio. As you all know, we carved out a premium business unit in quarter 2, and we announced a new Chief Business Officer for this business unit, who is also on this call and could answer some of the questions later in the Q&A. Under the new organizational setup, we've recently launched 2 key product refreshes in October, Xtreme 160R and Xtreme 250R, and both of these motorcycles are the fastest in their respective segments and come with a host of segment-first features. Our expense franchise with this portfolio continues its strong growth trajectory, recording over 30% retail growth in the first year -- in the first half FY27 and market share of over 35% in the adventure bike segment. We will continue to address the white spaces in our premium portfolio through further launches and you can look for 3 to 4 key launches in the remaining part of this financial year in our premium segment.

So in summary, overall, we are encouraged by the results that we are seeing in our -- and the performance across our various strategic initiatives and our focus on fast-tracking execution across each growth vertical. We will continue to invest in new products behind our key brands and in capacity expansion.

With that, I will hand over to Vivek to walk us through our margin performance, cash flow performance and so on. Vivek, over to you.

**Vivek Anand:** Thank you, Harsh. Good morning, everyone, and thanks for joining our quarter 2 financial year '27 earnings call. Let me start by extending festive greetings to all of you and your families. I trust all have reviewed our financial statements and the investor presentation, let me walk you through the financial performance for the quarter.

So starting with financial highlights. Our headline number for quarter 2 reflects strong top line performance with revenue from operations at INR14,687 crores, up 21% year-on-year. EBITDA grew 8% year-on-year to INR1,968 crores, while profit after tax stood at INR1,456 crores, up 5% year-on-year.

Total wholesale volume expanded by 10.5% year-on-year, driven by an 8.4% growth in our ICE business and a robust 98% growth in EV business. This strong wholesale growth reflects strength in the underlying demand trends across both urban and rural markets, as we prepare for the ongoing festive season.

Revenue continued to outpace volume growth at 21% versus the 10% -- 10.5% wholesale growth. This outperformance reflects portfolio premiumization led by an increasing share of ICE and EV scooters and premium variants contributing a 5% positive mix impact, equally supported by calibrated pricing.

Moving on to cash flow from operations in the quarter stood at INR2,159 crores, nearby doubling over the prior comparable period, driven by optimization of working capital. Within working capital, we had record receivables in the previous quarter -- record low receivables in the previous quarter.

Moving to the consolidated results. Revenue for the quarter increased by 23% year-on-year to INR14,971 crores, and PAT grew by 41% year-on-year to INR1,861 crores. Results for the quarter include INR397 crores onetime gain from the equity consolidation of an associate company following its capital raise via a QIP and private placement.

I'll move on to margins and cost management now. During quarter 2, the industry continued to face headwinds from broad-based commodity inflation. As you know, it was across steel, aluminum, plastic, rubber and freight which was further amplified by currency depreciation. To mitigate these cost headwinds, we continued on our 4-point action plan.

Firstly, as you can see in our presentation, our mix now has a higher share of premium variants supported further by strong revenue growth in our parts, accessories and merchandise business. Secondly, we accelerated savings under our LEAP program, continued to curtail discretionary spending and drive operating leverage. Thirdly, judicious pricing cross select models in select markets. And finally, we worked aggressively on improving the unit economics of our EV portfolio, and I'm happy to report that our VIDA business turned gross margin positive in the quarter. This was achieved ahead of our earlier guidance.

At an aggregate level, while gross margin compressed by 30 basis points quarter-on-quarter, strict overhead control and operating leverage drove a 10 basis point quarter-on-quarter expansion in EBITDA margins to 13.4%.

I'll briefly just talk about the EMBU business now. Our VIDA business maintained strong operational momentum with retail volumes rising 74% year-on-year to 66,000 units in the quarter. This was supported by our monthly production ramp up to 30,000 units in September and portfolio diversification across broader price points.

VIDA business continued to improve on unit economics, resulting in business becoming gross margin positive during the quarter. This led to INR70 crores optimization of spends over the previous quarter. This was again possible through a series of initiatives, structured BOM cost optimization, healthier margin across our new product launches, exploration of nonvehicle and software revenue streams, judicious price increase across the portfolio and PLI accruals amounting to INR63 crores recognized during the quarter.

Approximately 70% of our EV portfolio got PLI in the quarter, and I'm happy to report that we have already received PLI certification for nearly 100% of our portfolio in October '26. I'll move on to capex now. Turning to capital expenditure. We remain on track with our full year guidance of INR1,500 crores. In half 1, we've already deployed close to INR600 crores towards our key projects. We've already expanded our capacity in Splendor and have doubled our ICE scooter capacity to 80,000 units per month.

Our EV capacity has also been increased to a run rate of 30,000 per month and we are actively working to scale our production further to 45,000 by quarter 4. We've also expanded the dedicated premium assembly line at our Neemrana facility. We are advancing the Phase II expansion of our Global Parts Center 2.0 at Tirupati and expect the GPC 2.0 to be fully operational by end of next calendar year.

Looking ahead to quarter 3 financial year '27, due to extended West Asia conflict and sustained commodity price inflation, we expect input cost inflation pressure to persist. However, we will utilize these through continued cost rationalization, accelerated LEAP savings program, aggressive improvement in unit economics and judicious price actions.

Backed by these measures, we expect margins in quarter 3 to remain stable. Over the medium term, our primary focus remains driving EBITDA growth while steadily progressing towards our target EBITDA margin's corridor of 14% to 16%.

Going forward, our journey of investment behind growth will continue both in terms of capacity expansion and brand building to support our premium, scooter, EV and global business portfolio.

Thank you once again for your time and continued support. On that note, let me open the floor for Q&A. Over to you, Nitin. Thank you.

**Nitin Vaid:** Thank you, Vivek. Anam, you may now open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Amyn Pirani from JPMorgan.

**Amyn Pirani:** Actually, my first question was on exports. And like you rightly mentioned, you had some challenges in some markets and because unlike your peers, at least at this stage, your export

distribution is more concentrated towards specific regions, can you help us understand broadly how the major markets or regions contribute, like how big is, say, Colombia or how big is Sri Lanka, Bangladesh? I'm just asking because to help us get context.

Because right now, given your distribution, 1 or 2 markets having challenges can impact your volumes, which doesn't happen with your peers. But at the same time, when those markets normalize, the recovery can also be equally sharp. So some context there could be very helpful?

**Harshavardhan Chitale:** No, I think great question, Amyn. I mean, so we have Colombia specifically close to 25% of our exports business, so very high exposure, and so is in Bangladesh. And in both of them, we are also very strong in terms of market share. So strong contribution to our exports with strong performance or share in those markets. Now when those 2 happen to in the same quarter faced some challenges, we were not able to compensate that with rest of the 50%.

We've been announcing expansions into different other countries, but we are yet to scale them up to have good distribution and less portfolio concentration in exports. But the good news is, we are already seeing recovery by the end of the quarter in both Colombia and Bangladesh, and we continue to also expand our presence in the other markets where we went.

**Amyn Pirani:** Great. That's very helpful. And then a follow-up on that would be, can you give us a broad time line as to by when we could have a slightly more balanced distribution or which are the like 2 or 3 markets which could become very important, say -- apart from these existing markets, which could become very important over the next, say, 12 to 18 months?

**Harshavardhan Chitale:** Yes. No, so great question. We are looking at expanding in Brazil. In fact, as we had shared earlier, we are also setting up a manufacturing facility in Brazil. And we also have a good portfolio of flex-fuel vehicles, which is what is needed for that market.

So that's a big market we are expanding in. We are also increasing our presence in Mexico. So both these are large Latin American markets when it comes to 2-wheelers. We're also expanding through some new launches and new country openings in Africa.

That's a big market for some of the other peer companies, and we are extremely underrepresented in Africa. So we would be expanding there, starting, in fact, with launches this month. So Africa will be another territory of expansion.

**Amyn Pirani:** Great. Good. And if I can just slip in 1 last question. On the domestic 125cc portfolio, I mean, I think market share has improved, but it's still been a slow recovery, the way we see it. 100cc has done very well but 125cc are also going to see a lot more introductions. So any context there? Like, for example, how is the Xtreme doing? How should we expect the 125cc market share to look going forward?

**Harshavardhan Chitale:** No, I think I'll first give some comments and then hand over to Ashu, our Chief Business Officer for India Business. So at H1 as a whole, we have grown 19% in 125cc. And as you rightly pointed out, we've gained significant market share. But that category as a whole has not grown or done that well relative to some other categories.

And 100cc, some of the customers with the inflation increases in prices, plus also more focus on fuel economics, fuel efficiency, we see some of them moving to 100cc and hence, you saw strong momentum also in 100cc.

And some of them potentially moving up with the GST impact being favorable to 150cc, 160cc. So probably some of that has impacted that category. But as you saw, we still grew 19% in H1 and gained share there. Now within that for our different brands, Ashu, do you want to give some color.

**Ashutosh Varma:** Sure. Thanks, Harsh. So overall, as Harsh said, Yes, we've had some significant market share gains made in this category. From a brand perspective, Glamour with its new variants growing north of 50%. That's been really a big shot in the arm. We have just launched a new variant with ABS that has been very well accepted across markets. Xtreme, there are new variants as well that we are just about to start, hopefully should be in line for Diwali and some of the new features that we introduced in Super Splendor so that has been really accepted well, especially in the geographies that Super Splendor does well, especially the rural market.

So we've been moving consistently up, moved from what number 3 to our number 2 position in this space. We're very confident that with these new models, we will continue to gain share and become stronger.

**Moderator:** The next question comes from the line of Gunjan Prithyani from Bank of America.

**Gunjan Prithyani:** My first question, just to have some numbers on the P&L clarified. Can you share the EV revenues and the typical drag that you share at the EBITDA level, which has been at about INR200 crores for the last couple of quarters. Can you give some sense on where we are on those numbers, revenue and the drag? And also, if you can give some context on what was the magnitude of commodity inflation we really saw in this -- in quarter 2?

**Vivek Anand:** Okay. So your first question is on the EV drag you talked about. That's almost INR168 crores in quarter 2, which is down from INR232 crores in quarter 1. And that's what, in my opening statement, I called out that drag has actually come down by INR70 crores quarter-on-quarter. So that's one. Secondly, the EV revenue during quarter 2 was INR1,000 crores, right. So that's the second part. And the third part of your question was that what is the material inflation we've seen. That's almost 1% quarter-on-quarter.

**Gunjan Prithyani:** Okay. And just to be sure, this INR1,000 crores - PLI that we're getting right now is 6% roughly and only 70% of the portfolio qualified for PLI. So as this revenue scales up, this should -- by the exit of, what, fiscal '27, we should be reaching close to a 10% as a PLI contribution on the revenues, is that the way to think about it? The portfolio also increases and the rates will also go up. How do I think about the PLI?

**Vivek Anand:** So you're right. This quarter, it's around INR63 crores. So that's almost 6.5% of our revenue for this quarter. And that's covering almost 70% of our portfolio. As I said earlier, we now have PLI certification for almost the entire portfolio. So starting quarter 3, you will see almost 13% of our revenue right, translating into PLI benefit starting this quarter. And as we scale up, the amount of benefit grows along with it.

**Gunjan Prithyani:** Okay. Got it. That's helpful. And my second question is on the scooter capacity. You did call out very clearly on the EV VIDA capacity. I mean on the ICE side, also, clearly, the traction has been quite strong over the last couple of months. And in fact, the last month number was quite strong. Can you give us some sense on the variants that are doing well? Where are we in terms of the channel stock on the ICE scooter side? And where do we see the capacity expansion and market share on ICE scooters specifically?

**Harshavardhan Chitale:** Yes. So I think we, in the first half of the year, did speak of significant expansion in scooter -- ICE scooter capacity as well to support this growth. So we had, in the first quarter, expanded capacity of Destini. Then in the second quarter, we expanded capacity of our other brand Xoom. And both put together, actually capacity expansion is nearly doubling on a year-on-year basis, and that's how we are now close to 80,000 a month of that capacity.

Both the brands, Destini and Xoom have done very well in line with what we expected when we went for that capacity expansion. Within that, Xoom 160, which is the Maxi scooter, let's say, the SUV of the scooter portfolio, so to speak, actually is doing exceptionally well. There, our channel stock has been hovering around single days. So we are, again, further defining and boosting our capacity there.

**Gunjan Prithyani:** Is the need to add more to this -- to the ICE scooter side? I mean are you seeing the demand like it's almost been doubled, but is there you're seeing there's more appetite and the need to add more to the ICE scooter as well?

**Ashutosh Varma:** Clearly, Gunjan. Ashutosh here. Overall, I mean, we seem to be winning in the toughest battleground, I mean, which are highly scooterized markets, gain in market share. So far this year, we've had almost 160 basis point market share increase. And as I've said several quarters of market share gain, Xoom 160 is doing really well for us across India. Of course, we are ramping up capacities as we speak. Destini was the first one for the capacity to come, and that's something that we have been able to spread across the country. The new variants Destini 110 is doing really well in certain pockets, which are strong 110cc metal body markets. So I mean, overall, strong traction, and we feel that the growth that we've been having so far, which is north of 50% that should continue as we move forward.

**Harshavardhan Chitale:** And on the question on further capacity expansion, Gunjan, you're right. On Xoom specifically, we are further planning to expand capacity because we've also taken that model now in our overseas market and it's seeing great traction in the markets outside India as well.

**Gunjan Prithyani:** Got it. And it's good to actually see the scooter business scaling up over the last couple of quarters.

**Moderator:** The next question comes from the line of Chandramouli from Goldman Sachs.

**Chandramouli:** First question is just a follow-up on exports. So you mentioned there are logistical challenges and some single market issues that you had to cycle through during the quarter. But just as you look ahead into the back half, how is the shipping situation panning out on the logistics? And do you expect some of this lost wholesale volume to come back, just given the underlying retail volume in these markets is holding up?

**Harshavardhan Chitale:** Yes. We do expect getting back to growth. In fact, our expectation is to double-digit growth back in Q3 and Q4. And the logistical challenges were not necessarily with availability of container capacity, it was more with port and clearances in the market, which was impacted with the earthquake. So it's now -- that operation is back to normal there. So we do see a quick recovery there starting Q3.

**Chandramouli:** Got it. That's helpful. Second question is just more of an industry question. We've seen mid-teens or high-teens volume growth in 2-wheeler industry in India in the first half of this fiscal. Just as you head into the second half, I just wanted to understand what your thoughts are on what should be the growth for the industry just considering that we're up against a slightly higher base and what are you thinking about the volume of the industry in the second half?

**Harshavardhan Chitale:** Yes. As we see today and our planning for the H2, we are looking at still mid to high single digit in H2. Even ICE will be in growth with low single digit and EV will then take it to high single digits for the industry. And as I see in the quarter, in the festival, which is a big period, we see that momentum continue.

**Chandramouli:** All right. That's helpful. And just last question is on the electric 2-wheeler business. It's encouraging to see that over the past 3 to 4 months, there is a visible pickup in electric 2-wheeler market share after the affordable electric 2-wheeler launch. So I just want to understand that there has been some comments from some of your peers that there may be some update in capacity given that there's been a spike in growth in the industry in the last few months. I just want to understand how you're thinking about the surprising situation and your plans for the new term on the electric 2-wheeler business?

**Harshavardhan Chitale:** Yes. No, so right now, the industry as a whole is definitely capacity constrained. There is far more demand. And as and when anyone brings on capacity online and if the product is good, there is an immediate bump up in share. As we saw, for example, in September and October, right now, October month-to-date, actually, our market share is hovering to close to 13.5%, 14%.

So further jump because our additional capacity came online. So this capacity constraint for the entire industry definitely is a phenomenon. We are working to rapidly expand -- working with us, our suppliers, key component suppliers, and that's how this 30,000 where we are, we see moving to 45,000 in a matter of next few months.

And your other question of entry, etc. Interestingly, while we entered also with a fixed battery pack, which was a more competitive price point wise -- we also introduced a very premium variant, 4.4 kilowatt removable battery pack variant. And incidentally, that is doing the best. So there is a lot of demand right now for our premium. And when I look at my business mix in EV, actually my business mix is far more now premium. And that is also, hence, reflecting in the non-product revenue. If you look at our investor deck on the website, actually, we are also rapidly expanding our software subscription revenue through a pack called VIDA Edge. There are also parts and accessories that are going with these premium EVOOTER. So we are seeing good growth in the non-product revenue also in VIDA right now.

**Moderator:** The next question comes from the line of Kapil Singh from Nomura.

**Kapil Singh:** Sir, first question was just on the financials. We see that there is a fairly strong revenue growth and volume growth for this quarter, but the other expenses have declined. So -- if you could just talk us through how you've been able to realize these cost efficiencies and whether these are sustainable? And when can we expect you to get back to the guided margin range of 14% to 16%?

**Vivek Anand:** Okay. Thank you, Kapil. So the discretionary -- so the other expenses actually were largely because of the discretion expense cut we've taken during quarter 2, right. So there were budget cuts imposed to mitigate the impact of the material inflation. So that was the first part of your question.

And moving to when do we expect our margins to come in our guidance range. So let me start by just talking that the current phase of commodity continues to be volatile, as we all know, and we all believe that will normalize. We are committed to progressing towards our medium-term EBITDA range of 14% to 16%. As you know, we have a highly diversified business with an improving mix towards higher premium variants and fast-growing PAM business, which we briefly talked about.

We'll continue to improve unit economics of EV business, and I deeply talked about the progress we made in the previous quarter. We continue to improve scale of global business. We'll continue to accelerate LEAP savings, and we'll continue to do calibrated pricing actions. And therefore, we expect to achieve our target range in the next few quarters as commodity cycle stabilizes and raw material inflation returns to normalized levels.

**Kapil Singh:** Okay, sir. And the other question was on rural demand. Sir, you alluded to it briefly. But if you could, given the news flow we have heard on drought in South and also in Maharashtra, what are you observing in rural markets? Is there a risk to grow there? Just some color there would be helpful?

**Ashutosh Varma:** Thanks, Kapil, for that question. Again, I'll reiterate what Harsh said, our rural demand is as good, if not better, as the urban that we are seeing. In fact, some of the reasons that we think that has kind of manifested is possibly before the onset of festive and before the onset of monsoon, there were apprehensions of how El Nino will pan out. Fortunately, it hasn't been as bad as people thought it would be. Yes, there are certain parts of the country that are facing a drought situation. But if you look at, let's say, the overall sowing is almost there as it was last year, right. So rural that way seems to be holding up really well. There are certain geographies where it's holding up even better. And as the rest of the festive manifests, we expect this to become even stronger and I mean -- and help us overall, Yes.

**Kapil Singh:** Thank You. And best wishes for the festive season to the entire team.

**Ashutosh Varma:** Thank you.

**Moderator:** The next question comes from the line of Pramod Kumar from UBS Securities.

**Pramod Kumar:** Yes. And my first question is on the entire volume margin conundrum because what we see or what we experienced over the last few years is that Hero has been losing market share because

we are more indexed to the commuter motorcycle category and less to the more growing categories, and you're doing a very good job, especially on EVs, I have to acknowledge, that the kind of market share gains we have done. Kudos for that.

But if you can just tell me -- help me understand, as you take a call over the next 2, 3 years, the road map for the company, what is the priority, the market share or the margin? Because given that scooterization and EVs is just accelerating more and more as per your own statements, it looks like it will cover the expense of the commuter category in terms of percentage of the pie of the industry. I'm not necessarily saying that commuters will decline. But clearly, we'll underperform on growth or the other category will grow faster, and we have challenges in many of these categories. So how should one look at this conundrum, and historically, we've seen many companies lose market share outright because that's very crucial for the company, the stakeholders, everyone including the dealers.

So because I keep hearing that you're wanting to get back to margins of 14-plus and all very quickly. But at the same time, I think we're seeing other expenses and a lot of discretion spends being cut back, which may not necessarily be a great thing for investments on brands and business. So I'm just trying to reconcile whether short term is what is important or you need to take the unnecessary pain in the near term for the longer-term good of the company. So if you -- Harsh, if you can just share your broad thoughts there...

**Harshavardhan Chitale:** Sure. No, I think Pramod thanks for the question, which allows me to clarify, that's creating doubt. Clearly, we are focused on growth and market share expansion. So we are not going to compromise or cut down on investments needed for driving growth and market share expansion. And you saw that in quarter 2 was a good example. Probably that was a quarter where we saw the full manifestation of commodity cost hits that started end of February. Despite that, you saw we were able to gain VAHAN share in every month of the quarter. So we have remained focused in continuing to invest behind growth, and that's what we will do.

And Vivek mentioned over next few quarters, not short term is where we will get back and we describe various levers that will make it happen. And those levers are not discretionary or required investments behind growth. They are improving unit economics of products that's more volume leverage. That's our LEAP cost saving, which is the BOM cost reduction program that we run. Those are the levers, not cutting down on any investments needed for growth. So we are super focused on driving growth and market share expansion.

**Pramod Kumar:** Best of luck with that because it's normally very challenging to get everything right, but I think absolutely no harm in trying. And the second question is on the festive trends because VAHAN clearly is showing moderation across categories. And I think it's got to do with the super base of last year as well and the El Nino. But how are you looking at retail trends from your vantage point? And do you expect your retail market share to improve significantly from here? Because at this point in time, we are tracking reasonable market share losses on a day-on-day basis, like-to-like a festive and the pace only gets punchier as you approach Dhanteras, Diwali.

So what's your read on the retail market share trends for yourself, particularly this festive given that EVs up done well, premium continues to do well. So if you can just share your broad thoughts.

And last one is over the next 2, 3 years, where do you see scooters plus EV as a category at the industry level? It's currently around 41%. Some of your peers are calling out 45% and then 50% by FY29. What is your assessment on the same, sir?

**Harshavardhan Chitale:** Yes. So on the festive, definition of festive can vary by company depending on product and geography mix. So for us, festival started with Ganesh festival. There was Onam, there was Ganesh festival and so on and so forth. So our festival period actually runs over a 100-day period. And festival to date, the way we are driving our festival performance, we've seen growth of 24%. And this, by the way, is also a good way to look at it because it goes right from pre-GST impact to post GST. Otherwise, one gets into this conundrum that right at the start of Navratra last year, the new GST came into effect and there was a huge amount of pent-up demand that then immediately resulted into sale last year, and that will skew the base. Hence, looking into this broader period gives us a good indication, and we've seen a 24% growth on this broader definition of festival. And there, we have not seen any share erosion. So I think it's a question of what period you look at. And we do expect market share performance to further strengthen as we go towards Dhanteras, which traditionally is a big period for us. So we don't expect concerns there.

Coming to your second question, which is about the overall scooter mix. I mean it is definitely an we put together, category has increased, and we do expect that increase to continue. Now where would it go? Will it go 44, 45, 47, time will tell, but I don't want to speculate there. But the trajectory of category share going up, we do endorse that.

**Moderator:** The next question comes from the line of Arvind Sharma from Citigroup.

**Arvind Sharma:** My first question would be on the premium bikes. While we are launching the Xtreme portfolio, there have been a few brands or models which were there and then they've been kind of phased out –Karizma is one of the name that comes up and some others as well. Premium bike market share has always been something that you have alluded to being one of the key focus areas. So will it just be the Xtreme or could there be more name plates, more models in the premium bike segment because that is where the share is still low. That was my first question.

**Harshavardhan Chitale:** Yes, at premium, we are looking at 4 brands as our drivers of growth, Xtreme is one, but also Xpulse, which is the adventure bike or on-off roader. Then we also have Karizma, you would also see some good refreshes and new category -- brand expansion kind of launches on Karizma. And then, of course, Harley-Davidson, our co-developed products with our partnership with Harley. So all the four, you will see new launches and portfolio expansion there.

**Arvind Sharma:** Got it, sir. The second question would be on the EV segment. One, a new numerical clarification, sir, last few quarters, you say about the margin drag on the business, and you call out the ICE margin. So if you could just tell us what would be the like-to-like ICE margin? And then I'll follow up with my question?

**Harshavardhan Chitale:** Margin drag is about 220 bps, if you were to look at, that's the total drag at the company level.

**Vivek Anand:** So previous quarter, looking specifically at ICE portfolio, EBITDA margins were stable sequentially at 15.6%, right. So it's around 220bps.

**Arvind Sharma:** Got it. Sir, coming -- going further in this segment. Yes, it's great to know that your gross margin positive, but some of the peers are actually turning almost EBITDA margin positive. Can you derive some synergies from your association?

**Harshavardhan Chitale:** So you're right. I think there is some journey for us to walk on becoming EBITDA positive. But we also started a bit later in terms of expansion of portfolio on VIDA. And hence, we are still in the phase of completing our portfolio, investing in brand as well as our product portfolio. And hence, our expenditures, there are far higher. And also then there is a scale effect once the volumes go to a level some of your fixed cost in tooling, etc., start coming down. So I think we still are some path ahead -- somewhere ahead there to go to EBITDA positive.

Coming to synergies with associated companies, the first obvious one was on the charging infrastructure. We have now over 6,000 of them nationally. We have started monetizing it, by the way. It's not only a differentiation, but now charging is also getting monetized with some of the associate companies like Euler, which is a complete complementary portfolio, we are also synergizing in go-to-market. So there are synergies like that. With respect to Ather right now on the product front, we have not explored because as we had explained last time, market is still in a rapid expansion mode and we don't want any of the brands and our R&D teams to get constrained in expanding the portfolio and expanding share. Maybe sometime in future when the market reaches a higher level of growth and maturity, there could be additional synergy levers that will get explored.

**Moderator:** The next question comes from the line of Raghunandhan from Nuvama Research.

**Raghunandhan:** Greetings and also welcoming Nitin Vaid. To Harsh sir and Kausalya, it is good to see EV market share at 14% in October, considering that EV seems to be the future, how do you see the medium-term journey towards increasing market share towards company's blended share of 27% in EVs?

Can you indicate that medium-term efforts in terms of new products across use cases, across scooters, motorcycle, maybe innovation efforts such as battery as a service, software, competitive pricing, all your thoughts, please share?

**Harshavardhan Chitale:** Yes. I mean we do aim to continue to expand our EV market share to also emerging as a leader in EV. I mean there is -- we are quite open and bold about that. And you actually describe some of the levers that we will utilize to get there, some of the specifics Kausalya, you may want to add?

**Kausalya Nandakumar:** Raghunandhan, apologies, I've kind of lost my voice, but hope I'm audible. First of all, seasons greetings to everyone on the call. I think, Raghu, you are more or less touched on all our growth levers, in fact in our investor deck on our website as well, we've talked a little bit about how we are expanding both our revenue share as well as path to profitability. In terms of market share, it has been a supply-driven economy right now.

We are very delighted that we have almost doubled our capacity in just a matter of first half of the year, like Harsh mentioned in the earlier statement, we're also looking to further enhance capacity towards the last quarter of this year. So we are extremely bullish. We are, of course, pressing on every lever in terms of investment, in terms of focus on brand building and in terms of portfolio expansion - in this half of the year itself, we've launched 2 very good variants, both of whom have found phenomenal product market fit. One at the top end of series, which was the 4.4 kilowatt and one at the midrange mainstream segment, which was the 3.1 kilowatt. So we are committed to continue to listen to consumers and customers take feedback and expand the portfolio to meet their demand, and we continue to invest in capacity in order to meet our ambition in this space.

**Raghunandhan:** Can you indicate that, even Harsh sir spoke about how that new 4-kilowatt is getting a very good response. Can you indicate broadly how would be the mix between 2-kilowatt, 3-kilowatt, 4-kilowatt - how that premiumization is panning out and how customers are thinking?

**Kausalya Nandakumar:** So Raghu, we are actually -- this is a new variant introduction. And therefore, one is in terms of customer traction, we are seeing a lot of inquiries for the top end. However, we also see that there is a good distribution of inquiries across ranges. So consumers are looking for products that more or less fits their daily range requirement right from something like 75 kilometers per day, which is what our 2.2 variant offers, all the way to close to about 140 kilometers, which is top end. We are seeing a good traction. It's very early days to actually comment on the stable blend, but we are seeing almost the premium range now pulling close to 40% of the overall portfolio for VIDA.

**Harshavardhan Chitale:** And maybe to build on what Kausalya said, I think 1 thing that we should call out and it's there in our investor deck out of website, we are right now selling or retailing VIDA through around 700 retail outlets and more regularly with enough supplies available to maybe 450.

And when you put it in the context that we have close to 8,500 points of sale, so there is a lot more retail expansion that's also going to come to further drive the growth. I mean this is one of our biggest strengths. The large go-to-market in the entire nook and corner of the country. Now as we start scaling up our capacity in Vida, you will see more and more of these outlets also getting opened up.

**Raghunandhan:** Very helpful. To Vivek, sir, if you can touch upon in Q3, you said there is a small commodity cost inflation, approximately how much can be the inflation impact? And what has been the cumulative price hike so far? And any more calibrated price hikes you are planning going forward?

**Vivek Anand:** So in Q2, we had a material price inflation of, as I said, around 1%. And a large part of it, we had covered it through cost saving programs and calibrated price increase. Yes, so that was 1 that -- sorry, if you can just repeat your second question.

**Raghunandhan:** So I'm just asking approximately how much can be the cost inflation in Q3? What has been the cumulative price hike so far? And any plans of further price hikes, sir?

**Vivek Anand:** Okay. So in terms of price hike, our quarter 1 and quarter 2, as I said earlier, our inflation is around 5.5%. We've taken half of it as a price increase. And in terms of quarter 3, as you know, commodity continues to be volatile. We expect a marginal uptick in input cost.

However, we counter those headwinds through continued cost rationalization, accelerated LEAP savings, aggressive improvements in improving VIDA unit economics and targeted pricing actions. Backed by these measures, we expect the margins to be broadly stable.

**Harshavardhan Chitale:** And we did take a price hike in -- on 1st of October as well.

**Vivek Anand:** We took a one price increase in October, Yes. That's right.

**Raghunandhan:** How much was it, sir?

**Vivek Anand:** It was almost around INR1,000 per unit.

**Moderator:** The next question comes from the line of Yash Agarwal from Nirmal Bang.

**Yash Agarwal:** My first question is for Anuj, sir, on the Hero's premium segment. Despite the recent product launches and increased focus on premiumization, the segment hasn't really gained the expected traction yet. So what are the key factors holding back the growth? And what specific steps are we taking to accelerate the adoption, strengthening our position in that segment against competitors?

**Anuj Dua:** Thank you, Yash. You're right, absolutely. So far, markets and the results have not been great, but that also tells how big the headroom for us is to grow. I think the levers I must share with you - the recent 2 launches, which Harsh touched upon which is Xtreme 160 and Xtreme 250, excellent feedback from the media rides and also initial uptick of the inquiry levels at the dealerships. So that definitely is very encouraging.

Xpulse has proven to be an excellent volume for us. Now it was more in South. Now the other zones of the country also have started showing huge interest in Xpulse, which is going to be another very strong brand for us in the premium segment. The Premia network, which we started opening around 2 years back, so we have reached around 150 stores now, and there is going to be a rapid expansion across other cities, in all major cities where the premium segment business is big. So that is going to be a major focus, for sure.

The whole focus on this expansion will also be kind of supported by a fact that the community building efforts across all these Premia dealerships will start from December onwards in a very structured manner. All this put together, these levers, we are very confident we'll be growing premium segment business quite a lot. And as I said, there is a huge headroom for us to grow.

**Yash Agarwal:** My second question is on the EV segment. Like we have seen scooter penetration in EVs going close to 23%, 24%. So what is the current EV penetration level in electric motorcycle at industry level? And how does Hero assess the segment's adoption potential going forward?

**Kausalya Nandakumar:** As you know, that the product market fit in e-motorcycles is being established. The penetration is, of course, very low single digits. This is, again, in terms of the value proposition that you

need to bring to consumers who are otherwise inclined to buying motorcycles. And therefore, this segment continues to be underpenetrated with respect to electrification, and we are seeing more buoyancy on the scooter space, like you mentioned, it is close to 22% to 23% penetration of EVs in the scooter part of the portfolio.

**Yash Agarwal:** And then what is our launch pipeline motorcycle launch in the next 1 or 2 years? Any update on that?

**Kausalya Nandakumar:** We'll, of course, love to give you more information, maybe closer to the date, but we will keep you informed. As of now, we continue to take in customer information and requirements and build our product portfolio basis that and we will keep you informed closer to date as we get to that point.

**Yash Agarwal:** Just 1 last question on flex-fuel motorcycle segment. So what has been the initial response to it? And how much contribution do you expect from-flex fuel segment going forward in the mid-term?

**Harshavardhan Chitale:** No, I think great question. From the date we launched or started shipping it being a little over 2 months, and we have done close to 15,000 dispatches of flex-fuel vehicles. So right now, it's more of a controlled launch because you don't have E85 availability across the country. So we've started it in select dealerships. But we do see that even in areas where there is no E85 and in the normal fuel availability E20, customers are going ahead and buying flex-fuel vehicle because it's future proof and gives consumer flexibility to use different fuel blends as and when they are available.

**Moderator:** Ladies and gentlemen, we will take this as the last question for today. I now hand over to Mr. Harshavardhan Chitale for closing comments. Over to you, sir.

**Harshavardhan Chitale:** So thank you, thank you for joining us today. Again, wish you all best wishes for Diwali, you and your loved ones, and look forward to, again, talking to you next quarter. Thank you.

**Moderator:** Thank you. On behalf of Hero MotoCorp Limited and PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.